
Canada and the Global Network of Parliamentary Budget Officers

Usman W. Chohan

Many countries are considering the formation of Parliamentary Budget Offices to improve transparency in the budgetary process. They face stiff resistance from key political stakeholders. The divergence of opinion between PBOs and other branches of government has at times put the very existence of the institution at risk, and the very credible threat of reprisals by other governmental institutions through funding cuts, staff removal, or outright institutional abolishment have hung over PBOs like a perpetual Sword of Damocles. In order to promote collaboration among Parliamentary Budget Officers a conference was held in Montreal in June 2013. It consisted of a comprehensive series of lectures, workshops, group reflections, case clinics and debates that allowed participants to coalesce into an extremely active and highly motivated community. The PBO delegates to the seminar agreed to form a symbiotic group, henceforth known as the Global Network of Parliamentary Budget Officers (GNPBO), that would allow for dynamic information-sharing between members using a variety of cutting edge tools and collaborative mechanisms. This article looks at the key role Canada played in the seminar and the establishment of the GNPBO.

In the words of Sahir Khan, Assistant Canadian Parliamentary Budget Officer for Expenditure and Revenue Analysis, the PBO is an institution that can be likened to bitter medicine that faces stiff initial resistance from the legislative organism that it is trying to heal. The PBO will find political ‘antibodies’ pushing back this ‘foreign invader’ because of its astringent effects in the short-run, even though the legislature will be strengthened by a healthy dose of the Budget Office in the long-run. Furthermore, the PBO is an institution that speaks an alien tongue in the political arena: its vernacular is economics and finance, but it speaks to an audience that is accustomed to a political and legal orientation. Additionally, as political space is an inherently zero-sum equation, any political room that a PBO can gain as an institution has to come at the expense of some other political actor, which means that every inch of political space that it wrests away

‘encroaches’ on a previously entrenched political entity. In effect, the salubrious long-term benefits of the PBO are oftentimes ignored by parties that view the PBO as a *disruptive force* within the political paradigm, and Canada has been no exception to this phenomenon.

Ever since its establishment five years ago, Canada’s Parliamentary Budget Office has fought an uphill battle in terms of both establishing a reputation for solid analytical work as well as utilizing its limited resources for maximizing positive impact - and it has had commendable success on both accounts. With Parliamentary Budget Officer Kevin Page at the helm for most of this period, the small office of 14 people with a paltry \$2.8 million dollar budget has built an unassailable reputation for professionalism and has diligently worked towards improving transparency and oversight with a parliament that has more than \$250 billion in appropriations.

This success has, however, come at a price, and two noteworthy examples of challenges that the PBO has faced *ab incunabulis* are as follows: (1) The PBO’s assiduous analysis of Canada’s procurement of F-35 jets led them to forecast a \$30 billion expenditure for the project, double what the government had stated,

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and the PBO was subsequently vindicated for its robust analytical work; and (2) the PBO found the cost of Canadian participation in the Afghanistan war to be significantly higher than previously expected, thereby raising questions about the worth of the endeavour to Canada. These incidents put the viability of the PBO in jeopardy, largely through capping of funds available to the PBO, and the impartial and intellectually sound analysis of the PBO almost appeared to be a Pyrrhic victory. Nonetheless, the PBO has withstood these experiences and today continues to solidify its reputation for intellectual integrity.

As these examples show, the experience of the Canadian PBO, despite its *jeunesse institutionelle*, provides very valuable lessons for the Budget Offices of other countries. Furthermore, the challenges that Canada's PBO faces are not entirely unique to Canada. The issues that the Canadian PBO has confronted in the past, and continues to confront today, reflect a *universality* of challenges that other countries similarly must deal with. This is why other countries can draw from Canada's example and learn from its experiences when strengthening their budget oversight capabilities - *Amicus est tanquam alter idem*.

Therefore, in order for countries to draw from Canada's example, and in order for Canada's PBO to broaden its leadership role, there is a need for greater cohesion and communication between the Parliamentary Budget Offices. Accordingly, delegates to the Montreal seminar recommended that they form a *Community of Practice* that would bolster the technical capacity of PBOs through knowledge exchange, experience sharing, and the identification of best practices. In doing so, they also identified a roadmap for the Community of Practice's future.

A Glance at Canada's PBO

The seminar began with an enriching perspective on Canada's PBO from Sahir Khan. In this overview presentation, he provided the foreign delegates with

a glimpse into the political and economic dynamics which led to the inception of the PBO. An overarching theme in this exposition dealt with the ability to optimize the PBO's resources and conduct copious amounts of analysis in spite of capacity limitations. Yet despite these difficult odds, the Canadian PBO has managed to accomplish its mandate diligently due to three factors: (1) It is not indebted to a predetermined outcome, increasing its intellectual rigor; (2) It leverages top experts from around the world and goes to great lengths to solicit the expertise of the very best in the field wherever they may be; and (3) Due to the independent and non-monetary nature of their analytical work, they manage to get assistance *gratis* from independent entities.

At this juncture, Sahir Khan added that there are two major drivers for the growth of PBOs: (1) There is growth attributable to a decline in trust in the public sphere, and (2) there is a change in public expectations: the public is more conditioned to receive more data points; individuals are more prepared to choose *who* they want to believe. Sahir Khan then elaborated on some of the challenges that the PBO faces, including talent acquisition, budgets, and political opposition. He succinctly expressed it as follows: "For each issue that the PBO deals with, half of parliament will like what the PBO produces, and half won't; the problem is that it's always a different half".

The ePBO Platform

The Canadian delegation then proceeded to unveil one of the highlights of the seminar, a demonstration of the Canadian PBO's commitment to technological advancement: the ePBO, an online portal currently under development that will bring a groundbreaking collaborative element to the PBO Community of Practice. Sahir Khan indicated that the ePBO portal would create a *multiplier effect*: by using technology effectively, they would better leverage resources and "a small office of 14 people will start to look really big".



The seminar brought together Parliamentary Budget Officers, parliamentarians, academics and other experts from a dozen countries around the world.

The online portal will use the University of Ottawa's cloud-computing capacity, and several cutting edge technologies will be incorporated into its functionality, including Cisco System's *Web-X* platform for video conferencing, and *meta-tagging* for improving its search-engine accessibility. The ePBO will address two principal shortcomings: (1) it will enhance the ability of members to share technical content (the "nitty-gritty" of PBO work), and (2) it will allow mid-level staff i.e. those who are more closely involved with the regular and quotidian functioning of projects, to interact in a dynamic fashion. During the seminar itself, delegates were introduced to Collaboration for Development (C4D), a portal developed by the World Bank Institute for similar collaborative efforts, as a precursor to the ePBO.

Technical Assistance from the Canadian PBO

The Canadian delegation made two additional presentations that were highly appreciated due to their technical and performance-oriented nature, pertaining to improving access to data by Tolga Yalkin and to improving analytical tools in the budget process by Mostafa Askari.

The former focused on the research methodologies a PBO should employ, specifically with a view to acquiring information quickly and reliably while not burdening the resources of the PBO. One of the primary barriers facing all PBOs today is the limited access to vital information that they are given, a phenomenon often described as *informational asymmetry* vis-à-vis other branches of government. With respect to improved access to data, the stress was laid on the following elements: (1) a flexibility of approach should be adopted, such that there is a pursuit of alternative channels for obtaining data, thereby creating substitute mechanisms when stonewalled; (2) External assistance should be sought out (both judicial and parliamentary) so that encumbrances to procuring information are surmounted with greater ease; and (3) above all, to develop strong informal working relationships at all levels - the importance of the "human element" cannot be overemphasized in PBO research, as these personal touches can help to bypass informational hindrances in many instances.

Mr. Askari's presentation focused on improving a PBO's budget analysis tools, and the vital areas that were covered included budget analysis, tax analysis, estimates analysis, and costing models. The presentation expounded on several techniques for rigorously and efficiently studying major policy issues. Thereafter, various options for forecasting and financial modelling, which lie at the crux of astute

budgetary analysis, were studied. The emphasis was laid on the power of simplicity, for example: the *Phillips Curve* and the *Taylor Rule* are both functions of a mere handful of variables, but could have significant implications pertaining to interest rate and inflation projections, thereby allowing complex policy issues to be studied through simple yet powerful equations. Related parameters such as short- and long-term time horizons, financial modelling through NPVs, and other financial projection techniques were also covered in this presentation. In sum, a rich and technically-oriented presentation on financial modelling helped to expose foreign delegates to the sophistication embodied in the methodologies employed by Canada's PBO.

Canada's former Parliamentary Budget Officer, Kevin Page shared his rich experience in launching and maintaining Canada's PBO over the previous five years. His role in spearheading the PBO is insufficiently appreciated, given that the rise of the Canadian institution as a champion of independent and impartial analysis occurred under Mr. Page's leadership.

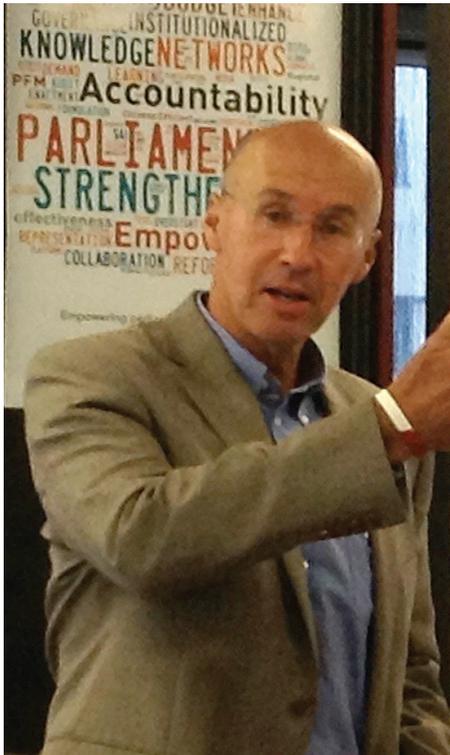
Describing his job as the five richest years of his 30-year career, Kevin Page drew generous applause from the audience when he framed the role of the PBO in the grander scheme of things, asking "What institutions are we leaving to our kids? What is our hand-off in transparency to the next generation?" and stating that "The future is not secrecy, the future is transparency; we are helping create the future."

What we need to ask ourselves today is what institutions are we leaving for our children, and what is our institutional hand-off to the next generation. Remember, there is no downside to building stronger democratic institutions

Kevin Page
Former Parliamentary Budget Officer, Canada

He put things into context for delegates by saying that "In my time, trust has never been lower in institutions. So this is [the field] where you want to be", and reiterating that it is not possible to "put a price tag or monetary value to the good that we do". Referencing *Why Nations Fail*¹, he pointed to one of three factors that cripples prosperity, namely *when legislatures cannot hold the executive to account*, and thereby highlighting the importance of PBOs as they strengthened legislatures to contribute to the very essence of prosperity.

Kevin Page succinctly expounded three salient lessons derived from his PBO career, namely: (1) doing quality work - “that is your insurance at the end of the day; (2) communicating effectively and explaining what you’re doing - “don’t be the dog barking at the moon”; (3) and develop a thick skin, as confrontations with government are par for the course in this job.



Kevin Page

Universality of Issues

Thanks to the presentations provided by the Canadian delegation, foreign delegates were able to juxtapose their own experiences with those of Canada and arrive at the resounding conclusion that the challenges facing PBOs are universal in nature, with broad congruence across countries in spite of geographical and political differences. An enumeration of the major areas of commonality identified include: political pressures, talent acquisition, resource shortfalls, and information asymmetry. Multiple countries voiced personal grievances pertaining to each of these concerns. Uganda and South Africa gave the example of difficulties in both acquiring and retaining talent, stating the attrition rates of analysts was extraordinarily high. Liberia, Nigeria and Zambia

spoke of the resource shortfalls in their PBO budget, stating that even the barest of necessities often proved elusive. Thailand gave the example of political difficulties faced under a legislature dominated by a single party, including information asymmetry, while Uganda spoke of the concerns about repealing the Budget Act which had led to the formation of Uganda’s PBO. In sum, the issues that Canada had raised were not uniquely Canadian but drew wide appeal and concretized the sense of solidarity among member delegates.

In Uganda, we have had a PBO for over twelve years, and the institution was born from a protracted legislative procedure. However, now the Budget Act could be repealed in Uganda, so we found the support of our colleagues here very comforting and encouraging; and we hope that the PBO institution prevails in Uganda.

Samuel Huxley Wankaya,
Director of the Parliamentary Budget Office,
Uganda

Lisa von Trapp of the OECD presented several examples of models for fiscal councils adopted within the OECD, and spoke about the different mechanisms that could help engender an effective Community of Practice. The delegates divided themselves into five working groups that tackled various issues related to community formation, including its mandate, activities, networking capabilities, and deliverables. The working groups presented their findings and a timeline was drawn out which assigned various tasks to participants over a 12-18 month horizon going forward. Thus, the *Global Network of Parliamentary Budget Offices* was born.

Notes

1. Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Crown Publishing, New York, 2012.