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Evaluating IFI Practices

PBO's Strategic Review Self-Assessment

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Problem Definition

- Legislatures are constitutionally required to hold the government to account
- Legislatures normally suffer significant information asymmetry relative to the executive branch
- IFIs can address this asymmetry by providing decision support information to legislatures

IFIs are a growth industry

- Significant growth in IFIs over the past five years, trending upwards
- IFIs can and do play an important role in supporting legislative scrutiny, enhancing debate and holding the government to account
- Need to develop mechanisms now to support growing number of IFIs in delivering high quality outputs



Why Evaluation?

- OECD IFI Principles provide a framework for good practices
- Good practices lead to high-value outputs
- Are the outputs of sufficient value to solve the asymmetry problem? Do they meet the decision-support needs of the legislature?



OECD IFI Principles Summarized


- *Local Ownership*: National support, addresses local needs
- *Independence and Non-partisanship*: Free from policy-making, non-partisan leader selection, appropriate remuneration, staffing based on technical competence, office separate from the executive branch
- *Mandate*: defined in legislation, clear links to the budget process, IFI has scope to determine its own work
- *Resources*: resources commensurate with the mandate, with some guarantee of permanence
- *Relationship with the legislature*: clear accountability and reporting mechanisms to the legislature and its committees
- *Access to information*: legislated access to all relevant information, along with clarity around any restrictions
- *Transparency*: independent communication mechanism, reports published in author's name, including methodology, peer reviewed, in time for legislative debate


Canadian evaluation example...

- PBO was asked to submit a proposal to the LOP executive committee for its share of the Budget 2012 spending reduction plan
- This prompted PBO to undergo a self-assessment of its performance
- PBO adopted Treasury Board's Strategic Review process: a regular review of existing programs against government priorities



Strategic Review Input-Output-Outcome Model

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1. Government's Objective
 2. Legislated Mandate
 3. Program Activities driven by legislation
 4. Inputs Required for program activities
 5. Outputs of program activities
 6. Alignment of Outcomes of program activities to the strategic outcome/government's objective



Government's Objective - Ensuring truth in budgeting with a Parliamentary Budget Authority

- Making the Government more accountable to Parliament and Canadians by improving the transparency and credibility of the Government's fiscal forecasting and budget planning process
- Increased transparency better enables Parliament to better hold government to account.

Legislated Mandate / Program Activities

- PBOs program activities are directly linked to the legislated mandate:
- PA-1: Provide independent analysis on the state of the nation's finances
- PA-2: Provide independent analysis on trends in the Canadian economy
- PA-3: Provide independent analysis on the government's estimates (i.e. planned expenditures)
- PA-4: Estimate the financial cost of any proposal that relates to a matter over which Parliament has jurisdiction



Inputs vs. Mandate

- PBO's legislated mandate similar to counterparts in the US, Australia and UK
- PBO has the widest scope of other jurisdictions when comparing the size of GDP and annual appropriations with staffing and resource levels
- Relative to IFIs with comparable mandates and scope, Canada's PBO is the smallest both in terms of staff and budget



Inputs to outputs (practices)

- PBO analysts are highly experienced and specialized. Senior resources must do “double duty” (manage + produce reports)
- Extensive leveraging of external specialists
- Low-cost electronic publishing model

Inputs to Outputs (Practices)

- No formal evaluation process - adhere to the OECD IFI principle of transparency
- Forecasting track records, fan charts and risk analysis are all posted to the Web site
- Costing projects peer-reviewed, assumptions and data publicly released
- Publish results of our internal strategic review

Output/Outcome measurement

Report /Output

- Fiscal sustainability of OAS changes
- Sustainability of changes to Canada Health Transfers
- Independent Economic and Fiscal Outlook included quantification of risk and uncertainty

Outcome/Impact

- OAS was fiscally sustainable- policy changes debated on other merits
- Changes result in long-term fiscal sustainability for federal government; but not provincial governments
- Risk and uncertainty 'fan charts' underpin questions at Finance committee

Output/Outcome measurement

Report /Output

- Committee testimony on changes to Expenditure Management System
- Cost estimate of F-35 fighter jets
- Lapse projection of the Infrastructure Stimulus Fund program

Outcome/Impact

- All-party consensus mirrors PBO recommendations
- Commitment to purchase under review
- Program deadline was changed to accommodate project delays and avoid a large lapse



Information asymmetry in Canada

- Budget 2012 spending reductions not made available
 - PBO is in court with the government to release the details
- F 35 acquisition cost details not provided to PBO
 - Auditor general found that government's internal cost estimates were similar to PBO's, but were not made public
- Crime legislation was deemed by government to be of no cost
 - When PBO analysis found significant costs, government admitted that the legislation would have fiscal impact



General conclusions on IFI review

- PBOs review provided evidence of the effectiveness of our practices and resource allocation to support an informed decision on future PBO budgets
- A broader review could focus on operating practices against OECD IFI principles, examining structural and political realities of the IFI relative to its ability to undertake activities
- Can learn/adopt from other organizations' peer review and evaluation processes (e.g. INTOSAI)

Challenges to IFI evaluation

- Appropriate frameworks for measurement of performance need development
- IFIs have diversified mandates, governance and outputs
- Wide variation in political environment's ability to tolerate oversight and competing analyses, especially those contradictory to government's



Possible Next Steps...

1. Create a practices sub-committee of the working group to support development of practices of IFIs?
2. Expand scope of OECD country reports to assess practices of IFIs relative to OECD principles for IFIs?
3. Explore alternative evaluation frameworks to support peer-reviewed or peer-delivered IFI practice evaluations?