

Chairman,

It is indeed an honour for me to have the opportunity to address today's meeting, which brings together the chairpersons of the Parliamentary Finance Committees from across Europe. Oversight of the public finances, and of the annual budgetary process, goes to the heart of democratic accountability in any nation. Wars have been fought and revolutions have been founded upon such matters in ages past! You, ladies and gentlemen, represent the parliamentary supremacy in overseeing the national finances, and in bestowing legitimacy and authority upon all the budgetary actions and processes of governments. Today, the work of parliamentary finance committees is a fundamental, and routine, part of a country's annual and multi-annual procedures. As we know in Ireland, it is perhaps only when matters of controversy, and topical issues of interest, come to be tackled by Committees that the public are reminded of this important instrument of democracy. But the everyday work of your committees provides the assurance, which citizens require, that the workings of government are being scrutinised and that accountability is being exercised.

In my own view and experience, both as a member of Ireland's lower house of parliament and as a Minister of State, there are several ways in which the work of parliamentary budget committees can be, and should be, enhanced. I would like to take the opportunity this afternoon to reflect upon the many budgetary process reforms that are now underway at both a European and domestic level. This is obviously a very topical issue and with our current Presidency of the Council of the EU, Ireland will be playing a constructive role. I look forward to our discussion today and to hearing your views on these issues.

Overview of Domestic Budgetary Reforms

This Government has now been in office for 2 years. During this short time, we have introduced a number of budgetary reforms aimed at enhancing the openness and transparency of the budgetary framework and improving expenditure management across Departments.

In order to promote well-planned, sustainable and efficient spending, we introduced a Medium Term Expenditure Framework in the *Comprehensive Expenditure Report 2012-2014*, published in December 2011. The medium-term framework sets out fixed spending allocations for the next three years for each Department and promotes the responsible management of expenditure by all Departments through the use of incentives and transparent reporting requirements. Medium-term forward planning of this nature provides an opportunity for all stakeholders, and especially national parliaments, to step up their level of engagement in the national debate upon budget priorities.

In my experience, parliamentary committees need to know not just how much money is being spent. You need to know what is being delivered, how efficiently, and with what impact upon public service outcomes. That is why the Irish Government has placed increased emphasis upon the performance and delivery of services right across the public sector. We have modernised the annual Estimates process, building performance information into the heart of the budgetary documentation. This is in keeping with the broader Government commitment that performance information should feed into the decision-making process at all levels, and that active performance management should be a key feature of how projects are delivered and continually evaluated within the public service. It goes to the heart of

parliamentary oversight that Ministers and public service managers should be held accountable against clear targets set out in the budget.

In November 2012 my colleague, the Minister for Finance, introduced the *Fiscal Responsibility Act 2012* which came into effect on 31st December 2012. The Act imposes a duty on the Government to ensure that the budgetary rule and the debt rule, introduced as part of wider EU fiscal reforms, are complied with. The Act also puts the role of the Irish Fiscal Advisory Council on a statutory basis. The Council has been assigned the monitoring and assessment functions required of an independent national institution under the Fiscal Compact Treaty and going forward macro-economic forecasts must be independently endorsed by the Council. The reports of the independent Fiscal Council provide another useful perspective for the parliamentary committees in assessing how well the Government is managing the public finances.

Aside from these domestic reforms that have now been introduced, Ireland is committed to adhering to and implementing the wider fiscal reform measures that have been introduced across EU member states. In particular and with reference to the topic of today's discussion, let me turn to the recent introduction of the European Semester and the importance of this reform for national governments and parliaments and for the Union as a whole, in the context of the economic challenges that we all face, and that you have discussed at this morning's session.

The European Semester under the Irish Presidency

In January 2013, Ireland commenced its 7th EU Presidency. This year ushers in a new phase in the European Union's drive for recovery. The crisis revealed how closely linked European economies are and how we must work

to respond to the common problems we face. We, in the Union, must ensure that we structure our framework to match the reality of our increasingly interconnected economies. Furthermore, we must seek to strengthen our governance and invest in growth and job creation. Ireland will bring to this six-month term in office, our experience in securing fiscal and economic stability and we will play an active part in driving a pro-growth and pro-employment agenda across Europe. Equally important to the Irish Presidency is the establishment of more durable foundations for European economic and monetary stability, including the further development of the European Semester process.

As you are aware, the European Semester was first proposed by the European Commission in 2010 as a response to the economic crisis and was introduced across all member states in 2011. The aim of the Semester is to coordinate the annual cycle of economic policies across member states and to ensure that discussions regarding fiscal policy, macroeconomic imbalances, financial sector issues, and growth-enhancing structural reforms take place before governments draw up their draft budgets and submit them to national parliamentary debate in the second half of the year.

The Semester process has been in place for just over a year now and while the 2012 process worked well, improvements could be introduced to enhance it. The Cypriot Presidency prepared a Synthesis Report on the lessons learned during the Semester, based on discussions within various Council formations. The Irish Presidency has taken into account the findings of the Synthesis Report and has prepared a roadmap for the 2013 Semester, which was presented to the General Affairs Council on 11 December 2012. A number of key procedural improvements were identified in the roadmap, including the need for the greater involvement of

parliaments, both at European and national levels, as well as other relevant stakeholders.

During our tenure as Presidency of the Council, Ireland will seek to implement the Roadmap and to act in accordance with the recommendations contained in the 2012 Synthesis Report. It is also intended that the Irish Presidency, working in co-operation with the Council Secretariat, will prepare a synthesis report of Ministerial discussions at sectoral Councils regarding the Annual Growth Survey and the delivery of the Europe 2020 programme. This will be presented at the Spring European Council and will provide an opportunity to focus attention on actions that need to be taken by the EU and Member States to support economic recovery in Europe together with the jobs and growth agenda.

The “two-pack”, which has just been agreed at EU level, reinforces the European Semester process and introduces a common budgetary timeline for all Euro-area Member States both in relation to the publication of the national budget and the enactment of the legislation. Under the terms of the “two-pack,” member states will be required to publish their national draft budget no later than mid-October each year and the corresponding legislation must be passed by 31 December each year. The precise implications of this arrangement for Ireland’s traditional budgetary process are now being examined.

Democratic accountability and Legitimacy

All of these EU-wide governance reforms will mean little unless they are accompanied by stronger vigilance and oversight at the national level. It is crucial that both the national and European Parliaments are involved in order

to ensure that further integration is conferred with democratic legitimacy and accountability.____The President of the European Council, Mr Herman Van Rompuy, has correctly identified democratic accountability as one of the four ‘pillars’ of economic and monetary integration.

The European Council in its December Conclusions also highlighted the importance of ensuring democratic legitimacy and accountability throughout the process of reform. The Conclusions stated that at the national level, moves towards further integration of the fiscal and economic policy frameworks would require Member States to ensure the appropriate involvement of their parliaments.

This approach is one which the Irish Government is strongly committed to. We have already introduced reform initiatives to step up the involvement of Oireachtas Committees in the annual Estimates process.

Whole of Year Budgeting and the role of Oireachtas Committees

In December 2011, my colleague the Minister for Public Expenditure & Reform, Brendan Howlin, announced a new ‘whole of year budgeting’ process as a key component of the new Medium Term Expenditure Framework. As part of the Medium Term Framework, multi-annual expenditure ceilings are set out for each Minister and Department and these ceilings form the basis upon which the Estimates process proceeds each year. On 28 September 2012, the Government published the *Ministers & Secretaries (Amendment) Act 2012* which will put the Ministerial expenditure ceilings onto a statutory footing, once it is enacted.

The ‘whole of year budgeting’ process enables Oireachtas Committees to participate in the annual Estimates process in an *ex-ante* fashion with

Departments, from the early part of each year – rather than wait until detailed Estimates are published, and discuss these Estimates in an *ex post* fashion. Committees are now in a position to engage with Ministers and their Departments to exchange views on how the fixed allocations for future years should be allocated to best effect. These perspectives can then be taken into account by Government as the Estimates allocations are considered over the remainder of the year.

As the annual Estimates process becomes more advanced, Oireachtas Committees will have further opportunities to engage on specific policy proposals. The Committees will be informed by the range of Value-For-Money Reviews and focused policy analyses generated on an ongoing basis as part of the Government's new Public Spending Code. The Estimates for the coming year will then be published as part of the annual Budget process having been informed by the input of the Oireachtas Committees over the preceding year.

Concluding Remarks

A core principle running through the reforms that our Government has recently introduced is that, in a democracy, better decisions are made when policy-makers are held to account, and when the policy making process is subject to parliamentary oversight, analysis and participation.

This new whole of year budgeting process is in keeping with the evolving EU economic governance framework and I will continue to actively encourage the engagement of Oireachtas Committees throughout the annual budgetary process.

The overall package of reforms introduced in Ireland – including the medium term framework, multi-annual expenditure ceilings, fiscal rules and the independent Fiscal Advisory Council – will complement the new EU economic governance framework. Naturally, processes and procedures are not a substitute for political decision-making. Governments right across Europe will still have to introduce difficult measures in the short term, in order to secure our longer term prosperity, and budgetary reforms will make those decisions no less difficult and no less painful. Nevertheless, the budgetary correction process is a national endeavour, and collectively we can make the most rational and well-considered choices when all the perspectives in the national parliament are focused upon this objective: when economic issues, social impacts and matters of equity are brought into the open and debated. That, in my view, is the real benefit of the budgetary reforms we have been discussing.

I am conscious, however, that I am in the presence of distinguished chairpersons of parliamentary committees from right across Europe, and indeed distinguished academics, and I have no doubt that your experience and your expertise can shed further light upon the future directions for reform in this area. Let me conclude therefore by welcoming you warmly once again to Dublin, and by wishing you well on today's discussions which I have no doubt will prove insightful and productive. I look forward to participating in a stimulating debate.

Thank you.