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Independent Fiscal Institutions in the EU Member States: The Early Years

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Independent Fiscal Institutions in the EU Member States

The Early Years

László Jankovics and Monika Sherwood

Abstract

This study takes stock of the early history of independent fiscal institutions (IFI) in the EU and draws horizontal lessons for the future from the experiences of Member States. First, it briefly recalls how the consensus of the economic literature about well-designed IFIs was reflected in the EU legislation which prompted the spread of IFIs across the whole EU. The paper then describes the significant differences between IFIs across the Member States in terms of the breadth of their mandates, their resources, their visibility in public debates etc. Subsequently, the paper zooms in on two core tasks of IFIs: i) their production or endorsement of the official macroeconomic forecasts used for fiscal planning, and ii) their assessment of national compliance with numerical rules. Qualitative and some tentative quantitative evidence suggest that in the early years of their operation, IFIs have already played a useful role in national budgetary processes, although some common challenges remain present. The discussion paper concludes with a number of potential ideas for strengthening the role of IFIs to the benefit of sound fiscal policymaking. These include, most notably, ensuring more appropriate independence safeguards, improvements in the forecast endorsement process, a more timely and comprehensive monitoring of numerical rules, as well as a broader application of the comply-or-explain principle in relation to IFIs' assessments.

JEL Classification: E62, H61, H68.

Keywords: national fiscal frameworks, fiscal governance, independent fiscal institutions, fiscal councils, endorsement of forecasts, monitoring of numerical rules.

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1. SUMMARY AND CONCLUSIONS

The recently enhanced EU fiscal governance framework broadened the role and formalised the tasks of national independent fiscal institutions (IFIs) in an attempt to foster budgetary discipline and to increase national ownership of EU fiscal rules. This was done in line with the emerging consensus among economists that there are strong complementarities between IFIs and fiscal rules and that independent ‘fiscal watchdogs’ help to improve accountability and fiscal transparency. Enhancements to the EU’s fiscal policy framework since the crisis, including the adoption of the ‘Six-Pack’, ‘Two-Pack’ and the Fiscal Compact, provided a decisive impetus for establishing IFIs in almost all Member States by mid-2017. While most countries established standalone bodies, the mandate of existing institutions in some Member States was broadened to account for the new requirements.

European legislation sets only general criteria that IFIs need to fulfil. As a result, these institutions differ significantly from one Member State to another in terms of the breadth of their mandates, the size of their personnel and financial resources, their level of visibility in the public debate on fiscal issues etc. IFIs perform a broad spectrum of tasks including macroeconomic and budgetary forecasting, assessment of compliance with fiscal rules, policy costing, analysis of long-term sustainability, promotion of transparency, and recommendations on fiscal policy. However, virtually all IFIs contribute to monitoring compliance with national fiscal rules and/or to macroeconomic forecasting for fiscal planning purposes. Quantifying the impact of IFIs on concrete fiscal outcomes is a complex matter due to the difficulty of disentangling their direct influence from other elements in national fiscal frameworks. Nevertheless, anecdotal evidence suggests that they have already played a useful role in the budgetary process, most notably through their involvement in the production/endorsement of macroeconomic forecasts underpinning fiscal planning (the accuracy of macroeconomic forecasting may have improved since 2014 albeit with important caveats) as well as through their monitoring of compliance with fiscal rules.

Despite their early successes, IFIs in the EU appear to be facing some common challenges. Appropriate legal independence safeguards and robust access-to-information clauses are needed to ensure that IFIs can play an effective watchdog function in the domestic arena. The process through which IFIs endorse government macroeconomic forecasts could be done in steps (so as to disentangle the baseline scenario from the impacts of new policy measures) and could benefit from formal reconciliation mechanisms to handle any divergent views. Additional policy gains could be reached if IFIs were more formally engaged in the production/endorsement of budgetary forecasts. Timely and more comprehensive monitoring of numerical rules by IFIs, at least at the general government level, should at least increase the reputational costs for governments that violate the rules. In relation to the main tasks discharged, a more visible fiscal dialogue, through a more widespread and broad application of the comply-or-explain principle, could further enhance the contribution of IFIs to fiscal policy-making. In the future it may also be useful to consider broadening their scope of activities to include issues such as the quality of public finances.

2. INTRODUCTION

The drive to strengthen EU Member States' public finances in response to the economic and financial crisis has brought to the fore the role of national independent fiscal institutions (IFIs) and has rapidly raised their profile to being one of the key planks of reinforced national fiscal frameworks in the EU. The importance of involvement of the IFIs in the budgetary processes across the EU Member States has been increasingly acknowledged both by the economic literature and policy-makers in the recent years. Admittedly, disentangling (let alone quantifying) IFIs' direct impact on concrete fiscal outcomes is a complex task as numerous other country-specific factors are involved. Nevertheless, a discussion on the lessons learned and identification of possible best practices from the early years of IFIs' operation in the EU is certainly warranted as conclusions of such a reflection could help reaping greater benefits from their involvement in the fiscal policy process.

Thus the purpose of this discussion paper is to inspire a debate on the role the IFIs have played so far in the budgetary process and on how to make them more effective in discharging their duties in the future. In particular, the note was prepared as analytical support to the dedicated thematic peer review held under the aegis of the Alternates of the Economic and Financial Committee on 4 May 2017. It did not aspire to give an unequivocal verdict as to what type of a set-up and engagement of an IFI in the budgetary process works best and therefore it does not include any ranking of such institutions. Nevertheless, an attempt was made to present some insights into the effects of IFIs' operation, in particular in terms of their core activities, namely producing or endorsing macroeconomic forecasts underpinning budgetary planning as well as monitoring compliance with fiscal rules. IFIs differ significantly from one country to another in terms of the set-up, mandate, resources, degree of visibility etc., reflecting differences in national political, administrative and budgetary arrangements. In spite of this variety, which should be preserved, there are potential valuable lessons that the Member States could learn from each other's experience. The conclusions from this debate could then be used in the reflection, both at national and European levels, on improving IFI's standing in the budgetary processes and increasing their effectiveness in individual countries.

This paper is organised in the following way. The next section presents the rationale of the IFIs and its reflection in the legislation at European level. Section 4 discusses the main features and working relations characterising IFIs, putting stress on their variety. Section 5 gives some initial observations and lessons learned from the early years of operation of the EU IFIs. Finally, Section 6 concludes and puts forward several proposals as to how to make IFIs more effective.

3. THE RATIONALE FOR IFIs AND ITS REFLECTION IN THE LEGISLATION AT EUROPEAN LEVEL

3.1. THE ECONOMIC RATIONALE FOR IFIS

Discretionary fiscal policy was consensually identified in the economic literature as suffering from two interrelated shortcomings: deficit bias and pro-cyclicality. The persistent deviation from an optimal policy path, resulting in sustained debt accumulation, has primarily been explained by political economy considerations,¹ ranging from fiscal illusions by an ill-informed electorate to the time inconsistency phenomenon, and more recently including models on indebtedness as a strategic tool by incumbents to limit the fiscal space of successor government. Partly linked to this, the pro-cyclicality of fiscal policy, especially as regards good economic times, has also been convincingly documented,² which entails two important drawbacks. First, pro-cyclical policies tend to exacerbate the volatility of output and employment, thereby depressing the accumulation of capital via increased uncertainty. Second, they lead to insufficient elbowroom for cyclical downturns, essentially undermining the stabilisation function of fiscal policy.

Fiscal rules and IFIs have recently emerged as complementary institutions to address the deficit bias and more generally the pro-cyclical policy stance. While fiscal rules were typically introduced first in order to address the above described fiscal biases, a growing awareness of disappointing outcomes in terms of fiscal rule enforcement put the spotlight on the potential benefits of independent bodies as an additional feature of the fiscal landscape (i.e. not as a substitute for fiscal rules). In fact, IFIs can tangibly increase the level of scrutiny and visibility of numerical rules. Also through their continuous monitoring, IFIs are expected to promote transparency and accountability, thereby reducing information asymmetries and raising the quality of fiscal policy debates. Indeed, a recent IMF (2017) empirical paper showed that only fiscal rules equipped with independent monitoring arrangements were associated with lower sovereign debt financing costs. This result held even for countries with a mixed track record of fiscal responsibility.

IFIs are generally not meant to be granted formal policy-making competences, but the formulation of fiscal policy should benefit from the provision of time-consistent, high quality analytical outputs. Debrun et al (2009) proposes differentiating between two distinct models of independent public bodies, depending on the scope of their intervention in fiscal policy: ‘Independent Fiscal Authorities’, which are entrusted to set annual budgetary and debt targets or even to adjust the level of taxation and public expenditure; and ‘Fiscal Councils’, which can shape fiscal policy by independent analyses, projections and advice. Noting the atypical case of Hungary,³ the IFIs in the EU belong to the latter type. This being said, the idea to delegate fully or partly the budgetary powers to independent fiscal institutions or non-elected technocrats is recurrently put forward (famously proposed by Wyplosz (2002), see also a recent example by Larch (2016)), which, however, could be criticised from both theoretical and democratic legitimacy point of views.

A key question surrounding the decision to create a fiscal council is: why would such an entity have a potentially greater disciplining effect than other existing bodies active in fiscal policy analysis? In many countries, a number of official entities (such as national audit offices or central banks) or other/private entities (independent research institutions and academic bodies) had potentially already been influential through vigorous participation in public policy debates. However, the resulting scattering of different watchdog functions across heterogenous institutions could weaken

¹ For a recent survey of the related political economy models, see Alesina — Passalacqua (2015).

² See e.g. Turrini (2008) for the euro area evidence.

³ The Hungarian Fiscal Council has a constitutionally enshrined veto right over the annual budget bill if it detects ex ante non-compliance with the domestic debt reduction requirement (exercised via the procedural rule that the final parliamentary vote on the draft cannot be organised without the consent of the body).

their potential impact. Indeed, the establishment of a fully-fledged fiscal council enables the pooling of local expertise (creating analytical synergies) and access to financial and informational resources (including access to confidential data) not otherwise available to unofficial bodies.

There is an evolving literature attempting to measure the effectiveness of IFIs. Even though the relevant studies underline the difficulty of a proper assessment against the backdrop of the IFIs' relative novelty and their considerable heterogeneity, some tentative conclusions can be drawn. Based on a stylised model showing how a fiscal council can effectively promote fiscal discipline, Beetsma and Debrun (2016) examine to what extent the key characteristics of IFIs, as contained in the IMF dataset,⁴ are in line with the model-inspired ideal type. The dimensions, which are considered key to the effectiveness of IFIs, are the following: (i) breadth of the mandate; (ii) ability to communicate freely; (iii) the channels of direct influence on the budgetary process; and (iv) statutory as well as functional independence. Overall, the paper finds that three-quarters of the IFIs analysed broadly possess the features which are indispensable for an effective operation. In the remaining cases, typically the independence dimension is most in need of reinforcement.

Empirical studies suggest that the mere existence of IFIs is not by itself conducive to sound public finances. Based on the previous version of the above-mentioned IMF dataset, Debrun-Kinda (2014) empirically investigate whether the observed design of independent bodies possesses a discipline-enhancing power. Overall, they conclude that only well-designed IFIs are associated with better fiscal outcomes and less biased forecasts.⁵ Specifically, key identified characteristics are (i) the independent functioning; (ii) a visible presence in the public debate; (iii) the mandate to monitor numerical rules; and (iv) to assess/produce the official macro-fiscal forecasts.

The impact of a given IFI on fiscal performance also depends on country-specific factors. In this context, Calmfors (2015) points out that if the primary source of the deficit bias has traditionally been various types of informational problems (e.g. fiscal illusions stemming from the insufficient understanding of the government's budget constraint, including common pool issues, or failures to timely detect unsustainable booms), the activities of an independent fiscal institution would likely serve to mitigate the underlying causes of fiscal profligacy. However, if other motives resulting in deliberate policy choices dominate the deficit bias (e.g. strategic indebtedness in the context of political polarisation or exploitation of future generations), the ruling authorities could be inclined to ignore or even push back their independent counterparts. In such cases, the effectiveness of IFIs is naturally more limited, although they could still elevate the reputational costs incurred by the budgetary authorities when opting for a less responsible fiscal behaviour.

Assessing comprehensively the effectiveness and impact of IFIs may require the passing of more time. In any circumstances, effectiveness assessments of fiscal councils are difficult to conduct in isolation, not least because the building blocks of each fiscal framework are intertwined with each other. Linking fiscal outcomes to IFIs' work is further complicated by the fact that these bodies do not have genuine decision-making competences. However, individual tasks of quantifiable nature, such as the accuracy of macroeconomic forecasts or costing estimates, can be evaluated ex post more frequently. In this context, it is commendable that some of the IFIs (UK-OBR, IE-IFAC⁶) recently benefitted from an independent external review of their operation, the results of which were

⁴ The analysis covered 30 fiscal councils, out of which 21 were from the EU (for the excluded ones, too much information was missing). According to this ranking, the two most effective IFIs are the UK Office for Budgetary Responsibility and the Portuguese Public Finance Council.

⁵ The authors stress that even significantly positive correlations should not be interpreted as a causal relation as these may simply reflect deeper, often unobservable factors. Moreover, the limited time span for many of the IFIs in the database may also affect the empirical results.

⁶ The list of acronyms used in the note is provided in Annex 1.

published.⁷ This being said, it would take time and further methodological development to capture their aggregate contribution to sound fiscal policy-making.

3.2. LEGAL REQUIREMENTS FOR IFIs IN THE LEGISLATION AT EUROPEAN LEVEL

Capitalising on the envisaged benefits outlined in the literature, a decisive impetus for IFI development has been given by recent legislative initiatives at the EU level.

EU Directive 2011/85 on requirements for national budgetary frameworks⁸ introduced for the first time a reference to the need for involving independent bodies in the budgetary processes. The Directive was a component of the Six-Pack, whose purpose was to strengthen the EU economic governance, and resulted from a wide-spread perception that the strengthening of the EU architecture should go hand in hand with improving national budgetary frameworks. According to Article 6.1(b) country-specific numerical fiscal rules should contain specifications ensuring ‘effective and timely monitoring of compliance with’ them. The monitoring should be ‘based on reliable and independent analysis carried out by independent bodies or bodies endowed with functional autonomy vis-à-vis the fiscal authorities of the Member States’.

The structural balanced-budget rule of the Fiscal Compact came with enhanced monitoring tasks for designated IFIs in the signatory Member States. The inter-governmental Treaty on Stability, Cooperation and Governance (TSCG) in the Economic and Monetary Union entered into force on 1 January 2013 and its Title III, i.e. the Fiscal Compact, binds 22 Member States (euro area countries and, on a voluntary basis, Bulgaria, Denmark and Romania). Pursuant to Article 3(2) of the TSCG, in the Commission’s communication on national fiscal correction mechanisms⁹ detailed rules were laid down (so-called ‘common principles’) on the tasks and status of the ‘monitoring institutions’. According to the TSCG, IFIs are expected to provide public assessments: ‘(i) over the occurrence of circumstances warranting the activation of the correction mechanism; (ii) of whether the correction is proceeding in accordance with national rules and plans; and (iii) over the occurrence of circumstances for triggering, extending and exiting escape clauses’. The TSCG mandate features are further reinforced by two key requirements:

– The independence of ‘monitoring institutions’ is safeguarded through a number of additional criteria, namely: (i) statutory regime grounded in law; (ii) freedom from interference, whereby the monitoring bodies shall not take instructions and shall be in a capacity to communicate publicly in a timely manner; (iii) nomination procedures based on experience and competence; (iv) adequacy of resources and appropriate access to information to carry out the given mandate.

– The introduction of the ‘comply or explain’ principle — whereby the advice of these monitoring institutions would either be followed, or the government in question would explain why it departed from it. The explanatory statement of the common principles stressed that the principle would ‘ensure that assessments and opinions are not just ignored, without infringing on the policymaking responsibilities of fiscal authorities’.

⁷ The 2014 external review on the OBR is available at <http://budgetresponsibility.org.uk/topics/legislation-and-related-material/>, while the 2015 Irish review report is at <http://www.fiscalcouncil.ie/transparency-2/>.

⁸ Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States — OJ of 23.11.2011, L306/41.

⁹ Commission Communication ‘Common principles on national fiscal correction mechanisms’ COM(2012) 342 of 20 June 2012.

‘Two-Pack’ Regulation 473/2013¹⁰ conferred on IFIs a formal role in official forecasting and stipulated that compliance with all numerical fiscal rules in force in euro area Member States has to be monitored by IFIs. The Two-Pack, which only concerns euro area Member States, extended the applicability of the key design and independence-related requirements contained in the common principles associated with the Fiscal Compact to all IFIs in the euro area, be them responsible for monitoring the national numerical fiscal rules or formally involved in the production or endorsement of macroeconomic forecasts for fiscal planning (see Table 3.1). Moreover, IFIs monitoring compliance with national fiscal rules should provide public assessments with respect to those rules, among which the three types of assessments listed in the common principles (assessment of the activation of the correction mechanism for cases of significant deviation from the Medium-Term Objective or the adjustment path towards it, assessment of the exceptional circumstances, and of the way correction is proceeding). Importantly, the Two-Pack regulation also introduced the requirement for national medium-term fiscal plans and draft budgets of the euro area countries to be based on independently produced or endorsed macroeconomic forecasts.

Table 3.1: Legal requirements for independent fiscal institutions originating from EU legislation and intergovernmental treaties

Tasks	Member States
<ul style="list-style-type: none"> Monitoring of national fiscal rules to be conducted by independent bodies (R+D) Monitoring flanked with a correction mechanism for the structural balanced-budget rule (FC) Production or endorsement of macroeconomic forecasts used in annual budget and medium-term fiscal plans (R) 	AT, BE, CY, DE, EE, EL, ES, FI, FR, IE, IT, LT, LU, LV, MT, NL, PT, SK, SI
<ul style="list-style-type: none"> Monitoring of national fiscal rules to be based on independent analysis (D) Monitoring flanked with a correction mechanism for the structural balanced-budget rule (FC) 	BG, DK, RO
<ul style="list-style-type: none"> Monitoring of national fiscal rules to be based on independent analysis (D) 	CZ, HR, HU, PL, SE
<ul style="list-style-type: none"> No requirements 	UK

Notes: (D) = Council Directive 2011/85; (FC) = Fiscal Compact; (R) = Regulation (EU) No 473/2013
 Source: European Commission

It should be stressed that, in spite of all these European level requirements concerning IFIs, Member States have retained a significant degree of freedom in term of designing their own IFIs. Given that existence of IFIs in some Member States predated the legislative momentum at European level in that respect, but also as a recognition of the diversity of national fiscal and administrative settings, there was no attempt to impose a one-size-fits-all model in the EU legislation. The above-mentioned common principles of the Fiscal Compact, which were subsequently incorporated into the Two-Pack, only set general minimum criteria, leaving enough leeway for Member States to establish or maintain institutions fitting into their country-specific situation. Member States retain significant freedom in terms of the set-up, the mandate, the resources of their respective IFIs, as long as the general requirements are respected.

¹⁰ Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area — OJ L 140, 27.5.2013.

4. OVERVIEW OF EU IFIS' MAIN CHARACTERISTICS

4.1. STRUCTURAL CHARACTERISTICS OF IFIS (LEGAL BASIS, MANDATE, RESOURCES)

The scope of this note is limited to the institutions that were entrusted with tasks stemming from the EU legislation. It should be clarified upfront that the institutions referred to in the following chapters of this paper are those that have been specifically earmarked by Member States to fulfil requirements set out in European legislation regarding 'independent bodies' or 'monitoring institutions',¹¹ in particular the Budgetary Frameworks Directive, the Two-Pack Regulation 473/2013 and the Fiscal Compact. Almost all of these institutions participate in the Commission-facilitated EU Network of IFIs (EUNIFI) (see Box 1 at the end of this sub-section). Most of them are also members of the self-organised Network of EU IFIs. A complete list of the IFIs that this note encompasses is included in Table 4.2. Information contained in this section derives from several sources, in particular the relevant section of the European Commission's Fiscal Governance database, surveys conducted within the EUNIFI,¹² the European Commission's report on the transposition of the Fiscal Compact, IFIs' own websites as well as information obtained from IFIs at the occasion of biannual EUNIFI meetings. Effort was made to analyse IFIs' publications as extensively as possible, but it cannot be excluded that some information was omitted in the analysis, in particular due to the fact that certain IFIs' reports are available only in national languages.

Mainly driven by EU legislative requirements, the number of IFIs increased steadily in the recent past. Out of the 35 IFIs currently present in the EU Member States, as defined at the beginning of this section, only 10 were active in 2010. Following the operationalisation of the fiscal councils in Bulgaria and Greece in 2016, the latest arrival on the scene is the Slovenian Fiscal Council, whose members were nominated in March 2017. The Czech Republic is to nominate members of its Fiscal Council, for which the legal basis was adopted in January 2017. It is also worthwhile to add that in 8 Member States (Austria, Belgium, Greece, Finland, Luxembourg, the Netherlands, Slovenia and Slovakia), the tasks prescribed by the EU legislation have been entrusted to two different IFIs.

IFI essential characteristics have been designed with a view to ensuring their independence. A very large majority of such institutions rely on a statutory base grounded in ordinary legislative provisions or those of higher legal standing (in Estonia, France, Hungary, Ireland, Italy, Lithuania and Spain the IFIs are established through constitutional or organic laws). Implementing arrangements (relative to nomination procedures, operating rules, relations with other bodies etc.) are defined in legislation for more than half of the institutions. Terms of office for leadership are usually sufficiently long to foster independence of opinions and tend to be disconnected from the term of Parliament. Requirements for IFI decision-making members include qualification criteria, provisions aimed at avoiding conflicts of interest and incompatibility clauses between membership of IFIs and other public or private capacities. The following table provides a snapshot of the main characteristics of IFIs in the EU Member States.

¹¹ The inclusion of the UK Office for Budget Responsibility (OBR) constitutes an exception in that the UK is not subject to EU requirements in terms of independent fiscal bodies. However, the OBR has been included in the IFI group given the strong connections of its task portfolio with other equivalent IFIs.

¹² LU-STATEC has not submitted the response to the 2016 survey. Where relevant the responses to the 2015 surveys were used throughout the note.

Table 4.2: Main structural characteristics of IFIs

MS	Name	Est. (1)	Legal base	Terms of office (2)	Set-up
AT	Fiscal Advisory Council	2013*	Law	6 years	Attached to NCB
	WIFO	1927	None	4 years	Standalone
BE	Federal Planning Bureau	1959	Law	9 years	Standalone
	Public Sector Borrowing Requirement Section	1989	Law	5 years	Embedded in the High Council of Finance
BG	Fiscal Council	2015	Law	6 years	Standalone
CY	Fiscal Council	2014	Law	6 years	Standalone
CZ	Fiscal Council	2017	Law	6 years	Standalone
DE	Independent Fiscal Advisory Council	2013	Law	5 years	Attached to Stability Council
DK	Economic Councils	1962	Law	6 years	Standalone
EE	Fiscal Council	2014	Constitutional Law	5 years	Attached to NCB
EL	Hellenic Fiscal Council	2015	Law	6 years	Standalone
	Parliamentary Budget Office	2010	Law	5 years	Attached to Parliament
ES	Independent Authority for Fiscal Responsibility	2013	Organic Law	6 years	Standalone
FI	Performance and Fiscal Policy Audit Department	2013*	Law	6 years	Embedded in NAO
	Economics Department	2015*	Law	n.a.	Embedded in MoF
FR	High Council for Public Finance	2012	Organic Law	5 years	Attached to NAO
HR	Fiscal Policy Committee	2013*	Government decision	5 years	Attached to Parliament
HU	Fiscal Council	2011*	Constitutional Law	6 years	Standalone
IE	Fiscal Advisory Council	2011	Law	4 years	Standalone
IT	Parliamentary Budget Office	2012	Constitutional Law	6 years	Attached to Parliament
LT	Budget Policy Monitoring Department	2014*	Constitutional Law	n.a.	Embedded in NAO
LU	STATEC	2011*	Law	n.a.	Standalone
	National Council for Public Finance	2014	Law	4 years	Standalone
LV	Fiscal Discipline Council	2013	Law	6 years	Standalone
MT	Fiscal Advisory Council	2014	Law	4 years	Standalone
NL	Advisory Division of the Council of State	2013*	Law	Life	Embedded in the Council of State
	Bureau for Economic Policy Analysis	1945	Law	7 years	Attached to MoE
PT	Public Finance Council	2012	Organic Law	7 years	Standalone
RO	Fiscal Council	2010	Law	9 years	Attached to Romanian Academy
SE	Fiscal Policy Council	2007	Decree	3 years	Standalone
SI	Fiscal Council	2015	Law	5 years	Standalone
	Institute of Macroeconomic Analysis and Development	1991	Decree	5 years	Standalone
SK	Council for Budget Responsibility	2012	Constitutional Law	7 years	Standalone
	Macroeconomic Forecasting Committee	2012	Constitutional Law	n.a.	Standalone
UK	Office for Budget Responsibility	2010	Law	5 years	Standalone

Notes: (1) date of establishment, date may differ from date of effective start; (*) date of reform; (2) for leadership of institution (in case of different terms, for the President). Abbreviations: MoF: Ministry of Finance; MoE: Ministry of Economy; NAO: National Audit Office; NCB: National Central Bank.

Source: European Commission

IFIs are either detached (i.e. operating on a standalone basis) or attached to/embedded in existing domestic institutions. Across the EU, 21 out of 35 IFIs considered in this note (i.e. 60 %) function as standalone bodies while the remaining ones are either attached to or embedded¹³ in other institutions (typically national parliaments, central banks or courts of auditors, for details please refer to Table 4.2). A rationale for attachment is the need for stable funding, as the hosting entity can provide multi-year funding arrangements. The attachment to an existing entity also facilitates access to resources (offices, IT equipment etc.) and enables a smooth start-up. A number of provisions have however to be in place to ensure that IFI activities are properly ring-fenced from the general mission of the hosting entity. Specific communication challenges may also arise, as the hosted IFI has to develop a public identity of its own.

IFIs' mandates typically consist of all or some of the following tasks and activities:

1) *Macroeconomic forecasting (production/endorsement)*: producing the official macroeconomic forecasts is a resource-intensive process, involving skilled personnel and recourse to modelling, namely in the case of AT-WIFO, BE-FPB, LU-STATEC, NL-CPB, SI-IMAD and UK-OBR. The euro-area Member States where the official forecasts underpinning budgetary planning are not produced independently are required by the Two-Pack to have those forecasts endorsed by IFIs before they are formally incorporated into the budget. A detailed discussion will follow in subchapter 4.1.

2) *Budgetary forecasting (production/endorsement)*: a number of IFIs produce budgetary forecasts which are chiefly used as a numerical benchmark to assess the compliance of government's plans with fiscal rules (AT-FC, BE-FPB, DK-DORS, EL-HFC, IT-PBO, RO-FC). In the Netherlands, the CPB's budgetary forecasts constitute a reference point for fiscal planning, while the UK-OBR is producing the official budgetary projections in close cooperation with the UK Treasury. In addition, several IFIs are entrusted with the responsibility to officially endorse the government's budgetary forecast (BG-FC, CY-FC, EL-FC, HU-FC, LT-NAO and MT-FAC).

3) *Assessment of compliance with fiscal rules*: it is clearly recognised in the economic literature as a core mission of an IFI. An independent assessor is a crucial factor for the effectiveness of a given fiscal rule. Assessments typically include judgment on whether the rules have been followed in the past or whether the projected budgetary developments are in line with requirements. Apart from the few bodies tasked with producing the independent forecasts underpinning budgetary planning, virtually all IFIs are involved in assessing compliance with fiscal rules. A detailed discussion will follow in section 5.2.

4) *Quantitative policy costing*: it consists in providing — at various stages of the budgetary cycle — estimates of the budgetary impact of measures envisaged by fiscal authorities. Independent estimates are of great importance for the quality of the budgetary forecasts and could be essential to ensure an informed public debate. On the revenue side, accurate costing requires first-hand knowledge of the often complex tax legislation and access to non-public tax databases. On the spending side, it often relies on detailed data which only relevant line ministries responsible for spending programmes can provide. In this sense, costing consists in calculating 'from scratch' the impact of an envisaged measure (IT-UPB, NL-CPB and UK-OBR).

¹³ 'Attached' means that the monitoring institution has financial and organisational links with the host institution, whereas 'embedded' signifies that the monitoring institution is a section of the host institution. It should be noted that some of the standalone institutions (e.g. BG-FC, HU-FC, LU-CNPF) also receive administrative support from existing public bodies. .

5) *Analysis of long-run sustainability of public finances*: if existing stakeholders are not sufficiently informed about long-term sustainability of public finances, fiscal policy choices might be skewed at the expense of future generations. An IFI can therefore exert influence by putting forward its own calculations. While that analytical task could be carried out by research or academic institutions as well, the added-value of conferring it to an IFI lies in its capacity to properly integrate computations in a broader narrative supporting the general objective of promoting sound public finances. Therefore, clear synergies exist with other IFI tasks. Examples of IFIs active in the field include IE-IFAC, PT-CFP, SK-CBR and UK-OBR.

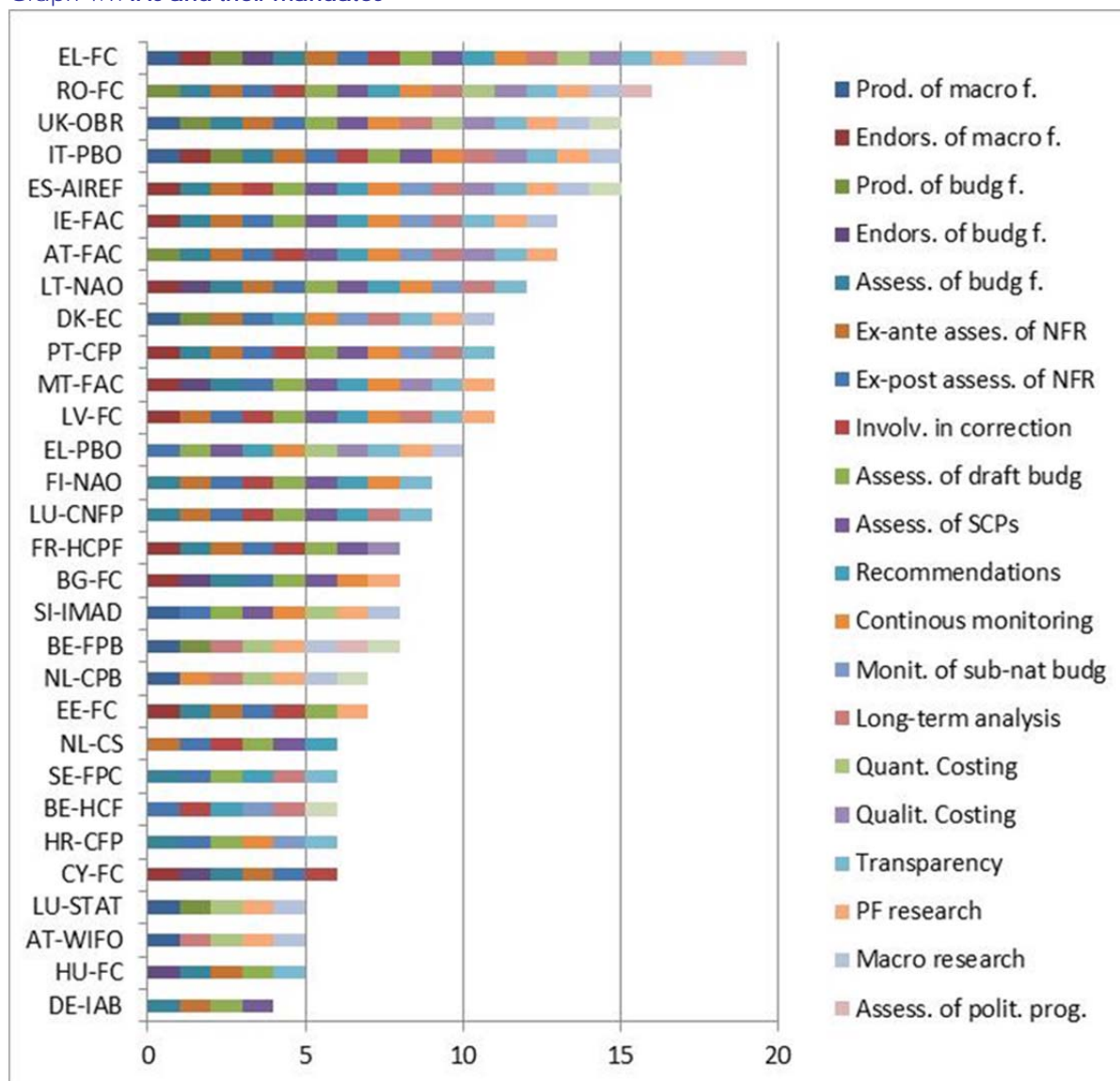
6) *Promotion of fiscal transparency*: in only a few countries there is an explicit mention about transparency as a self-standing objective for IFIs.¹⁴ This may be explained by the fact that fostering transparency may be indirectly fulfilled by discharging other tasks. However, many IFIs are pursuing this objective in practice and declare contributing to it (see subparagraph below). Examples of active IFIs in the field include ES-AIRef (with its interactive web-based Data Lab), RO-FC, SE-FPC, and SK-CBR.

7) *Recommendations on fiscal policy*: some IFIs have the remit to top up their rule compliance assessments with explicit recommendations on the fiscal stance, the composition (or even nature) of fiscal measures or the consequences of alternative policies. At the same time recommendations create ‘two-way’ accountability, by making IFIs accountable for fiscal outcomes if fiscal authorities were to follow their recommendations. Issuing recommendations involves difficult trade-offs and requires a well-established reputation. From the media perspective, it raises the profile of the institution beyond a technical body, with the consequence of becoming an actor itself accountable for the relevance of its policy advice. Examples of active IFIs in the field include AT-FC, BE-HCF(PB), LV-FDC and SE-FPC.

IFIs’ mandates differ significantly in breadth and, in addition, many of them declare performing tasks beyond those explicitly laid down in their statutory provisions (legislation or statutes). The heterogeneity of the IFIs’ community is represented in Graph 4.1. A significant number of IFIs refer to their involvement in other areas such as sustainability assessment, promotion of transparency and research. A typical example concerns fiscal transparency. As users of budgetary accounts, statistics and documentation, IFIs are well placed to assess the quality and timeliness of information on budgetary matters. For instance, IFIs have been advising governments on how to improve availability of fiscal statistics for the sub-national sector (DE-BEIR) or for health expenditure (IE-IFAC), to provide more detailed breakdown of the national medium-term budgetary framework document (EE-FC), to clarify the national methodology used to define one-offs (FR-HCFP) and to better quantify policy measures (PT-CFP, LV-FDC). Some IFIs have directly contributed to transparency and public awareness by taking own initiatives, for example by presenting the impact of tax expenditures (IT-UPB) or producing a guide on public finance for the public (UK-OBR).

¹⁴ In its founding ordinance, SE-FPC was tasked to ‘examine the clarity of the budget bills’. It shall also ‘review and assess the extent to which the fiscal and economic policy objectives proposed by the Government and decided by the Riksdag are being achieved and thus contribute to more transparency and clarity about the aims and effectiveness of economic policy’. It shall also ‘work to stimulate more public debate on economic policy’.

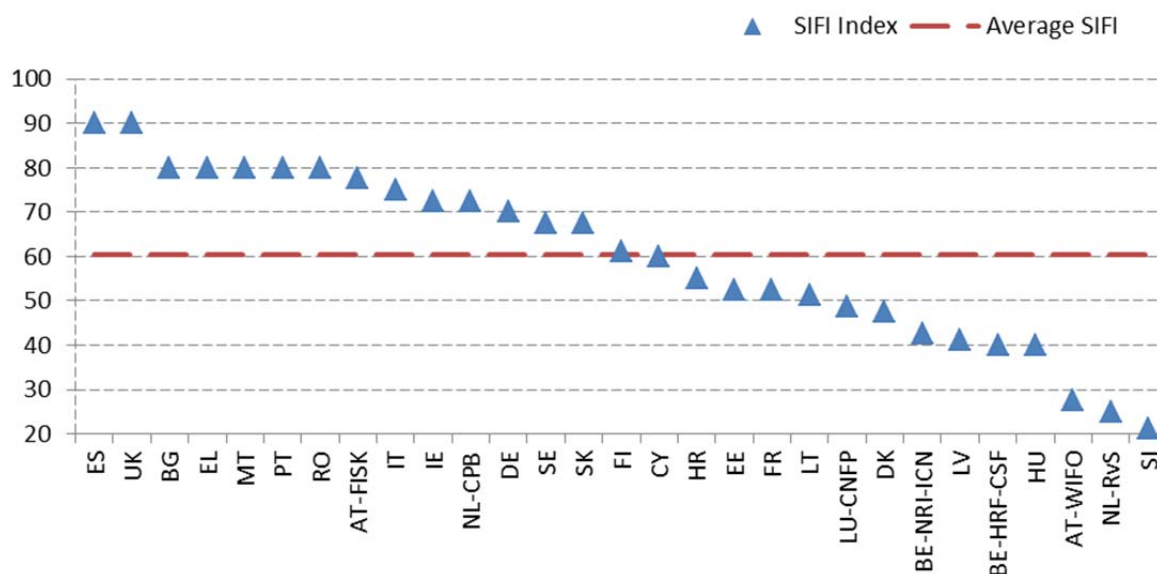
Graph 4.1: IFIs and their mandates



Source: EUNIFI survey 2016

Based on its Fiscal Governance Database, DG ECFIN has recently started calculating a Scope Index of Fiscal Institutions (SIFI) that aims to measure the breadth of tasks discharged by IFIs. The index covers six dimensions of IFIs' mandates: (1) monitoring of fiscal policy and rules; (2) macroeconomic/budgetary forecasting; (3) policy costing; (4) analysis of long-run sustainability of public finances; (5) promotion of fiscal transparency; and (6) normative recommendations on fiscal policy. The relevant scores in each category are adjusted with a 'legal force coefficient' in order to capture the elements of the official mandates. The scores are then weighted so that tasks stemming from the EU legislation carry greater importance. The computed SIFI values for the year 2015 range from 21 to 90, with an average value of 60 (see Graph 4.2). The distribution of institutions across the scale does not seem to reveal any meaningful grouping according to particular criteria (e.g. 'large' vs 'small' Member States, North vs South, 'old' vs 'new' or big vs small institutions). Also, an important disclaimer would be that while the results reflect the extent of the mandate and the emphasis therein on the EU-mandated tasks, they should not be read as a full proxy for the effectiveness of the respective IFIs.

Graph 4.2: The Scope Index of Fiscal Institutions (SIFI)



Source: Commission services

To be able to carry out their official mandate (and possibly other complementary activities) at appropriate standards and in a timely fashion, IFIs must be properly resourced. This concerns in particular the allocation of necessary budgetary means and the availability of a sufficient stock of skilled personnel.

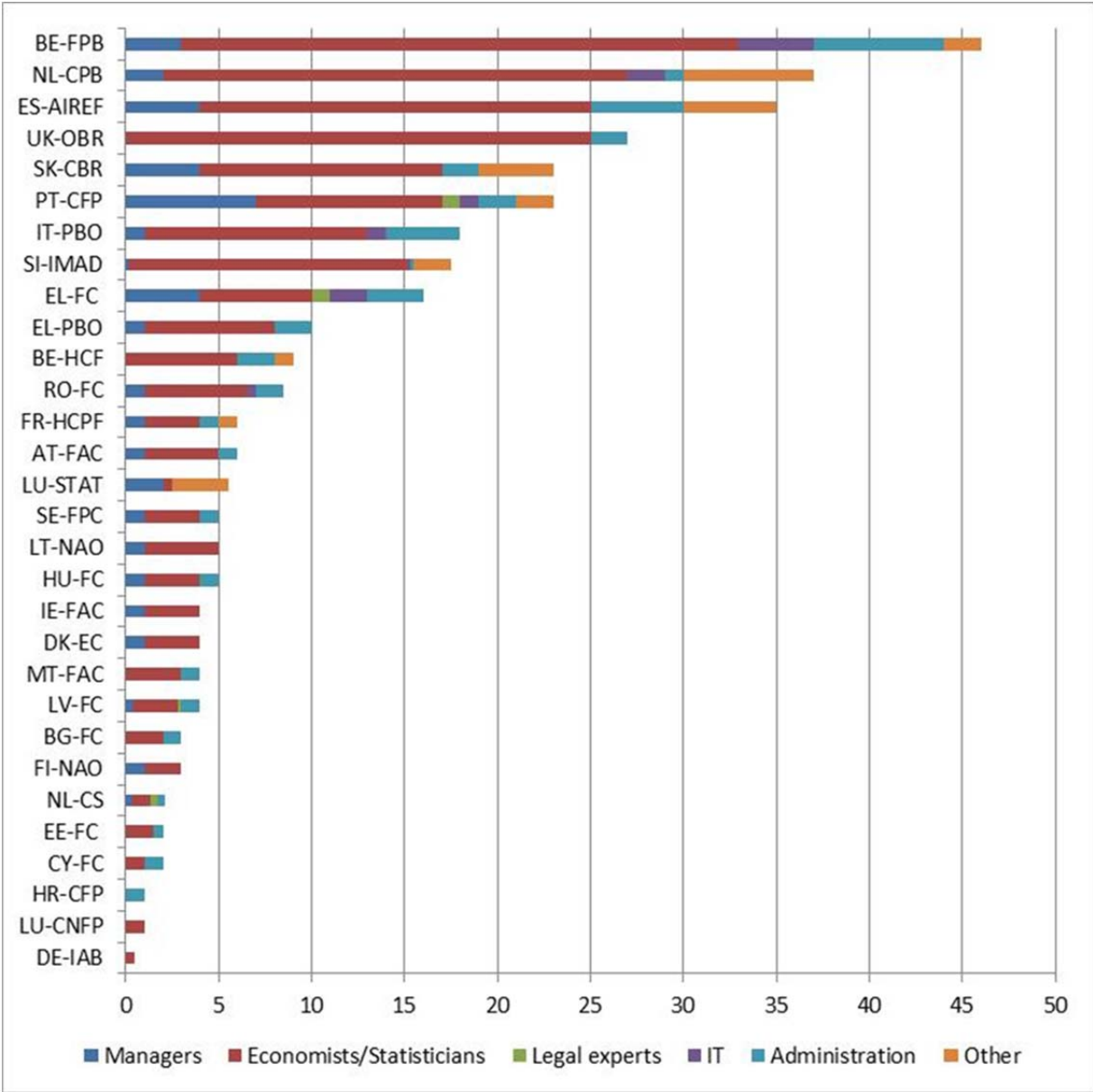
IFIs report a large variance in allocated budgets. While the average 2016 budget reaches EUR 1.6 million, the median budget is markedly lower at EUR 0.7 million. BE-FPB, ES-AIReF, IT-UPB, NL-CPB and UK-OBR can count on the largest annual budgets. The budgets of some of these institutions¹⁵ might be overstated as they may conduct tasks of economic expertise on behalf of the government, which are not linked to public finance. A share of the variance across budgets can be explained by the varying task portfolio and wage/price levels between EU Member States. Funding for standalone IFIs is typically included in the State budget or the Ministry of Finance’s budget; other examples involve the central bank’s budget (e.g. SK-CBR) or the parliament’s budget (e.g. BG-FC). In the case of hosted IFIs, funding is provided via an earmarked appropriation, either directly in the budget law or within the budget of the host institution. For three IFIs (IE-IFAC, IT-UPB and MT-FAC) an annual numerical amount is specified in their establishing law — respectively EUR 0.8 million, EUR 6 million and EUR 0.25 million. Predictable funding is a problem often cited by the IFIs and only around half of the EUNIFI members find their budgets adequate.

The IFIs’ human resources consist of the decision-making members and support staff undertaking the technical and administrative work. As regards the latter, most IFIs employ less than 10 staff. The total support staff of 31 IFIs participating in the EUNIFI was equal, in full-time equivalent, to 432. The five ‘forecasting institutions’ (institutions which mostly produce independent macroeconomic or budgetary forecasts) account for a significant share of total staffing (around 45%). The composition of IFI staff is skewed towards highly skilled personnel, in particular economists and statisticians, who account for 57% of the workforce. Legal experts, accounting and budgeting staff, IT and human resources personnel constitute the remaining personnel. On average, four economists

¹⁵ To the extent possible, data cover only the IFI-related tasks in institutions discharging other tasks, such as non-fiscal economic research.

and/or statisticians are working in non-forecasting IFIs. However, these numbers have to be weighed against key underlying factors such as the breadth of the IFI mandate (most notably), size and constitutional legal order of the country (e.g. federal vs non-federal settings) or specific fiscal challenges faced.

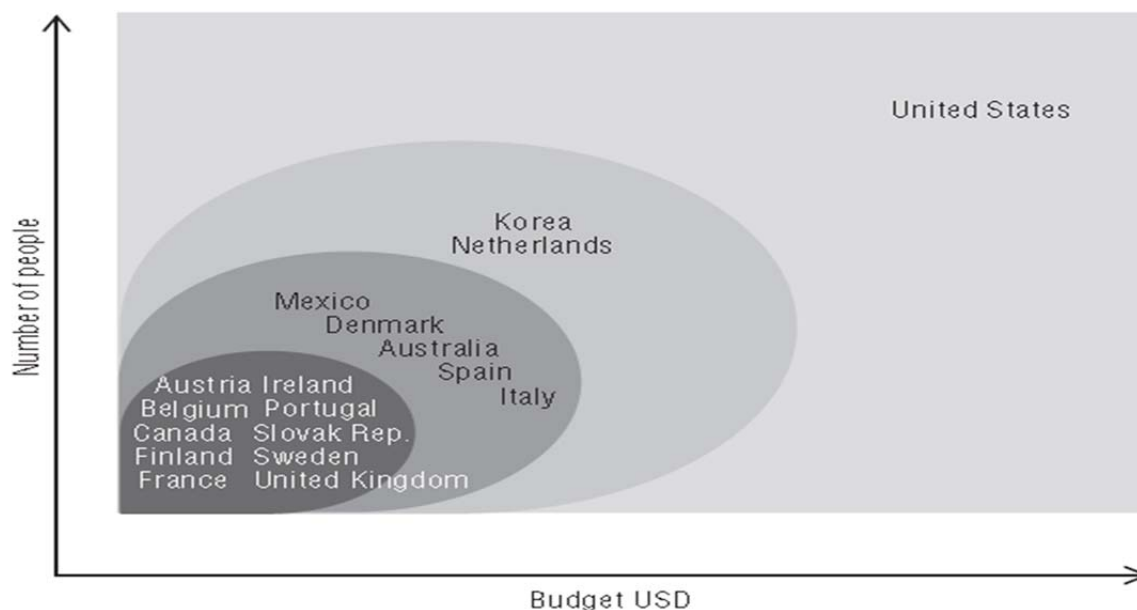
Graph 4.3: IFIs and their support staff



Source: EUNIFI survey 2016 (and 2015 for NL-CPB)

The resources of the EU IFIs are rather modest in comparison to their equivalents outside Europe. As illustrated in Graph 4.4, the endowment of IFIs with budgetary resources and the corresponding staff numbers in the USA, Korea, Mexico and Australia surpass by far those of the EU IFIs with the exceptions of the Netherlands, Denmark, Italy and Spain.

Graph 4.4: IFIs and their resources by worldwide comparison



Source: OECD Journal on Budgeting Volume 2015/2

Box 4. 1: NETWORKS GATHERING IFIs IN THE EU

There are two networks active in the EU context which gather IFIs, namely the EU Network of IFIs and the Network of EU IFIs. Since the names of these two fora are almost identical, it is worthwhile to explain the difference between them.

EU Network of IFIs (EUNIFI): Set up in November 2013, the EUNIFI's role is to promote exchanges of views on the EU and national fiscal frameworks among IFIs as well as between the European Commission and IFIs in an informal context. The EUNIFI was initiated by the European Commission's DG ECFIN, which continues to act as a kind of secretariat for the network, facilitating interaction between the IFIs. Originally the EUNIFI's meetings took place once a year, but due to the growing interest from all sides, meeting frequency has been increased to twice a year. The network consists currently of 31 members (for a complete list please see Annex 1), representing 26 Member States (the Czech Republic and Poland are not represented at the moment). It is important to note that members of the network are those national bodies which have been formally entrusted with tasks stemming from the Six-Pack, Two-Pack and the Fiscal Compact, i.e. monitoring compliance with national fiscal rules and/or producing/endorsing macroeconomic forecasts.

Network of EU IFIs: Established in September 2015 on the basis of a signed agreement, the network is a self-organised, voluntary and independent forum open to all independent fiscal oversight bodies operating in the EU. It provides a platform for exchanging views and expertise as well as pooling resources in areas of common concern. In practice, the network also serves as a platform for promoting the interests of IFIs. The Network currently gathers 25 IFIs representing 23 Member States (Belgium, Croatia, the Czech Republic, Poland and Slovenia are not represented at the moment). In contrast with the EUNIFI, composition-wise it is rather a gathering of national fiscal councils ('watchdogs') than a broader IFI forum. The network has issued a few 'position papers' on priority issues for IFIs, most notably on setting minimum standards for IFIs and on initiatives to strengthen the EU fiscal framework.

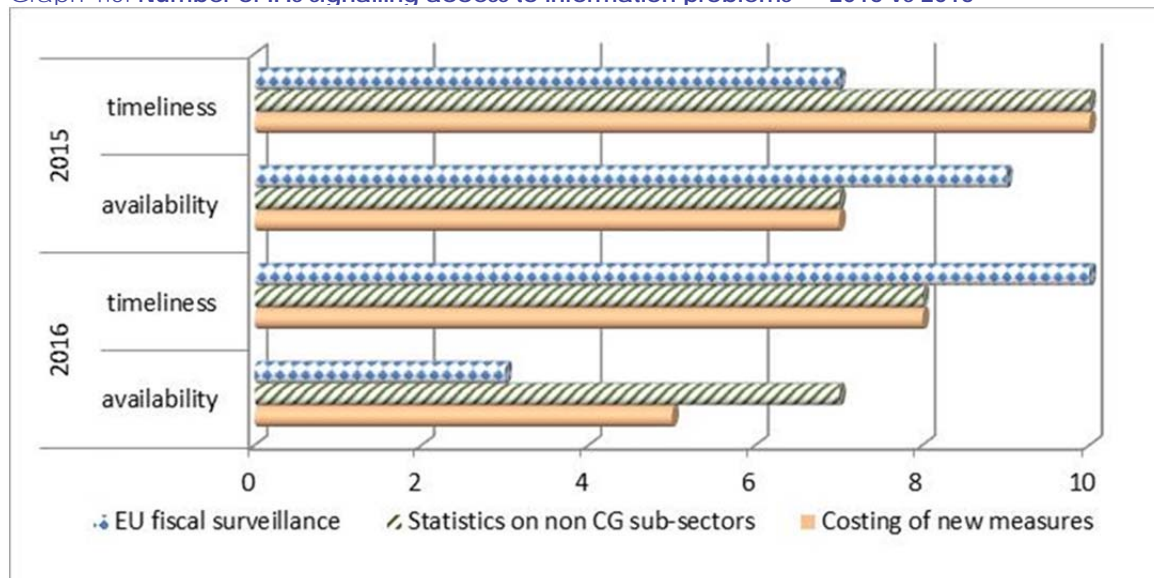
4.2. RELATIONSHIPS OF IFIs IN THE NATIONAL FISCAL ARENA

Effective, systematic interactions with national authorities, on the one hand, and the media, on the other hand, are essential for IFIs to fulfil their mission of influencing fiscal policymakers through competent and objective advice. Available information indicates that such working relationships have been broadly established, while some aspects still need to be strengthened. One of the most important conditions for smooth functioning of IFIs is ensuring their timely access to information, which is formalised through memoranda of understanding or cooperation agreements for only about one-third of the EU IFIs. The impact of IFIs on fiscal policy-making is often enhanced by their established presence in national parliamentary assemblies and the national media.

Despite the broad legal clauses enabling IFIs to request the information they need to perform their mandate, access to information remains uneven across countries. The most problematic fields as signalled by IFIs are the following (see Graph 4.5): statistics on the non-central sub-sectors, information on and costing of planned new measures, and EU fiscal surveillance issues (the latter concerning both national and EU institutions). The inadequacy of information takes two basic forms: it is not provided at all, or provided, but not in a timely manner. If one sums up availability and timeliness issues for 2016, the above-mentioned areas were signalled by roughly half of the IFIs (typically, but not exclusively, those which have no specific agreement with the institutional source of key macro-fiscal data, which in most cases is the Ministry of Finance).

Tangible progress was made recently in terms of access to the information related to EU fiscal surveillance rules and procedures. Although it remains among the fields most often mentioned as problematic by IFIs, the overall number of issues signalled declined in 2016 as compared to 2015, but even more importantly, they have rather become a problem of delayed provision, and not availability as such. It is reasonable to assume that the evolving information-sharing arrangement between the ECOFIN preparatory committees and IFIs played a role in the recorded improvement, albeit still leaving room for further progress in terms of timeliness of the dissemination.

Graph 4.5: Number of IFIs signalling access to information problems — 2016 vs 2015



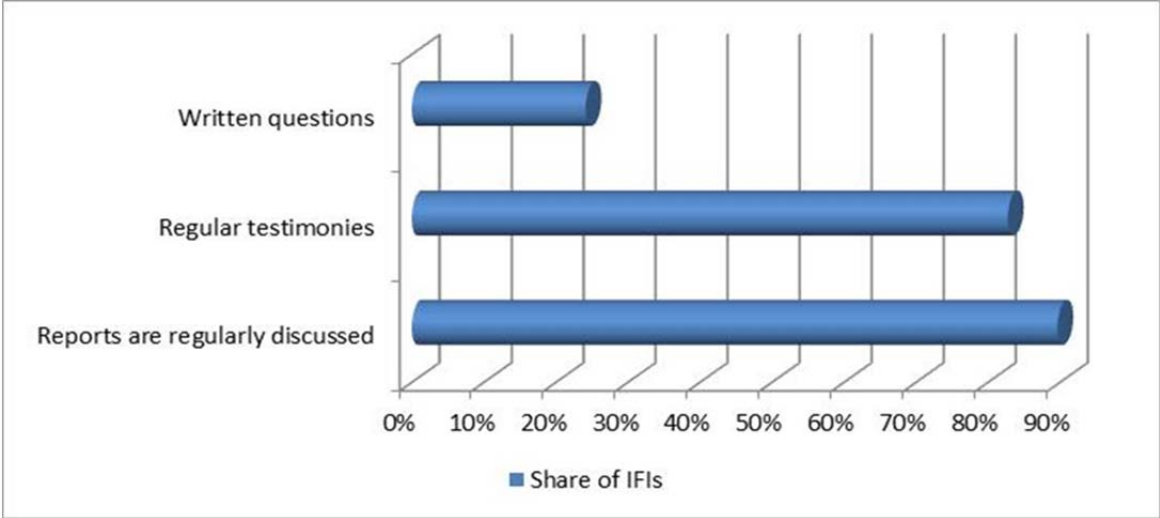
Source: EUNIFI survey, 2015 and 2016 vintages

The conclusion of Memoranda of Understanding (MoUs) can greatly facilitate access to information, and more generally working relationships with domestic counterparts. In the 2016 survey, 12 IFIs reported to have signed MoUs with the providers of key macro-fiscal information (typically ministries of finance). As regards the coverage of such MoUs concluded with official bodies, a few concern solely the provision of economic and budgetary data to the IFIs, including the

handling of information requests (e.g. Bulgaria and Cyprus). Beyond the information-sharing arrangements, some other MoUs also detail the working relationship between the IFI and relevant domestic interlocutors (government agencies, statistical authorities), covering, inter alia, the concerned institution’s key responsibilities and coordination issues (see e.g. Ireland, Latvia, Portugal and the United Kingdom). Another noteworthy example for a broad coverage is the IT-UPB, which concluded publicly available cooperation agreements with most of its prime institutional partners (ministries, statistical authorities, research institutes). However, in a number of cases, the reported MoUs are not available on the respective webpages, even in the national language versions (e.g. Bulgaria, Cyprus, Lithuania, and Germany), which may reduce their potential contribution to a transparent operation.

Virtually all EU IFIs have some impact on the workings of their national parliamentary assemblies, which constitutes one of the direct channels of influencing the fiscal policy-making process (Graph 4.6). Concretely, national assemblies may find IFI deliverables of relevance when discharging their own mandate. In most cases, IFIs’ regular reports and the related hearings serve as a standard input, usually in the context of deliberation on the draft budget. Moreover, a quarter of the IFIs receive written questions, typically a few per year. It is interesting to note that not only those IFIs which are administratively attached to the legislative branch have developed intensive interactions with parliamentary bodies: notably FR-HCFP and SI-IMAD answer annually more than 10 fiscal policy queries by members of parliament. Given its special status of highly regarded centre of economic expertise, the NL-CPB is in its own league: apart from the largest number of questions received, it prepares 20-30 predominantly confidential costing reports on the initiative of members of parliament.

Graph 4.6: IFIs’ relations with national parliaments



Source: EUNIFI survey 2016

The large majority of EU IFIs have a well-established presence in the national media. Capitalising on their unconstrained freedom of communication, all IFIs have reported that their representative(s) had been interviewed or had published articles in the national media over the course of 2016. In the majority of cases, these interventions took place in both mainstream channels and outlets specialised in economic and financial issues. More than four-fifths of the IFI community issue regular press releases, typically in relation to the flagship publications. Around two-thirds organise press conferences, but only a third of those do it quite regularly. Nonetheless, a significant number of IFIs mentioned the need to raise awareness among the specialised and general public as one of the most pressing challenges.

5. OVERVIEW OF THE OPERATIONS OF EU IFIs: INITIAL OBSERVATIONS AND LESSONS LEARNED

While some IFIs have rather broad mandates, as outlined above, the following analysis will focus on the core activities of IFIs. Graph 4.1 distinguishes between 20 various tasks carried out by IFIs with different degrees of intensity. Since it would be impossible to analyse how effective IFIs are in exercising all the elements of their mandate at once in a sensible way, this section will zoom in on the activities that are considered to constitute core tasks of the IFIs and indeed are executed by all these institutions (or pairs of them in countries where there are more than one IFI). These tasks consist in producing/endorsing/assessing official macroeconomic forecasts and monitoring compliance with fiscal rules. Crucially, these mission strands also provide keynote elements for assessing the actual influence and impact of IFIs on national fiscal policy and, from this point of view, the present note can be regarded as a first foray into the effectiveness of IFIs in the EU.

5.1. IFIs' INVOLVEMENT IN PRODUCTION/ENDORSEMENT/ASSESSMENT OF OFFICIAL MACROECONOMIC FORECASTS

5.1.1. The process

The importance of reliable macroeconomic forecast for the budgetary planning process is acknowledged in the EU legislation. Prudent and plausible macroeconomic assumptions are a cornerstone of realistic budgetary planning and thus of strong and sustainable public finances. Developing appropriate forecasting procedures, methodologies and models is of utmost importance for budgetary processes. EU Directive 2011/85 sets certain requirements in terms of government forecasts underpinning budgetary planning, e.g. in terms of their transparency (methodologies, assumptions, comparisons with other forecasters and sensitivity analyses) as well as evaluation of their accuracy. However, even though it urges Member States to base their budgetary planning 'on the most likely macrofiscal scenario', it does not set any 'institutional' requirements apart from obliging the government to state which institution prepared the forecasts. In that respect the Two Pack Regulation 473/2013 goes much further by introducing the requirement for the macroeconomic forecast underlying both annual budgets and medium-term national fiscal plans to be either produced or endorsed by independent bodies. On the other hand, it (only) obliges Member States to specify whether the budgetary forecasts have been produced or endorsed by an independent institution.

Out of the 19 euro area Member States, five (Austria, Belgium, Luxemburg, The Netherlands and Slovenia) chose to continue relying on macroeconomic forecasts produced by independent forecasters ('independent production model'). It seemed to be a natural choice as all these institutions have enjoyed a long-standing reputation for producing accurate and unbiased forecasts. Outsourcing macroeconomic forecasts to an independent institution tends to contribute to their greater objectivity and helps to avoid problems involved in the IFI forecast endorsement process, described here below.

In the remaining 14 euro area Member States, ministries of finance have retained the remit for producing the official macroeconomic forecasts which are then assessed by fiscal councils in almost all of these countries ('independent endorsement model'). The exception from this rule is Finland, where a special mechanism has been put in place, ensuring that the macroeconomic forecast underpinning budgetary planning is produced independently within the Ministry of Finance. The special autonomy safeguard consists in the fact that the head of the department responsible for the forecasting function has the final say on the macroeconomic projections and cannot be overruled by the Minister of Finance (Law No 79/2015). It is also worthwhile noting the situation in Germany,

where up to now the official macroeconomic forecasts have been produced by the Inter-departmental Macroeconomic Forecasting Group under the direction of the Federal Ministry for Economic Affairs and Energy, involving specialists from the federal ministries, the Deutsche Bundesbank, the Institute for Employment Research and the Federal Statistical Office, but without being submitted for a formal endorsement by an IFI. However, a legal amendment, addressing this deficiency, is in the process of parliamentary adoption.

Many euro area IFIs base their endorsement of the government's macroeconomic forecasts on comparisons with forecasts of other institutions. Mostly due to resource limitations, IFIs in Cyprus, Estonia, France, Lithuania and Malta rely in their endorsement on a comparison with other forecasts without producing their own. These reference forecasts are usually those published by international institutions (EC, IMF, OECD) as well as national ones (central banks, think tanks, economic research institutes, universities, commercial banks, statistics offices). Some of these IFIs also use consumer and business surveys in their analysis. The particularity of the French system is that in the framework of the endorsement process the High Council of Public Finances organises hearings with relevant public institutions' officials in order to formulate more in-depth views about factors impacting the forecast. Endorsement reports, which are not based on IFIs' own projections, typically provide an extensive comparison to other forecasts organised by GDP components, which often results in pointing at internal inconsistencies of the governments' forecasts. They typically also contain a discussion of the labour market's prospects and whether they are consistent with the GDP projections. A majority of these IFIs reports include an extensive discussion of risks involved in the government forecasts.

Other euro area IFIs go further and employ their own models in the process of endorsement. In Italy, in its analysis of the government's macroeconomic forecast the PBO uses projections based on its own fully-fledged New-Keynesian model; as an additional safeguard, the assessment include a comparison with the forecasts of three other research institutes, included in the 'PBO panel': Centro Europa Ricerche, Prometeia and REF.ricerche. ES-AIReF, IE-IFAC, LV-FDC and PT-CFP analyse the consistency of the government's forecast against the benchmark of their projections based on their own models, whose degree of comprehensiveness differs significantly from one country to another. The Greek HFC has similar ambition, and it is seemingly in the process of building an in-house DSGE model to support its assessments.

In some Member States the forecast endorsement process is set out in a dedicated memorandum of understanding (MoU) between IFIs and ministries of finance whereas in others it is less well defined. The process currently applied in Italy on the basis of a MoU could be deemed to constitute a best practice, in the sense that it involves a formalised two-step approach for the endorsement of the official macroeconomic trajectory underlying both the medium-term plans and the annual budget. In the first step the IT-UPB validates the official no-policy change or trend scenario for economic growth. In the second step, the policy scenario as such, which includes the new measures and their impacts, is submitted to the IT-UPB for endorsement. It should be stressed that there have already been instances (both for the trend and the policy versions) in which following critical observations by the IT-UPB on the official scenario's excessive optimism, the government adjusted it before the final submission. The parameters of the endorsement process are also set out in a detailed way in MoUs between ministries of finance and IFIs in Ireland and Latvia. In both cases the MoUs define the scope of the forecasts to be submitted, the type of additional information that IFIs should be provided with and the calendar of interactions between the two institutions. They also provide for a reconciliation mechanism whereby a course of action is set out in case of divergent views on the forecasts.

An increasing number of IFIs provide their explicit endorsement of macroeconomic forecasts. The Two-Pack clearly calls for an endorsement of the macroeconomic forecast on which budgetary planning is based. In principle this should be understood as a binary exercise, i.e. the endorsement is either granted (albeit with various caveats) or not. In that sense, just providing an assessment or opinion on various facets of the macroeconomic forecast prepared by the government should not qualify as fulfilment of the Two-Pack requirement. The reality on the ground differs across Member

States while appearing to be evolving in the right direction. In about half of the Member States using the independent endorsement model (Cyprus, Ireland, Italy, Lithuania, Latvia and Spain), the government's macroeconomic forecasts are presently granted clearly worded endorsement/validation by the responsible IFI (please see Table 5.3 for detailed language). Slovakia also falls into that category as by default the forecast is endorsed on the condition that a majority of the members of the designated Macroeconomic Forecasting Committee¹⁶ deems the forecast to be either 'conservative' or 'realistic'.

Table 5.3: Formulations¹⁷ used in the IFIs' endorsement of macroeconomic forecasts

Institution	Formulation used in endorsements
CY-FC	"within the acceptable limits", " endorsed "
EE-FC	"appropriate/suitable basis to use", "realistic and informative", "gives an adequate picture/reflection"
EL-HFC	"highly probable", "optimistic"
ES- AIReF	" endorsed as likely"
FR-HCFP	"realistic", "optimistic", "prudent", "cannot be deemed prudent", "achievable", "attainable", "plausible", "tends to deviate from the principle of prudence"
IE-IFAC	" endorsed as within the range of appropriate projections"
IT-PBO	" validated as they fall within the range deemed acceptable"
LT-NAO	" endorsed "
LV-FDC	" endorsed "
MT-FAC	"may be achievable", "deemed to be within the endorseable range", "feasible"
PT-CFP	"in line with known predictions and show no noteworthy biases", "plausible", "presents statistically plausible projections"
SK-MFC	"realistic", "conservative"

Source: IFIs opinions and reports published on their official websites

In other euro area Member States endorsement of the macroeconomic forecasts can only be derived implicitly. Up to now, IFIs which are mandated with endorsing macroeconomic forecasts in Estonia, Greece, France, Malta and Portugal, have shied away from stating their (non-)endorsement in an unequivocal way. The formulation used by the Maltese Fiscal Council, according to which the forecasts are 'deemed to be within the endorseable range' could also be considered to be a proxy for an explicit endorsement. The other institutions limit themselves to describing the government's forecasts as 'appropriate', 'feasible', 'attainable' etc. The strongest negative language used to date was observed in the opinion of the French High Council of Public Finances which stated that the government's GDP forecast for 2017 tended 'to deviate from the principle of prudence'. Drawing even implicit endorsement from such a statement can be problematic. Moreover, the lack of any subsequent adjustment to the forecast on the part of the government exposed the need for some formalised mechanism of reconciliation of diverging views to cater for such situations.

Outside the euro area no IFIs endorse formally the government's macroeconomic forecasts. In the UK the OBR is mandated by the Charter for Budget Responsibility to produce the official macroeconomic and budgetary forecasts twice a year. In Romania the macroeconomic forecast underpinning budgetary planning is produced by the National Forecasting Commission (a body

¹⁶ The Constitutional Law of December 2011 confers upon the SK Macroeconomic Forecasting Committee the task of preparing twice a year macroeconomic forecasts to be used in the budgetary planning. In practice, the forecasts are prepared by the Institute for Financial Policy of the Ministry of Finance and then deliberated as well as voted on by the members of the Macroeconomic Forecasting Committee.

¹⁷ This table is meant to show the variety of language used in the endorsement reports by IFIs without indicating which formulation was used when exactly.

subordinated to the Ministry of Finance) and subsequently assessed by the Fiscal Council, without any institutional consequences in case of a critical opinion. IFIs also pronounce on the realism of official macroeconomic forecasts in Bulgaria, Hungary and Sweden, but in the latter two their real time influence is restrained by the fact that they publish their relevant opinions only once a year. In Croatia, the Fiscal Policy Commission does not publish separate reports on the government's macroeconomic forecasts but limits itself to comparing, in the reports on compliance with fiscal rules, the government's real GDP growth forecast to the one published by the European Commission. The Danish Economic Council produces its own macroeconomic forecasts but refrains from commenting on those prepared by the government.

5.1.2. The potential impact

A simple illustrative calculation is presented to capture the possible impact of IFIs' role on the prudence of official forecasts. One of the main policy implications from the literature on the reliability of macroeconomic forecasting is that IFIs' involvement in the process should contribute to less biased estimates (see Jonung and Larch, 2006 for an early discussion). The purpose of this section is to examine whether the often reported optimistic bias in EU countries' official macroeconomic forecasts has diminished since the recent mass arrival of IFIs. As was reported above, there were only a few cases in Eurozone countries over the last years when following the intervention of an IFI, the authorities adjusted downwardly their official forecasts. However, these explicit revisions may not fully capture the impact of IFIs, as governments could have internalised the stepped-up independent scrutiny by producing more conservative initial estimates. Therefore, this evaluation is done through the aggregation of the size and sign of the forecast bias before and after the establishment of the respective IFIs, and a comparison with Member States that have traditionally relied on independent forecasters for production of macroeconomic projections.

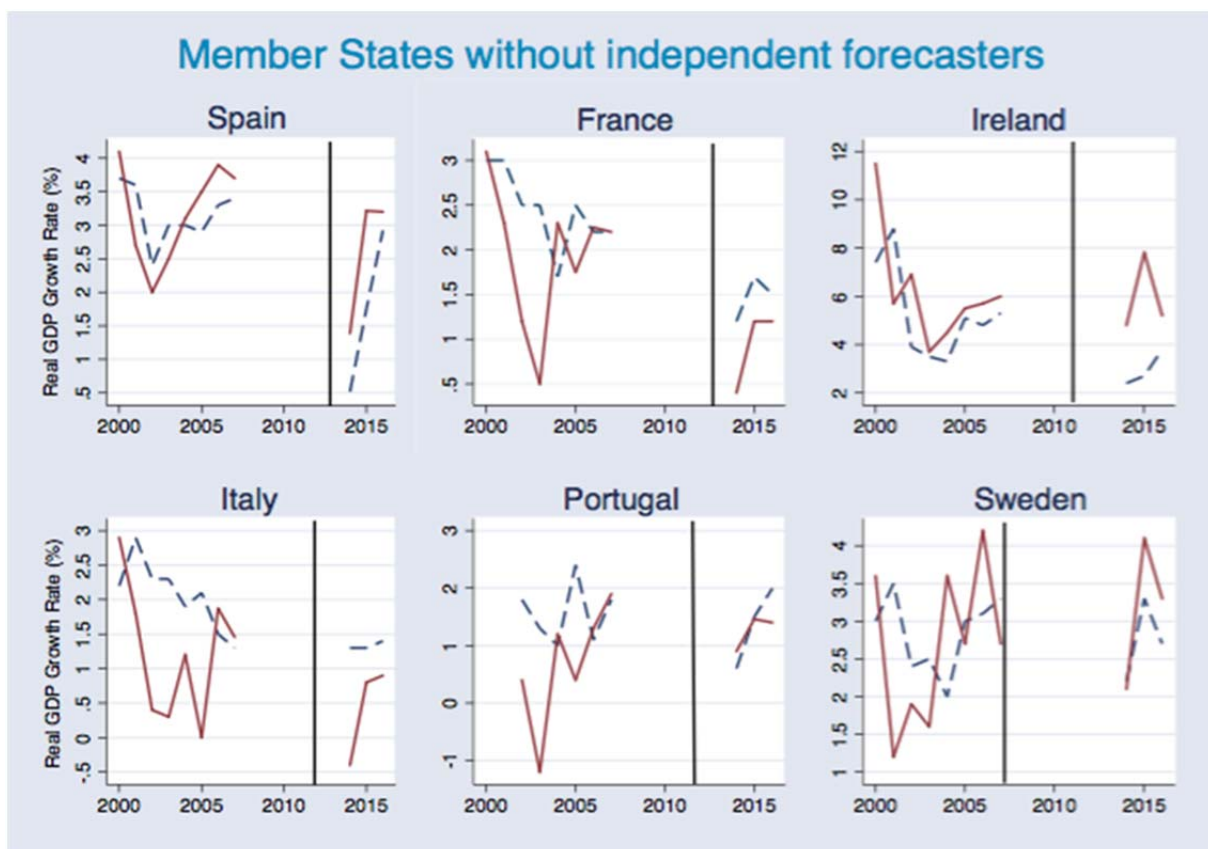
In terms of the dataset, geographical coverage and time period covered, the following considerations are in order:

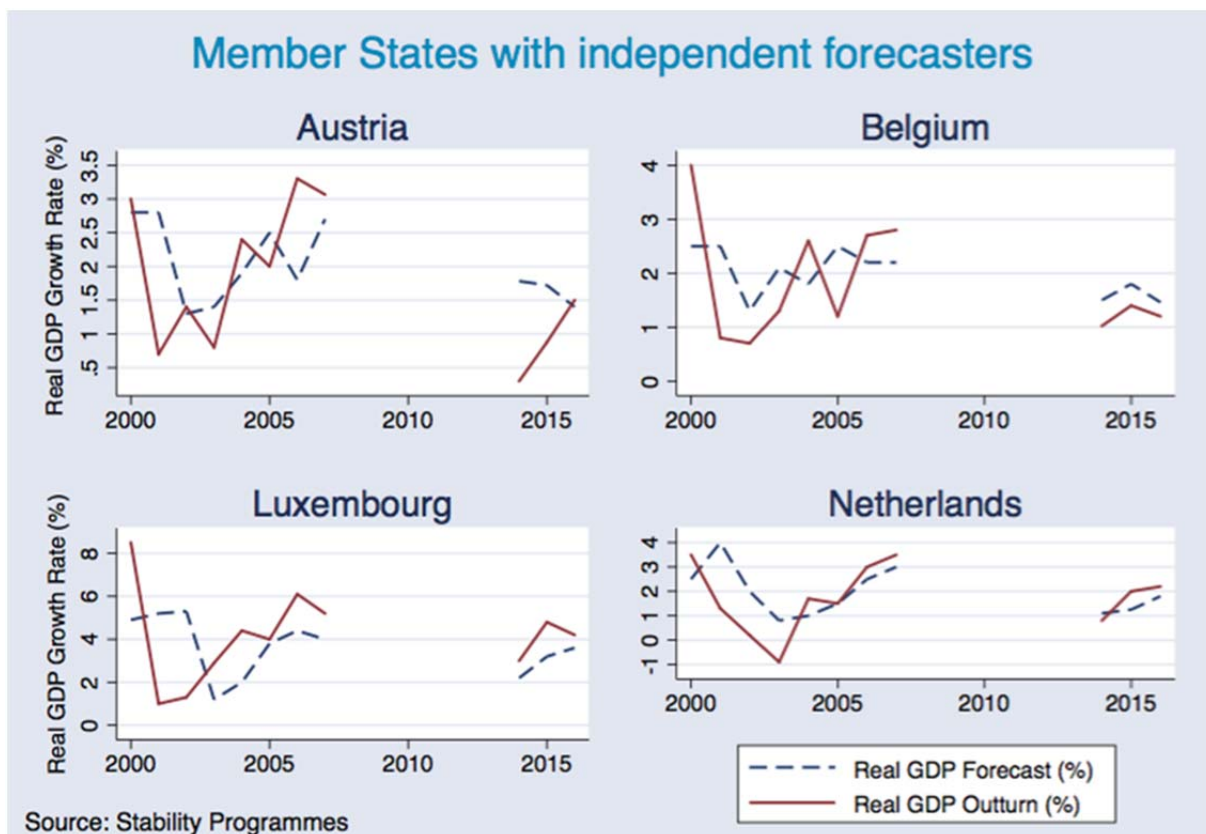
- The dataset is compiled using Member States' Stability and Convergence Programmes (SCPs). Specifically, for year t , the forecast is taken from SCP in $t-1$, while the outcome comes from SCP in $t+1$. Choosing SCPs as the data source also for the outcomes is done not only for the sake of consistency, but also to avoid the distorting impact of the methodological changes in national accounts that took place during the examined time period. The outcome real GDP growth data for 2016 are taken directly from Eurostat as the 2017 SCPs were not yet available at the time of data collection.
- The reliability of the forecasts is examined by dividing the timeframe into two periods — Period I (2000-2007) and Period II (2014-2016). The years between 2008 and 2013 are not taken into account because of the unanticipated effects of the global financial crisis (robustness checks including 2012 and 2013 have found significant outliers). More importantly, many IFIs were only operationalised in 2013-2014, so it makes sense to start assessing the potential impact of the independent scrutiny on the official macroeconomic scenarios from that moment onwards. It should be recalled that the timing of SCP submission changed between the two examined periods as the submission date was moved from December to April. This shift, *ceteris paribus*, could have implied a worsened accuracy for the second period as GDP forecasts for year $t+1$ now have to be prepared half a year earlier, based on a more provisional set of information.
- The geographical coverage is narrowed down to 'old' Member States, given that the 'new' Member States only started submitting their programmes in 2004 or later, resulting in a too short period of available data. Greece was taken out on the account of being under the economic adjustment programme for the second period. Denmark is not included as its IFI does not play any role in the preparation of the official macroeconomic forecasts. Finland and Germany were discarded as the macroeconomic forecasts are produced within ministries of

finance and their IFIs do not formally assess them. UK is filtered out as it changed to relying on independent forecast during the period under review, in 2010. The remaining 10 countries are divided into two groups: 1) old Member States without independent producers of macroeconomic forecasts: France, Ireland, Italy, Portugal, Spain and Sweden. 2) a control group from Member States with an independent forecaster active during both periods under examination: Austria, Belgium, Luxembourg and the Netherlands.

- In terms of descriptive statistics, the forecast error is used to measure the size and sign of the forecast deviation, while the absolute error measures the absolute deviation of real GDP from its predicted value. A negative forecast error can be interpreted as an optimistic forecast, while a positive forecast error signals a conservative bias. For each Member State:
 - Forecast Error = Real GDP outturn_t – Real GDP forecast_{t-1}
 - Absolute Error = |Real GDP outturn_t – Real GDP forecast_{t-1}|
- The country-specific results are then averaged in order to calculate the mean forecast error (MFE) and the mean absolute error (MEA) — a visual representation of the data is available in Graph 5.7. A more sophisticated econometric analysis is beyond the scope of this paper and, in any case, it may not be warranted on account of the limited number of observations.

Graph 5.7: Accuracy of macroeconomic forecasts





Note: the black vertical line represents the year of the establishment of the Fiscal Council

IFIs may have helped in transforming the slightly optimistic bias into a conservative one in estimating real GDP growth, but forecasting has not become more accurate in absolute terms. Similarly to European Commission (2014), a small optimistic bias, as demonstrated by the negative MFE, was found in the first period (2000-2007) for the first group, which was turned towards a conservative stance in the second period with functioning IFIs. The MFE was practically zero in both periods for the control group of countries with independent forecasters, confirming the literature of showing no statistically significant bias. The absolute forecast error has remained roughly unchanged after the establishment of the fiscal councils, but it should be seen against the backdrop of the brought-forward submission date of SCPs, i.e. suggesting a *de facto* improvement in accuracy.¹⁸ Overall, it can be concluded that while forecasting has not become decidedly more accurate, the years with a functioning IFI could be characterised by a more prudent forecasting approach on average. Naturally, the short time period elapsed since the widespread establishment of IFIs cautions against over-interpreting this result. Moreover, other developments could also have contributed to the observed reversal of the sign of the forecast error, possibly even to a larger degree. Most notably, previous studies (e.g. Annett 2006) found that EU Member States tend to be more optimistic in good economic times, while forecasting more cautiously in bad times. The slow and protracted recovery after the depths of the crisis could therefore have played a role in reversing the bias of the previous period. In any case, it would be worthwhile to conduct similar studies in the future to check whether the extended span of IFIs' activity confirms the very tentative conclusion drawn here above.

¹⁸ The informational advantage of a later timing to prepare economic growth projections could be of a non-negligible magnitude. For example, analysing the Commission's own forecasting track-record over the 1969-2011 period, Cabanillas and Terzi (2012) show that for the EU-average real growth in a given year the improvement in the spring forecast compared to the autumn forecast in the previous year (representing roughly six months difference between the cut-off dates) is close to 0.4 in terms of the mean forecast error, and almost 0.5 in terms of the mean absolute error.

Table 5.4: Main aggregate results of forecast accuracy calculations

		Period I (2000-2007)		Period II (2014-2016)	
Sample		Old EU MS without independent forecasters (ES, FR, IE, IT, PT, SE)	Old EU MS with independent forecasters (AT, BE, LU, NL)	Old EU MS without independent forecasters (ES, FR, IE, IT, PT, SE)	Old EU MS with independent forecasters (AT, BE, LU, NL)
Mean Forecast Error		-0.2390	-0.0760	0.4546	0.0399
Mean Absolute Error		1.0075	1.2990	1.0146	0.6678

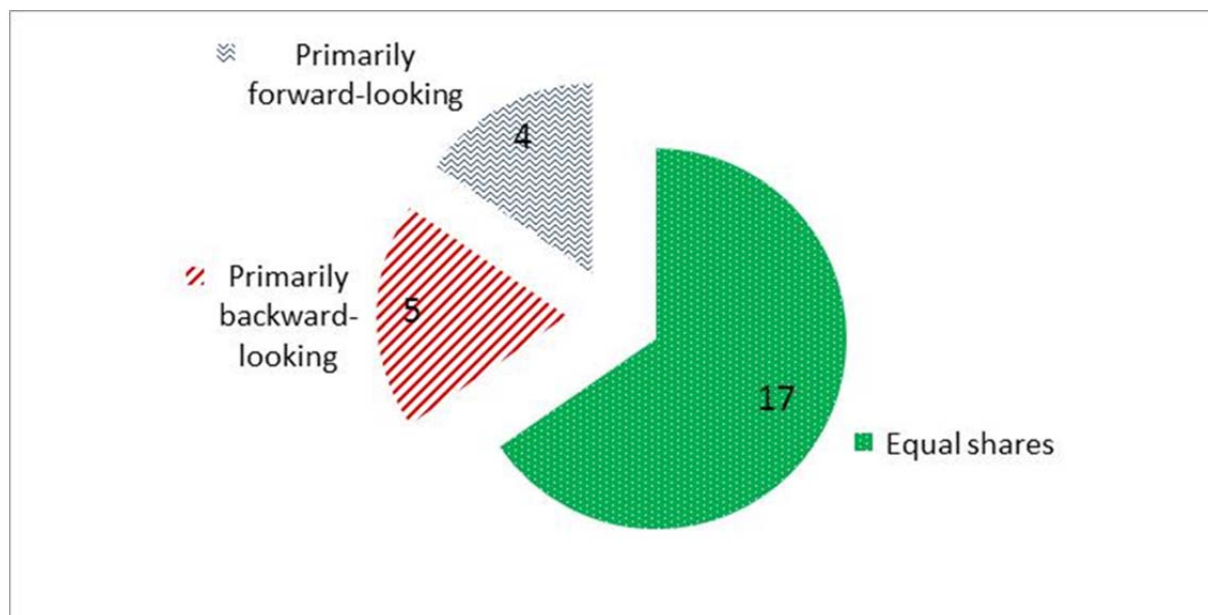
Source: Commission services calculations based on SCP vintages

5.2. IFIs' ROLE IN MONITORING NATIONAL FISCAL RULES

Assessment of compliance with fiscal rules is well-recognised as the core mission of an IFI in both the economic literature and the EU legislation. As was documented in the literature survey above (section 3.1), there are clear synergies between the role of IFIs and fiscal rules, which should be explicitly acknowledged in the national fiscal governance frameworks. Specifically, only well-designed fiscal rules, i.e. those accompanied by independent monitoring mechanisms were found to have positive impacts on fiscal policy (e.g. improved budgetary outcomes, lowered borrowing costs). Also inspired by the empirical evidence, the notion that an independent assessor is an essential ingredient in the design of an effective numerical rule has become integral in the underlying logic of the relevant EU legislation (see the summary in section 3.2).

Most of the IFIs have reported to devote equal shares of attention to backward-looking and forward-looking compliance assessments (Graph 5.8). In some countries, the fiscal councils' monitoring mandate calls solely for a backward-looking view to assess compliance of past budgets with fiscal rules (Belgium, Croatia, Finland and Slovakia). In Greece, the distribution of responsibilities is split, with the PBO charged with some ex-post monitoring functions, while the recently operationalised Hellenic Fiscal Council is supposed to check ex ante compliance. In turn, in a similar number of countries IFIs are tasked to look primarily at fiscal rule compliance from an ex ante, dynamic perspective. This is the case for DK-DORS and NL-RvS. Furthermore, the UK-OBR is charged only with a forward-looking assessment: namely, it is required to judge in its semi-annual reports whether the government's fiscal policy as announced to that date remains consistent with a greater than 50 % chance of achieving or exceeding the so-called fiscal mandate constituting the main UK numerical rule. The nature of this task is also influenced by the design of UK rules, which are defined over a multi-annual horizon without containing specific targets for the intervening years.

Graph 5.8: Distribution of backward- and forward-looking IFI assessments of compliance with fiscal rules



Source: EUNIFI survey 2016

Note: The 'pure forecasters' (AT-WIFO, BE-FPB, LU-STATEC and SI-IMAD) are not included in the sample.

While all IFIs are charged with verifying compliance with general or central government rules, extending the monitoring to the subnational level is much less common. Indeed, disregarding the 'pure forecasters', less than half of IFIs reported to assess compliance at the subnational level. Within this group, roughly half are compelled to do so by legislation (AT-FC, BE-HFC(PB), BG-FC, ES-AIReF, HR-CFPC, LT-NAO), while the remaining ones are undertaking sub-national compliance checks at their own initiative, i.e. not necessarily conducted regularly (FI-NAO, FR-HCFP, IT-UBP, NL-RvS, SK-CBR). A peculiar case in point is Bulgaria, where the Fiscal Council is charged with assessing both ex ante and ex post compliance with the numerical rules laid down for the '*Social Security System and the other social insurance funds administered by the National Insurance Institute and the budget of the National Health Insurance Scheme*'.

Monitoring of compliance with fiscal rules in federal countries poses additional challenges for their IFIs. For instance, in Austria most of the fiscal rules concerning the central government are also applicable at the level of individual federal states as well as municipalities (collectively within a federal state). The complication arises in respect of the rules where the assessment of compliance with them involves calculation of indicators based on potential growth, which would have to be calculated at the level of the federal states. As a result, the AT-FC has repeatedly — and without success — appealed for simplification of these rules and up to now refrained from passing judgment as to whether these rules have been complied with or not, which according to the law constitutes a part of its mandate. Another example is Belgium, where according to the Cooperation Agreement of December 2013 the High Council of Finance is mandated with issuing recommendations in terms of structural balance targets for the general government as well as apportioning these targets among various levels/entities of government. The apportioning should then normally be agreed within the 'Comité de Concertation', which gathers representatives of these government entities. However, up to now no such agreement has been reached and as a consequence the High Council is not in a position to pass a verdict on compliance with the targets set.

The frequency of monitoring reports varies, and reflects, inter alia, the mandate and the publication policy of the IFI in question. A subgroup of IFIs release two main reports annually, where typically the spring edition analyses the country's medium-term budgetary plans (linked to the submission date of Stability/Convergence Programmes), and the autumn one deals with the planned (or adopted) budget. These reports encompass many aspects of fiscal policy, with the monitoring part

usually being a dedicated subchapter of the document. Most notably, Cyprus, Ireland, and Italy belong to this category (and the recently set-up Hellenic Fiscal Council intends to adopt such a working method). The Maltese fiscal council follows a similar rhythm but issues stand-alone, up-to-the-point compliance reports (and a separate one as well on ex post compliance for the previous year). A few IFIs created primarily to fulfil precisely the monitoring institution requirements set by European legislation (DE-BEIR, NL-RvS) also release targeted compliance reports.

Complexity manifests itself when it comes to the treatment of structural balance figures. It is critical for IFIs to fully comprehend the national and/or EU methodology used to produce such figures as well as their relative strengths and weaknesses, in order to take an informed stance in the interpretation of the underlying fiscal developments. Beyond the methodological issues raised by the cyclical adjustment, in a number of cases, the unambiguous identification of one-off measures also adds to the difficulty of the exercise. There is a strong heterogeneity among IFIs in the way they handle the matter. Around a third of the IFIs do not compute structural figures by themselves, but qualitatively comment on these balance estimates as presented by the national and European authorities. In order to properly assess the budgetary figures in structural terms, the remaining two-thirds of IFIs use one/or several reference methodologies, which are by order of frequency: the commonly agreed EU methodology, their own methodology, and the national authorities' methodology. The intricacies of structural figures, and their inherent uncertainty due to their nature of being unobserved variables, further complicate the task of explaining fiscal concepts to non-specialist stakeholders, including the media and the public at large.

The assessment of compliance with fiscal rules closely mimicking those in the Stability and Growth Pact involves a possibility for IFIs to publish assessments conflicting to some extent with those of the European Commission. In some Member States, there are fiscal rules in force which mirror the SGP requirements, sometimes through national legislation including a reference to EU Regulations, and which, however, may still leave room for diverging interpretations. Issuing compliance assessments with such national rules in advance of the Commission's SGP assessments could prove to be a tricky exercise both ex post and ex ante, given that the SGP deliberately provides room for the Commission to use economic judgment to decide on a number of elements (e.g. eligibility for flexibility clauses, application and coverage of the unusual event clause, categorisation of one-off measures, assessment of 'relevant factors') in order to ensure a sensible application of the EU rules. For instance, the IE-IFAC November 2016 report criticised the government that its 2017 expenditure plans were tantamount to — although marginal — an ex ante non-compliance with the expenditure benchmark.¹⁹ In the reply letter of the Minister of Finance, the authorities responded to this signalled risk of ex ante non-compliance by recalling that '*...the European Commission, which has ultimate responsibility for assessing overall compliance with the fiscal rules, has indicated that our 2017 Draft Budgetary Plan is broadly compliant with the provisions of the SGP.*' On a related note, the IT-UPB semi-annual reports regularly discuss in a detailed manner all the relevant elements which would need to be eventually judged by the Commission to form an opinion on Italy's compliance with the EU rules, but the reports emphasise that the final compliance verdict would be issued by the Commission.

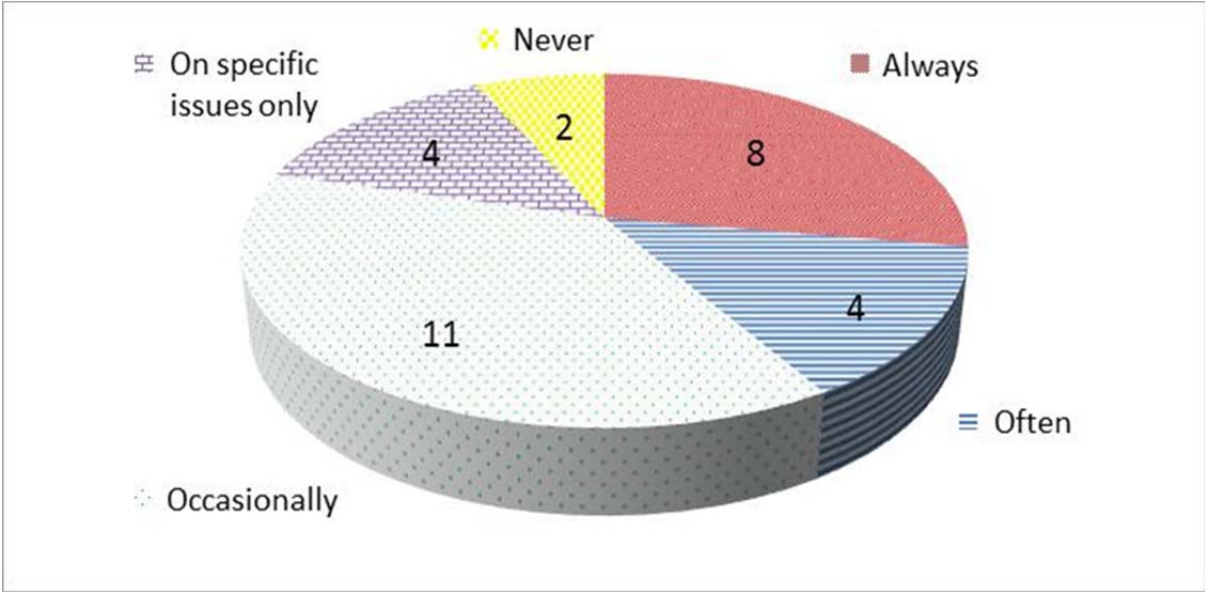
In terms of the dialogue between the fiscal authorities and IFIs, in the majority of cases the official responses to IFI opinions are reported to be neither systematic nor always pertinent to the issues raised. For the 22 Member States which are contracting parties of the Fiscal Compact, provisions concerning the comply-or-explain principle were typically enshrined in law, or in a number of cases, a commitment to this end was undertaken by the government.²⁰ It is worth highlighting that a genuine fiscal dialogue is better served by broader, nationally defined comply-or-explain arrangements, as the Fiscal Compact requirement covers only a number of targeted cases for the

¹⁹ While the excess was not considered to be a significant deviation under the EU framework, the IFAC noted this type of planning increases the risk of a significant deviation in case of expenditure overruns.

²⁰ See a systematic overview on national transposition measures in the Commission's Report taking stock of compliance of national provisions with the Fiscal Compact (2017:1201).

structural balanced-budget rule (activation of the correction mechanism; monitoring the correction process and triggering, extending and exiting escape clauses). As regards the actual practice, the graph below shows the distribution according to the frequency/regularity of *de facto* official reactions to the opinions/analysis published by fiscal councils. In fact, the EUNIFI survey documents in total 10 countries where official written reactions to IFIs’ analyses were published over the course of 2016.²¹ It is noteworthy that regarding the eight countries where the government always reacts to the IFIs’ opinion, in half of the cases this is done on the basis of the authorities’ own commitment without legal underpinning. Finally, it should be clarified that the two cases of ‘never’ (namely, Bulgaria and Finland) are linked to the fact that the stipulated comply-or-explain provisions are limited to the specific case of ‘significant deviation from the MTO’, which has not yet materialised in those countries.

Graph 5.9: Comply-or-explain principle in practice (frequency of the government’s reactions to IFIs’ assessments)



Source: EUNIFI survey 2016

The visibility of fiscal policy debates could be greatly enhanced by a sufficiently broad comply-or-explain mechanism coupled with an intensive reporting by the media on government reactions. For instance, in Italy, exchanges between the IFI and the government take place at parliamentary debates/hearings (available ex post as part of the proceedings on the parliament’s webpage) and not in the form of a publicly traceable written response. A further case in point is Hungary. Over the recent years the government regularly included in the explanatory annexes of the budget bill a written response to the Fiscal Council’s remarks based on the preliminary draft. However, this commendable own-initiative practice would potentially gain more traction, and thereby increase the transparency of the budget-making process, if the response was published in a separate letter, and not as part of a bulky set of legal documents of possibly more than 1 000 pages. As second best to more suitable arrangements, some IFIs mention that other domestic institutions take on board arguments contained in their reports to question current fiscal policies, within their respective mandates.

²¹ The countries in question are AT, ES, IE, IT, HU, FR, LV, LU, NL, and UK.

6. CONCLUSIONS AND OBSERVATIONS ON THE POTENTIAL TO STRENGTHEN THE ROLE OF IFIs

National independent fiscal institutions have spread across the EU thanks to the encouragement of the enhancements made to Europe's fiscal policy framework since the crisis. Today, virtually all EU Member States have at least one IFI providing independent advice and input to fiscal policy-making.

Although it is difficult to quantitatively assess the impact of IFIs on fiscal outcomes, early anecdotal evidence suggests that these institutions do play a useful role in budgetary processes. They exert a positive influence mainly through their flagship tasks, i.e. producing, endorsing or assessing macroeconomic forecasts to underpin budgetary planning and the monitoring of compliance with fiscal rules. According to the calculations presented in this paper, the accuracy of macroeconomic forecasting appears to have improved since 2014, the year in which IFIs took up the duty of official endorsers. These results, however, are based on a small sample of countries and a relatively short period of time. Fulfilling their responsibility to monitor the respect of fiscal rules, some IFIs have been successful in engaging national governments in a debate on fiscal execution and planning and have thereby contributed to enhancing the public's awareness of fiscal issues and injecting greater transparency into the management of public finances.

However, as this note indicates, the above conclusions do not hold for all the IFIs examined and experience so far suggests that there is significant scope to improve the arrangements governing IFIs and their operation in practice. IFIs remain a heterogeneous community in spite of the set of criteria laid out in the legislation at European level. However, it should be acknowledged that their rapid spread throughout the EU in the recent past was to a large extent driven by the legislative impetus at the European level to strengthen budgetary discipline and improve economic policy coordination in the EU. While the EU economy is gradually recovering from the crisis, these fundamental objectives remain entirely valid and the contribution of IFIs has to be geared pointedly towards fulfilling them. In this context, it is useful to recall that both the Budgetary Frameworks Directive and the Two-Pack Regulation 473/2013 contain review clauses with deadlines set for December 2018 and December 2019 respectively. Therefore, it seems appropriate to reflect on possible changes that could be put forward, especially given the wider reflections about the future of the EMU.

Based on the contents of this note, the following adjustments could possibly be considered:

- All IFIs should be provided with timely and comprehensive access to relevant information, including the methodologies, assumptions and data used in budgetary planning. This holds both for the national and European levels. At the country level this access should ideally be defined in a dedicated memorandum of understanding between the IFIs and budgetary authorities.
- Efforts should be made to enhance the independence of IFIs by ensuring legal safeguards in terms of providing continuous and predictable funding set out for a multiannual period and equipping IFIs with the flexibility to use their budgets as they see fit (within certain rules). At the same time, IFI should be made more accountable, for example by subjecting them to a periodic evaluation by external experts.
- Endorsement of government macroeconomic forecasts by IFIs should be underpinned by more extensive interactions and information-sharing between the budgetary authorities and the IFIs. For example, it would seem sensible to recommend a multi-step approach to the endorsement process in which first the official no-policy-change or trend scenario is assessed and only then the policy scenario is deliberated. Related to that, it seems crucial to establish effective

reconciliation mechanisms (again, ideally in dedicated memoranda of understanding), possibly for each step in the procedure, to deal with any significant divergences of view between IFIs and national finance ministries over the forecast.

- Given their role in endorsing official macroeconomic forecasts, a more extensive role for IFIs could be considered in the endorsement/production of budgetary forecasts. The Two-Pack only requires euro area members to state in their fiscal planning documents whether their budgetary forecasts have been independently produced or endorsed. However, a greater role for IFIs in the process could be useful. One option that could be considered would be for IFIs to extend their endorsement of macroeconomic forecast to budgetary ones too. Another option, however, would be for the production of budgetary forecasts to be outsourced to IFIs, although this would inevitably mean that IFIs require greater resources as well as strong and harmonious engagement with the ministries involved.
- In terms of monitoring compliance with fiscal rules, there are significant differences between Member States in terms of the degree of coverage as well as the depth of the analysis provided. The frequency with which IFIs publish their monitoring reports also differs substantially. Further efforts should be made (by legislation and/or in practice) so that all IFIs charged with this task publish timely assessments, both forward-looking as well as backward-looking and covering most, if not all, of the domestic fiscal rules in force.
- An analysis of the current practices in the Member States suggests that IFIs would benefit from seeing a strengthening of their legal standing vis-à-vis governments. The comply-or-explain principle according to which budgetary authorities should react publicly to IFIs' opinions is not set in legislation in all Member States (in some cases it is based on a government commitment) or is missing altogether in some non-euro area Member States. Acknowledging the role already played by IFIs in some Member States, it would make sense to recommend that Member States create a proper legal basis for 'comply-or-explain', and thus oblige governments to respond to the assessment of IFIs within deadlines defined by law. Given that in most cases the role of IFIs is broader than checking compliance with fiscal rules, the comply-or-explain principle should ideally cover most (if not all) reports issued by the fiscal councils. In order to reinforce their role as fiscal watchdogs, one could even consider equipping IFIs with the right to initiate an effective legal remedy if governments blatantly flout fiscal rules.
- This paper focuses on analysing the track record of IFIs in their core activities, but a further reflection on their other (potential) tasks is warranted. It might be beneficial to extend the mandate of IFI to include responsibilities that few currently have (e.g. long-term sustainability assessments) and consider new areas in which IFIs could become active (e.g. spending reviews, assessing the quality of public finances). Since such activities are quite labour-intensive, such considerations should be accompanied by a reflection on appropriate additional resources for IFIs.

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ANNEX: List of Independent Fiscal Institutions participating in EUNIFI meetings

Member State	Name	Name in native language	Acronym used in the note
AT	Fiscal Advisory Council	<i>Fiskalrat</i>	AT-FC
	Institute for Economic Research	<i>Österreichisches Institut für Wirtschaftsforschung</i>	AT-WIFO
BE	Federal Planning Bureau	<i>Federale Planbureau / Bureau fédéral du Plan</i>	BE-FPB
	High Council of Finance	<i>Hoge Raad van Financiën / Conseil Supérieur des Finances</i>	BE-HCF(PB)
BG	Fiscal Council	<i>Фискален Съвет на България</i>	BG-FC
CY	Fiscal Council of Cyprus	<i>Δημοσιονομικό Συμβούλιο</i>	CY-FC
DE	Independent Fiscal Advisory Council to the Stability Council	<i>Unabhängiger Beirat des Stabilitätsrates</i>	DE-BEIR
DK	Economic Councils	<i>De Økonomiske Råd</i>	DK-DORS
EE	Fiscal Council	<i>Eelarvenõukogu</i>	EE-FC
EL	Hellenic Fiscal Council	<i>Ελληνικό Δημοσιονομικό Συμβούλιο</i>	EL-HFC
	Parliamentary Budget Office	<i>Γραφείο Προϋπολογισμού του Κράτους στη Βουλή</i>	EL-PBO
ES	Independent Authority for Fiscal Responsibility	<i>Autoridad Independiente de Responsabilidad Fiscal</i>	ES-AIReF
FI	National Audit Office (Fiscal Policy Audit and Evaluation Dpt.)	<i>Valtiontalouden tarkastusvirasto</i>	FI-NAO
FR	High Council for Public Finance	<i>Haut Conseil des Finances Publiques</i>	FR-HCFP
IE	Fiscal Advisory Council	<i>Irish Fiscal Advisory Council</i>	IE-IFAC
IT	Parliamentary Budget Office	<i>Ufficio Parlamentare di Bilancio</i>	IT-UPB
HR	Fiscal Policy Committee	<i>Odbor za fiskalnu politiku</i>	HR-CFPC
HU	Fiscal Council	<i>Költségvetési Tanács</i>	HU-FC
LT	National Audit Office (Budget Policy Monitoring Department)	<i>Lietuvos Respublikos Valstybes Kontrolė</i>	LT-NAO
LU	National Statistical Office	<i>STATEC</i>	LU-STATEC
	National Council for Public Finance	<i>Conseil National des Finances Publiques</i>	LU-CNPF
LV	Fiscal Discipline Council	<i>Fiskālās disciplīnas padome</i>	LV-FDC
MT	Fiscal Advisory Council	<i>Il-Kunsill Fiskali</i>	MT-FAC
NL	Council of State	<i>Raad van State</i>	NL-RvS
	Bureau for Economic Policy Analysis	<i>Centraal Planbureau</i>	NL-CPB
PT	Public Finance Council	<i>Conselho das Finanças Públicas</i>	PT-CFP
RO	Fiscal Council	<i>Consiliul Fiscal</i>	RO-FC
SE	Fiscal Policy Council	<i>Finanspolitiska Rådet</i>	SE-FPC
SI	Institute of Macroeconomic Analysis and Development	<i>Urad RS Slovenije za makroekonomske analize in razvoj</i>	SI-IMAD
SK	Council for Budget Responsibility	<i>Rada pre rozpočtovú zodpovednosť</i>	SK-CBR
UK	Office for Budget Responsibility	<i>Office for Budget Responsibility</i>	UK-OBR

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