

Independent fiscal institutions

In the mid-1990s, academic economists floated the idea that countries could adapt some of the good experiences of independent central banking to the fiscal sphere. However, it was only after the surge of government deficits and debts following the recent crisis that a growing number of countries decided to create independent fiscal institutions (IFIs, typically referred to as fiscal councils or parliamentary budget offices) in a growing number of OECD member countries.

With the creation of these councils, governments are seeking to reinforce fiscal rules that had proved inadequate on their own to ensure prudent management of public finances, as well as signal their commitment to act virtuously after the crisis. This is particularly true in the European Union where new regulations require member states to have independent bodies monitor compliance with fiscal rules and produce or endorse macroeconomic forecasts. Other recent examples (Canada, Australia) were established to increase fiscal transparency and enhance the role of the legislature in the budget process. In addition to this new generation of IFIs are a handful of much older institutions, such as the Congressional Budget Office (CBO) in the United States and the Netherlands Bureau for Economic Policy Analysis (CPB).

Today's independent fiscal institutions are extremely diverse: their roles, resources and structures vary considerably across countries. In addition to analysis of fiscal policy and budget proposals, common functions include a role in forecasting, monitoring compliance with fiscal rules, analysis of long-term fiscal sustainability, costing of policy proposals and analytical studies on selected issues.

Requirements in the new EU regulations would point towards a dominant model in the European Union, although individual country needs and the local institutional environment continue to determine many of the options chosen. With the exception of the Netherlands CPB (and until recently the Danish Economic Council), all of the fiscal councils in OECD member countries within the EU are tasked with monitoring compliance with the fiscal rules. None of the institutions in OECD member countries that are outside the EU have this task.

Institutions' role in forecasting takes several forms. The Netherlands CPB and the United Kingdom's Office for Budget Responsibility (OBR) have been tasked with producing the official forecasts. Others produce alternative forecasts (e.g. the United States and Canada). While others provide an opinion on the government's forecasts (e.g. France, Ireland and Sweden). The vast majority of institutions also provide analysis of long-term fiscal sustainability. Just under half of institutions in OECD member countries have a role in costing policy proposals, with this function more typically found in parliamentary budget offices. Both the Netherlands CPB and the Australian Parliamentary Budget Officer (PBO) are also tasked with costing election platforms.

There is similar diversity in the structure and resources of IFIs. Some are under the statutory authority of the executive, while a smaller number are under the legislature

(Australia, Canada, Italy [established by Law approved in December 2012 expected to become operational in 2014] and the United States). Two have been established as autonomous units within the national audit institution (Finland and France). They may have an individual or collegial (council) leadership structure. The CBO has the largest budget at USD 45 million and a staff of around 250, while the Irish Fiscal Advisory Council operates for under EUR 1 million with fewer than five secretariat staff. Those institutions with a role in policy costing – one of the most resource intensive tasks that require staff with specific programme knowledge – tend to have larger staffs. Three institutions have budgets with multi-annual funding commitments, a practice which can enhance independence and help insulate the institution from political pressure (Australia, the Netherlands and the United Kingdom).

Methodology and definitions

The data, collected via a set of questions for in-depth country notes on independent fiscal institutions in 2012-13, focuses on institutions in 17 OECD member countries. In preparing the notes, the OECD Secretariat consulted extensively with officials in the selected independent fiscal institutions, as well as with parliamentary officials, government officials, academics, and other stakeholders as appropriate. Further data on new institutions is currently being collected.

Chile established a Fiscal Advisory body in early 2013. Spain has put forward legislation for an Independent Fiscal Authority that is expected to pass in late 2013.

Further reading

- Calmfors, L. and S. Wren-Lewis (2011), "What Should Fiscal Councils Do?", *Centre for Economic Studies and IFO Institute for Economic Research (CESifo)*, Vol. 26, No. 68, pp. 649-695, London.
- Hagemann, R. (2011), "How Can Fiscal Councils Strengthen Fiscal Performance?", *OECD Journal: Economic Studies*, Vol. 2011/1, http://dx.doi.org/10.1787/eco_studies-2011-5kg2d3gx4d5c.
- Kopits, G. (2011), "Independent Fiscal Institutions: Developing Good Practices", *OECD Journal on Budgeting*, Vol. 11/3, pp. 35-52, <http://dx.doi.org/10.1787/budget-11-5kg3pdgcpn42>.
- OECD (2013, forthcoming), *Principles for Independent Fiscal Institutions and Country Notes*, OECD Publishing, Paris.

Table notes

See *StatLink* for country specific note.

4.10. Roles and resources of independent fiscal institutions in OECD countries (2013)

	Institution name	Established	Budget	Staff	Role in forecasts of macroeconomic assumptions	Analysis of long-term fiscal sustainability	Role in monitoring compliance with fiscal rules	Role in policy costing	Role in costing election platforms
Australia	Parliamentary Budget Office (PBO)	2011	AUD 2.4 M over four years with additional short-term funding during election period	Recruitment of 30-35 staff ongoing	◊	●	○	●	●
Austria	Government Debt Committee (GDC)	1970	Data not available	15 Committee members, 3 secretariat staff	■	●	●	○	○
Belgium	High Council of Finance (HCF)	1936	Data not available	27 Council members, 14 secretariat staff	■	●	●	○	○
Canada	Parliamentary Budget Officer (PBO)	2008	CAD 2.8 M	15	□	●	○	●	○
Denmark	Economic Council	1962	DKK 23.5 M	25 Council members, 30 secretariat staff	□	●	●	○	○
Finland	Fiscal Policy Audit and Executive Office	2013	EUR 1.4 M	7 (plus support and communications staff)	■	●	●	○	○
France	High Council for Public Finances (HCFP)	2013	EUR 782 000 (FY 2013)	10 Council members, recruitment of 5 staff ongoing	■	○	●	○	○
Ireland	Fiscal Advisory Council	2011	EUR 800 000 (FY 2013)	5 Council members, 3 secretariat staff	■	○	●	○	○
Korea	National Assembly Budget Office (NABO)	2003	USD 12.7 M	125	□	●	○	●	○
Mexico	Centro de Estudios de las Finanzas Públicas (CEFP)	1998	MXN 50.9 M (FY 2009)	59	□	●	○	●	○
Netherlands	Bureau for Economic Policy Analysis	1945	EUR 13.5 M	117	◆	●	○	●	●
Portugal	Conselho das Finanças Públicas (CFP)	2011	EUR 2.65 M (FY 2013)	5 Council members, recruitment of 15-20 staff ongoing	■	●	●	○	○
Slovak Republic	Council for Budget Responsibility (CBR)	2012	EUR 2 M (FY 2013)	3 Council members, recruitment of 15-20 staff ongoing	◊	●	●	●	○
Slovenia	Fiscal Council	2009	EUR 100 000 (FY 2012)	7 Council members, no secretariat staff	■	●	●	○	○
Sweden	Fiscal Policy Council (FPC)	2007	SEK 7.55 M	6 Council members, 5 secretariat staff	■	●	●	○	○
United Kingdom	Office for Budget Responsibility (OBR)	2010	GBP 1.75 M	3-person Budget Responsibility Committee, 2 non-executive members, 17 secretariat staff	◆	●	●	●	○
United States	Congressional Budget Office (CBO)	1974	USD 45.2 M	250	□	●	○	●	○

● Yes.


○ No.

◊ No role.

◆ Prepare official forecasts.

■ Assess forecasts only.

□ Prepare alternative forecasts.

Source: OECD (2013, forthcoming), *Principles for Independent Fiscal Institutions and Country Notes*, OECD Publishing, Paris.StatLink  <http://dx.doi.org/10.1787/888932943495>



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