OECD Review of the Irish Fiscal Advisory Council

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Abbreviations and acronyms

CAM	EU Commonly Agreed Methodology
C&AG	Office of the Comptroller and Auditor General
COSMO	A new COre Structural MOdel for Ireland
CSO	Central Statistics Office
DPER	Department of Public Expenditure and Reform
EC	European Commission
ESRI	The Economic and Social Research Institute
EU	European Union
EU-IFIs	EU Independent Fiscal Institutions (autonomous network)
EUNIFI	EU Network for Independent Fiscal Institutions (initiated by EC)
FAR	Fiscal Assessment Report
FTE	Full-Time Equivalent
FRA	Fiscal Responsibility Act
GDI	Gross Domestic Income
GDP	Gross Domestic Product
GVA	Gross Value Added
HICP	Harmonised Index of Consumer Prices
IFI	Independent Fiscal Institution
IMF	International Monetary Fund
NESC	National Economic and Social Council
PBO	Parliamentary Budget Office
PBO Working Party	OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions
SPU	Stability Programme Update
VAT	Value Added Tax

Executive summary and recommendations

The Irish Fiscal Advisory Council was formally established in 2012 to help strengthen Ireland's fiscal framework after the 2007-08 global financial crisis. In addition to functions, such as assessing and endorsing the government's forecasts and assessing compliance with fiscal rules, the Council also assesses the government's fiscal stance.

The Council performs well relative to international standards, meeting or exceeding the OECD Principles for Independent Fiscal Institutions and EU-IFI Minimum Standards in all areas except those relating to its leadership arrangements and legal underpinning for access to information. Over almost ten years, the Council has helped strengthen fiscal management in Ireland. For example, it has developed new tools, tailor-made for the Irish economy, for assessing compliance with fiscal rules and measuring the output gap; these have also been adopted by other key stakeholders. Furthermore, its reports and outreach activities have improved the awareness of fiscal issues among the wider public. These achievements are noteworthy given the small size of the Council and are facilitated by its skilled and ambitious Secretariat. The Council demonstrates high levels of transparency regarding its methodologies and is perceived as independent and non-partisan.

A summary of key issues and recommendations regarding the future functioning of the Council follows:

- **Budget**: The Council's budget is fixed in legislation and indexed to price inflation to protect its independence. However, the Council's mandate has expanded since the ceiling was set and its main costs - such as public sector salaries - have grown at a faster rate than price inflation. The Council is now approaching its budget ceiling, a situation which is already affecting staffing levels and which could in the future affect its ability to deliver its legal mandate.

  Recommendation: An IFI must have a budget commensurate with its mandate to be able to fulfil its functions in a credible manner (OECD Principle 4.1). Indexing the budget ceiling to key expenditure items would help protect the real value of the Council's funding. It would also be prudent to build in periodic review of the budget ceiling and indexing mechanism to ensure sustainability.

- **Leadership**: All Council members are part-time, including the Chair, who is appointed from among Council members. Given the Chair is also the public face and accountable officer for the Council, this role can be particularly challenging to balance with other work commitments. Member vacancies on the Council can also have a significant impact on its ability to function effectively.

  Recommendation: The role of accountable officer could be transferred to the Head of the Secretariat, allowing Council members to focus on delivering the core mandate. Advertising the Chair role as up to half-time instead of part-time could also provide greater clarity on the significant time commitment that the post demands. The Deputy Chair role could furthermore be formalised in legislation and be associated with greater responsibilities to strengthen the collective nature of the Council. To protect the Council's ability to function when there are member vacancies, flexibility to extend the terms of existing members until new members are recruited could be introduced, as well as provisions for the Deputy to become Acting Chair if the Chair position is vacant.

- **Governance requirements:** The governance requirements for the Council are quite burdensome given its small size. Existing arrangements for external audit weigh particularly heavily. While good governance helps ensure the integrity and credibility of the Council, it also places demands on the time of key personnel, such as the Chair and Head of Secretariat, which could otherwise be focussed on delivering the Council's core mandate.

  Recommendation: Governance requirements for the Council should be alleviated where reasonable. For example, the approach to external audit could be more proportionate to the size of the Council. The Council could also spread management responsibilities more broadly across the institution. As well as greater responsibilities for the Deputy Chair, one of the Economists could

be given a Deputy Head of Secretariat role. This would also provide an opportunity to improve succession planning and alleviate risks related to any change in leadership.

- **Access to information**: Access to information works well in relation to the Council's endorsement function but continues to be a challenge for its broader functions. While the government shows goodwill in relation to the Council's requests, some important data is not systematically published or provided to the Council in a timely manner.

  Recommendation: An IFI should have full access to all relevant information in a timely manner (OECD Principle 6.1). It would be useful if the Council set out a statement of data needs and extended its Memorandum of Understanding (MoU) to cover all of its functions.[1] To align with international peers and continue to operate sustainably and effectively, the Council should have a statutory right of access to information.

- **Staffing**: The Council does not have a large staff budget and relies on being able to attract young and highly skilled staff in order to function effectively. However, the staff grading structure can only be changed with prior consent of the Minister for Finance and this can hinder the ability of the Council to attract secondees and retain promising junior staff.

  Recommendation: The leadership of an IFI should have full freedom to hire and dismiss staff (OECD Principle 2.5). Greater autonomy over its staff grading structure, together with increased budget flexibility, would better enable the Council to attract and retain highly skilled staff. The Council needs to pay special attention to ensuring gender equality in its staffing.

- **Medium- to longer-term fiscal issues**: The Irish budget process largely has an annual rather than a medium-term focus and this is likely to be exacerbated in coming years, given the immediate pressures that COVID-19 is putting on government finances. Stakeholders have suggested that the Council could help bring greater attention to important medium- to longer-term fiscal issues.

  Recommendation: The Council should seek to further strengthen its annual budgetary analysis and work, highlighting medium- and longer-term fiscal issues, including through continued publication of its new Long-term Sustainability Report. This will be particularly useful in the context of the difficult fiscal choices that the COVID-19 crisis is likely to bring in the years ahead. These developments may require more resources or a reallocation of resources.

Introduction and methodology

This Review is the second independent external review of the Irish Fiscal Advisory Council. It provides a detailed assessment of how the Council is performing against international standards, including the OECD Principles for IFIs and EU-IFI Minimum Standards, and assesses the context, resources and independence, outputs and methodologies and the impact of its work. Based on this assessment, it provides options and recommendations to strengthen the institution in light of national developments and international experience.

Section 1. Context outlines the context in which the Irish Fiscal Advisory Council operates. This includes information on why the Council was established, its mandate, governance structure, relations with other institutions and adherence to international standards. **Section 2. Resources and independence** provides an assessment of the resources and independence of the Council. It covers aspects such as the Council's funding, human resources, access to information and independence. **Section 3. Methodology and outputs** provides an assessment of the Council's methodology and outputs. It identifies key issues for the Council's outputs and an assessment of key activities relative to peers. Finally, **Section 4. Impact** highlights the impact of the Council in terms of its influence on the public debate, the parliamentary debate, enhanced fiscal transparency and improved fiscal management.

Methodology

The methodology for this review is anchored in the OECD Principles for Independent Fiscal Institutions (OECD, 2014[1]) and a subsequent evaluation framework elaborated within the OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Working Party). Principle 9.1 of the OECD Principles for Independent Fiscal Institutions states that:

> *"IFIs should develop a mechanism for external evaluation of their work – to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country."*

The Network of EU Independent Fiscal Institutions (EU-IFIs) reaffirmed this OECD Principle in their document Defining and Enforcing Minimum Standards for Independent Fiscal Institutions (2016).

The evaluation framework takes as a starting point internationally agreed standards (e.g. the OECD Principles). As such, the review assesses the Council against these standards, benchmarks it against peer institutions in OECD countries and, where possible, identifies the difference it has made. The framework covers four main elements:

- **Context**, the institutional setting and mandate of the Council.
- **Inputs**, human and financial resources, access to information and independence.
- **Outputs**, the Council's core products, including effectiveness of the methodology.
- **Impact**, of the Council's work, including effectiveness of communications and stakeholder confidence.

The evaluation framework follows a performance framework approach used by governments globally and leverages conventional evaluation tools such as stakeholder interviews and peer review.

The review team

The OECD review team included two members of the OECD Secretariat's Public Management and Budgeting Division in the Directorate for Public Governance, two international experts from Denmark and Sweden, and one local expert (see Annex 1.A for more information). A member of the European Commission's Directorate-General for Structural Reform Support (DG REFORM) also participated. The review was informed by a pre-mission questionnaire issued to the Council. Virtual visits for stakeholder

interviews were undertaken in June/July 2020 (see Annex 1.B for more information). The review also draws upon contributions from other relevant members of the OECD Secretariat and peers within the PBO Working Party.

1. Context

Introduction

This section looks at the context in which the Irish Fiscal Advisory Council (hereafter 'the Council') was established as well as its legal mandate and evolutions in its functions over time. It highlights the Council's governance structure and key accountabilities, including the external audit requirements and its relationship with the Irish Parliament (the Oireachtas). It then looks at the relationship that the Council has with other peer institutions in Ireland as well as with the global independent fiscal institution (IFI) community. Finally, the chapter profiles the extent to which the set up and design of the Council adheres to international standards.

The establishment of the Council

The Council was set up on an interim basis in July 2011 as part of the institutional response by the Irish authorities to the 2007/8 global financial crisis, with the goal of improving fiscal sustainability through enhanced budgetary oversight. The costs of the crisis were particularly high in Ireland. Irish fiscal policy had been pro-cyclical for some time, with tax revenue and the budget deficit particularly sensitive to the rapid deterioration in economic conditions. This coincided with the Irish government having to bail out the private banking system following the collapse of a credit bubble. As the country was unable to access international bond markets to fund the government deficit, Ireland requested financial assistance from the European Commission (EC), the European Central Bank and the International Monetary Fund (IMF). The agreement involved Ireland entering into an Economic Adjustment Programme in return for financial assistance. As part of this, Ireland agreed to establish an IFI to provide independent assessment of the government's budgetary position and macroeconomic and budgetary forecasts.

Ireland is a member of the euro-area and subject to its system of fiscal governance, most notably the Stability and Growth Pact and its subsequent reforms and extensions. Because of the timing and circumstances of the Council's establishment, its creation helps the Irish government align with requirements of the European fiscal framework, particularly the interpretation and application of fiscal rules.

The Council was formally established as an independent statutory body through the Fiscal Responsibility Act (FRA) that came into effect in December 2012 (Box 1).

Box 1. The Fiscal Responsibility Act of 2012

The Fiscal Responsibility Act (FRA) was introduced as part of Ireland's Economic Adjustment Programme after the global financial crisis. It aimed to strengthen Ireland's national fiscal framework and ensure compliance with strengthened EU fiscal governance arrangements.

The FRA has two key components. First, it provides the legal basis for a domestic medium-term budget framework and fiscal rules consistent with EU rules. Specifically, it sets out a budgetary rule, debt rule, medium-term budgetary objective and a correction mechanism.

Second, it provides for the establishment of the Irish Fiscal Advisory Council. The FRA includes provisions relating to its functions, membership, the term of office and appointment process for initial members, provisions for member resignation and termination of office, remuneration, staffing, funding, accounts and audit arrangements, relationship to Oireachtas Committees and annual reporting requirements.

The Council's legal establishment followed a period of consultation. The Joint Committee on Finance and the Public Service of the Oireachtas analysed different options for establishing an IFI. The Joint Committee recommended establishing two independent fiscal oversight bodies. The first was an economic advisory council that, it was theorised, could play a role in identifying the cyclical state of the Irish economy at a given time, and the distribution of macroeconomic risk factors centred on the annual budget. Given the macroeconomic environment, it could make recommendations concerning the overall budgetary stance also. The second body was a separate budgetary review council, focused upon the medium term, which could monitor compliance with the specified and adopted fiscal rules and make recommendations concerning the appropriate adjustment path for the economy in the event of non-compliance with those rules. It was theorised the budgetary review council might make an *ex post* evaluation of the conduct of fiscal policy over the preceding year. However, the Department of Finance instead favoured the creation of a single body to consider fiscal policy more generally.

The model chosen mirrors the Swedish Fiscal Policy Council, with a smaller Council of five rather than the Swedish Council's six members. The Irish Council replicated the principle of including non-national Council members to expand the range and experience of potential members given similar challenges with the small size of the potential pool of candidates in Ireland. Similar to Sweden, it combined this with a highly specialised professional secretariat focused exclusively on fiscal policy. This model was seen as economical with part-time Council members and a part-time Chair, and a leaning towards choosing academics as Council members.

The development of the Council took place over several governments. The original discussions and public debate around forming an independent body, or bodies, tasked with budgetary oversight began during a Fianna Fáil/Green Party coalition, and the Council was established formally by a Fine Gael/Labour Party coalition. The Council continues to enjoy support across the political spectrum in Ireland and benefits from broad national ownership. It is widely perceived as independent in its analysis from the political system, with recommendations of the Council based upon their technical expertise applied to their mandate in law. Stakeholders reported that fiscal management in Ireland has improved since the global financial crisis, and that the establishment of the Council has helped contribute to that.

The Council's mandate and ongoing evolutions

The Council's functions were set out in the FRA. The Act set out that the primary role of the Council is to provide independent assessments of the government's fiscal and economic projections, monitor the government's compliance with fiscal and budgetary rules, and assess whether the government's fiscal

stance is conducive to prudent economic and budgetary management. The Council delivers this core mandate through the publication of Fiscal Assessment Reports in the Spring and Autumn.

In order to comply with new EU regulations, the Council's mandate was further enhanced in 2013 through the Ministers and Secretaries Amendment Act. These changes gave the Council an endorsement function in relation to the official macroeconomic forecasts underlying national medium-term fiscal plans and the draft budget. The Council formally and publicly endorses – where it deems such endorsement appropriate – the forecasts produced by the Department of Finance. The first endorsement letter was issued on 6th October 2014 and endorsement letters have since followed the revised European budgetary cycle. A summary of the Council's functions is provided in Box 2.

Box 2. The Council's functions

The Council's mandate and its attendant functions are set out in the enabling FRA, and were further enhanced through the 2013 Ministers and Secretaries Amendment Act. The key functions of the Council are:

1. To assess the official forecasts prepared by the Department of Finance. These are the macroeconomic and budgetary forecasts published by the Department twice a year – in the stability programme update (SPU) in the spring and in the budget in the autumn.
2. To endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department of Finance on which the budget and SPU are based.
3. To assess whether the fiscal stance of the government is conducive to prudent economic and budgetary management, including by reference to the EU Stability and Growth Pact.
4. To monitor and assess compliance with the budgetary rule as set out in the FRA. The budgetary rule requires that the government's budget is in surplus or in balance, or is moving at a satisfactory pace towards that position.
5. In relation to the budgetary rule, to assess whether any non-compliance is a result of "exceptional circumstances". This could mean a severe economic downturn and/or an unusual event outside the control of the government that may have a major impact on the budgetary position.

In addition to its legally mandated functions, the Council publishes outputs on its own initiative. It has made particular efforts to publish work that helps to improve understanding of fiscal policy among the Irish public. Among stakeholders there is a sense that, relative to its size, the Council has been able to exert influence in this area, helping the public realise the importance of, and impact from, economic and fiscal policy in their lives.

The Council tries to raise awareness of weaknesses in the Irish fiscal framework, and highlight concerns relating to major fiscal risks and large budgetary issues. For example, one of the continued weaknesses in Ireland's fiscal framework relates to the annual focus of fiscal planning. The Council aims to encourage greater consideration of the medium-long term through regularly covering issues such as pensions, demography, and climate change in its reports. It also published its first Long-term Sustainability Report in 2020.

Another factor which impedes good fiscal planning in Ireland is the conflicting information that is presented to the public on how much budgetary room the government has within the bounds of the fiscal framework. To help overcome this, the Council started publishing "Stand-Still" Scenarios in 2018 that provide estimates of the cost of maintaining today's level of public services and benefits in real terms over the medium term. The Council has also recently developed a "Fiscal Space Calculator" that will be published in early 2021. This aims to set the parameters of the budget debate more clearly, and will also allow stakeholders to

adjust policy (tax, spending and Rainy Day Fund decisions) to test the fiscal impact of their own preferred policy mix.

An area where there are ongoing demands for the Council to undertake further work is more detailed annual budgetary analysis. The Council's work looking at large annual overspends in health in recent years and how they have been funded through higher than expected corporation tax revenues has been well-received. Stakeholders would like to see the Council undertaking more detailed annual budgetary analysis to help avoid mistakes of the past and inform better decision making. The COVID-19 crisis is likely to give rise to difficult budget policy choices in the years ahead, adding further weight to the Council increasing its work in this area.

Since the Council was established, there have also been ongoing discussions about the need for independent costings of policy proposals from political parties and groups in the Oireachtas. Although some originally looked to the Council to carry out this function, the Oireachtas Parliamentary Budget Office (PBO) was established in 2017[2] with a view to it undertaking this role. The 2020 Programme for Government ("Our Shared Future") specifically allocates this costings function to the PBO.

The Council's governance structure and key accountabilities

The Council is an independent statutory body, governed by its Chair and Council members. While the Chair is appointed by the Minister for Finance, the Council has also decided to informally create a Deputy Chair role. This serves as a backup in case the Chair is unavailable for a specific task or is unable to fulfil their duties due to unforeseen circumstances (e.g., illness).

The Council decides its own procedures. The staff of the Secretariat report to a Head of Secretariat (also the Chief Economist) who in turn reports to the Council. The Council sets its own work programme in accordance with its mandate. Council members and Secretariat staff are subject to the Code of Practice for the Governance of State Bodies and the Council has developed its own Code of Conduct that outlines the agreed standards of principle and practice and includes a section on conflict-of-interest.

The Chair is formally the accountable officer for the Council. Other international peer institutions, such as the Hellenic Fiscal Council, the Portuguese Public Finance Council and the Slovenian Fiscal Council, also have the Chair as the accountable officer. However, these institutions all have full-time Chairs. In other institutions, including the Swedish Fiscal Policy Council, the Danish Economic Council, and the Czech Fiscal Council, the Head of Secretariat is the accountable officer.

The part-time nature of the Chair's role in Ireland could give rise to challenges in handling the governance and administrative requirements associated with being the accountable officer. To help alleviate this, the Chair is supported by key Secretariat staff (the Head of Secretariat and Administrator) and an Audit and Risk Committee (further detailed below). Administrative responsibilities include: developing internal policies, managing the shared services agreement with the Irish Economic and Social Research Institute (ESRI), processing payments, procuring goods and services, undertaking internal audit and control, organising human resources, ensuring legal compliance, handling communications, organising events and complying with reporting and audit requirements.

In relation to reporting requirements, the Council prepares a triannual Strategic Plan and evaluates its progress against it. To ensure oversight and accountability of the Council's work, the FRA sets out that the Council should prepare an Annual Report of its activities during the year. This is provided to the Minister for Finance, with a copy also laid before the Oireachtas. The Council also prepares an annual Chairperson's report to the Minister. Furthermore, the Council pro-actively engages in independent external assessments of its performance in line with OECD Principle 9.1 on external evaluation, most recently a peer review published in 2015, and now this Review.

In terms of audit requirements, the Council has an internal audit process that covers both financial and procedural elements. In addition, as the Council receives non-voted public expenditure, it is subject to an annual external audit by the Office of the Comptroller and Auditor General (C&AG). The nature of this audit is further detailed in Section External audit arrangements.

To help fulfil the Council's governance and audit requirements, it has set up an Audit and Risk Committee, chaired by one of the Council members and normally comprised of a further two members. This Committee meets four times a year and reviews the quarterly Management Accounts, organises and reviews the annual C&AG audit, updates and reviews the Council's Risk Register, and reviews Council policies, such as its Anti-Fraud Policy and its Business Continuity and Disaster Recovery Plan.

The volume of the work related to governing an independent institution places a significant burden on the small Council. Moving the accountable officer role from the part-time Chair to the full-time Head of Secretariat could give the part-time Chair and Council members the ability to focus their more limited time on overseeing the Council's mandated outputs, mirroring arrangements in a number of peer OECD IFIs. The Council could also look at options to spread the governance burden more broadly through increasing the responsibilities of the Deputy Chair and giving one of the Economist's an additional Deputy Head of Secretariat role to help fulfil these tasks. This would also give an opportunity to build greater succession planning and alleviate risks related to any change in leadership.

External audit arrangements

The Council is audited by the C&AG annually in accordance with Section 10 of the FRA. Sections 10 (1) to 10 (3) of the Act require the Council keep accounts of receipts and expenditure, and to submit them for audit by the C&AG. The Council must give a copy of the accounts to the Minister, who in turn must lay the accounts before the Oireachtas. Section 10(4) of the FRA then requires the C&AG to undertake an annual audit in relation to these accounts.

The Council undertakes its internal audit in January and the external audit usually involves the C&AG being on site in the Council's premises for two weeks generally in May and extensive interactions over the following weeks. After several weeks, the Council receives the draft audit for review. The audit comes during one of the peak times for the Council, given that it also publishes its bi-annual Fiscal Assessment Report (FAR) in June.

All regulatory authorities whose audits are conducted by the C&AG are subject to the same audit regime and this oversight mechanism is stringently applied by the C&AG, despite the relatively small size of the Council. The C&AG has certain mechanisms it can use to minimise the regulatory burden of the audit. For example, it can change the materiality threshold. For the 2019 audit, the C&AG used a level of materiality that it is 2% of the Council's total income (EUR 16 000) and 2% of its total assets (EUR 3 800). The C&AG can also introduce cyclical control testing for institutions which it deems to be low risk and where significant issues have not arisen in the past as is the case with the Council.

There are clear benefits from such a rigorous auditing process, in terms of encouraging internal rigour, promoting transparency, bolstering credibility and increasing public trust in the Council. However, there are also costs for the Council, including the administrative burden of the audit on such a small organisation – the Council is the smallest institution in Ireland to be audited by the C&AG. The audit requirements for the Council are greater than those faced by international peers (Box 3).

Box 3. External annual audit requirements in select IFIs across the OECD

Danish Economic Council: The Council's budget for 2020 is EUR 3.84 million. The institution is subject to an annual external audit by the National Audit Office (Rigsrevisionen). The audit takes about one week, although this time is spread out over two to three months due to iterations with the ministry and questions from the Audit Office. The whole audit is done digitally, without the Audit Office coming on site. Once every three or four years the Audit Office make special inquiries in a certain area, such as payroll. The Council does not have any flexibility as to when the audit is undertaken and the auditors usually change from year to year.

Swedish Fiscal Policy Council: The Council's budget for 2020 is EUR 1.05 million. The institution is subject to an annual external audit by the Swedish National Audit Office (Riksrevisionen). In general, changes to individual budget items that are larger than 10% are commented on in the audit report. The Audit Office spends around 60 hours on the audit, half in the Autumn, and half in the Spring, and the head of administration at the Council spends around 80 hours on the audit, also divided equally between the Autumn and the Spring. Previously the Audit Office would spend around three days on site, however the whole audit is now conducted digitally. The Council does not have any flexibility as to when the audit is undertaken, but it does not take place at peak times and the auditor is usually the same for three years and then changed, with a well-established protocol to hand over to the next auditor.

UK Office for Budget Responsibility (OBR): The OBR's budget was EUR 3.85 million in 2019-20. The OBR annual accounts are subject to annual external audit by the Comptroller and Auditor General at the National Audit Office (NAO). The materiality threshold for the audit is GBP 68 600 (2% of budget expenditure). In total, the audit takes around two months to complete. The OBR schedules one week to cover key elements of the audit, although correspondence is always electronic. The NAO only goes onsite to test payroll and transaction processing systems, a service provided to the OBR by HM Treasury. The timing of the audit is agreed in advance, and usually sits outside periods of peak workload for the OBR.

A fundamental change to the audit requirements placed on the Council would require a change to the FRA. In this instance, audit requirements could be more closely matched with other smaller regulatory bodies in Ireland that are not subject to an audit conducted by the C&AG. However, even within the existing legislative framework, there are some adjustments that could be made to the audit process to help the Council given its small size. For example, at present, the C&AG prioritises its audit procedures around the larger institutions that it audits. Taking into account – and avoiding – the peak work times for the Council would be very helpful. In addition, trying to ensure continuity in the external audit team over consecutive years would reduce help reduce the annual demands of the audit on the Council. Cyclical control testing may also be considered.

Relationship with the Irish Parliament (Oireachtas)

Under the FRA, the Council is accountable to the Oireachtas. There are several requirements associated with this governance arrangement:

1. Firstly, as mentioned above, the Council is required to produce an Annual Report for the Minister who then forwards a copy to be laid before each House of the Oireachtas (Article 13).
2. Secondly, the Council is also required to submit a copy of its audited accounts before each House of the Oireachtas each year. The C&AG also makes a report to the lower house (Dáil Éireann) with respect to the correctness of the sums brought to account by the Council. Oireachtas Committees can also request that the Chair give evidence on its accounts, and a Committee of either House of

the Oireachtas can request that the Chair account for the performance of the functions of the Council.

3. Thirdly, the Oireachtas also has a role in protecting members of the Council from dismissal by the Minister for Finance without cause. The FRA states that a Council member cannot be removed from office by the Minister unless a resolution for their removal is passed by the Dáil Éireann.
4. Finally, the Council appears before the Oireachtas Committee on Budget Oversight at least bi-annually to give evidence in relation to its FAR, and it may also appear before other Oireachtas Committees as requested.

The Council appears before the Oireachtas Budgetary Oversight Committee in relation to its technical reports on three occasions per annum:

- In June, after the publication of its spring FAR
- In September, after the publication of its Pre-Budget Statement
- In December, after the publication of its autumn FAR

There have been some other occasions when the Council has been asked to appear before an Oireachtas Committee. For example, the Council was asked to appear before a Special Committee on the COVID-19 Response in June 2020. Stakeholders commend the Council for always making itself available to parliamentary stakeholders. All of the Council's appearances before Oireachtas Committees are public and televised.

The impact of the Council's technical reports on the parliamentary debate is presented in Section 4. Impact.

Relationship with other institutions in Ireland

The Council has developed productive working relationships with a number of Irish institutions. In addition to its regular contacts with the Department of Finance and Department of Public Expenditure and Reform (DPER), the Council regularly engages with the Central Statistics Office (CSO), the Revenue Commissioners, National Treasury Management Agency, Irish Government Economic and Evaluation Service, and other departmental teams working on social benefits and health. In general, these exchanges allow helpful clarifications and facilitate the provision of information feeding into the Council's analysis.

There is a small but strong academic and think tank community in Ireland, which features prominently in public debates. Staff at the Council Secretariat frequently engage with academics, often through Council members. Some stakeholders suggested the Council could increase engagement with universities in the interest of business continuity (ensuring both a supply of interested researchers for the Secretariat and Council members).

The Council engages informally peer-to-peer with the think tank community and participates regularly in the Dublin Economics Workshop (DEW) Economic Policy Conference. The Council also hosts an annual "Path for the Public Finances" conference that helps build bridges with interested stakeholders. It is predominantly attended by those on the policy side, including government departments, the Central Bank of Ireland, the ESRI, and other international IFIs.

The Council interacts with private sector organisations such as commercial banks and rating agencies with an interest in the Council's work for its implications for markets, particularly fixed income markets which react to expectations for sovereign interest rates and the stability and reliability of public borrowing and government solvency.

The Council's relationship with three institutions deserves particular attention: the ESRI, the Oireachtas PBO, and the National Economic and Social Council (NESC).

Economic and Social Research Institute (ESRI)

The ESRI is an independent and non-partisan think tank created in 1960 to conduct research that informs economic and social policy in Ireland. The Council is co-located with the ESRI and has a service level agreement under which the ESRI provides it with its offices and support for financial administration, information technology, and human resources. The service level agreement has business benefits for both institutions. However, there is some hesitation by the Council to access services related to financial administration, IT support, and human resources because of the charges incurred for each interaction and the suitability of the advice for the Council's purposes. The ESRI and the Council should continue to periodically revisit this agreement considering value for money and the Council's evolving needs.

Collocation within ESRI provides opportunities for staff interaction and cross-fertilisation. Proximity allows for both informal interaction and more formal professional development opportunities through seminars and conferences. Co-location could also have drawbacks, were groupthink and convergence of views to take hold. However, having a Chair and Council members located outside the ESRI helps counteract that possibility.

Oireachtas Parliamentary Budget Office (PBO)

The Oireachtas PBO was set up in 2017, but was formally created by the Houses of the Oireachtas Commission (Amendment) Act 2018 and put on a statutory basis 1 January 2019. The PBO is a unit within the Houses of the Oireachtas Service and is mandated to provide the Oireachtas and its committees with economic and fiscal information, and independent and impartial analysis and advice. Its functions are in support of parliament, specifically on topics related to: the macro-economic conditions in the State; developments affecting the public finances; the management of the public finances; and the financial implications of policy proposals. The PBO does not have a mandate to evaluate official forecasts or compliance with fiscal rules.

Like the Council, the PBO has the flexibility to undertake self-initiated analysis in the areas covered by its mandate. The PBO must also fulfil requests for analysis it receives from either House of the Oireachtas or its Committees (particularly the Budget Oversight Committee) if the area is related to its mandate. The Council, on the other hand, is not required to respond to requests from the legislature.

The PBO has a statutory obligation to provide independent advice on macroeconomic and fiscal conditions. This means that, while it could and should consider the research of the Council, it would act against the principle of analytical independence to rely on the Council's analysis exclusively – that is, the PBO is free to comment on the Council's analysis, use the analysis of other researchers, and take a view of its own.

Further, the PBO provides rapid analysis of the budget and Stability Programme Update (SPU) to assist members in scrutinising the government's plans in real time. By contrast, the Council's scrutiny of the budget and SPU are more detailed and its reports are often released weeks after the PBO provides its analysis and the Dáil has considered the budget and SPU – that is, the reports fulfil different needs for stakeholders.

Some stakeholders expressed concerns that the PBO and the Council publish analysis on similar topics, with the potential for overlap and mixed messages. As both bodies have analytical independence, it would be inappropriate to co-ordinate messaging to ensure consistency between them. In the past, the Council and the PBO have informally exchanged drafts of their reports that reference each other's work in the past to avoid technical errors or misrepresentations. This process, which has precedents internationally, appears to function well but may benefit from becoming more formalised.

The National Economic and Social Council (NESC)

The Prime Minister (Taoiseach) and government receive strategic advice on economic, social, and environmental policy from the NESC, which the Taoiseach appoints for three-year terms. The NESC appointees represent a diverse range of business, trade unions, civil society and government stakeholders. The NESC is supported by a Secretariat of around eight policy analysts that draft reports according to a work programme steered by the NESC and the Department of the Taoiseach.

Table 1 compares the Council with NESC and the Oireachtas PBO. Key differences relate to the general focus of each institution. In addition, there are differences in the autonomy that each institution has over its work programme and the audience for their analysis. The Council has complete autonomy over its work programme, providing it fulfils its statutory reporting and endorsement roles. The PBO, on the other hand, is required to respond to the analytical requests of Parliament, including potentially requests to assess the research of the Council and NESC. NESC must work within the work plan steered by the Department of the Taoiseach and respond to requests from the Taoiseach.

Table 1. Comparison with similar domestic institutions

	Irish Fiscal Advisory Council	Oireachtas PBO	NESC
Year established	2011	2018	1973
General focus of mandate	Economic and fiscal oversight, assessing official forecasts, compliance with fiscal rules and fiscal stance.	Economic and budgetary analysis, policy costings.	Research relating to economic and social policy.
Type of analysis	More in-depth, nuanced research.	More rapid analysis.	More bold analysis and blue sky thinking.
Audience for analysis	All stakeholders in Ireland's national and EU budgetary architecture.	Mainly parliamentarians and Oireachtas committees.	The Department of the Taoiseach, and the Irish government.
Analytical impartiality	Yes	Yes	Partially
Autonomy over work programme	Yes, mandate requires Council to make an endorsement and publish two reports a year, but outside of that can accept or refuse requests for analysis.	Partially, must serve legislative requests for analysis, although legislation also provides for self-initiated reports.	Partially, work programme steered by Department of Taoiseach priorities, although some flexibility for self-initiated reports.
Transparency	All research published, no confidential reports.	Research published following presentation to the legislature.	Submitted to government before approval for publication.
Budget	EUR 820 000	EUR 880 000 (not including central services provided by Parliament)	EUR 1 876 000 (not including central services provided by government)
Analytical staff	5	12	8

Source: Institution websites and annual reports.

Engagement with the international IFI community

The Council has been actively involved in the international IFI community. The Chair plays a leadership role as Deputy of the autonomous Network of EU Independent Fiscal Institutions. Members of the Network from younger IFIs have reported that the Council's Secretariat has been a particularly willing and open source of technical expertise assisting their establishment. Moreover, the Council has been a regular and active member of the Commission-organised informal EUNIFI initiative since 2013. The Council is also an active participant in the OECD PBO Working Party.

Peer IFIs have mentioned that Ireland is particularly proactive in promoting co-operation, valuing the Council's contributions to international working groups. The Council has also provided good benchmarks against which to measure their IFI's methodology and outputs.

Adherence to international standards

IFIs have diverse functions and resources guided by country-specific circumstances and, for European IFIs, supranational commitments. Despite this diversity, there is broad agreement on standards to ensure the independence and good functioning of IFIs, such as those defined in the OECD Principles for IFIs (OECD, 2014[1]) and the document on Defining and Enforcing Minimum Standards for Independent Fiscal Institutions (EU Independent Fiscal Institutions, 2016[2]). These standards provide useful benchmarks against which to evaluate the Council.

Annex Table 1.C.1 in Annex 1.C evaluates the Council against the OECD Principles for IFIs. Overall, the Council performs well relative to international standards. This lends the Council credibility among peers and legitimacy as part of the EU framework of economic and fiscal monitoring and stability. The Council meets or exceeds the OECD Principles and EU-IFI Minimum Standards in all areas except those relating to its leadership arrangements and legal underpinning for access to information (these are both discussed further in Section Influence on the parliamentary debate). In addition, when the EU Commission assessed IFAC's adherence to the independence safeguards and mandate requirements stipulated in the Fiscal Compact, it concluded on overall compliance (European Commission, 2017[3]).

Conclusions and recommendations

The Council was set up in July 2011 to help Ireland respond to the fiscal challenges associated with the global financial crisis. The Council helps Ireland to improve fiscal sustainability through enhanced budgetary oversight. It also ensures that Ireland aligns with requirements of the European fiscal framework. Although its establishment was agreed as part of the Economic Adjustment Programme overseen by the EC, European Central Bank and the IMF, the Council is viewed as a national institution and benefits from cross-party political support.

The Council provides independent assessment and endorsement of the government's fiscal and economic projections, monitors the government's compliance with fiscal and budgetary rules, and assesses the government's fiscal stance. The Council also publishes work at its own initiative. As part of this, the Council tries to encourage more of a medium- to longer- term approach to budgeting and recently published its first Long-term Sustainability Report. It is also developing a fiscal space calculator to complement its previous work framing fiscal debates and has focussed attention in recent years on prominent budgetary issues such as health overspends. Continued work in this space is welcomed by stakeholders, particularly since the COVID-19 crisis will give rise to difficult budgetary choices in the years ahead.

The Council is an independent statutory body, governed by its Chair and Council members. A key challenge is the governance and administrative requirements associated with being an independent institution in Ireland. The Chair, Council members, Head of Secretariat and Administrator devote a significant amount of resource to tasks such as developing and updating corporate policies, financial processing, procurement, hiring, and communications. Moving the accountable officer role from the part-time Chair to the full-time Head of Secretariat could give the Chair and Council members the ability to focus their more limited time on overseeing the Council's mandated outputs. The Council could look at options to spread the governance burden more broadly through increasing the responsibilities of the Deputy Chair and giving one of the Economist's an additional Deputy Head of Secretariat role to help fulfil these tasks. This would also give an opportunity to build greater succession planning and alleviate risks related to any change in leadership.

A further challenge for the Council relates to its annual external audit by the C&AG. While the rigorous annual audit is a legal requirement and provides clear benefits in relation to public trust in the Council, the burdensome nature of the audit seems disproportionate to the size of the institution and is greater than that experienced by peers. There are some adjustments that could be made to the audit process to make it less onerous for the Council.

Ireland has a number of institutions that receive public funding to undertake economic and/or budgetary analysis, including the Council, the PBO, NESC, and the ESRI. Stakeholders expressed concerns about overlap between the work of the Council and the PBO, however the work of each institution is found to serve distinct purposes. Nevertheless, to ensure that each institution represents each other's work accurately, there could be merit in establishing more formal arrangements to exchange draft reports that refer to each other's analysis before publication.

2. Resources and independence

Introduction

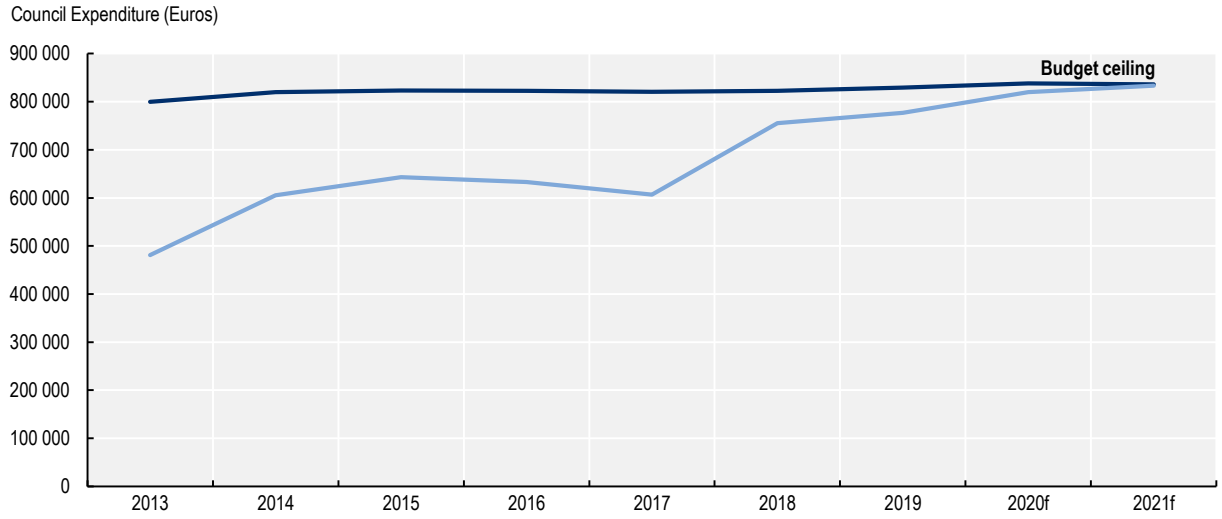
This section examines financial and human resources of the Council, assessing their reasonableness at present, as well as in light of expected requirements in the coming years. The OECD Principles set out that an IFI must have sufficient financial resources to ensure that it can perform its tasks satisfactory (Principle 4.1). The section also provides an assessment of the Council's independence, given that non-partisanship and independence are prerequisites for an IFI to be successful (Principle 2.1). The final part of the section assesses the Council's access to information, which underpins any IFIs ability to undertake robust analysis (Principle 6.1).

Funding

The Council's budget is set in legislation under the FRA and paid directly out of the state's central fund. This arrangement protects the Council's independence, as it is not subject to annual decisions by the Oireachtas. The budget is capped at a maximum of EUR 800 000 per annum (2013 prices) indexed to inflation, specifically the Harmonised Index of Consumer Prices (HICP). This arrangement guarantees multi-annual stability of funding conducive to the independence of the Council, in line with best practice set out in the OECD Principles. However, the sustainability of the arrangement depends on the budgetary cap being sufficient given that changes require amending the Council's enabling legislation.

Since the Council was initially established its mandate has expanded[3], without an increase in its funding. In addition, key costs for the Council – particularly public sector salaries - have risen faster than HICP inflation. As a result, the Council's expenditure levels are now running very close to the budget ceiling, a situation which is already impacting staffing levels and which could impact its ability to deliver its legal mandate (Figure 1).

Figure 1. Council expenditure vs budget ceiling



Note: Figures for 2020 and 2021 are forecast.
Source: Irish Fiscal Advisory Council, 2020.

If the use of an index was designed to protect the real value of the Council's funding, consideration should be given to using an index more closely linked to the cost of key items that make up the Council's expenditure (especially public sector salaries) rather than solely HICP inflation. This would allow the Council to continue to have sufficient resources to deliver its mandate and function sustainably as an effective and credible institution, in line with OECD Principle 4.1. It would also be prudent to build in a mechanism to allow periodic review of the sufficiency of the Council's budget ceiling and indexing mechanism in the years ahead, e.g., every five years.

Human resources

The Council

There are five members of the Council including the Chair. The Council's enabling legislation states that members are appointed by the Minister for Finance, and that the Minister should have regard for competence and experience in macroeconomic or fiscal matters and for gender equality on the Council. In practice, when a Council position is set to become available, there is a call for applications. A selection committee is then formed, consisting of four to five members: one or two representatives from the Public Appointments Service, a representative from the Department of Finance, the Council Chair and an external stakeholder. The selection committee reviews the applicants and draws up a shortlist of three candidates. The Minister for Finance then appoints from the shortlisted candidates. The other candidates remain cleared for appointment for up to two years, ensuring that there is a pool of candidates to cover any other vacancy that arises. The use of this selection committee to help with the appointment of Council members helps ensure a tradition of appointing members with a strong technical standing.

The standard term of office for Council members is four years. Members cannot serve more than three consecutive terms[4] but are otherwise eligible for reappointment. The terms of initial Council members were staggered so that their terms did not come up for renewal at the same time. This would normally ensure continuity and an institutional memory within the Council.

The Council was recently facing a short-term issue whereby it may have had to have gone a number of months with just two members who were relatively new to the role. This would have given rise to serious

continuity issues. The situation arose because Council members' terms were finishing at the end of 2020, including the Chair. To avert this situation, the new coalition government took two actions. First, it passed legislative amendments that meant that outgoing Council members (including the Chair) could be appointed for a third term. Second, it advertised for new Council members in late 2020 and appointed two new members with effect from 1 January 2021.

To prevent a similar situation arising in the future, the government should ensure more timely appointment of replacement members. Once a smooth transition between existing and new members is secured, the government may also wish to revisit the ongoing need for allowing members to have a third term. For exceptional circumstances, a solution more aligned with international practice would be to allow the terms of existing members to be extended until the new members are recruited. This has helped where there have been delays in the appointment of new members at IFIs in Sweden, Italy and Slovakia.

Council members are not required to be Irish and the Council has to date always included members based outside of Ireland. An international presence enhances the Council's objectiveness by providing an outside perspective. The greater ability to work virtually coming out of COVID-19 may also facilitate international experts to join the Council. However, some stakeholders expressed a preference for the Chair in future to at least be based in Ireland in order to engender domestic ownership.

The OECD Principles recommend that leadership is remunerated and preferably full-time (Principle 2.4). Being a member of the Irish Council is a part-time commitment. Members of the Council tend to be recruited from academia, and the extent to which their employer reduces their academic responsibilities to enable them to undertake the role varies. It is not unusual for Council members to dedicate significant personal time to the role. This holds in particular for the Chair who is the accountable officer for the Council, and for whom the workload often corresponds up to a half-time position.

In addition to the Chair's role as accountable officer, they are also the face of the Council for key stakeholders including the parliament, the media and the public. In this role, the Chair requires to be available at short notice, and needs the ability to communicate complex issues in simple terms to enable successful messaging. Given the demanding nature of the role, a number of peer IFIs have decided to employ a half or full-time Chair, including a number of similarly sized institutions such as the Slovenian Fiscal Council (where the role is legally at least half-time, currently full-time), the Czech Fiscal Council (where the role is full-time) and the Hellenic Fiscal Council (where the role is full-time).

Despite the unique requirements of the Chair role, there is no separate recruitment process for the Council Chair in Ireland. Instead, the Minister for Finance appoints the Chair among the Council members. Given the significant additional responsibilities associated with this role, and the different skills that are required in order to fulfil it, there could be merit in advertising the Chair as a separate position, as is the case in peer institutions such as the Slovak Council for Budget Responsibility (Box 4). This would allow a more specific job description to be posted, helping attract a pool of candidates with the capacity and skills to undertake the role. If the Chair retains the accountable officer role, the post could also be advertised as a half-time position instead of a part-time position. Although this would have small budgetary consequences, it would ensure that both the Chair and their second employer have a more realistic understanding of the commitment involved.

Box 4. Separate recruitment of the Chair of the Slovak Council for Budget Responsibility

The Slovak Council for Budget Responsibility is led by a Fiscal Responsibility Board comprising three members, including a full-time Chair and two part-time Board members. The Chair is recruited separately from other Council Members. The job specification details the knowledge and skills required for the leadership role, including expertise in relation to public finance and economic policy, the ability to make decisions and act independently and the ability to communicate effectively to the media, general public and international organisations. Shortlisted candidates are invited for a public hearing before a committee chaired by the parliament's Budget Committee Chairperson. The committee recommends up to three candidates to the Minister for Finance, from which one is selected and nominated for approval by parliament.

Remuneration is currently set at EUR 20 520 per year for the Chair and EUR 11 970 for regular Council members. Because of the "One Person One Salary" principle in Ireland,[5] Council members working in the public sector do not receive any additional compensation for their work at the Council. Instead, their employer receives the board fees, and it is assumed that the primary workload of the Council member is correspondingly reduced. However, as previously indicated, not all employers accommodate a reduced workload in practice. In such cases, Council members' commitment to the role rests on it being an attractive role to undertake personally or professionally.

Although the Council has informally had a Deputy Chair for a number of years, there are no formal provisions for an Acting Chair if the Chair resigns, as occurred at the end of 2019. The Council responded by nominating the longest-serving Council member and Deputy Chair as Acting Chair, and this was subsequently confirmed by the Minister for Finance. However, the period when the Acting Chair had no formal authority exposed a weakness in the Council's legal provisions. It would be helpful if arrangements for this situation are formally set out in legislation, as is the case in peer IFIs such as the Portuguese Public Finance Council (Box 5).

Box 5. Formal arrangements for an Acting Chair at the Portuguese Public Finance Council

In Portugal, the Public Finance Council (CFP) is governed by a five-person Senior Board. The members of the Senior Board are the President, the Vice-President, one executive member and two non-executive members. The Council's enabling legislation sets out the functions of the Vice President as follows:

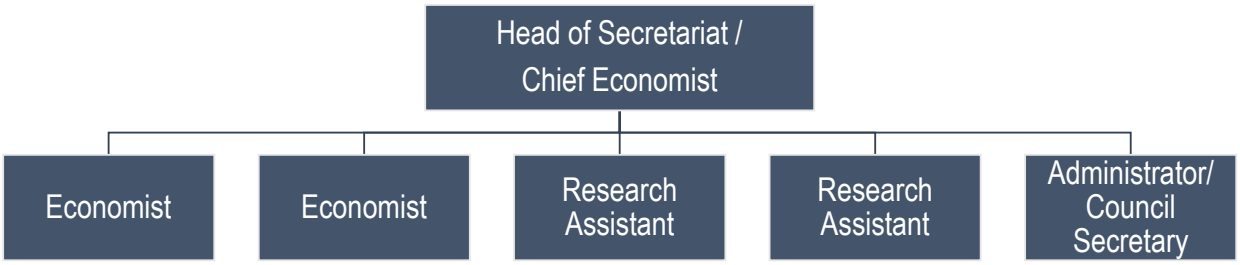
- To replace the President of the Senior Board in non-executive functions in the event of absence or impediment.
- To give previous opinion on the calling of the Senior Board and on the issues to be dealt with.
- To take part in the parliamentary hearings and press conferences.

To perform any other functions conferred by the internal regulations.

The Council Secretariat

The Council's Secretariat has taken a number of years to reach its full complement. In 2013, the first full year of operation for the Council, the Secretariat consisted of three full time staff, hired on secondment from the ESRI and the Central Bank. By 2015, the Secretariat had doubled in size as it built up the capacity to fully deliver its mandate: one Head of the Secretariat, also serving as the Chief Economist, two Economists, two Research Assistants and one Administrator (Figure 2).

Figure 2. Organisational chart for the Council Secretariat



Source: Irish Fiscal Advisory Council, 2020

The Council does not have a large budget for staff, and so its staffing model relies on a small group of core economists and young Research Assistants who use their time at the Council to gain valuable experience that can help them further their career elsewhere. The Council has a strong reputation among stakeholders for delivering high-level analysis in a clear and informative way. Co-operation between Secretariat staff and Council members works well, and the work environment is perceived as stimulating and dynamic. For this reason, the Secretariat has been able to achieve a lot relative to its size. There are few examples of IFIs the same size as the Irish Council that have had the capacity to develop in-house macroeconomic and fiscal modelling to the same technical specification.

The grades of staff at the Council are linked to equivalent positions in the government and the number of people that can be hired at each grade within the Council is subject to agreement from the Minister for Finance. Any changes to the existing arrangements also require prior consent of the Minister.

Retaining and continuing to attract highly qualified staff is crucial for the future of the Council. Having staff seconded from other institutions such as the central bank, the government and the ESRI has also proved to be an effective way of attracting experienced staff into the small Secretariat. However, at present the Secretariat has no staff on secondment. In the last recruitment round, the prospective candidates for a secondment were all at government grades that the Council could not accommodate given its existing grade-structure.

The lack of autonomy that the Council has in relation to the grades-structure of its staff has also hindered the Secretariat in retaining fixed-term Research Assistants. The salary increase between a Research Assistant and the next grade of Economist is prohibitive for the Secretariat, and the Council has had to let go of experienced Research Assistants that it would otherwise have liked to have retained through a promotion. Greater autonomy over its staff grading structure, together with increased flexibility in the Council's budget, could help the Council continue to attract and retain the skilled staff it requires in the years ahead.

A small Secretariat can be vulnerable to sudden loss of key individuals and competences. Many Secretariat staff are relatively early in their careers and staff will often move on to more senior positions elsewhere. The Council's small size and budget constraints mean that it hires Research Assistants on two-year fixed term contracts, instead of on permanent contracts. In addition, employees on secondment from other institutions return to their sending institution after their period at the Council Secretariat. To decrease the dependence on specific individuals and ensure institutional memory, Secretariat staff rotate tasks and cover different areas. This approach not only decreases the vulnerability of the Secretariat to staff changes, but also has the added benefit of widening the skills base of existing staff.

Current levels of staffing at the Secretariat are considered by the Council to be the minimum that is reasonable in order for the Council to deliver its mandate. However, given various pressures, there are some changes that the Council might consider to the staffing arrangements.

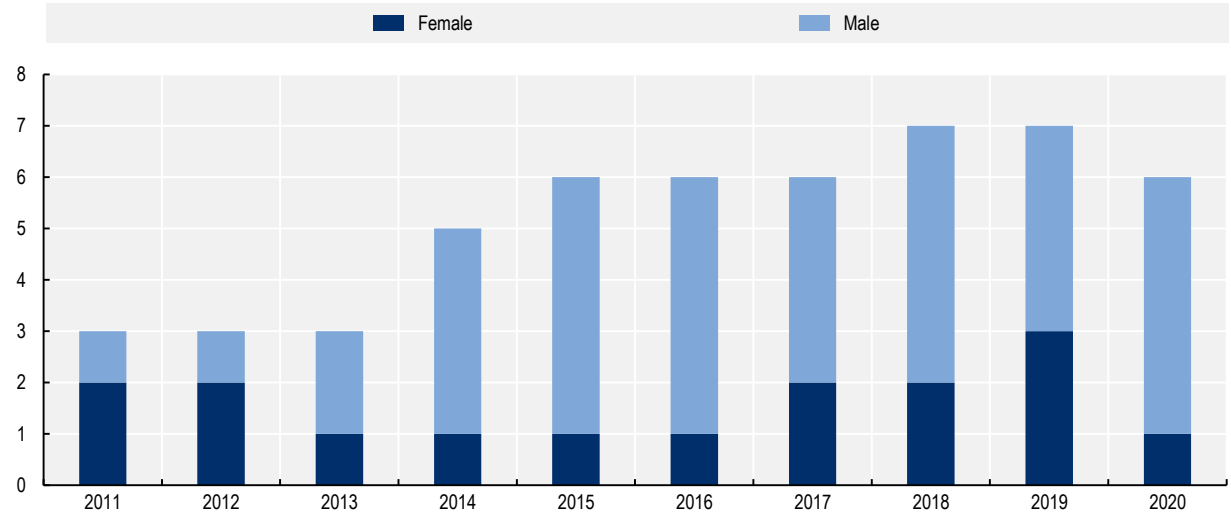
To help further strengthen consideration of medium to longer-term fiscal issues during the Irish budget process, the Council has just published its first Long-term Sustainability Report. Stakeholders broadly welcomed this new report and would like to see the Council augment this work with greater analysis of key budgetary issues, similar to its work on health spending and corporation tax revenues. These developments may require more resources or a reallocation of resources.

Gender balance

At present, the Council has a 50-50 gender balance amongst ordinary members. The situation is different for the Secretariat where just one out of six employees are female, and following the ending of contracts of two female Research Assistants, there is currently no women among the five analytical staff (Figure 3). The Council has not yet had a female Economist. The Council needs to pay special attention to this issue. Giving the Council greater autonomy over staff grading, as recommended above, could potentially help to improve on the gender balance by grade, through enhancing general progression opportunities for Research Assistants.

Figure 3. Secretariat staffing by gender

Number of staff members



Source: Irish Fiscal Advisory Council, 2020

Access to information

Access to relevant and timely information underpins an IFIs ability to deliver its mandate. This applies to relevant data and forecasts, but also to underlying methods and models and the judgements underpinning them. Although the Council's enabling legislation states that it should have "all such powers as are necessary for, or incidental to, the performance of its functions" (Section 8(7)), and it further requires the government to set out in the official forecasts the data required to assess whether the fiscal rules are complied with (Section 2(2)), there is no explicit provision regarding access to information as is recommended in the OECD Principles (Principle 6.1).[6]

Instead, the Council has a Memorandum of Understanding (MoU) with the Department of Finance to cover information needs relating to assessing and endorsing official macroeconomic forecasts. The MoU is updated in the beginning of the year and sets out the Council's informational needs throughout the year. Overall, the arrangement works well. The Council reports that it is usually able to obtain the information it

needs to undertake its role. Nevertheless, pursuing information requests can still take a lot of time and this puts strain on the small Secretariat.

Access to information to enable the Council to assess the fiscal stance and compliance with fiscal rules can be more problematic. Although the government provides a lot of information for the Council to perform this function, it often takes the Council a considerable amount of time to get the information, and this is occasionally incomplete. This is not necessarily because of lack of goodwill on the part of the government, rather because the data requested is not always systematically collected or easily prepared.

The Council also experiences challenges in relation to accessing information on corporation tax revenues. Access is hindered because revenues are dominated by a small number of multi-national companies and the Revenue Commissioners have strict obligations in relation to confidentiality. However, the Council and the Revenue Commissioners should explore more directly what could be done to facilitate the Council's analysis in this area. In seeking solutions, it is possible to look at examples from other countries, such as the United Kingdom, where external researchers can request access to non-public statistical results on an aggregated or anonymised basis through HM Revenue & Customs.

The Council could publish a statement of data needs each year to help the preparedness of the government in providing the required information. If challenges persist, the Council and the government should also extend the existing MoU to cover all of the Council's functions[7]. A good practice example is provided by the Scottish Fiscal Commission (Box 6).

Box 6. Measures taken by the Scottish Fiscal Commission to improve access to information

The Scottish Fiscal Commission's (SFC's) right to access information held by the Scottish government is enshrined in its enabling legislation. Section 10(1) of the legislation states:

> *The Commission –*
>
> *a) Has a right of access at reasonable times to any relevant information that the Commission may reasonably require for the purpose of performing its function,*
>
> *b) May require any person who holds or is accountable for relevant information to provide at reasonable times any assistance or explanation that the Commission may reasonably require for the purpose of –*
>
> *(i) Performing its functions, or*
>
> *(ii) Exercising the right conferred by paragraph (a).*

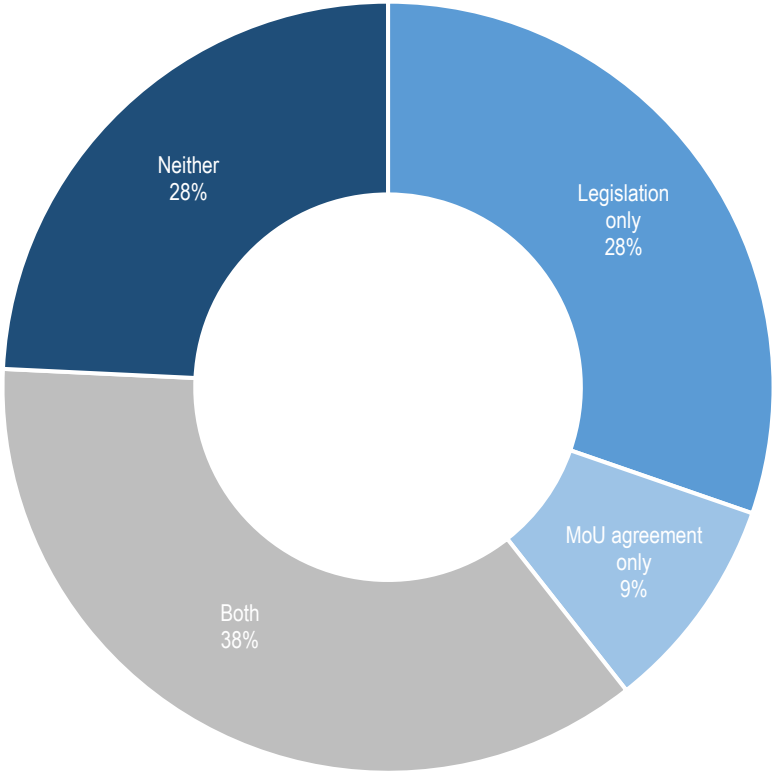
This right of access was reiterated in a Framework Document and the Protocol signed by the Scottish government and the SFC.

Despite these arrangements, the SFC faces many data gaps that can affect the quality and robustness of its economic and fiscal forecasts. In order to help improve the situation, in September 2018 the SFC decided to publish a statement of data needs. This acknowledged progress the Scottish government had made in developing data in Scotland, and identified the areas where new data and improvements in existing data would be necessary. A second statement of data needs in September 2019 showed positive progress made towards filling these data gaps and again laid out priorities for improvement that the SFC believed will have the greatest impact on its ability to forecast.

Together, the legal provisions, signed agreements and statements of data needs have helped ensure continued improvement in the quality of information received by the SFC to undertake its functions effectively.

Even if the Council's MoU was expanded to cover all of its functions, the Council would remain an outlier among peer institutions, two thirds of whom have access to information provisions codified in legislation (Figure 4). This leaves it vulnerable to a change in the willingness of government to engage with the Council and provide it with the information it needs. Rectifying this through putting in place legislative provisions in relation to access to information would elevate the Council to being in the group of OECD IFIs who have access to information underpinned by both legislation and an MoU, putting it in a stronger and more sustainable position to fulfil its functions.

Figure 4. Formal underpinning of access to information across IFIs



Source: OECD IFI Database (2019)

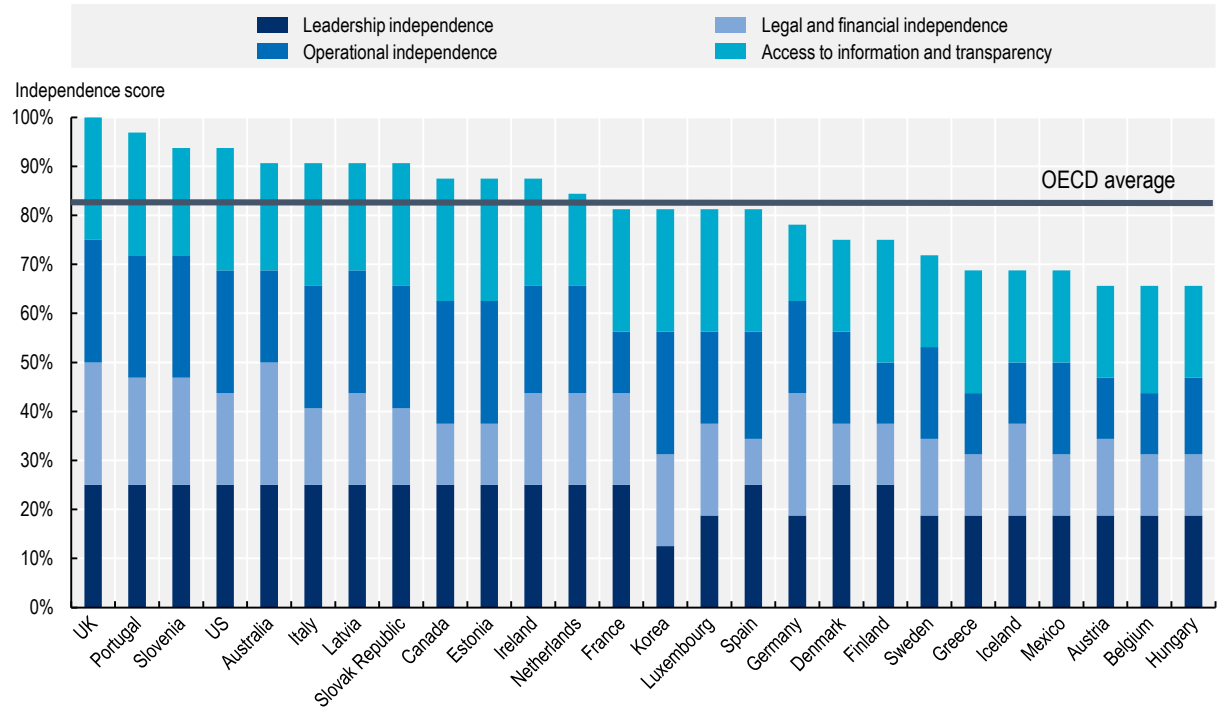
Independence

Independence and non-partisanship refer to the ability of an IFI to undertake its duties free from political pressure or influence. The Council's enabling legislation states that it shall be independent in the performance of its functions. A number of provisions in the FRA help protect the independence of the Council. For example, although the Minister for Finance appoints Council members, they may only be removed for reasons set out in the FRA and after a resolution providing for the removal and stating the grounds for it is passed by Dáil Éireann. In addition, as previously noted, the Council's funding is set out in legislation and paid directly from the State's Central Fund. This arrangement protects its independence as the budget is not subject to annual decisions by the Oireachtas.

IFIs themselves, through their internal rules and norms can further strengthen their independence. For example, the Council publishes details of the underlying methodology it uses to make its assessments alongside its reports and publishes a range of material on its website to promote transparency in its operations, including minutes of Council meetings and correspondence with the Minister for Finance.

Together, these legal provisions and actions give the Council an above average rating compared to IFI's in OECD countries (Figure 5).

Figure 5. IFI independence



Source: (von Trapp and Nicol, 2018[4])

Stakeholders confirmed that the Council's work is widely viewed as independent and non-partisan. Stakeholders also pointed to incidences where the Council had been critical of the government's fiscal stance as evidence of its independence.

The main area which would further strengthen the Council's administrative independence would be for the Council to be given greater autonomy regarding human resource management, as mentioned in Section Human resources. At present, changes to the number of staff in different positions needs to be approved a priori by the Minister for Finance.

Conclusions and recommendations

The Council enjoys a budget set out in its enabling legislation and paid directly from the state's central fund. Since the budget ceiling was set, the Council's mandate has been expanded without an increase in its funding. In addition, although the budget ceiling is indexed to inflation, this has risen more slowly than the Council's main costs – notably public sector salaries. In order to stay below the ceiling, the Council has already had to reduce its staffing and may have to further streamline its human resources in coming years, which could affect its ability to deliver its legal mandate. If indexing the budget ceiling to HICP inflation was designed to protect the real value of the Council's funding, consideration should be given to using an index linked also to the key component items that make up the Council's expenditure.

Periodic consideration should also be given to whether or not the resources available to the Council remain appropriate. For example, retaining and continuing to attract highly qualified staff is crucial for the future of

the Council. Giving the Council greater autonomy over its staff grading structure, could help it continue to attract and retain the skilled staff it requires in the years ahead. Furthermore, there is demand for the Council to help foster greater consideration of medium to long-term budgetary issues in Ireland. This work is likely to be particularly valuable in the context of the difficult fiscal choices that the COVID-19 crisis is likely to bring in the years ahead. However, these developments may require more resources or a reallocation of resources.

There are five members of the Council including the Chair. There is no separate recruitment process for the Chair, with the Minister for Finance selecting the post-holder from among the Council members. However, as the accountable officer and public face for the Council, the Chair's role can involve significant additional time commitment. Creating a separate recruitment process for the Chair would ensure the Council can attract a pool of candidates who have the necessary capacity and skills for the role. Furthermore, to support transitions between one Chair and the next, it would be helpful to formalise the Deputy Chair role, and arrangements for an Acting Chair when the Chair role is vacant.

Access to information is pivotal for the effectiveness of an IFI. The Council has access to information arrangements for assessing and endorsing the forecasts in the form of a MoU with the Department of Finance. While these arrangements work well, access to information can be more difficult in relation to the Council's broader functions on assessing the fiscal stance and compliance with fiscal rules. This is not because of a lack of goodwill on the part of the government, but because the information may not be published or provided to the Council in a timely manner. It would be useful if the Council set out a statement of data needs and extended its MoU to cover all of its functions. To align with international peers and continue to operate sustainably and effectively, the Council should also have a statutory right to access to information.

The Council scores highly on the OECD Index of IFI Independence, reflecting the strong legislative provisions that protect its budget and leadership arrangements from political interference. Stakeholders also report that the Council's work is viewed as independent and non-partisan, and that it has not been afraid to raise its voice when needed.

3. Methodology and outputs

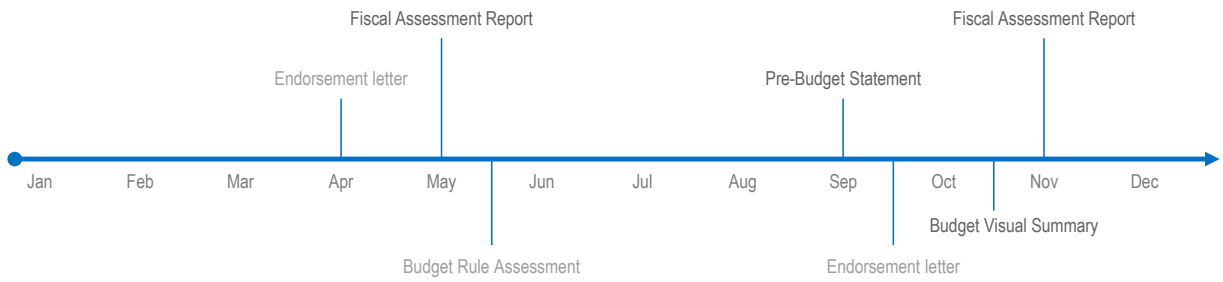
Introduction

This section reviews the Council's outputs and assesses the tools it uses to produce them. As outlined in Section 1. Context, the Council's annual work programme is based on the four specific tasks outlined in its enabling legislation in support of domestic budget management and the annual Stability Programme drawn up in the European Semester framework of the EU Stability Programme. These are: 1) assessing the official macroeconomic and budget forecasts; 2) assessing the fiscal stance of government; 3) monitoring compliance with fiscal rules; and 4) endorsing the official macroeconomic forecasts.

The Council's outputs

The Council publishes six regular reports or statements throughout the year to fulfil its mandate. The main regular publications are the Fiscal Assessment Report (FAR), published in the Spring and Autumn as per the requirements contained in the EU economic governance legislation of the European Semester, and the annual Pre-Budget Statement. These are complemented by shorter statements and analyses including the annual Assessment of Compliance with the Domestic Budgetary Rule report and the twice-annual Endorsement letter to the Minister for Finance ahead of the Stability Programme Update (SPU) and the budget. The Council also developed an annual Budget Visual Summary to fulfil demand for rapid post-budget analysis, first released in 2019. The regular publication cycle is outlined in Figure 6.

Figure 6. The Council's publication cycle



Beginning in September 2020 the Council also released is first Long-term Sustainability Report, the regularity of which is still under discussion. The Council also publishes work at its own initiative, including working papers and analytical notes (as highlighted in Table 2). The methods, models, and results developed in these publications are often used directly or indirectly in the Council's core publications. The topics are diverse but focus on relevant forecasting issues and special topics related to Ireland's public finances, including potential improvements of the fiscal framework.

The range of outputs is impressive for a small Council. The potential downside of having such a broad range of outputs is that it may also be overwhelming for general stakeholders. For example, it may not be clear why products such as the Budgetary Rule Assessment reports and Stand-Still Scenarios are standalone products rather than forming part of the core Fiscal Assessment Reports. There may be scope for reorganising the total portfolio of different publications and their interrelations. Stakeholders may also be confused about the distinction between working papers and analytical notes, and the functions to which they relate. The Council could alleviate this through specifically highlighting its models and linking them to their role in delivering the mandate and associated working papers.

Table 2. Selected supplementary outputs at the Council's own initiative

Category	Examples
Working papers	• Designing a Rainy Day Fund to Work Within the Fiscal Rules • Estimating Ireland's Output Gap • Nowcasting to Predict Data Revisions
Analytical notes	• Tax Forecasting Error Decomposition • House Price Risks • Estimating Ireland's Budgetary Semi-Elasticities • Stand-Still Scenario for Government Spending
Conferences and presentations	• Annual "Path for the Public Finances" conference
Data sets	• Long-run tax dataset: tax data from 1938 to present at annual frequencies compiled by scanning old texts and combining it with more recent official databases. • Policy-adjusted tax dataset: tax data from 1987 adjusted to remove fiscal impact of discretionary policy changes and one-off factors to arrive at improved counterfactual to estimate revenue elasticities for forecasting.

Technical assessment of the Council's methodologies

The Council has developed a suite of tools to enable it to effectively deliver its mandate. The output of these tools is combined with the expert judgement of Council members and Secretariat before being communicated to a general audience through its publications.

The Council's main tools that it identified and submitted to the OECD at the beginning of the review have been assessed according to the technical assessment framework for IFIs developed by the OECD. This framework first examines the overall appropriateness of the IFI's workflow and suite of technical tools for

delivering its mandate. The framework then examines each model individually, weighing both academic and practical considerations to determine whether the Council's tools are appropriate for the Council's analysis and whether they meet standards practices by other IFIs.

Individual model assessment criteria

The appropriateness of each tool or methodological decision was assessed along six academic and practical considerations (Table 3). The framework challenges whether a tool would hold up to both scholarly peer review and whether it is fit to serve the practical considerations of an IFI's mandate and stakeholders.

Table 3. OECD Summary Assessment Criteria

Theory	Does peer-reviewed literature support (or not provide a strong argument against) this tool for the analysis, given the context and available data?
Accuracy	Is this tool likely to give the most accurate results (or avoid the most systematic bias) if applied to this problem?
Communication	Can the tool's outputs provide a coherent and intuitive narrative to stakeholders?
Transparency	Can the tool's methodology and assumptions be provided to the IFI's stakeholders in a manner that will satisfy its requirements for transparency and accountability?
Resources and business continuity	Does the tool require a level of resources and expertise that is appropriate to expect from the IFI's analysts to avoid analytical disruptions from staff turnover?
Precedent	Is the approach used widely at other IFIs and public finance institutions?

Some criteria are complementary, while others conflict. When choosing a model, analysts must weigh the trade-offs between the criteria. For this reason, the assessment does not offer a total score or pronouncement on whether a model is the best tool for the analysis. Instead, it provides an opinion on whether the chosen tool is appropriate or inappropriate for delivering the Council's mandate in the country's context.

Summary results of individual model assessment

The technical assessment concludes that each of the Council's tools that were reviewed in detail by the OECD are appropriate for its analysis (Table 4). The detailed technical assessment is published separately, alongside this review.

Table 4. OECD Assessment of Individual Models - Summary Results

Model	Description	Opinion
Benchmark economic modelling	Suite of quarterly time series forecasting models, mainly estimated separately as structural error correction models constrained to national accounting identities, for endorsing macroeconomic forecasts.	Appropriate
Large Bayesian vector autoregression model.	Statistical time series estimated using a dataset of 47 variables for endorsing macroeconomic forecasts.	Appropriate
Suite of output gap models	Range of statistical filters, production function, and cyclical indicators used for the endorsement of macroeconomic forecasts and assessment of compliance with the domestic budgetary rule.	Appropriate
Fiscal feedbacks model	Spreadsheet-based macro-fiscal feedback loop tool to capture interaction between macro and fiscal modelling and ensure consistency between the Council's macro and fiscal assessments.	Appropriate
"Maq" stress testing	Small-scale macro model (32 equations: 5 behavioural; 27 identities) with calibrated fiscal multipliers for assessing the fiscal stance and applying stress tests (under development for future reports).	Appropriate

Model	Description	Opinion
Nowcasting models	Time series statistical forecasting model with Bayesian features focusing on underlying domestic demand and its components (personal consumption, government consumption, and investment excluding aircraft and intangibles).	Appropriate
Heat map for monitoring imbalances	Descriptive statistics, benchmarks, and comparison of trends over time.	Appropriate
Fiscal benchmarking	Policy-adjusted elasticity estimates applied to economic tax bases from the Council's forecasting suite.	Appropriate
Budgetary rule assessment spreadsheet	Simplified methodology for assessing compliance with the domestic budgetary rule by adjusting the budgetary balance for the business cycle using aggregate budgetary semi-elasticities.	Appropriate
Long-term fiscal sustainability modelling	Cohort-component model for demographic projections, production function with capital and labour for long-run steady-state growth (GNI*) projections, prices, and wage growth. Official fiscal medium-term outlook (extended by the Council from 2022 given the unique circumstances of the most recent SPU which only had two years 20201-21) linear convergence from medium-term outlook (which the Council calls short term) to long-term modelling, revenue constant as a share of GNI*, spending varies with demographic-driven beneficiaries.	Appropriate

Note: The scope of the assessment covers the Council's main tools it identified for delivering its mandate but is not an exhaustive review of the Council's complete analytical capacity.

On **theoretical justification**, the Council's approaches have a firm basis in the economic and forecasting literature and would hold up well to academic peer review given the modelling context. The models are supported by well-developed working papers that detail extensive supporting literature and provide a strong evidence base for their use.

The Council's suite of macroeconomic models and stress tests are appropriate for its mandate and institutional decision to pursue in-house benchmarking as the main path to assessing the official outlooks for reasonableness. Both structured econometric approaches and unstructured statistical approaches such as Bayesian vector autoregression are used. Theory suggests that the partial error correction modelling suite and model combination/averaging is well suited for benchmark forecasting.

The Council's fiscal forecasting benchmarks are prepared using high-level revenue elasticities applied to economic proxy bases. This approach has a firm justification in the literature and international best - practice guidance; however, it is only one approach of many that are typically tried and tested. Other approaches include effective rates models and structural econometric models.

On **accuracy**, the Council's reliance on a suite of models and averaging for its macroeconomic benchmarks has been demonstrated to greatly increase accuracy in Ireland's challenging modelling environment, which is still recovering from severe banking and real economy bubbles and crises and suffers from large distortions from capital flows and activity related to foreign-owned multinational enterprises. To monitor that these approaches continue to add value, the Council has routinised analysis and decompositions of its forecast errors. While these exercises continue to show biases toward positive surprises in the current year and the one- to three-year-ahead forecasts, they compare favourably (of smaller magnitude) to other forecasting institutions in Ireland trying to navigate the same forecasting challenges.

Often a model's predictive value comes not from its unconstrained output, but from the framework it provides for generating discussion and debate. In this spirit, the suite of many different approaches that the Council uses to produce its macro forecasts are likely to foster productive discussions and challenge meetings and improve overall accuracy. That said, the level of diversity and sophistication in the Council's models could also hinder the challenge process: if models are diverse and complex to the point that only its authors understand the results, it may limit productive debate. Simple approaches, with more eyes and voices involved in the process can act as a check on any one individual's tuning and judgment.

Ireland's fiscal forecasting environment suffers from similar issues related to the activity of multinational enterprises, leading to large swings in corporation tax, as well as significant spending surprises driven by health expenditure, particularly hospitals. The Council's general approach to benchmark fiscal forecasting is to apply high-level elasticities to economic proxy bases approach, which is suited to the Council's mandate as many stakeholders interpret it: high-level aggregate fiscal analysis concerned principally with the interaction of fiscal policy with the macro economy. However, unlike many economic forecasting applications, capturing more structure in public finance models can improve fiscal forecasting accuracy even from a macro lens. The Council has identified considerable bias in the government's forecasts as well as its own (although it has improved upon the government's results). For example, the elasticity approach tends to over-predict then under-predict corporation tax following a recession. While the Council has undertaken a more sophisticated elasticity estimation approach to attempt to improve upon these biases, they may be better addressed by more structural econometric modelling and effective rates approaches that incorporate characteristics of underlying tax law and tax bases.

On **communication**, the Council's focus on benchmarking using suites of models and averaging is likely to make communicating precise drivers of changes between forecasting rounds somewhat difficult, as models could have conflicting narratives. Consistency between macro and fiscal modelling may also suffer by using model averaging as macro inputs. The reliance on high-level tax elasticities applied to macro drivers for tax forecasting makes it more difficult to link forecast revisions to announced future changes in tax policy or developments in compliance or enforcement when communicating the Council's results. However, the Council's main role is not to supply convincing narratives to voters nor provide multiple policy scenarios to executive decision makers, but rather to assess and endorse the reasonableness of assumptions. Its models are well-suited as purely forecast-driven benchmarks for reasonableness against the government's more policy-driven models.

On model **transparency**, the Council leads its international peers in producing polished, journal-quality working papers for each of its main models. The papers include not just stylised equations but also in many cases the parameters and model estimation information that would easily allow outsiders to recreate the results. Further, the Secretariat is willing to engage with interested outside analysts to share code and assist further with replicability. The Council's transparency practices generally exceed those of many other IFIs. However, a clear picture of the Council's modelling workflow in relation to its mandate and each model's link with working papers would be difficult given the organisation of information available. As mentioned earlier, this could be remedied through additional information linking the Council's models to their mandate and working papers. Where publication of assumptions or code is not proactive, the Council could be more explicit in stating its willingness to provide additional information.

On **resources and business continuity**, the Council's diverse and sophisticated approaches could leave it exposed to the loss of any one senior secretariat member. The available pool of experts in Ireland who could step in to maintain the current suite of models is limited to the point of potentially threatening the ongoing viability of the Secretariat's work. The current suite was an appropriate exercise in building the Council's capacity and exploring approaches, and the Council's analysts should be commended for their efforts. Good documentation and efforts to ensure staff can back up each other's modelling work have limited the risk of turnover. But now, as the Council has reached a level of maturity, it would be appropriate to consolidate approaches, look at simplifications and streamlining where possible, and to focus on business continuity. The Council could even proactively look at building the talent pool by incorporating practical modelling sessions into its annual "Path for the Public Finances" conference or by participating in temporary exchanges with government analysts as a way of both developing capacity in departments and building the talent pool.

On peer **precedent**, an approach using a suite of partial macro models is not widely practiced by other IFIs or central finance ministries (large-scale macroeconometric models with Keynesian short-run dynamics and supply side driven medium-run dynamics are the most common); however, this is largely because many institutions are constrained to structural systems modelling because of requirements for

policy analysis and for providing narratives to stakeholders. Although the Council has usefully refined estimates of Ireland's elasticities over history to adjust for policy, the Council's general high-level elasticity approach for forecasting tax revenues is used by institutions in other countries as one approach among many, with other IFIs also relying on bottom-up methodologies using effective tax rates, structural econometric methods, or time series autoregressive integrated moving average methods. The elasticity method is common among Irish institutions such as the Department of Finance, albeit without the Council's policy-adjusted refinements.

Key issues for the Council's outputs

This section assesses key issues for the Council's outputs, including their coverage and scope, accessibility, communication of uncertainty and risk, overall transparency of the production of outputs, and how they compare to international practices among peers with a similar budget and mandate.

Coverage

Overall, the number of core reports is appropriate and their coverage is suited to the Council's resources and mandate. The Council does not feel overburdened meeting the demands of the regular reporting cycle. However, in striving to provide technical background working papers and other special issues notes, the Council is stretched thin for resources. Any further expansion of the Council's activities is unlikely to be achievable without a corresponding increase in resources or reduction in supplementary analysis and transparency.

As mentioned in Section 1. Context, stakeholders would like to see the Council doing more medium- and long-term fiscal analysis. The Council has begun addressing this, recently publishing its first Long-term Sustainability Report. The regularity of the report is still under discussion. Many peer IFIs (such as those in Canada, Denmark, and Slovakia) publish long-term sustainability assessments annually, although increasingly there is a recognition that the assessments do not change significantly on an annual basis and so a number are considering moving to publication every two years. The Portuguese Public Finance Council already publishes its assessment every two years. One option, given the Council's small size would be to publish an in-depth revision of the sustainability report every two to three years, but make annual incremental assessments focusing on the marginal impact of policy changes and the economic context if there is a significant policy announced. The Council may also wish to extend the time horizon beyond 2050 in future reports and provide a greater discussion around summary statistics for fiscal sustainability such as the fiscal gap.

Some stakeholders would like to see the Council publish independent fiscal forecasts in greater detail. While the focus of the Council's analysis has been appropriate, the coming years may require greater capacity for fiscal scrutiny and financial modelling, particularly as the government adopts accrual-based international public accounting standards in its financial reporting as part of a series of reforms based on recommendations from the OECD. For example, under accrual accounting, year-end settlements for personal income taxes are brought back to the tax year in which they occurred, and certain tax exemptions, deductions, or other reliefs (tax expenditures) may be treated as spending programmes rather than reductions in net revenues. The Council will need sufficient details of such programmes to switch between accruals and cash flows to calculate market borrowing for interest charges and net lending for fiscal sustainability projections. There may also be new capacity requirements as the COVID-19 crisis shifts fiscal policy to balance sheet expansion and loans and guarantees through quasi-government entities.

Content of reports and length, accessibility

The Council has made concerted efforts to improve the readability of its reports for stakeholders in recent years (Box 7).

Box 7. Efforts by the Irish Fiscal Advisory Council to improve accessibility of its reports

The Council recognises the importance of its reports being accessible to stakeholders, particularly since the subject matter can be technically complex. To help overcome this, the Council has implemented a number of reforms to improve the readability of its reports:

- The Council has increased its focus on using "plain English" in its publications. As part of this, staff have undertaken training on writing simply and are provided with recommended reading to help them make their language more readable.
- The Council uses an online tool to measure the readability of its text. Feedback from this tool helps the Council to improve the language it uses in communication. For example, it now uses the terms "jobs" and "prices" instead of "employment" and "inflation" in non-technical summaries.
- The Council has undertaken analysis of the platforms being used to read its reports. It found that half of users were reading their publications on their phone or tablet. In response, the Council changed the format of its briefings, employing wide margins either side of the text so that they read more easily on these devices.

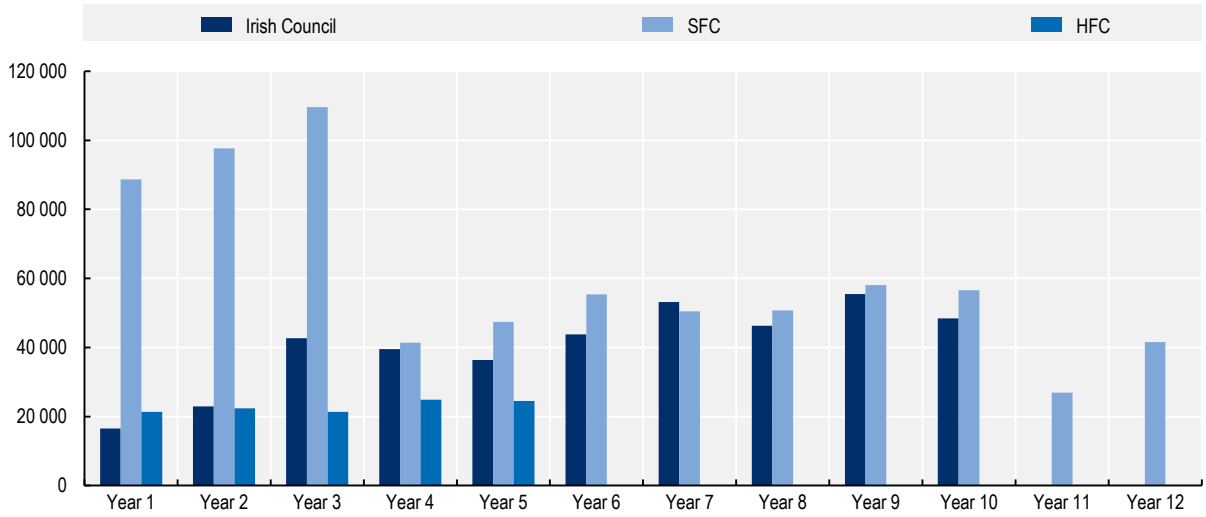
The improvements to the readability of reports is welcomed. However, stakeholders report that the length of the Council's reports remains a key issue in relation to accessibility. They would like to see the main reports become shorter and more focused on the relevant issues at the time of publication. Some pointed to the ESRI's communications as a good example.

The length of the Council's publications has been a feature of internal debates from the outset among Council members and the Secretariat. In general, the Council would also like to see a shortening of its reports and has made considerable efforts in this regard.

A key positive development has been the addition of short "Summary Assessment" reports alongside the Council's main reports, providing stakeholders with the key messages. However, the main reports repeat the summary assessment, along with key messages and summaries at the lead of each section, with the cumulative effect of adding to the length and acting against the concurrent goal of brevity. To counter this, these summaries and key messages could be published separately on the web only, rather than in the main document.

The word count of the Council's main FAR publication is roughly similar to the word count of the main fiscal assessment report of the Swedish Fiscal Policy Council, upon which the Irish Council was modelled. However, compared to the Hellenic Fiscal Council, which also has a similar remit and resources, the Council could make further efforts to shorten its publications: the word count of the Hellenic Fiscal Council's main publication (published in Greek) is around ten thousand words shorter, after controlling for differences in average word count per language.

Figure 7. Length of the Irish FAR over time in comparison to the main reports of peers



Note: SFC refers to the Swedish Fiscal Policy Council and HFC refers to the Hellenic Fiscal Council.

Further options for the Council to cut down on the length of reports include:

- Cutting down on reiterations of the government's outlook. A simple table summarising the official outlook could instead serve as a reference to highlight assumptions of the official outlook that the Council wishes to flag to the reader.
- Revisiting and strengthening a formal one-in-one-out rule for feedback on draft reports, where if Council members or Secretariat staff want to highlight a key issue, they need to identify one other issue that could be deprioritised or cut. A soft version of this rule has been tried in the past, with little success.
- Moving more technical material to notes, or moving technical issues and special topics boxes to standalone reports, cross-referenced by the main document. This could reduce the length of the main report while bringing even more attention to the issues.

The Council may also wish to review similar reports from peer institutions which are impressive in terms of brevity, such as the Economic and Fiscal Outlook published by the Canadian PBO.

Publishing independent benchmark forecasts

The Council's main approach to scrutinising official forecasts is to use in-house modelling capacity to produce benchmarks against which to judge the government's plans. The Council currently provides its detailed independent macroeconomic benchmark as an appendix to its reports.

The details of the Council's independent fiscal benchmarks, however, are held internal. In-house fiscal models are used primarily to create and publish alternative scenarios for key risks by calibrating the results to the government's outlook. In 2020, the Council's in-house models were also used to extend the official projections to 2025 when official plans were reduced to two years because of the uncertainty of the COVID-19 pandemic.

To support transparency and enrich the analytical debate, the Council may wish to explore publishing its independent fiscal benchmarks and to feature both in-house macro and fiscal forecasts more prominently as the baselines for scenario and risk analysis in its reports. This is the approach used, for example, by the Portuguese Public Finance Council and Canada's PBO. The Council would be best placed to judge the associated communications challenges and appropriateness of such a strategy for the Irish policy setting.

Transparency

The Council has made impressive efforts to provide transparency in relation to its work. It has published journal-quality working papers for almost every model used to deliver its mandate and core reports. Its work is accompanied by background data, spreadsheets, and presentations posted alongside reports.

The Council's open-access spreadsheets of its assessments of budgetary rules with formulas preserved is a best practice initiative, giving the public a chance to review these calculations for themselves, which are important for setting the aggregate parameters of fiscal policy that will determine public services.

As highlighted in Section 1. Context, the Council also engages in transparency outreach by hosting annual conferences and promoting discussion among peers, who report benefiting greatly from the Council's willingness to engage.

The Council will provide further details including model code upon request, pursuing transparency while permitting a chance to explain the model's assumptions, limitations, and ensuring that the requester engages in good faith.

The Council has consistently prioritised transparency. It exceeds the practices of much larger well-resourced offices. The Council's transparency initiatives are to be highly commended.

Communication of uncertainty and risks

The Council does well in identifying and communicating key risks and reporting associated scenarios. For example, the Council includes different scenarios for immigration, productivity, and health care enrichment in its long-term sustainability analysis. It also includes different scenarios for end-of-year tax surprises, historical forecast errors of interest rates, and debt liquidity risks in the FAR. The Council has used fan charts and distributional probabilities to present its benchmarks, although has more recently focussed on Brexit and COVID-19 scenarios. The array of alternative scenarios it provides are a more useful and concrete exercise.

The Council's Stand-Still Scenarios are a creative way to draw attention to systematic bias in the government's spending plans, which do not fully account for beneficiary cohorts, inflation, and other structural cost drivers.

Quality control

The quality of the Council's work is viewed by stakeholders as having gone from strength to strength over recent years, culminating in the release of the Spring 2020 FAR, which presented scenarios for the Irish economy in the midst of the COVID-19 crisis. This filled a gap and was a trend-setter among peers in providing analysis to decision makers when governments were unwilling or unable to do so. The scenario analysis was similar to the work produced by significantly better-resourced and longer-established institutions such as the Netherlands CPB.

The Council has developed a useful framework for internal review within the Secretariat and through the regular challenge meetings with Council members. The Council has hands-on input leveraging the wide range of member backgrounds. To the extent that outside expertise can improve the products, the Council also get its work peer reviewed by others, e.g., the ESRI.

While the 2015 peer review of the Council suggested that it might establish an advisory board, and this is not uncommon among peers, these are generally more beneficial for institutions that do not already have the benefit of a panel of experts at the top of their field. It is sensible that Council members themselves provide this advisory role to the Secretariat.

Assessment of key activities relative to peers

Table 5 provides an assessment of the Council's key activities relative to peers in Sweden, Greece, Portugal and Slovakia. These peers were selected to provide a variety of comparisons. The Swedish Fiscal Policy Council was the institution the Irish Council was modelled on, the Hellenic Fiscal Council has similar functions to the Irish Council and the Portuguese and Slovak IFIs have similar functions but deliver them with significantly greater resources. The analysis shows that the Council has a high output given the small size of the Secretariat. Its outputs are more comparable to the greater resources of the Portuguese Public Finance Council or Slovak Republic Council for Budget Responsibility than the more similarly resourced Swedish Fiscal Council, after which it was modelled.

The Council's range of reports is similar to other councils that play a role in EU surveillance and the European Semester; however, the Hellenic Fiscal Council and the Swedish Fiscal Policy Council (which is not in the euro zone but has similar rules) integrate more of their analysis and mandate delivery into one or two main reports a year. Few similarly resourced offices release the range of journal-quality working papers detailing their models as the Council.

The content of the Council's main reports is structured similarly to the products of other IFIs. The depth and detail of the Council's products compares favourably to the activities of other peers engaged in macroeconomic forecasting and endorsement, assessing compliance with fiscal rules, and assessing the fiscal stance. However, some other institutions place more of an emphasis on revenue and expenditure monitoring and more detailed bottom-up fiscal forecasting for assessing the official budget forecast.

All peer institutions have the capacity to produce their own macroeconomic and fiscal benchmark forecasts, except for Sweden, which primarily synthesises the forecasts of other independent institutions. The modelling approaches are broadly similar, except that other institutions that pursue an in-house benchmark approach to scrutiny generally focus on one large-scale macroeconometric model as the workhorse of their macro assessment, with the government sector of the macro model tuned by detailed independent fiscal forecasts from a range of modelling approaches. The Council, on the other hand, flips this balance using a diverse suite of models for its macro benchmark and one method for fiscal modelling (applying high-level elasticities to economic proxy tax bases).

Conclusions and recommendations

The Council's main regular publication is its FAR, published biannually. This is complemented by four other regular reports or statements released throughout the year. Together these six publications are the means through which the Council's fulfils its legally mandated functions. In addition, the Council publishes work at its own initiative, including an impressive array of analytical papers and, beginning in September 2020, a new Long-term Sustainability Report. The Council also stepped up to provide valuable information and scenario analysis to stakeholders during the COVID-19 crisis when the government opted not to publish its usual Summer Economic Statement in 2020.

To deliver its outputs, the Council has developed a comprehensive suite of macroeconomic and fiscal forecasting tools and models. As the Council matures as an institution, it might consider how it could streamline its macroeconomic suite of models, to aid business continuity and lessen reliance on key senior analysts.

More streamlined macroeconomic modelling would give scope to enhance capacity across the Council's other work streams. For example, the Council and others have identified systemic bias and room for improvement in the elasticity-based forecast used by the Council and the government. Although the Council has made refinements in how it estimates elasticities over history by adjusting for past policy changes, these biases may be further addressed by exploring bottom-up approaches to capture more of the tax law structure to better integrate future changes to policy, administration and taxpayer behaviours. Additionally, the Council may require capacity for greater fiscal scrutiny and financial modelling in coming

years as the Irish government adopts accrual-based international public accounting standards in its financial reporting. Further, as governments everywhere rely more on balance sheet measures and loans and guarantees through quasi-government entities, especially in response to the COVID-19 crisis, IFIs may need greater capacity for measuring accrued contingent liabilities. These developments may require more resources or a reallocation of resources, as well as greater access to tax and spending data.

The Council's outputs have grown in quality and breadth over time, with the current volume of high-quality research outputs being impressive given the small size of the Secretariat. An area where the Council performs particularly well relative to peers is in relation to the transparency it provides on its methods and models. The Council has a wide range of journal-quality working papers describing model equations and in many cases parameters and estimation tables allowing an external analyst to approximate the analysis.

While the Council has made efforts to improve the readability of its reports and to publish "Summary Assessments" that provide key messages in a succinct format, one area where there is still some room for improvement is in relation to the length of the Council's publications. The word count of the Council's reports is not entirely out of line with peers, however, there remain other options for achieving greater brevity, including: consolidating the front matter in reports through making the visual summary a standalone document, cutting down on reiterating the government's outlook, formalising a one-in-one-out rule for feedback on draft reports and moving technical boxes and special topics to standalone notes accompanying (and cross-referenced by) the main report.

Table 5. Comparison of key activities to peer institutions

	Reporting	Endorse and/or assess the government's macroeconomic forecasts	Assess the government's budgetary forecasts and fiscal stance	Assess compliance with fiscal rules	Assess long-run sustainability
Irish Fiscal Council 6 staff EUR 820K budget 10 reports per year	Two reports each year required by legislation aligned with the European Semester. One significant Pre-Budget Statement. A standalone Budget Rule Assessment. Several working papers and analytical notes.	Benchmark suite of supply-side macro forecasting models and output gap models. Statement endorsing the macroeconomic projections on which the medium-term budgetary plans for the Stability Programme and domestic budget cycle are based, along with a discussion of risks.	Benchmark fiscal forecasting using high-level error-correction models for short- and long-run elasticities applied to tax bases. Fiscal and economic interaction (fiscal feedback) model. Suite of output gap models.	The Council assesses the EU and domestic fiscal rules as standard and also using its own Principles-based approach. This is based on alternative estimates of potential output rather than the CAM potential output and budget elasticities used for EU fiscal surveillance.	30-year projections, less emphasis on summary statistics.
Swedish Fiscal Policy Council 5 staff EUR 1 050K budget 3 reports per year	One report each year required by legislation, containing its assessment of the government's fiscal policy by 15 May, covering all surveillance activities. One or two self-initiated special issues notes.	Largely qualitative, using a comparison of benchmark external forecasts from other institutions. Mostly current analysis and monitoring of recent data.	Comparison of benchmark external forecasts from other institutions. Mostly current analysis and monitoring of recent data.	Ex ante and ex post in same report. Scrutiny of government calculations and analysis from other institutions.	Discusses and scrutinises work of other research agency, National Institute of Economic Research and commissions alternative scenarios and analysis.
Hellenic Fiscal Council 13 staff EUR 1 100K budget 8 reports per year	Two major reports in spring and fall, aligned with European Semester. Quarterly bulletin with economic and fiscal developments. Average of three self-initiated special issues notes. Domestic economy overview one-pager twice a year. European fiscal monitor updates. Occasional special issues notes.	Statement endorsing the macroeconomic projections on which the medium-term budgetary plans for the Stability Programme are based, along with a discussion of risks. Quarterly monitoring notes of statistical releases. Vector error correction model for scenario analysis, particularly sensitive to external trading environment.	Publishes independent economic and fiscal forecasts and scenario analysis.	Ex ante and ex post assessments, monitoring activation and implementation of escape clauses. Monitors compliance with numerical fiscal rules incorporated in the national fiscal framework, in order to achieve the MTO.	Does not assess long-run sustainability currently.
Portuguese Public Finance Council 18 staff EUR 2.7 million 13 reports a year	Two reports similar to FAR aligned with European Semester, titled "Public Finance: Position and Constraints", an Opinion on the macroeconomic scenarios underlying the Stability Programme, and a Fiscal Risks and Public Finance Sustainability report every second year.	Large-scale structural macroeconometric model, error correction equations, detailed fiscal block for interactions. Labour-augmented Cobb-Douglas production function for potential. Nowcasting model with MIDAS model.	Mostly bottom-up OLS-estimated structural econometric equations for tax revenue components.	Monitors compliance with numerical fiscal rules incorporated in the national fiscal framework.	Published every two years, assessing five areas: macroeconomic performance, public revenue and public expenditure, contingent liabilities, and public debt.
Slovak Republic Council for Budget Responsibility 14.5 staff	Two reports a year, required by legislation and aligned with European Semester. Report evaluating the implementation of the fiscal rules and fiscal transparency rules established in the law, and a report on	Does not have responsibility for assessing official forecasts, only its ex post forecast evaluations. Does, however, prepare its own macroeconomic forecasts. Large-scale structural macroeconometric model, error-correction	Mix of elasticity and structural econometric models, microsimulation bottom-up public finance revenue and expenditure projections for longer run. In-year estimates using	Estimations of the output gap, careful identification of one-off factors, analysis of compliance with Expenditure Benchmark. Evaluations of correction mechanism and triggering escape clauses. Separate report	Published each year. Fiscal gap calculation, measures as the change in budget balance required to ensure that the debt to GDP ratio remains

	Reporting	Endorse and/or assess the government's macroeconomic forecasts	Assess the government's budgetary forecasts and fiscal stance	Assess compliance with fiscal rules	Assess long-run sustainability
EUR 1.37 million 10 reports a year	sustainability. Several other self-initiated surveillance and monitoring reports.	equations piecemeal estimated for medium-term and fiscal interactions. Nowcasting models for short-term up to two quarters. DSGE model for simulations.	seasonality. Traffic light system of risks.	for compliance with budgetary balance rule than other fiscal responsibility rules.	within its legal limits over 50-year period. Detailed scenario analysis.

4. Impact

Introduction

An IFIs' impact on fiscal outcomes is often indirect, multifaceted, and hard to quantify. A comply-or-explain provision exists in relation to compliance with the domestic fiscal rules which requires the Irish government to take decisions or provide explanations in response to specific Council assessments. However, this power has generally not been used given that the government has broadly complied with the technical requirements of the fiscal rules.[1] There is also a tradition for the Minister to respond to the Council's reports with a letter published a few weeks after their release. However, for the most part the Council relies on its influence via discussions with key stakeholders such as the Department of Finance, the Department of Public Expenditure and Reform and the Budget Oversight Committee at the Oireachtas, as well as through a strong media presence shaping public opinion. This section therefore assesses evidence on the Council's impact, mainly by reviewing its communications, with a focus on key channels such as media and the parliamentary debate. It also highlights key areas where the Council has helped contribute to fiscal transparency gains that improve understanding of public finances and fiscal management in Ireland.

Influence on the public debate

The Council has a proactive approach to communicating its outputs to the public. While it does not have a formal communications strategy, some communications elements are covered in the Council's overall Strategy and its Communications Policy. There are also informal communications guidelines that the Council follows. For its two main reports the Council will issue a media notice a week in advance and follow this up two days before publication with a two-page press release and the summary assessment. The full report is also sent under embargo to around 10-15 trusted journalists. The day before publication, the Council will hold a press briefing, attended by around 10-15 journalists. The video of the Council's presentation from the press briefing is then put online on the day of publication.

In order to make its briefings more accessible to the press and the public, the Council has made concerted efforts to improve the readability of its publications (detailed previously in Box 7). The Council has also increased its efforts in relation to social media in recent years, partly because its second Chair was a keen Twitter user. Even with this Chair departed, the Council continues to pursue an active social media approach. In addition to issuing Tweets after key publications and around Oireachtas appearances, the Council now aims to issue something topical on Twitter every two weeks, often linking back to previous publications. The Council has also started to use Twitter threads, a series of five to six tweets on the same subject, to communicate key messages. If the Council senses that a key message has not received the traction that it should or could, then it also occasionally writes op-eds in Irish newspapers in an effort to reach a broader audience.

Furthermore, as set out in Section 1. Context, the Council has added an annual "Path for the Public Finances" conference to its calendar in order to stimulate public debate around long-term public finance issues, such as climate change and long-run spending pressures. These are an opportunity to further disseminate key messages regarding public finances.

To assess the Council's impact so far on the public debate on fiscal issues, quantitative indicators covering the range of communication outlets available to the Council are analysed. They include activity on the Council's website, social media (Twitter), as well as the Council's presence in the news (online news articles). Three dimensions seem particularly relevant:

1. **The trend**. A sustained upward trend in the Council's presence indicators would suggest that it has been gradually establishing itself as an influential actor in the public debate.

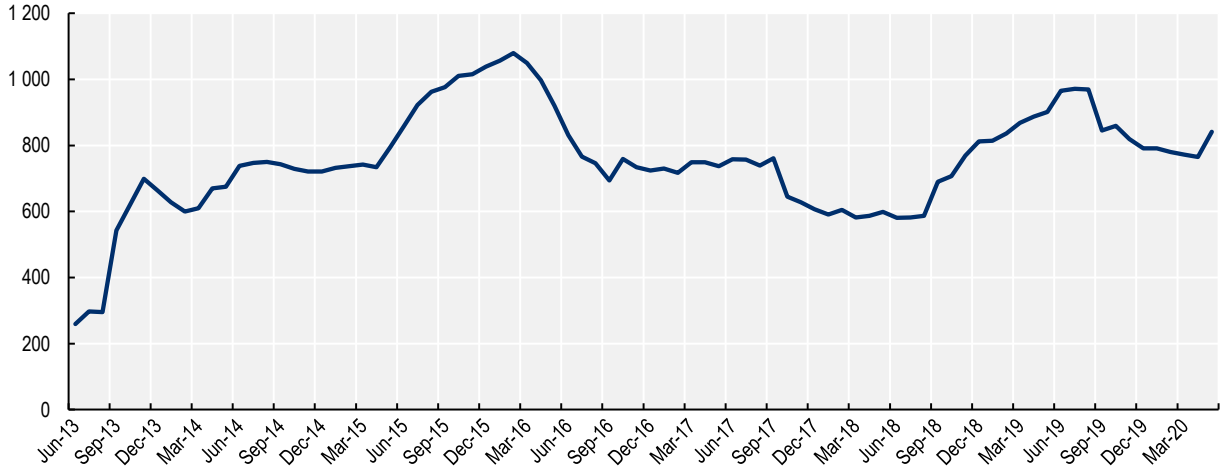
2. **The timing**. Is the Council particularly present in the public debate at key steps of the budget process and at moments of policy debates with deep implications for fiscal sustainability?
3. **The voice**. It is useful to know how the Council's presence compares to the presence of broader discussion related to budget issues. The "voice" refers to the number of references to the Council in news about budget issues.

Overall trends in impact on the public debate

Analysis of the number of monthly visits to the Council's website (Figure 8) suggests that there have been two periods when there has been sustained increased interest in the Council's work.

Figure 8. Number of monthly visits to the Council's website 2013 to 2020

12-month moving average



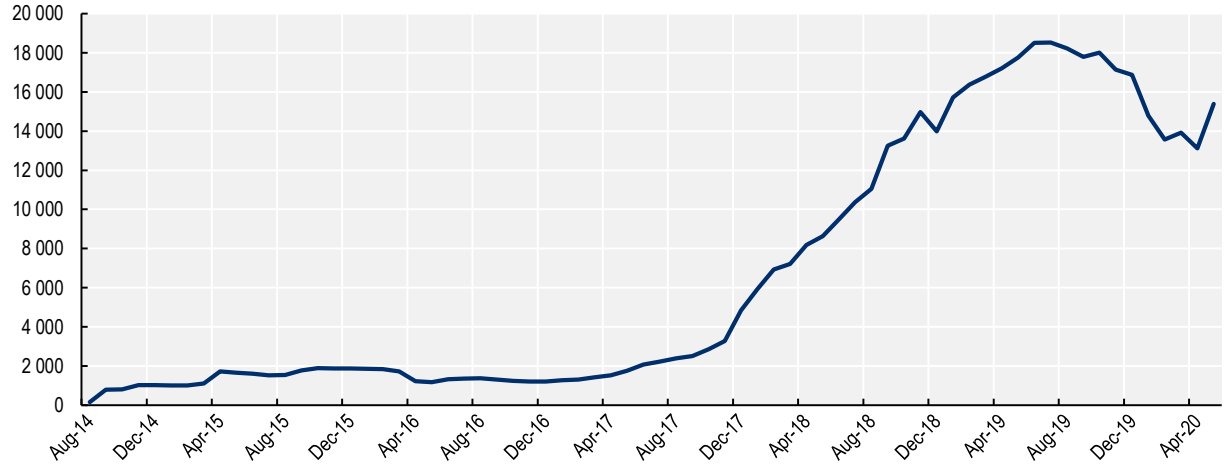
Source: Information provided by the Council.

The first was subsequent to the release of the June 2015 FAR, which set out critical views on the government's fiscal plans for 2016. In particular, the Council was critical of the government's medium-term budget plans which it said would breach fiscal rules. This report was followed by the Council's first Pre-Budget Statement in September 2015 which sustained interest in the matter. The second was subsequent to the release of the September 2018 Pre-Budget Statement, which highlighted the risk of budget over-runs in 2018 and of the budget going beyond plans in 2019. Furthermore, the Council's June 2019 FAR increased concerns about the use of corporation tax receipts to fund overspends. In response to the light shed on these issues by the Council, the Minister for Finance committed to a review of the sustainability of corporate tax income.[2]

Analysis of the Council's social media presence shows a clear upward trend, particularly since the beginning of 2017 when the second Chair took office and increased Council efforts in this area (Figure 9). Interest dipped in the latter half of 2019 when campaigning began for the General Election held in February 2020. However, Twitter impressions started to pick up again post-election in Summer 2020.

Figure 9. Number of monthly Council Twitter impressions 2014 to 2020

12-month rolling average



Source: Information provided by the Council.

Some stakeholders mentioned that they would like to see the Council having an increased media presence, through increasing the assertiveness of its media messaging and interacting more with the media. For example, a number of stakeholders mentioned that months can go by when the Council is invisible in the media, and they would like to see the Council do more regular commentary on public finances. However, even if the Council were to have a more assertive approach, the part-time nature of the Chair (the public face of the Council) holds it back from being as 'present' in the public debate as it might want.

Another group of stakeholders are of the view that the Council's effectiveness is enhanced because it limits its engagement with the media to periods around its key publications and budgetary events, and does not overload the media with information. It would be interesting for the Council to debate these options and set out its preferred course of action in a formal communications strategy, as is done in peer institutions such as the Portuguese Public Finance Council (Box 8).

Box 8. The Portuguese Public Finance Council's Communications Plan

Each year, the Portuguese Public Finance Council develops a Communications Plan. The Plan sets out relevant context as well as institutional strengths, weaknesses, opportunities and threats in the area of communications. It then identifies goals for the Council's communications activities and a plan to achieve these. Furthermore, it provides an evaluation of recent communication efforts, including through satisfaction surveys and monitoring of media coverage and website traffic.

The annual Communications Plan is complemented by a Manual for Communications Procedures. This sets out procedures for communications around Council reports and press conferences. It also sets out the regular analysis that should be undertaken to monitor the Council's media impact.

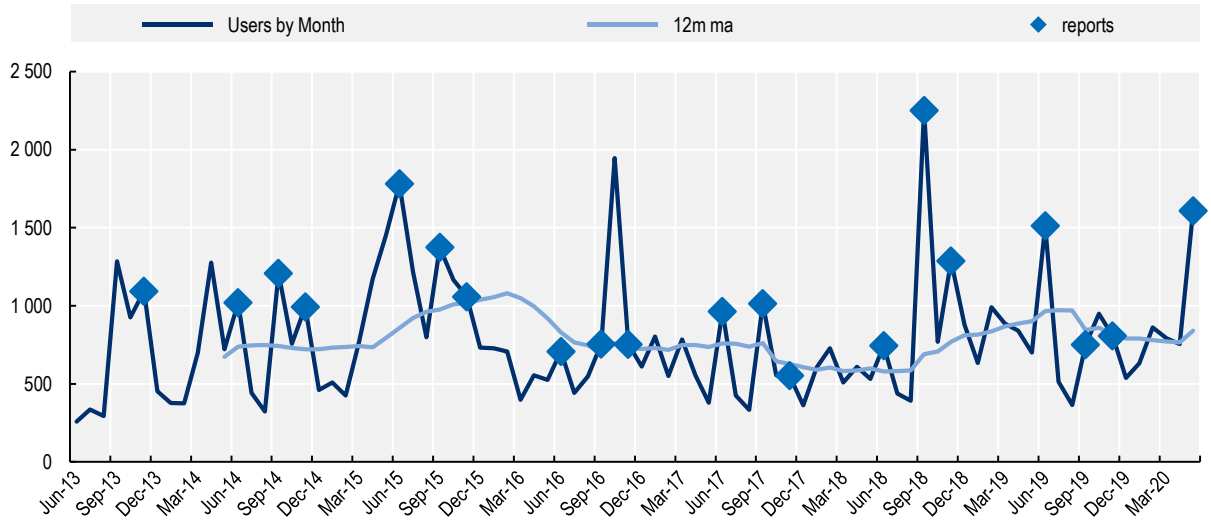
Timing of impact on public debate

The Council's communications are more likely to result in impact if they intensify around major budgetary developments (such as unexpected outturns or ad-hoc policy announcements), key dates in the budget process, or specific public activities of the Council, including the launch of flagship reports or other useful reports. Regardless of whether the Council actually contributes to raise public awareness of public finance issues during these critical periods, an effective IFI should at least be more present whenever the public shows greater interest in these matters. By contrast, the absence of spikes and troughs in public attention might suggest a lack of focus in communication and/or difficulties to catch the public eye and influence opinions when it matters.

Data on the Council's web users by month (Figure 10) shows that there are spikes in the number of web users around the publication of reports, identified by red diamonds, suggesting that the Council's communications are well-targeted and effective.

Figure 10. Fiscal Council's web users by month

Unique users initiating at least one session during period



Note: Dotted line shows 12-month moving average, red diamonds show publication of Fiscal Council reports.
Source: Information provided by the Council.

The increased attention around Council publications with important public finance messages signals the Council's ability to communicate effectively and influence public opinion when it matters the most. The Council's relatively well-spaced out publication schedule and associated media interventions likely foster the high correlation between the launch of Council reports and web traffic. Succinct summaries and strong messaging associated with these reports have also helped generate interest.

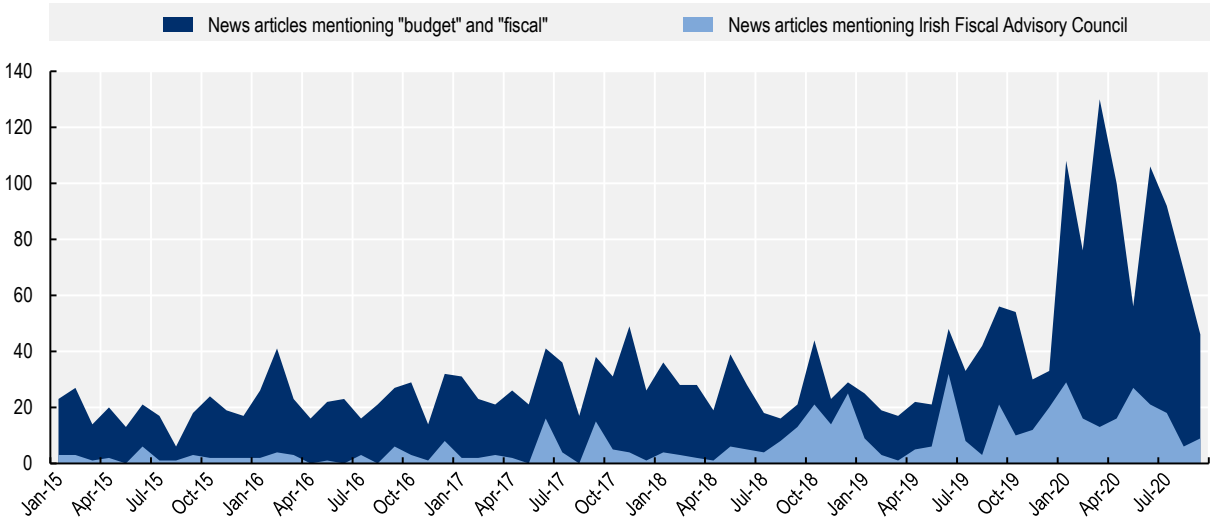
Media impact: Voice

While the absolute indicators reported so far suggest that the Council is effective at using targeted communications to influence the public debate, they do not show whether the Council's messages are heard when key fiscal issues are being discussed. Since being heard is a necessary condition for being listened to, simple relative indicators can give a prima facie indication of the Council's importance in the public discourse on fiscal issues.

Figure 11 provides an indicator of the "voice" that the Council has[3], measuring the number of articles mentioning budget and fiscal issues vis-à-vis the number of articles mentioning the Council. The analysis shows that the Council's voice tends to rise and fall along with the number of articles relevant to budget and fiscal issues. This shows that the Council's work is relevant to topical public finance concerns.

Figure 11. Number of articles containing the words "budget" and "fiscal", vis-à-vis the number of articles mentioning the Irish Fiscal Advisory Council

Google search: news, Ireland

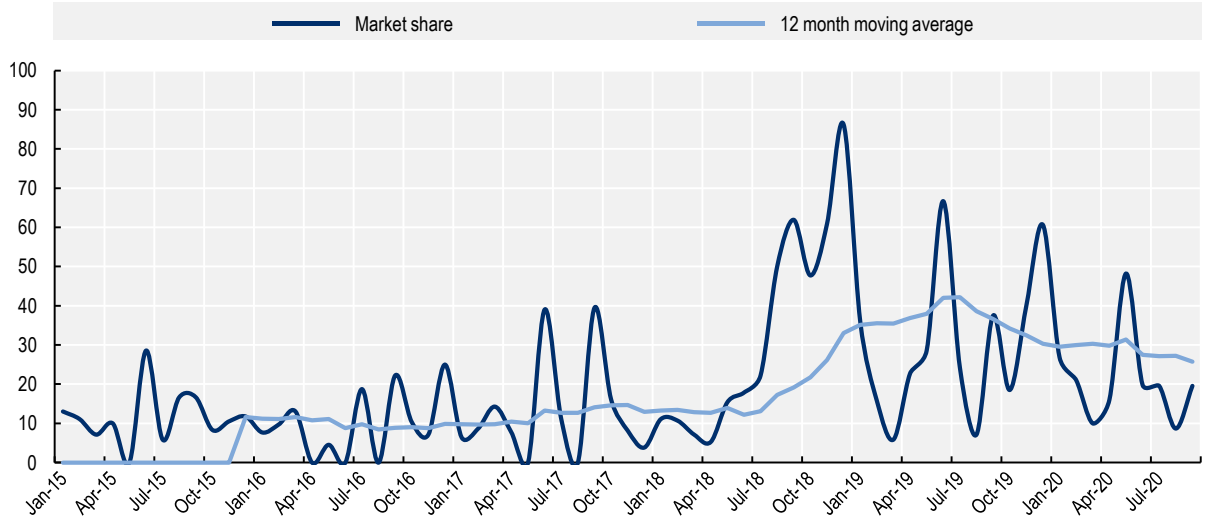


Note: Search terms used for the Irish Fiscal Advisory Council were "fiscal council" OR "fiscal advisory council"
Source: Information provided by the Council.

Further analysis in Figure 12 shows that in recent years the number of articles that the Council is mentioned in is 30-45% of the number of articles mentioning the keywords "budget" and "fiscal". This compares relatively favourably with earlier years in the Council's existence. It also compares favourably with similar analysis done for the Slovak Council for Budget Responsibility, showing that references to the Council were made in less than 10% of all of the media reports mentioning "government debt" and "budget". The Irish Council's "voice" peaked at 86% in December 2018. This is likely to be because of the Council's November 2018 FAR that warned about the risk of health over-runs becoming long-lasting spending items and concluded that the government's medium-term budgetary plans were not credible (Irish Fiscal Advisory Council, 2018[5]).

Figure 12. Number of articles mentioning the Fiscal Council as a % of articles mentioning "budget" and "fiscal"

Google search: news, Ireland



Note: 12-month moving average
Source: Information provided by the Council.

Influence on the parliamentary debate

Exerting a positive influence on fiscal policy decisions is usually easier when an IFI is able to influence the parliamentary debate. Although the Oireachtas has limited direct influence on the direction of fiscal policy, parliamentary debate can nevertheless exert pressure on the government decisions.

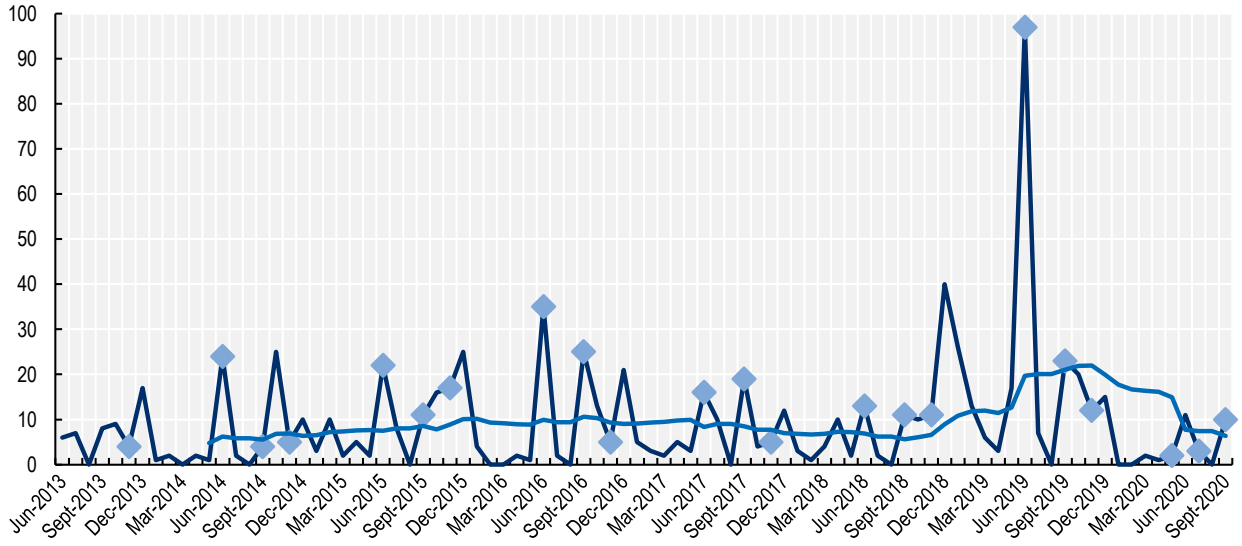
As mentioned in Section The Council's governance structure and key accountabilities, the Council usually appears before the Oireachtas Budgetary Oversight Committee on three occasions per annum. In general, the current level of engagement that the Council has with the Oireachtas allows the Council to have limited but meaningful engagement with parliament. Parliamentary appearances usually occur in the same week, or the week after, the Council report is published. Given the timing, it is unlikely that Committee Members have had the opportunity to read more than the report's Summary Assessment. However, Members of the Budget Oversight Committee often also benefit from a private briefing from the PBO that helps ensure that they are informed of the key issues raised in Council reports. Committee discussions with the Council have in the past framed a lot of the parliamentary debate around fiscal policy, and interactions with the Department of Finance.

One measure of the Council's impact on the parliamentary debate is the number of Council parliamentary mentions. Figure 13 shows the number of times that the Council was mentioned in either plenary or committee session each year since it was established, and the extent to which peaks correlate with Council publications.

The data shows that parliamentary mentions increase around the publication of the Council's reports. As was the case with visits to the Council's website, mentions were particularly high around the publication of the Council's June 2019 FAR which raised concerns about the use of corporation tax receipts to fund budget overspends. The political discourse around this in parliament is likely to be one of the factors that put pressure on the Minister for Finance to commit to reviewing the sustainability of corporation tax receipts.

Figure 13. Parliamentary mentions by month

Number of mentions of "Irish Fiscal Advisory Council" across all debates



Note: Dotted line shows 12-month moving average, red diamonds show publication of Fiscal Council reports.

The majority of parliamentary mentions occurred in Committee debates (59%), with a third taking place in Dáil debates (33%) and just 8% in the Seanad. While Committee mentions often relate to the appearances of the Council, the mentions in Dáil debates more often relate to the numerous debates that happen throughout year on fiscal issues, for example the Summer Economic Statement, and regular parliamentary questions.

Enhanced fiscal transparency and improved fiscal management

Stakeholders across the board are very positive about the effect that the Council has had on enhancing fiscal transparency in Ireland and improving fiscal management. This has occurred via a number of channels including through:

- efforts by the Council to help improve fiscal understanding;
- the Council raising concerns about areas of poor fiscal management; and
- the Council's work and interactions pushing the boundaries of the analytical community in Ireland.

The Council has made targeted efforts to help improve fiscal understanding among stakeholders, including the general public. As an example, its recent work on Stand-Still Scenarios details the cost of maintaining the current level of services into the future, taking into account inflationary pressures and demographics – information that was previously not available. Additionally, its work assessing the fiscal stance and in calculating fiscal space ahead of elections has helped broaden general understanding of the sustainability of different budget options. For example, the Council's fiscal space calculations ahead of the 2016 election were widely used by all parties and helped set the parameters of the election debate. The Council continues to invest in new outputs to help further fiscal understanding including, for example, publishing a Visual Summary of the Budget. This is a valuable resource for stakeholders seeking to quickly get to grips with the government's budgetary plans. Some stakeholders would like to see the Council dedicate greater efforts to increasing fiscal understanding among the public, for example through greater interaction with the local press in Ireland. Options for this could be considered by the Council as part of the development of a formal communications strategy.

The Council has also been successful at raising concerns about areas of poor fiscal management. Parliamentarians often use the Council's material in this regard to frame political debate, helping to elicit a response from the government. For example, when the Council drew attention to health overspends and how they were being managed by the government. These were being treated as one-off expenditure items, however, the Council highlighted that each year's overspends were having an effect on the following year's budget. The Council's work was picked up in the political debate and this led to the government changing the way it treated health overspends, thereafter including the expenditures in subsequent budget baselines.

The Council also tried to highlight concerns about the design of a Rainy Day Fund that the government was proposing for Ireland, in order to improve its effectiveness. However, the impact of this work has been limited to date, with stakeholders hindered by the technical nature of the discussion. It shows the difficulty for any IFI in successfully raising concerns where the matter is of a more technical nature. Key challenges also remain around the communication of the Council's work with regard to fiscal rules, given the complex nature of EU fiscal rules, and fiscal space as a concept. The Council should continue to develop its communications across these area in a way that resonates with non-technical stakeholders so that its strong technical work can have greater impact.

The arrival of an IFI, whose work and methods are openly available, often enriches the technical community for fiscal policy. This is certainly the case in Ireland, where stakeholders report that the Council's work has helped push the boundaries amongst economic and fiscal analysts. For example, the new process that the Department of Finance goes through in explaining its forecasts to the Council is reported to have improved general analytical rigour around the forecasts. The Council's work on nowcasting prompted the Central Statistics Office (CSO) to start work in this area too. The CSO was also prompted to look again at its methodology for revisions affecting GDP in Ireland after the Council published a working paper on "Uncertainty in Macroeconomic Data: The Case of Ireland". However, the Council's biggest area of influence is likely in relation to the new methods it developed for assessing compliance with fiscal rules and measuring the output gap that are now used by wider stakeholders (Box 9).

Box 9. New analytical methods developed by the Council and their impact

The EU's Commonly Agreed Methodology (CAM) for assessing fiscal rules suffers from large annual fluctuations in small open economies such as Ireland's. To address this, the Council developed a new approach that gives more stable and – according to stakeholders – more plausible results.

The Council's custom methodology differs in several ways. For example, the expenditure benchmark, GDP deflator, and convergence margins grow with the latest official estimates, rather than being frozen at certain vintages. The natural unemployment rate is held constant according to a rule of thumb based on Central Bank research on the labour market.

To estimate and project potential GDP and the output gap, the Council introduced suite modelling (using a number of different methodologies and averaging them). This is a simple but powerful solution to the problem of volatile results under a single model given the challenging modelling environment of the Irish economy.

To overcome the uncertainty stemming from frequent large revisions in Ireland's quarterly economic data, the Council developed a nowcasting tool using dynamic factor analysis to predict revisions. The CSO regarded the Council's work with great interest and reviewed their own approaches and methodologies in light of the Council's findings.

The Council also estimated and published new policy-adjusted revenue elasticities to forecast tax revenue. Previous elasticities were estimated from raw revenue series that conflated the impact of changes in government policy with the underlying growth of revenues with respect to their base. The Council created historical time series that deduct these policies to arrive at a more precise relationship between economic bases and revenues.

Stakeholders reported that the Council's impressive work in this regard has helped encourage Irish stakeholders, including the Department of Finance, to rethink their methods. Indeed, the Department of Finance has adopted many of the Council's approaches including suite modelling of the output gap. The EC also recognises the Council's approaches as useful complementary analysis to the CAM, helping provide a better understanding of the underlying Irish economic developments.

Conclusions and recommendations

The Council has a proactive approach to communicating its outputs. While metrics such as website visits have not changed significantly year-on-year, peaks in interest around times when the Council is raising concerns about public finances shows it is able to be an effective communicator when it matters the most. The Council makes a limited number of media interventions relating to its core outputs. While the Council could make efforts to increase its media presence throughout the year, this could also risk diluting the attention given to its core publications. It would be interesting for the Council to debate these options and set out its preferred approach in a formal communications strategy.

Some stakeholders would like to see the Council taking further actions to increase fiscal understanding among the public, for example, through greater interaction with the local press. The viability of suggestions such as this can also be considered as part of the communications strategy.

A particularly positive development is the increased social media presence that the Council has gained in recent years. This provides the Council with additional opportunities to reinforce the key messages from its work, for example through making topical interventions that link back to previous publications. While social media was a particular strength of the – now departed – second Chair, the Council continues to utilise this as one of its main communications channels.

The Council's work is often picked up in political debate. Parliamentary mentions peak around the time of the Council's outputs, which are usually followed by appearances in front of the Budget Oversight Committee. Mentions were particularly high around the publication of the Council's June 2019 FAR which raised concerns about the use of corporation tax receipts to fund budget overspends. The political discourse around this is likely to be one of the factors that led the Minister for Finance to commit to reviewing the sustainability of corporation tax receipts.

The Council has also achieved significant impact through enhancing fiscal transparency, highlighting concerns about fiscal management and pushing the boundaries of fiscal policy analysis in Ireland. Key achievements include; providing fiscal space calculations that have helped set the parameters of election debates; drawing attention to health overspends being treated as one-off budget items; and developing an improved methodology for the calculation of the output gap in Ireland which is now used by a range of national and international stakeholders.

However, the Council still struggles to achieve impact in relation to more technical communications, for example around the Council's work with regard to the Rainy Day Fund, fiscal rules and fiscal space as a concept. The Council should continue to develop its communications in this area in a way that resonates with non-technical stakeholders so that its strong technical work can have greater impact.

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OECD (2014), *Recommendation of the Council on Principles for Independent Fiscal Institutions*, https://www.oecd.org/gov/budgeting/OECD-Recommendation-on-Principles-for-Independent-Fiscal-Institutions.pdf. [1]

von Trapp, L. and S. Nicol (2018), *Measuring IFI independence: A first pass using the IFI database*, VoxEU eBook, CEPR Press, London, http://www.oecd.org/gov/budgeting/measuring-ifi-independence-a-first-pass-using-the-oecd-ifi-database-2018.pdf. [4]

Notes

[1] This is in line with the recommendations of a 2015 Peer Review of the Irish Fiscal Advisory Council.

[2] The Oireachtas Parliamentary Budget Office provides independent and impartial information, analysis and advice to the Houses of the Oireachtas. This is further discussed in Sub-section "Oireachtas Parliamentary Budget Office (PBO)".

[3] The mandate was expanded in 2013 to comply with new EU regulations. These changes gave the Council an endorsement function in relation to the official the macroeconomic forecasts underlying national medium-term fiscal plans and the draft budget.

[4] The limit was originally two terms, but this was amended to three terms as of December 2020 - https://www.oireachtas.ie/en/bills/bill/2020/61/

[5] The "One Person One Salary" principle requires that public servants who sit on state boards should not be paid remuneration in the form of board fees when serving in such a representational capacity.

[6] This being said, Regulation (EU) No 473/2013, which is directly applicable for euro area Member States, empowers IFIs to have "*appropriate access to information to carry out their mandate*".

[7] Both of these actions align with recommendations in a 2015 Peer Review of the Irish Fiscal Advisory Council

[1] Given the possibility of conflicting assessments from the Council and the EC in marginal cases, the Council prefers to reserve this tool for occasions when there are severe issues in relation to compliance with domestic fiscal rules.

[2] See Irish Times, Donohoe to review corporation tax sustainability, June 19 2019.

[3] The Irish Fiscal Advisory Council refer to this as their "market share measure".

Annex 1.A. Review team and acknowledgements

The review team would like to thank the Council and Secretariat at the Irish Fiscal Advisory Council, as well as the many individuals who agreed to be interviewed for the review, for their frank and candid discussions of all issues during the review process.

The review team would also like to thank Jon Blondal, Head of the Public Management and Budgeting Division at the OECD for his thoughtful comments.

Review team

Scott Cameron is a Policy Analyst in the Public Management and Budgeting Division, Directorate for Public Governance, OECD. He previously worked in budget forecasting and tax policy for governments in the UK and Canada before spending most of his career with Canada's Parliamentary Budget Officer. Prior to joining the OECD, he delivered a three-year budget office capacity-building programme in Southeast Asia.

Christina Håkanson is a Senior Economist at the Swedish Fiscal Policy Council. Her role includes assessing fiscal policy, evaluating macroeconomic forecasts, and performing micro-simulations of taxes and transfers. She has previously worked at the Forecasting Department, Monetary Policy Department at Sveriges Riksbank with a focus on labour market forecasting and analysis. She holds a PhD from the Institute of International Economic Studies, Stockholm University.

Stephen Kinsella is Associate Professor of Economics at the University of Limerick's Kemmy Business School, Senior Fellow at the Melbourne School of Government at the University of Melbourne and Research Associate of the Rhodes Centre at Brown University. Stephen's research centres on the macroeconomics of small open economies, and particularly Irish fiscal policy.

Scherie Nicol is a Senior Policy Analyst in the Public Management and Budgeting Division, Directorate for Public Governance, OECD. She specialises in the areas of independent fiscal institutions and parliamentary budget oversight. She began her career as an economist for the economic development agency for the Highlands and Islands of Scotland. She moved to the Scottish Parliament in 2008, providing research support to the elected members in areas relating to public finance and the economy. In this role, she helped set up the Financial Scrutiny Unit.

John Smidt is Director at the secretariat of the Danish Economic Council (DEC, the Danish Independent Fiscal Institution). He has been with the DEC for 25 years, and he has been directly involved in short and medium term forecasting, analysis of long-term fiscal sustainability, development and usage of macroeconomic models, and assessments of public finances and economic policy. Prior to his engagement with the DEC, he worked for seven years at the Statistics Denmark as part of the macroeconomic modelling team.

Annex 1.B. Interview list

The review team would also like to thank all those who have contributed evidence and insights to this review, in particular individuals from the following institutions and groups who met with the review team during its virtual discussions in June and July 2020:

- Academics and think tanks:
  - Dublin City University Business School, Economic and Social Research Institute, Nevin Economic Research Institute, Trinity College Dublin, University College Dublin, University of Limerick.
- Adviser, Minister for Public Expenditure and Reform
- Central Bank of Ireland
- Central Statistics Office
- Department of Finance
- Department of Public Expenditure and Reform
- European Central Bank – Professor Phillip Lane
- European Commission – Ireland Country Desk DG ECFIN
- Houses of the Oireachtas
  - Parliamentary Budget Office, Clerk to the Budget Oversight Committee, Current and former Teachtaí Dála (TD) from Fianna Fáil, Irish Solidarity–People Before Profit and Labour.
- Independent Authority for Spanish Fiscal Responsibility (AIReF)
- Irish Fiscal Advisory Council
  - Chair and former Chairs, Council members and former Council members, Secretariat.
- Media
  - Irish Times, RTÉ.
- Minister for Finance - Paschal Donohoe
- National Economic and Social Council
- National Treasury Management Agency
- Office of the Comptroller and Auditor General
- Private sector forecasters
  - Bank of Ireland, Brady, Davy, Goodbody Stockbrokers, Ulster Bank.
- Office of the Revenue Commissioners

Annex 1.C. Assessment of Council adherence to international standards

Annex Table 1.C.1. Does the Irish Fiscal Advisory Council meet the OECD Principles for Independent Fiscal Institutions (assessment of legislation and practice)?

OECD Principle	Is there a related EU-IFI standard?	Assessment	Notes
1. LOCAL OWNERSHIP			
1.1 Broad national ownership, commitment, and consensus across the political spectrum. Models from abroad should not be artificially copied or imposed.	In preamble	●	Although the Council was established largely through externally imposed reforms following a fiscal crisis, it has been implemented at the national level with broad buy-in from stakeholders. Ireland exited the external Troika procedures, and the office has continued with cross-party support and appreciation from other domestic institutions.
1.2 Local needs and the local institutional environment should determine options for the role and structure of the IFI.	In preamble	●	Ireland's twin economic and fiscal crises and volatile macro-fiscal framework generated a need for a monitoring body with the mandate of the Council regardless of external pressure from lenders. The institutional context has resulted in a creative and sensible made-in-Ireland option with the Council placed arms-length within ESRI, leveraging that institution's operating capacity and long history while remaining analytically and operationally independent.
2. INDEPENDENCE AND NON-PARTISANSHIP			
2.1 Does not present its analysis from a political perspective; strives to demonstrate objectivity and professional excellence, and serves all parties. IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship.		●	Stakeholders report confidence in the Council's political neutrality. The Council and its secretariat are respected professionals. The Council avoids normative programme-level recommendations and analysis not explicitly required by its mandate. The Council is independent from the legislature, with little interaction with legislators and parties other than during committee appearances.
2.2 The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit.	✓	●	The Council is appointed by the Minister, who is explicitly required by the schedule of section 7 (c) of the *Fiscal Responsibility Act 2012* to "have regard to the desirability of their having competence and experience in domestic or international macroeconomic or fiscal matters." Council members thus far have been well-respected and neutral economic and policy experts.

2.3 Term lengths and number of terms that the leadership of the IFI may serve should be clearly specified in legislation along with dismissal criteria and process.		●	Members are appointed for 4 years, can serve three consecutive terms, but are eligible for reappointment after a break. Termination criteria are specified in Schedule 4 (2) of the *Fiscal Responsibility Act 2012* and range from health, bankruptcy, convicted offences, conflict of interest, or other severe malfunctioning of the Council, and only by a resolution passed by the Dáil Éireann.
2.3 The leadership's term should optimally be independent of the electoral cycle.	✓	●	Ireland's political cycle has a statutory limitation of 5 years, a constitutional limitation of 7 years, and in practice it has averaged slightly over 3 years over history. Member term length is 4 years.
2.4 The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict-of-interest standards should be applied.	✓	◖	Remunerated, not full-time. The remuneration has received criticism, both from being insufficient for the time demands of the office, and for its context within Ireland's public sector one income policy, whereby academics cannot supplement, but merely displace their university incomes, and universities are hesitant to reduce their responsibilities. Members can be dismissed for conflicts of interest.
2.5 The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.	✓	●	The Council has full freedom to hire and dismiss staff within the bounds of its financial and human resources parameters, which are determined by negotiations with the Minister for Public Expenditure and Reform. Formally, the *Fiscal Responsibility Act 2012* prescribes that the Fiscal Council is free to appoint "such and so many persons to be members of the staff of the Fiscal Council, and on such terms, as may be determined by the Fiscal Council with the prior consent of the Minister given following consultation with the Minister for Public Expenditure and Reform."
2.6 Staff should be selected through open competition based on merit and technical competence, without reference to political affiliation, in line with civil service conditions.		●	Staff are recruited based on their ability to carry out analytical and administrative tasked to fulfil the Council's functions. Vacancies are advertised. That said, financial constraints mean the Council can offer few permanent positions. Research assistant positions are temporary and with few paths to senior positions retaining talent is difficult.
3. MANDATE			
3.1 The mandate should be defined in legislation, including types of reports and analysis they are to produce, who may request them and timelines for release.		●	Annual reports are specified. Required assessment and endorsement functions are specified in legislation. No requirement to fulfil requests for clients. Timelines "as soon as practicable" in relation to major budget and European Semester events.
3.2 IFIs should have the scope to produce reports and analysis at their own initiative and autonomy to determine their own work programme within their mandate.	✓	●	Council can and does produce reports of its own autonomy. While it is not specified explicitly in legislation, this power is considered to fall under the clause of independence and "all such powers as are necessary for, or incidental to, the performance of its functions".
3.3. Clear links to the budget process should be established within the mandate.		●	Yes, clear ties for assessment of the official forecasts and rules surrounding the budget, as well as the European Semester.

4. RESOURCES			
4.1 The resources allocated to IFIs must be commensurate with their mandate.	✓	●	Resources are sufficient for now. The Council exceeds its strictly mandated endorsement and assessment requirements. If left unadjusted, the current legislated budget could bind in time, but the government is open to discussions for more funding in the future. To strictly fulfil its mandate the Council could cut back on its research programme, but transparency and availability of important self-initiated reports would suffer.
4.1 The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies.	✓	●	The Council's funding arrangement exceeds the practice of other bodies. It is set in legislation and paid directly out of the state's central fund. This arrangement protects the funding from political interference as it is not subject to annual decisions by the Dáil.
4.1 Multiannual funding commitments may further enhance the IFIs independence and provide additional protection from political pressure.		●	The Council's budget is set in legislation guaranteeing multi-annual stability in real terms as it is indexed to inflation. Some stakeholders were concerned over an eventually binding ceiling as wages and rent have exceeded consumer price inflation, but the arrangement compares very favourably to other offices in terms of protection from political pressure.
5. RELATIONSHIP WITH THE LEGISLATURE			
5.1 Mechanisms should be put in place to encourage appropriate accountability to the legislature.	✓	●	Under the Ministers and Secretaries Amendment Act (2013), the Council is required to produce an annual report for the Minister for Public Expenditure and Reform who forwards a copy to the parliament "as soon as reasonably practicable" (Article 13). The Council is also required to submit its annual accounts before the Oireachtas in a timely fashion and Dáil committees can also request that the Chair give evidence on the accounts. Committees in both houses can request that the Chair account for the performance of the functions of the Council.
5.1 The budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work.	✓	●	There is sufficient time to carry out the necessary analysis according to feedback from Council members and the secretariat.
5.2 The role of the IFI vis-a-vis the parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation.		●	The Council's operational independence does not require it to fulfil requests for analysis (although it will do so voluntarily). The Council's obligations to the Oireachtas and its committees on governance issues are defined clearly in Schedule 7 Section 11 of the *Fiscal Responsibility Act 2012*.
6. ACCESS TO INFORMATION			
6.1 IFI should have full access to all relevant information in a timely manner.	✓	◖	The Council reports that it receives the information it requires, but that it often involves time and energy that strains the small team. Further, if the Council is to increase the depth of its fiscal analysis and prepare for the government's transition to international public-sector accrual reporting standards it may need greater access to micro tax and programme spending data.
6.2 Any restrictions on access to government information should be clearly defined in legislation.	✓	■	The *Fiscal Responsibility Act* only prescribes generally that "The Fiscal Council has all such powers as are necessary for, or incidental to, the performance of its functions." This places essentially no restriction on access to government information, which is untenable and leaves the Council exposed to challenges of its access rights.

7. TRANSPARENCY			
7.1 IFI should act as transparently as possible, including full transparency in their work and operations.		■	The Council provides no confidential research—all is published on its website. Committee appearances are always open to the public.
7.2 IFI reports and analysis (including underlying data and methodology) should be published, made freely available to all and sent to parliament.		■	All of the IFI's analysis are published and freely available, and the underlying methodologies are provided in journal-quality working papers, including not just stylised equations but also in many cases the parameters and model estimation information that would easily allow outsiders to recreate the results. The secretariat will engage with interested outside analysts to share code and assist further with replicability.
7.3 The release dates of major reports and analysis should be formally established, especially in order to co-ordinate them with the release of relevant government reports and analysis.		■	Release dates of major reports are as predictable as possible under the budget cycle, and align with the requirements of surveillance dates under the European Semester.
7.4 IFIs should release their reports and analysis, on matters relating to their core mandate on economic and fiscal issues, in their own name.		●	All reports are released under the Council's own name and letterhead on its own website.
8. COMMUNICATIONS			
8.1 IFIs should develop effective communication channels from the outset.	✓	●	Stakeholders commended the Council's use of press releases, social media engagement, conferences, and briefings. Many were in place from the beginning, or were improved upon after the 2015 external review.
9. EXTERNAL EVALUATION			
9.1 IFIs should develop a mechanism for external evaluation of their work.	✓	●	The Council has regular external reviews targeted at five-year intervals, most recently in 2015 and this review in 2020.
Key: ●=yes; ◖=partial; ○= no			

Note: This table has been updated from previous OECD IFI reviews to reflect the newer EU IFI standards released in January 2019.
See https://www.euifis.eu/download/statement_reinforcing_and_protecting_ifi_s.pdf

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