



**Irish Fiscal
Advisory Council**

Strategy and Structure for Delivering on our Mandate

December 3, 2014

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Irish Fiscal Advisory Council

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Some background on IFAC

- Established on an interim basis, July 2011
 - Physically based at the Economic and Social Research Institute (ESRI), an independent research organisation
- Put on a statutory basis under the *Fiscal Responsibility Act*, December 31, 2012

Mandate

- Endorsement of macroeconomic forecasts underlying budget and SPU
- Assessment of macroeconomic forecasts and budgetary projections
- Assessment of compliance with national Budgetary Rule and Correction Mechanism
- Assessment of fiscal stance (with reference to requirements of SGP)



Production function for delivering on our mandate

Inputs

Outputs

Expertise:
-- Council
-- Secretariat



Information
flow



Analysis:
-- Forecast endorsement
& assessment
-- Rule compliance
-- Fiscal stance



Capacity to raise
reputational costs of
inappropriate fiscal
policies



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Structure and personnel

- **Council membership (Part-time)**
 - Sebastian Barnes (Senior advisor to Chief Economist and former head of Ireland desk, OECD)
 - Alan Barrett (Professor, ESRI)
 - Donal Donovan (Former Deputy Director, IMF)
 - John McHale, Chair (Professor, NUIG)
 - Roisin O’Sullivan (Professor, Smith College)
- **Secretariat (Full-time)**
 - Thomas Conefrey (Head of Secretariat and Chief Economist)
 - John Howlin (Economist)
 - Eddie Casey (Economist)
 - Sarah Doyle (Administrator)
 - Andrew Hannon (Research Assistant)
- **Division of labour between Council and secretariat**
- **Adequacy of resources**

Critical cooperation on staff secondments

- Both chief economists on secondment from Central Bank
- Other secondments
 - NTMA (now permanent staff member)
 - Department of Public Expenditure and Reform
 - Department of Arts, Heritage and Gaeltacht Affairs
 - ESRI



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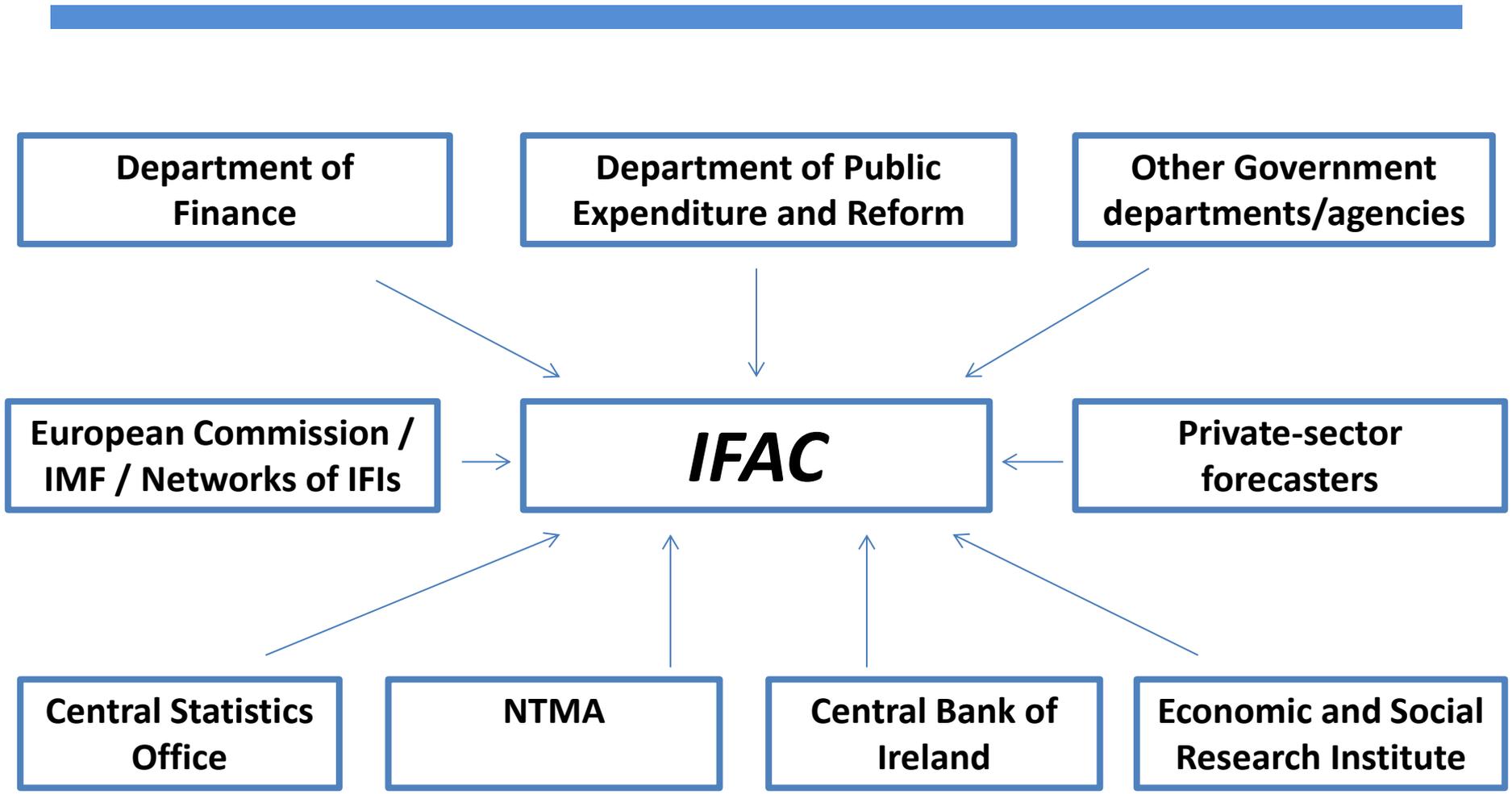
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Key information flows





Mixture of goodwill and procedures

- **Procedures**
 - Some teething problems in accessing information from DoF
 - Now much improved with a central point of contact
 - Formal MoU with DoF on endorsement function
 - Important safeguard
- **Goodwill**
 - Have avoided an overly procedural approach with DoF
 - MoU in background
 - Flexible ongoing cooperation
 - Goodwill relationships with other departments/agencies/private sector
 - Some challenges with access to budgetary information from other departments
 - Potential need for more formal relationships

MoU has structured interaction on endorsement

- Sets out:
 - Variables on which information is to be provided
 - Timing of formal interactions
 - Presentation to secretariat
 - Presentation to Council
 - Timing of endorsement
 - Ongoing MoU review procedures



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Analytical capacity

- Organisation of resources
 - Balance of roles between council members and secretariat
- Development of analytical tools
 - Macro forecasting capacity for endorsement and assessment
 - Capacity for analysis of budgetary forecasts
 - Revenue forecasting models
 - Tools for bottom-up projection of expenditure forecasts
 - Investment in detailed understanding of national and European fiscal rules
 - Tools for analysis of fiscal stance
 - Principles of good fiscal policy
 - Fiscal feedbacks model as a tool for counterfactual analysis



Independence

- Independence underpinned by legislation (Fiscal Responsibility Act)
- Budget from Central Fund indexed for inflation
 - Not subject annual appropriations
- Appointments by Minister of Finance
 - Requirement for appropriate macroeconomic and/or budgetary expertise
 - 4-year terms, renewable once
 - Expressions of interest through Public Appointments Service
- Dismissals
 - Requires a resolution of parliament



Accountability

- Public reports and media availability
- Regular appearances before parliamentary committees
 - Joint Finance and Public Expenditure and Reform
 - Public Accounts
- Development of full range of governance requirements for a statutory body
- International peer review process has begun
 - Chaired by Professor Lars Jonung, former Chair of the Swedish fiscal council



Visibility

- Reports launched with a press release and press briefing
 - Significant media interest
 - Regular opinion pieces and conference presentations by council members and secretariat
- Timing of reports related to key moments in the budgetary process
 - Post Stability Programme
 - Post Budget
 - Innovation this year: Pre-Budget statement
- All information available via IFAC website
 - <http://www.fiscalcouncil.ie/>



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Key published outputs

- Seven Fiscal Assessment Reports
 - Seventh report published on November 25th
 - Reports organised into four chapters covering each element of our mandate
 - Summary assessment and key messages section for each chapter
- Other reports:
 - Report on *Reforming Fiscal Institutions, February 2012*
 - Report on *The Government's Balance Sheet After the Crisis: A Comprehensive Perspective, October 2013*
 - *Pre-Budget Statement, September, 2014*

Influence

- Sometimes criticised because the government ignores our advice
 - Have supported the broad thrust of the Government's fiscal stance
 - But have also provided specific advice/analysis
- Concrete examples where our advice/analysis has been taken on board
- Have emphasised that we are informing the public and parliament as well the Government
 - Significant influence in the public debate
 - Capacity to affect the political costs of inappropriate policies/forecasts/rule non-compliance