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*de* Responsabilidad Fiscal

# **WORKSHOP ON INDEPENDENT FISCAL INSTITUTIONS: MAIN LESSONS**

AIReF, Madrid  
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# SESSION 1. GOVERNANCE: PRINCIPLES AND INTERNATIONAL PRACTICE

- **Common problems:** resource constraints; information access; staff policy; guarantee independence; gaining credibility; ensuring IFI's long-term viability.
- But **no single or best solutions**. Need adapt to **country specificities** (ie, normative vs positive analysis is sometimes given by own IFIs mandate).
- **Decentralization**, lack of strong **public consensus on sound public finances** an make it harder to find the right model and best solutions.
- Both IFIs and official agencies need **time to understand each other**. It is a learning by doing process for all.
- **Key elements for success:**
  - Leadership and competence
  - Access to complete and timely information
  - Transparency of all procedures and tools
  - Good communication capacity
  - High quality analysis

**Independence and credibility**



# SESSION 1. GOVERNANCE: PRINCIPLES AND INTERNATIONAL PRACTICE

## Some international examples/options to be considered by AIReF:

- Reinforcing **independence**: publicly compare AIReF with OECD principles?
- Reinforcing **accountability**: external assessments (when?); oversight committee; peer reviews of methodologies
- Improving access to **information**: need to gain trust from data providers
- Searching for more **budget stability**: multiannual budget?



## SESSION 2. ANALYTICAL OUTPUTS

Analytical tools and outputs **depend on the mandate** (UK vs SK and IE)

### Range of options

- Forecasting vs endorsement
- Internal models vs combination of external models (metanalysis)
- Model complexity (aimed at completeness) vs communication
- Conveying the uncertainty surrounding projections



## SESSION 2. ANALYTICAL OUTPUTS

- **Seeking for robustness:** diversified portfolio of models
- **Selecting models according to their time-scale** (short- medium- and long-term) **and use** (forecasting or policy evaluation)
- **Fiscal risk** assessment key
- **Reputation and credibility built on high quality analysis**
- **Peer cooperation and peer review on analytical tools and outputs**
  - Other IFIs, academics
  - After a first cycle of outputs

## SESSION 3. IFIs IN FEDERATIONS

- **Decentralization makes fiscal surveillance more complex:**
  - Common methodological problems:
    - Regional output gap
    - Regional structural balance
    - Access to information
    - Large number of municipalities
  - It requires more human resources
    - Shared responsibility among governments and fiscal council?
    - Accommodate the mandate to available resources?

## SESSION 3. IFIs IN FEDERATIONS

- The role of **market discipline** for subnational administration depends on:
  - Legal Framework:
    - No bail out clauses
    - Debt limits
  - The credibility of enforcement mechanism
  - Avoid free ride incentives

## SESSION 4. RELATIONSHIPS WITH OTHER OFFICIAL AGENCIES

- Access to information is key and should be backed by a strong legal mandate
- Memorandum of understanding or other formal agreement can improve relationships, but goodwill is essential
- Implementation of “Comply-or-explain” principle:
  - Operational problems because is not clearly defined
  - It should be transparent: Public dialogue
  - Recommendations follow up





## SESSION 4. RELATIONSHIPS WITH OTHER OFFICIAL AGENCIES

- Frictions with other agencies are unavoidable, sooner or later
- Window of opportunity to gain institutional space: as soon as possible
- Gain credibility through transparent and sound analysis
- It is important to be persistent with:
  - Access to information
  - Recommendations
  - Relevance in the public debate
- International organizations can support IFIs in their relationships with other official agencies



# SESSION 5. COMUNICATION STRATEGY

- **Transparency**
  - Publish everything?
  - Disclose how you did it: data (democratization), models, assumptions and also judgment
  - Emphasize uncertainty and risks around your forecasts
  - Compare yourself to others (even your assumptions)
  - Continuous forecast performance evaluation
- **Effectiveness**
  - Measure your impact and stakeholder's perception (use web analytics, signups, track consistency in the media and act accordingly, make analysts accountable for their work!)
  - Meet your clients during quiet times
  - One voice to avoid noise



# SESSION 5. COMUNICATION STRATEGY

- **Shape and breath of reports:**
  - Avoid language barrier
    - Tailored to stakeholder
  - Access vs rigor balance
  - What the reader will ask? Don't leave any question unanswered
  - Minimalistic approach?
  - User-friendly analysis tools

