



Irish Fiscal Advisory Council

Ireland's Medium-Term Budgetary Framework

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Value of a strong budgetary framework

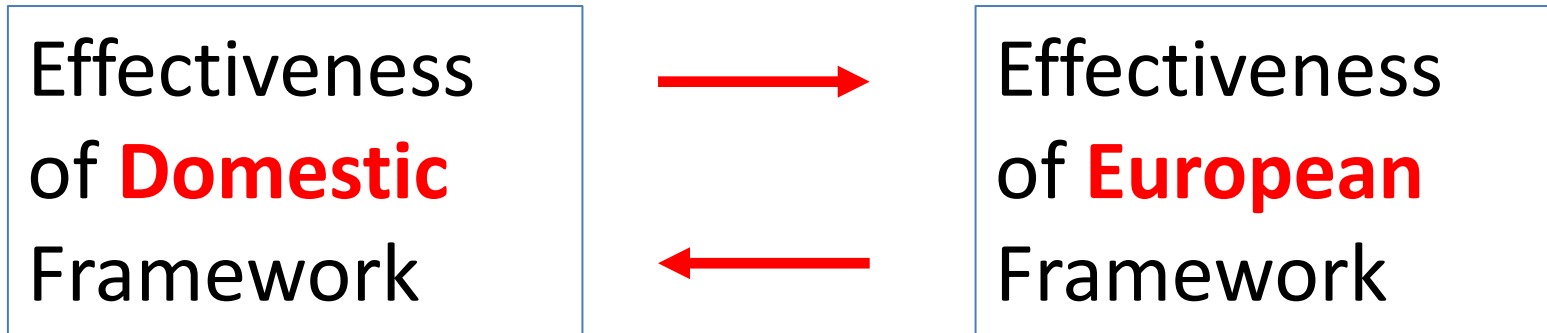
- European rationale
 - Spillovers across countries

- Domestic rationale
 - Avoid pro-cyclicality in good times
 - Avoid large forced adjustments in bad times



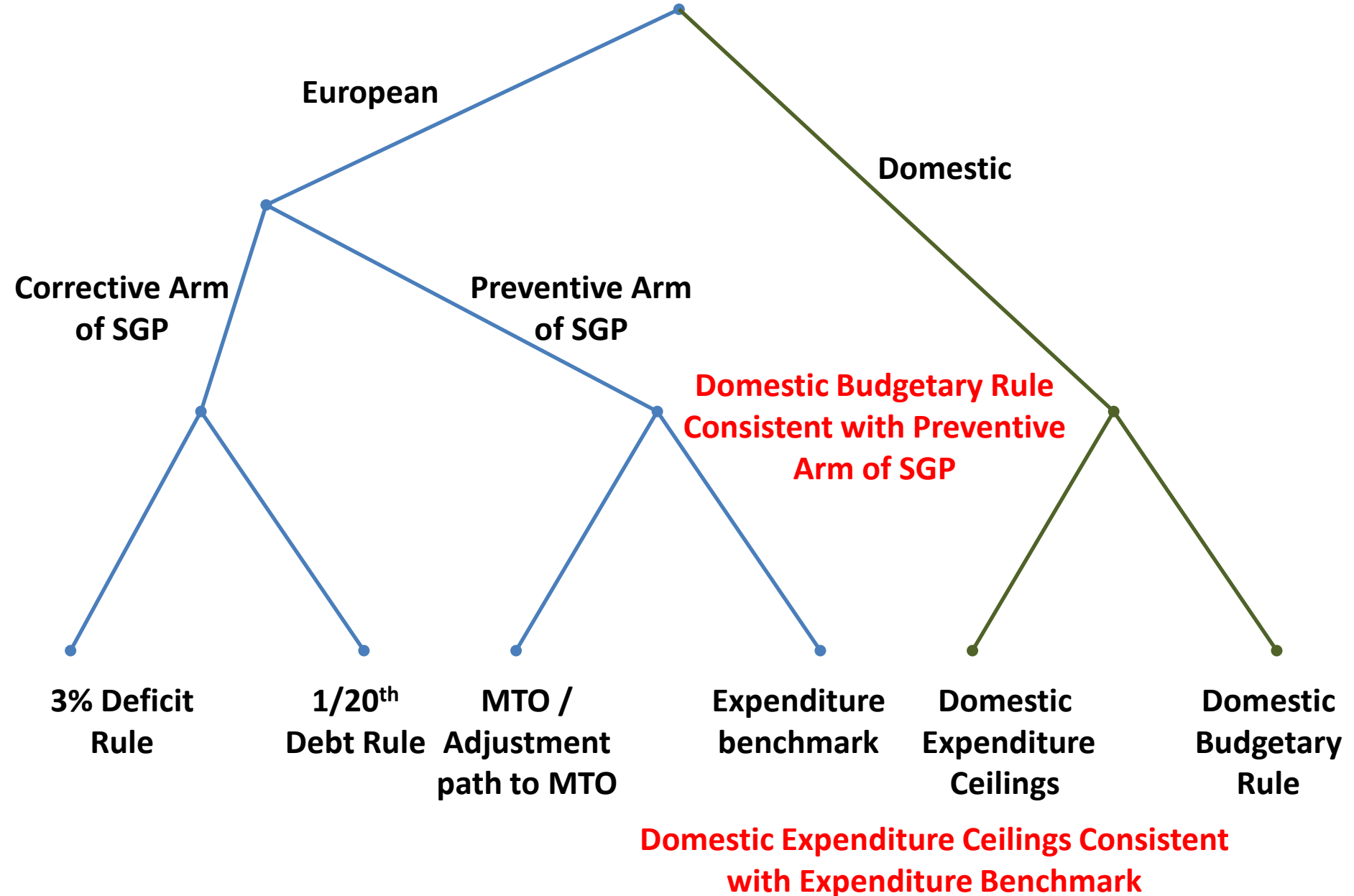
Complementary domestic and European elements

Domestic ownership adds legitimacy to the European rules



Monitoring, peer pressure and sanctions of the European framework enhances the effectiveness of the domestic framework

European/Domestic fiscal rules





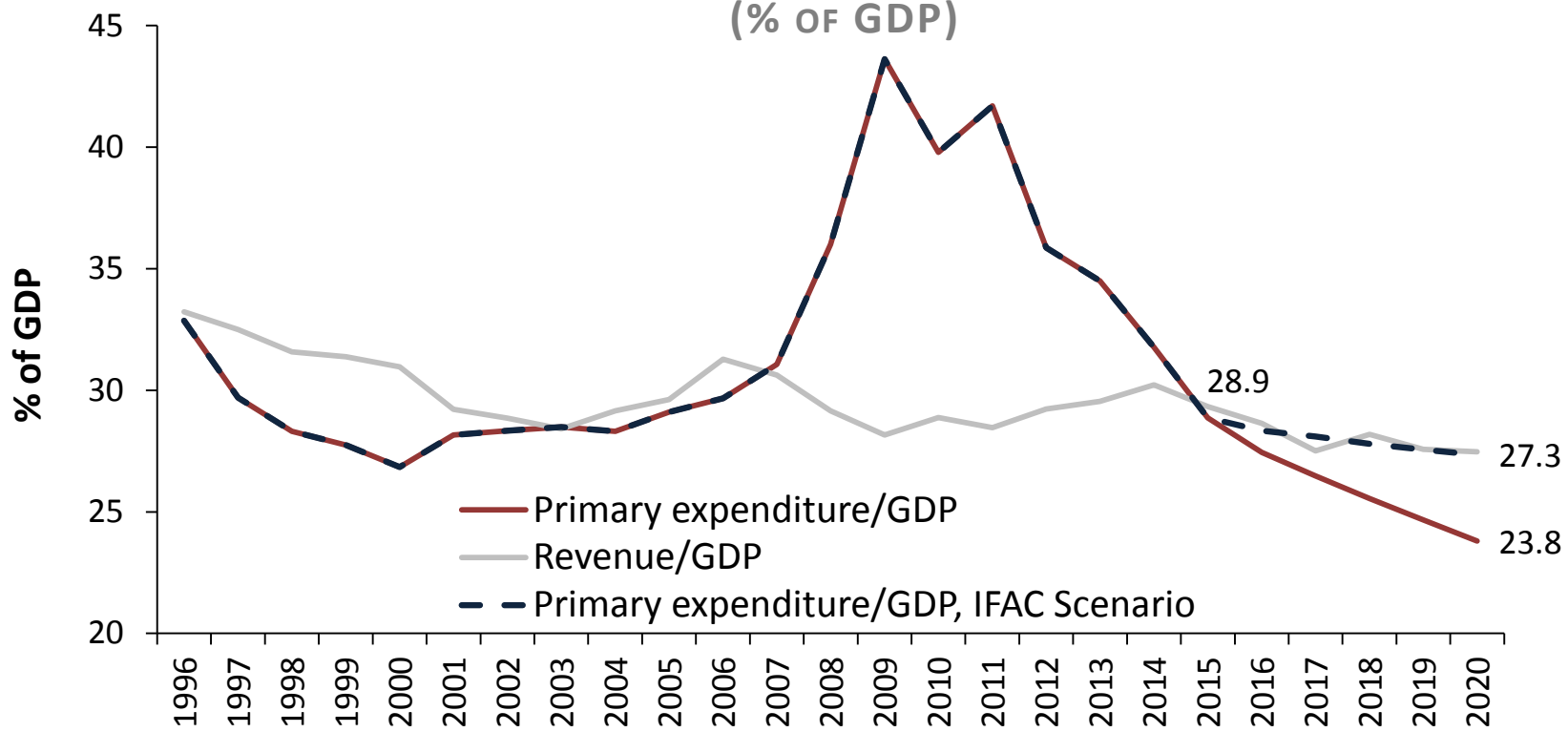
Concerns relating to implementation of the MTBF

- Plans for 2016 do not meet the adjustment path condition for the structural balance
 - 0.3 percent of GDP versus 0.6 percent of GDP
- Plans for 2016 introduce a “tax buoyancy” adjustment for the Expenditure Benchmark
 - Adjustment not consistent with letter and spirit of the Expenditure Benchmark
- Post 2016, plans do not provide budgetary projections on based on policies envisioned, as required by the Budgetary Frameworks Directive
- Concerns relating to implementation of the domestic expenditure ceilings framework, given continuous adjustments to the ceilings and the move to annual updates of the Expenditure Benchmark



SPU projections imply dramatic fall in government spending

**GOVERNMENT REVENUE AND PRIMARY EXPENDITURE
(% OF GDP)**



Note: Chart shows exchequer revenue and primary expenditure as a share of GDP.
Source: SPU 2015 and internal IFAC calculations.