



Comhairle Chomhairleach Bhuiséadach na hÉireann
Irish Fiscal Advisory Council

How is the Irish Fiscal Advisory Council Performing?

An Independent Evaluation of the First Years of IFAC

Lars Jonung (chair), Iain Begg and Michael G Tutty

CONTENTS

ACKNOWLEDGEMENT	ii
INTRODUCTION	1
1. THE INSTITUTIONAL SETTING AND MANDATE OF IFAC	2
2. THE RESOURCES OF IFAC.....	8
3. THE OUTPUT OF IFAC	11
4. THE IMPACT OF IFAC AND ITS COMMUNICATION STRATEGY	25
5. IFAC AND THE EU FISCAL GOVERNANCE FRAMEWORK	30
6. CONCLUSIONS AND RECOMMENDATIONS.....	33
7. LOOKING AHEAD	37
REFERENCES	38
APPENDIX A: TERMS OF REFERENCE OF THE IFAC INDEPENDENT EVALUATION	39
APPENDIX B: BIOGRAPHIES OF THE EVALUATION TEAM	43
APPENDIX C. IRISH FISCAL ADVISORY COUNCIL: A TIMELINE	45
APPENDIX D: QUESTIONNAIRE USED BY THE EVALUATION TEAM	49
APPENDIX E: LIST OF PERSONS INTERVIEWED BY THE EVALUATION TEAM	52

ACKNOWLEDGEMENT

We have many to thank. In preparing this report, we have benefitted from the excellent help from Sarah Doyle and John McHale, not least in organizing the process and discussions with the other members of IFAC and its staff. We would like to thank all those we met and consulted with during our visit to Dublin in March 2015, see Appendix E. They all faced our battery of questions as outlined in Appendix D. We wanted the questions to be identical and to leave it to the respondents to decide on the degree of uniformity in the answers. We found a considerable amount of agreement in the replies to our questions, facilitating our work with this report.

We have also been in contact with many inside and outside Ireland concerning IFAC. Our thanks extend to them as well.

We have tried to identify the major strengths and weaknesses in the performance of IFAC. Still, we do not claim that we have covered all relevant aspects of the activities of IFAC. We expect future evaluations to correct omissions made by us at this stage.

June 11, 2015

Lars Jonung, chair

Iain Begg

Michael G Tutty

INTRODUCTION

Ireland was hit by a deep economic crisis in 2008, bringing about a sharp rise in unemployment and a huge fall in national income. The crisis forced the Irish authorities to increase government expenditures while tax revenues fell sharply. The budget deficit and government debt rose dramatically, pushing Ireland into a fiscal emergency.

The crisis inspired a domestic debate about fiscal councils as a method to improve domestic fiscal governance. International organisations like OECD and IMF recommended at that time independent fiscal authorities. Following agreements between Ireland and the EU, an independent fiscal authority was established in 2011 – the Irish Fiscal Advisory Council (IFAC) - and formally constituted as part of the Fiscal Responsibility Act of 2012. IFAC was set up as part of the new EU framework for fiscal surveillance that appeared after the euro-crisis. IFAC is part of an international trend: Independent fiscal institutions, fiscal councils or “fiscal watchdogs” have emerged recently in a number of European countries, although similar bodies have existed for long in countries like the Netherlands and the United States.¹

Four years have elapsed since IFAC was founded. At the initiative of IFAC, an evaluation was commissioned and an evaluation team with three members was established with the tasks shown in the terms of reference as displayed in Appendix A. The biographies of the three members are shown in Appendix B.

In our work, we are inspired by the recommendations of a recent OECD (2015) report concerning evaluation of independent fiscal institutions. The approach suggested there serves as the structure of our questionnaire – see Appendix D – and thus also for our report.

Our account is organized in the following way. We focus on five major aspects of the activities of IFAC in this order:

- (1) the institutional setting and mandate of IFAC,
- (2) the human and financial resources of IFAC,
- (3) the output of IFAC,
- (4) the impact of IFAC and its communication strategy, and
- (5) IFAC and the EU system of fiscal governance.

There is some overlapping between these fields although we have tried to minimize it. Next, we summarize our conclusions and recommendations and end our report by looking ahead for IFAC.

¹ For a survey of fiscal councils see for example Debrun and Kinda (2014).

1. THE INSTITUTIONAL SETTING AND MANDATE OF IFAC

The Irish Fiscal Advisory Council (IFAC) was constituted as a statutory body under the Fiscal Responsibility Act 2012, having operated on a non-statutory basis since 2011.² The five Members of the Council are appointed by the Minister for Finance and may only be removed for reasons set out in the Act and after a resolution providing for the removal and stating the grounds for it is passed by Dáil Éireann.³

The funding for IFAC comes from the Central Fund so it does not have to be voted by Parliament each year.⁴ A sum of not more than €800,000 per annum is set out in the legislation for IFAC, adjusted by the annual percentage change in the Harmonised Index of Consumer Prices.

IFAC submits its Fiscal Assessment Reports to the Minister for Finance and is required also to publish them. IFAC is required, when requested, to appear before an appropriate Committee of either House of the Oireachtas to account for the performance of its functions.⁵ In practice, IFAC appears before the Joint Oireachtas Committee on Finance, Public Expenditure and Reform to discuss each of its Fiscal Assessment Reports.

The mandate of IFAC is set out clearly in the 2012 Act, with an amendment through Section 3 of the Ministers and Secretaries (Amendment) Act 2013. This amendment concerns the additional task given to IFAC of endorsing the macroeconomic forecasts. The mandate stipulates what IFAC is to produce, as follows:

- To endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department of Finance on which the Budget and Stability Programme Update are based.

² The timeline of IFAC since its establishment is given in Appendix C.

³ Dáil Éireann is the lower house of the Irish Parliament (House of Representatives), with Seanad Éireann being the upper house (Senate).

⁴ The Central Fund is used to make payments which by statute are a permanent charge on the State revenues and are not subject to annual decision by Parliament, the largest being interest payments on the national debt. Payments to IFAC have been included in this category to back up its independence from political control.

⁵ The Oireachtas is the collective name given to the President of Ireland and the two Houses of Parliament (Dáil Éireann and Seanad Éireann).

- To assess the official forecasts produced by the Department of Finance. These are the macroeconomic and budgetary forecasts published by the Department twice a year - in the Stability Programme Update in the spring and in the Budget in the autumn.
- To assess in relation to each Budget and stability programme whether the fiscal stance of the Government is conducive to prudent economic and budgetary management, including by reference to the provisions of the EU Stability and Growth Pact (SGP). The SGP is a rule-based framework that aims to coordinate national fiscal policies in the Economic and Monetary Union (EMU).
- To monitor and assess compliance with the budgetary rule as set out in the Fiscal Responsibility Act. The budgetary rule requires that the Government's budget is in surplus or in balance on a structural basis, or is moving at a satisfactory pace towards that position.
- 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 Government which may have a major impact on the budgetary position.

A major prerequisite for an independent fiscal institution like IFAC to serve its role properly is that it is regarded as an independent organisation – independent from outside pressure, primarily from the Government and the Ministry of Finance, the two authorities it is set up to monitor. In our discussions with various stakeholders, the strong impression conveyed was that IFAC is seen as being independent and that it is not subject to outside influence in reaching its conclusions and recommendations.

As stated above, the budget of IFAC is paid out of the Central Fund without being subject to any annual appropriation process. As stressed by many in our interviews, this arrangement has a great advantage. It minimizes the risk of any reprisal by a government critical of the assessments of IFAC. Thus, funding through the Central Fund should be viewed as an effective way of protecting the independence of IFAC and of enforcing its credibility. It also gives IFAC a long-term planning horizon for its work as it is not dependent on an annual budget cycle.

The question has been raised of whether it is appropriate that the Council members are appointed by the Minister for Finance. It is not clear to us that any alternative, such as appointment by a Parliamentary Committee, would be better, so we do not recommend any change. The new arrangements for processing applications for appointment to the Council through the Public Appointments Service, with qualified candidates being submitted for Ministerial decision, should help to reinforce the soundness of the appointment process.

Our Terms of Reference do not extend to assessing the appropriateness of the mandate, other than to highlight any concerns that affect the ability of the Council to achieve its mandate or perform effectively as an independent fiscal institution. The need for IFAC to give greater consideration to long term fiscal and economic issues was stressed by many in our discussions. However, this seems to be already incorporated in the mandate and does not require any amendment to it.

A new role for IFAC that has been proposed to us is the costing of election manifestos and budget proposals, going beyond the costing of individual proposals which is already done by the Department of Finance and looking at the overall impact of a package of proposals. There seems to be a need for some institution in Ireland to be given this role, which is complex. IFAC could, in time, be a suitable body to do this, though the issue of resources would have to be addressed. Independent fiscal institutions involved in costing require a substantially larger budget than fiscal watchdogs like IFAC, which only carry out assessments.

Another new role that has been suggested to us is that IFAC should take over full responsibility for macroeconomic forecasting, as happens in the UK and the Netherlands, and not just endorse the Government's forecasts. This also would require significant additional resources for IFAC. We are of the opinion that IFAC's role should not be widened at this stage and should be considered only after a further period of operation, when IFAC has had time to grow into its post-Troika role.

In appointing the five members of the Council, the Minister shall

- (a) have regard to the desirability of their having competence and experience in domestic or international macroeconomic or fiscal matters, and
- (b) to the extent practical, ensure an appropriate balance between men and women in the membership of the Council.

When a vacancy arose on the Council earlier this year (2015), the criteria for the appointment were set out by the Public Appointments Service as follows:

- Competence and experience in domestic or international macroeconomic or fiscal matters demonstrated by having:
 - minimum of 10 years forecasting experience in macroeconomics and/or public finances; or
 - minimum of 10 years academic experience in macroeconomic and/or fiscal policy; or
 - minimum of 10 years spread across both the areas above.

These criteria are much narrower than those set out in the legislation and would, if applied for all appointments, severely limit the range of eligible candidates. In January 2015, the Government published guidelines on appointments to State Boards which strengthen the role of Chairs of State Boards in the appointment process, including in the identification of requirements⁶. The draft specification provided by the Department to the Public Appointments Service must reflect the outcome of consultations with the current Chair.

We understand that IFAC was consulted on the criteria for the recent appointment but that the published criteria went beyond what IFAC suggested in specifying a minimum of 10 years experience.

We recommend that the Chairman be given a clear role in setting the criteria for the appointment of new Council members, as set out in the new guidelines, with a view to getting a good range of relevant talents on the Council and ensuring that members can specialize in specific areas of the Council's work.

The Council has five members with overlapping terms of office. The founding members of the Council were recruited from an academic background and international bodies, with the first replacement member coming from a central bank. Three of the current Council members hold positions outside Ireland. In our discussions, we have learnt that all the members take an active part in the work of IFAC, through videoconferences when necessary.

⁶http://www.publicjobs.ie/publicjobs/publication/document/Guidelines_on_Appointments_to_State_Boards_Jan2015.pdf

One issue that was raised in our meetings concerned the size of the Council. We were told that five members may be too large a group for a fiscal council for a country as small as Ireland. The pool for recruitment of experts in macroeconomics and fiscal issues is simply not large enough. On this argumentation, the size should be shrunk to, say, three members, including the Chairman.

We are inclined to recommend a continuation of the present size of the Council for at least two reasons. First, the Council appears to function well at its current size. The work-load is easier to distribute and handle within a Council with five members than with a smaller number. Second, members of the Council can be recruited from outside Ireland and need not be Irish citizens. Thus, members can be recruited from a vast pool of talent and expertise. We encourage that type of recruitment as it brings in fresh perspectives into Irish policy analysis.

STRATEGIC PLAN 2014-2016

In March 2014, IFAC published a Strategic Plan 2014-2016, focusing on its role in independent macroeconomic/fiscal surveillance and authoritative fiscal policy advice. It set out a number of goals:

- Central Goal: Deliver on all elements of our mandate
- Supporting Goals:
 - Ensure compliance with all requirements for a statutory body
 - Promote awareness of fiscal policy issues
 - Continuously improve analytical capacity

It set out more detailed sub-goals under each of these headings.

We have looked at these detailed goals and consider that IFAC is well on its way to meeting the goals set out in the Strategic Plan. The recommendations which we make in this evaluation are designed to bring IFAC closer to these goals.

MAIN CONCLUSIONS AND RECOMMENDATIONS

The mandate of IFAC is clear and stipulates exactly what IFAC is supposed to produce. No disputes concerning the interpretation of the mandate of IFAC have surfaced, as far as we know. IFAC has established itself as a credible independent institution on the basis of its mandate.

- We see no reasons to change the mandate of IFAC at this stage.

- Although the evaluation team heard a number of arguments for a broadening of the mandate of IFAC, this should only be considered after a further period during which it is able to grow into its current role.
- IFAC should have a clear role, through its Chairman, in setting the criteria for the selection of new members of the Council.
- The present number of five members of the Council (as specified in the Act) should be maintained.
- The continued recruitment of Council members from outside Ireland, Irish nationals or non-nationals, should be encouraged to ensure a diverse range of skills and experience on the Council.
- The recruitment of members should reflect the balance of analytic needs and be open to differing specifications of skills as individual members are replaced. Here the Minister should be flexible on job specifications in making appointments.

2. THE RESOURCES OF IFAC

The performance of an independent fiscal institution like IFAC is dependent on the resources available. This section focuses on the financial and human resources offered to IFAC and gives an answer to the question: are these resources sufficient for IFAC to fulfill its mandate?

IFAC proposes an annual budget – so far always under the maximum - to the Department of Finance in late summer/early autumn. This budget proposal has always been accepted by the Department of Finance without any objections or bargaining. We take this as a sign of a proper cooperation between IFAC and the Department of Finance.

In an international comparison, the budget of IFAC stands out as a small one. IFAC receives roughly the same financial resources as the fiscal council of Sweden. The Swedish Council is placed at the bottom end of the financial resources league table. Councils restricted to assessment of the government's fiscal stance – as are Ireland and Sweden – typically have smaller budgets. Countries where the fiscal watchdogs have additional tasks like costing and forecasting have bigger budgets to cover these activities.⁷

Despite the low budget ceiling, we are of the opinion that the financial resources have so far been sufficient for IFAC to carry out its mandate. In our discussions, members of IFAC pointed out that the limit of €800,000 in real terms had never been reached and they deem the allocated budget to be sufficient to fulfil the remit. Thus, in 2013 the expenditure of €480,941 fell well short of the ceiling of €800,000. The corresponding numbers for 2014 are €820,080 and €604,756, respectively, and for 2015, €823,360 with €731,749 budgeted to be spent. The trend suggests, however, that the unspent margin is shrinking as IFAC intensifies its activities.

Since early 2014, IFAC has had a full-time staff of five, consisting of one administrator and four economists. This is a young group, reflecting the recent establishment of IFAC, with an average age of 30 years. Three members of staff are on secondment from other institutions. This is also a small group in an international context.

⁷ See Debrun and Kinda (2014).

In our opinion, the staff has carried out, together with the Council, an impressive job as seen from the reports and other assessments by IFAC. Our impression is that the Council and the staff work well as a team and that IFAC is presently an exciting work-place.

It is inevitable that young, enthusiastic but also ambitious staff will be professionally mobile and this management challenge will have to be confronted by the Council. To maintain the enthusiasm and commitment, while keeping to the existing budget ceiling, careful succession planning will be needed for the staff. The secondment approach offers a good compromise between developing expertise in-house and bringing it in from the outside and should be retained. We do not see any issue of conflict of loyalty between IFAC and the institution that grants secondment status.

Steps should be taken to make work at IFAC still more attractive, for example by further encouraging staff to work on academic publications, as happens in institutions similar to IFAC, and further boosting participation in professional conferences by staff members. Any ensuing costs should be able to be met within the existing IFAC budget. IFAC should publish as much relevant research as possible to keep up its profile in between FARs. Here the first line of publication for staff members should be in the working paper series of IFAC. Next, the transformation of this output into a manuscript to be submitted to a reputable journal should be high on the agenda.

One important issue for independent fiscal institutions like IFAC concerns access to information from the Government in a very broad sense, not only information released by the Department of Finance. Independent fiscal institutions (IFI) in several countries have statutory rights to access information from governments although the practice varies considerably across countries. Presently the OECD recommends such access to all members. The relevant sections on access to information are:⁸

6.1. There is often asymmetry of information between the government and the IFI – no matter how well an IFI is resourced. This creates a special duty to guarantee in legislation – and if necessary to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals. Information should be provided at no cost or, if appropriate, sufficient resources should be provided in the IFI budget to cover analysis obtained through government actuarial services.

⁸ See OECD (2014a, p.3).

6.2. Any restrictions on access to government information should also be clearly defined in legislation. Appropriate safeguards may be put in place as regards protection of privacy (for example, taxpayer confidentiality) and of sensitive information in the areas of national defence and security.

In our meetings, we found that IFAC so far has generally had proper and sufficient access and that the Department of Finance in particular has been ready to cooperate on any information that IFAC requested. Nonetheless, we are of the opinion that the Council should get stronger rights, preferably statutory rights to obtain information covering relevant public sector authorities in line with the recommendations by the OECD. IFAC should also enter into Memoranda of Understanding with these other public sector authorities.

MAIN CONCLUSIONS AND RECOMMENDATIONS

Our main conclusion is that IFAC has so far been sufficiently endowed with financial and human resources despite it being one of the smallest of all independent fiscal institutions in an international comparison. The Council works well as a team and has good relations with its staff. We have the following principal recommendations.

- The staff of IFAC is young, capable and dedicated. Those on secondment are quite likely to turnover fairly rapidly, as well as being at a stage in their careers where they will be looking to move to more senior jobs, which could lead to problems of retention of the ‘institutional memory’ and consistency of approach and communication. Succession planning will, therefore, be essential.
- Steps should be taken to make work at IFAC still more attractive, for example by further encouraging staff to work on academic publications (as happens in DG ECFIN of the European Commission and many central banks) and further boosting participation in professional conferences. IFAC should be able to meet any ensuing costs within its current budget.
- IFAC should have stronger right, preferably statutory right, to obtain information covering relevant public sector authorities as recommended for independent fiscal institutions by the OECD.

3. THE OUTPUT OF IFAC

IFAC has by now produced several reports, as listed in Appendix C. The flagship publication is the biannual Fiscal Assessment Report (FAR). In general, we consider the output of IFAC to be of high quality and to be based on well-founded analysis. The FARs are comprehensive, although prone to be seen by some stakeholders as rather ‘heavy-going’. While some criticism was voiced about particular judgements in the FARs, the approaches used in generating the content are valid.

Some readers said that they found it hard to ascertain what the most significant findings were in the reports and that no real attempt was made within them to distinguish between points that were of immediate concern and other, less pressing matters. This is consistent with the mandate that IFAC has to inform Ministers, but there is a risk that it detracts from the wider debate in Ireland on fiscal policy. An impression given is that the FARs do not receive the attention they deserve in public debate, although while the Troika was in town, that is perhaps not surprising. IFAC may, nevertheless, be missing an opportunity to have a broader influence that some would like to see it exercise.

There has, inevitably, been some learning-by-doing in the production of the FARs, but over time the reports seem to have become more readable and better at conveying the key messages. They have, however, fluctuated in length, layout and use of explanatory boxes and annexes. Thus, the reports more than doubled in length from the first to the fifth, but the November 2014 FAR had shrunk substantially, possibly as a reaction to criticism about their digestibility.⁹

STRUCTURE AND STYLE OF FAR REPORTS

All but one of the reports had four chapters, although the order and content of the chapters has evolved. All of them cover macroeconomic forecasts (presented as ‘an assessment’ in earlier reports), budgetary forecasts and the fiscal stance, and since the third report there has been a chapter on fiscal rules. The first three reports also had short introductory chapters. In the last two reports, the fiscal stance chapter has come first, having previously been last in the running order.

Changes are also visible in how the main points of the report are presented. All the reports start with summaries which highlight the principal findings, but these have, over time, become

⁹ The June 2015 FAR was published too late for us to take it into account in our evaluation.

somewhat shorter. Four to five pages has become two to three, while a summary table of data has been dropped (although the April 2014 report had two charts in the summary). Later reports have included a punchy, one-line headline in bold text for different sections of the summary. From the third report onwards, the individual chapters have also had summaries, initially at the end of the chapter, but subsequently at the beginning; in the last two, these summaries have been re-labelled as 'key messages'.

The timing of publications has also fluctuated a little, perhaps due to the change in the timing of the budget to October in 2013, consistent with new European demands associated with the EU semester process, raising questions about what would be the optimal sequence for producing these outputs in relation to the policy cycles.

The FARs have made extensive, though fluctuating, use of text boxes and annexes to present material on different issues. The most prolific use of these was in November 2013, with nine boxes and ten annexes – helping to explain why that FAR was the longest to date. Some text boxes are quite lengthy, stretching in some cases over four pages of the report, and many contain quite technical material that will be accessible only to few readers. The annexes tend to be presentations of details of, for example, forecasts, but in some instances are similar in content to boxes. For example, the November 2013 report has a box on 'the dynamics of balance sheet recessions', but discusses 'fiscal transparency' in an annex. It is not clear why two similar topics are treated differently. One interlocutor noted that among the boxes in the most recent report were two covering, respectively, car sales and Irish income data which, while interesting in themselves, might be regarded as tangential to a fiscal assessment.

Table 1 presents a summary of these presentational fluctuations.

TABLE 1: FEATURES OF SUCCESSIVE FISCAL ASSESSMENT REPORTS

Date	No. of pages total/main text	No. of chapters	No. of boxes/ annexes	No. Of Paragraphs in summary	Comment
Oct. 2011	57/43	4	3/0	21	
Apr. 2012	64/56	4	3/0	13	Longer paragraphs than in previous FAR summary.
Sep. 2012	95/85	5	4/2	19	Summaries introduced at end of chapters.
Apr. 2013	113/105	4	7/5	8	Summaries moved to start of chapters.
Nov. 2013	136/128	4	9/10	11	One-line bold messages emphasized in summary.
Jun. 2014	127/119	4	3/4	11	Contains five 'analytical notes' for first time, plus one chapter appendix. Chapter summaries have become 'key messages'.
Nov. 2014	85/77	4	4/3	8	No further analytical notes. Annexes now 'appendices'.

CONTENT OF FAR REPORTS

The reports are mainly about the relatively short-term perspective for budgetary policy and do not pay much attention to potential developments beyond a three year horizon or what might be called the micro-foundations of budgetary policy, such as the reliability of certain tax sources. Irish policy-makers, we were told by a number of sources, do not have a great track-record in anticipating long-term challenges to fiscal sustainability. Some interlocutors also felt that the FARs were too academic in tone and not sufficiently attuned to the political context, thereby risking irrelevance.

In response to recent reports, IFAC has faced the criticism that it has taken too little account of the political economy dimension of its outputs. In particular, given the volatility and unpredictability of the Irish economy, the reports risk being predicated on too pessimistic an interpretation of economic trends. For some interlocutors, the reports are being seen as at odds with the mainstream. As a result, there is a risk that there will be a misjudgement of the appropriate fiscal

stance and of the buoyancy of the public finances. Some of those consulted argued that sticking to the call for a €2 billion adjustment in the 2015 Budget report may have been a mistake to the extent that it is perceived as missing the pace of the recovery in the economy. Given the expectation at the time of new data which affected the narrative becoming available, a more nuanced call than setting a precise figure might have been advisable.

However, the other side of the coin is that the credibility of any Fiscal Council depends on being prepared to articulate analytically well-founded positions, even if they are unpopular, and there were certainly (at the time) reasons to question the assumptions underlying the government position. To a degree, any Council also has to be consistent in its messages, while being prepared to modify its advice when new data signal a change in circumstances.

There are clearly tensions here around how to be an effective watchdog while being sufficiently sensitive to possible turning-points in the economic cycle or longer-term economic developments, although it can be argued that, faced with the considerable uncertainty about developments in the Irish economy, it is appropriate for IFAC to err on the cautious side, not least because part of the rationale for such a Council is to serve as counter to 'group-think'. A particular danger for IFAC – as for any other Fiscal Council – is to be swept up in a mood of optimism that masks threats to fiscal sustainability. While the shift towards more explicit messages is an improvement, it is hard for even well-informed readers to identify what it is that IFAC finds to be the most critical conclusions, implying that the reports should do more to highlight the latter. At a political level, there may even be the possible paradox that the reports are so detailed that it is easier for the Government to be dismissive of, or to ignore, findings that are insufficiently visible.

OTHER OUTPUTS

In addition to the FARs, IFAC has produced:

- One pre-budget report (September 2014), seen by some interviewees as possibly a mistake, by others as an important step in fostering the credibility of IFAC as an independent institution.
- One working paper (March 2015) and two further papers published before the series was established, both listed separately on the web-site.
- Seven analytical notes reported as separate, although five were included in the June 2014 FAR.

- Press releases for each of the FARs and for the Pre-Budget 2015 Statement.
- Three further press releases.
- Numerous presentations in Ireland around reports and the work of the Council.
- One annual report, covering 2013.
- A Strategic Plan 2014-2016.

IFAC members have also attended seven meetings of the Joint Oireachtas Committee for Finance, Public Expenditure and Reform, shortly after the publication of each FAR, and one meeting of the Joint Oireachtas Committee on European Affairs. Judging by the transcripts, the Council members present at these hearings deal fully and effectively with the questions put to them, and with tact when questions stray beyond the Council's mandate. The chairman and other members (one in particular) have also taken an active part in the recently established informal network of EU independent financial institutions and in the work by OECD on independent fiscal institutions, while Council staff have participated in the working groups of the EU-IFI network.

APPROACHES TO TECHNICAL WORK¹⁰

The various tasks that IFAC has to undertake require a range of technical inputs along with judgements on the trajectories of economic variables likely to affect the public finances. As noted elsewhere in this report, the Irish economy is unusually difficult to predict because of the impact of the large multinational corporations which account for a sizeable share of economic activity. This accentuates data revisions which can often amount to several percentage points of GDP. Estimation of the output gap, essential for calculating the structural budget position (and thus the appropriateness of the fiscal stance), is especially challenging.

The staff of IFAC employs a range of tools and methodologies to inform the work of the Council, some of which unavoidably rely on assumed values for key parameters and make use of relatively simple modelling approaches. In this section, the different components of the work are briefly assessed and suggestions for future development are proposed. It is worth stressing at the outset

¹⁰ We are grateful to the IFAC staff for taking the time to explain the different elements of their approach.

that pragmatic, common-sense methods are employed in other Fiscal Councils (for example, Sweden) with limited resources and that greater complexity does not necessarily generate greater clarity or understanding.

Monitoring economic prospects. In examining the macroeconomic position, including the process of endorsement of the government's forecasts, IFAC draws information from a suite of models to inform their benchmark projections for key expenditure-side variables in the short-term. This approach was built up initially following consultations with domestic and external forecasters after the endorsement function was added to the Council's mandate in July 2013. Some of the models used are similar to those used by other agencies, some are refinements of these and some have been developed by the IFAC staff independently. For the forecasts for trade, these draw on projections for trading partner growth from other sources, including the European Commission, the IMF and the OECD.

Standard models used to forecast expenditure components, such as exports, have shown larger than usual errors over the recent period for Ireland, so that a fair amount of pragmatism has had to be shown in identifying what models work best in relation to which variables. The staff member most directly involved has previous experience in short-term forecasting and it is clear that this facilitates understanding. The assessment of recent forecast performance is a key part of the Council's approach. IFAC staff members consult with other bodies on what models and approaches are being used, including Department of Finance, Central Bank of Ireland, ESRI and international bodies.

The justification for the 'suite of models' approach is that taking account of a spectrum of opinions and forecasts reduces the risk of rogue results, as explained in some of the relevant academic literature.¹¹ In addition, the IFAC staff has been able to identify which models perform best in specific areas. Over time, the staff will develop a still better expertise in this field. There is, manifestly, a risk that this involves undue reliance on judgements, but it is important to stress that judgement has always been a key part of the art of forecasting. Regular dialogue with other practitioners of the art is, equally, valuable in testing the bases of judgements, and it is reassuring that the IFAC staff regularly engages in such dialogue in advance of each forecasting round.

¹¹ See the influential paper by Bates and Granger (1969).

Data revisions affecting GDP in Ireland are among the most substantial in the EU and reliable estimates appear to take longer to become available than elsewhere, aggravating the problems of generating accurate short-term forecasts.¹² While the IFAC analysis makes appropriate use of ‘fan charts’ – representing the probabilities of different outcomes – around the central estimate, it is evident that the uncertainties compound the difficulties of monitoring both real economy and fiscal developments.

The methodology for generating the output gap is derived from that of the European Commission, but is considered by both IFAC and the government forecasters to be unsatisfactory. As an illustration, the Commission approach shows Ireland already to be at risk of over-heating, while other estimates suggest considerable slack in the economy. Relatively short-time series accentuate the problems, though it can also be argued that the extent of the changes in the Irish economy during both the Celtic tiger and crisis periods militates against basing estimates on more distant historic data.

For the endorsement of medium-term forecasts associated with the Irish Stability Programme, IFAC initially focused on checking that the application of the EC harmonised methodology by the Department of Finance was correct, although it should be stressed that this does not amount to an endorsement of the methodology as such. In doing so, IFAC uses the harmonised model to generate independent projections and to test the sensitivity of the government forecasts to changes in key parameters. This approach is now being complemented by additional work aimed at deepening understanding of the underlying trends in the supply-side of the economy, such as productivity growth, as well as some work to provide alternatives to the harmonised methodology (described in the June 2015 FAR). Enhancement of IFAC’s analytic capacity along these lines is manifestly desirable.

Looking to the medium to longer term determinants of Irish economic prospects, there have been praiseworthy efforts to analyse potential sources of instability or imbalances, such as the housing or credit markets, some of which have been published as Analytical Notes. IFAC has also conducted additional analysis on various alternative measures of potential output (Box B, June 2015 Fiscal

¹² See Figure 2.10 in the Fiscal Assessment Report of June 2015. http://www.fiscalcouncil.ie/wp-content/uploads/2015/03/FAR_030615_Final_Website.pdf

Assessment Report), sensitivity testing of the Commission approach (Analytical Note 2, June 2014 Fiscal Assessment Report) and unpublished work on testing the stability of various filtering methods. It does not endorse the Commission approach as the most adequate approach for describing Ireland's cyclical position and potential output in the medium term, but does not as yet have its own measure of potential output. Further research on this thorny issue should be encouraged.

IFAC is participating in the CBI/ESRI macro 'COSMO' modelling project, albeit more as a user than as a developer. This makes sense and it will continue to be helpful for IFAC staff to have regular exchanges with CBI/ESRI both on the use of the model and in shaping how it develops. We endorse this kind of cooperation.

Compliance with fiscal rules is monitored using a large spreadsheet set up to check a range of variables and to anticipate prospective changes, an example being the evolution of the expenditure benchmark. This seems to be a valid means of conducting the exercise to date, but given that Ireland is only now expected to exit the excessive deficit procedure and thus become more directly subject to fiscal rules, may need some refinement, especially around the reconciliation of differing interpretations of rules. There is regular dialogue on this with Commission experts, and it should be maintained.

Fiscal feedbacks. IFAC has a relatively simple fiscal feedbacks model in which some of the key parameters are assumed, potentially creating scope for inaccuracy in estimates. For example, a low reduced form deficit multiplier of 0.5 is used. Although the IFAC staff argues that it is justified by background evidence¹³ and is consistent with assumptions used by the Department of Finance/European Commission, it will be important to check both the value of the parameter and its stability regularly. IFAC should put resources into improving the fiscal feedbacks model in the future. In addition, IFAC representatives should be encouraged to compare notes with peers in other Fiscal Councils and in research institutes on the precise formulation of the fiscal feedbacks model, with a view to introducing refinements that reflect best practice.

¹³ See section 4.3 in the April 2013 FAR for a discussion of the Irish fiscal multiplier debate.
<http://www.fiscalcouncil.ie/publications/fiscal-assessment-report-april-2013/>

Fiscal rules. The assessment of fiscal rules is done using a spreadsheet-based checklist and does not appear to be subject to any complications resulting from the increased range of fiscal rules to which Ireland has to conform.

Longer term development of techniques. The methods applied have evolved as the Council itself has gained experience and there is clearly a repository of relevant skills and experience in the staff. However, while there is no reason to doubt the quality of the analytic work, it is too early to judge it comprehensively. One of the challenges will be to deepen the analytic work with a view to strengthening medium and longer term fiscal forecasting. There is already dialogue with the developers of the ‘COSMO’ model under development by the ERSI and with the developers of a DSGE model for Ireland at the Central Bank and there is an obvious interest in maintaining this connection, including spelling out the ways in which IFAC can both contribute to model development and benefit from it.

To sum up, so far the analytical approach of the IFAC staff has been developing in the right way. It is a challenge for IFAC in a small open economy like Ireland and with limited resources to build and maintain a distinctive and comprehensive analytical base, but we are confident that IFAC is on the right track. The staff members want to do more analytical work of publishable quality, but are constrained by the demands of day-to-day work. If this sort of analytical work is extended, as we suggest, a moderate increase in the financial resources may be desirable in the future.

ASSESSMENT OF OUTPUTS

The Fiscal Assessment Report is the flagship output of IFAC and its main communication channel with its various audiences. It has developed gradually since the start of IFAC. We suggest a number of changes concerning its set-up, aimed at strengthening the impact of IFAC’s analysis and reaching out to different stakeholders.

In this regard, we draw attention to one of the communications principles proposed by the OECD for effective fiscal councils: the importance of “fostering informed constituencies that may then exercise timely pressure on the government.”¹⁴ In a draft manual for evaluating fiscal councils¹⁵, the OECD also emphasizes the importance of distinguishing outputs from outcomes (with the latter

¹⁴ OECD (2014b, p. 98).

¹⁵ OECD (2015, p. 13).

referring to the imperative of “stakeholders’ perceived confidence” in the work of the fiscal council).

It is an open question whether IFAC reaches out sufficiently to all audiences. The main FAR and forecast endorsement publications manifestly fulfil their primary objective of informing the Minister. But outputs could also be extended to be accessible to others. In our judgment, IFAC could do more to promote the outcome dimension, both through outreach and by widening the scope of analysis in some respects. In short, we want IFAC to educate the Irish public, voters and media on fiscal issues by contributing more to the public debate. Such a task is actually explicitly put into the remit of the Swedish Fiscal Council.¹⁶ At this point we do not recommend any change in the mandate of IFAC. Still, we recommend IFAC to stress the outreach to the public. It is a way of fostering the credibility of IFAC and thus strengthening its role as a fiscal “watchdog.”

For example, more might be done to reflect the fact that Ireland is a small, extremely open economy, greatly influenced by international factors. Given the very high export to GDP ratio of the Irish economy, the specific contribution of key multinationals and the role of foreign direct investments in the Irish economy, the coverage of key markets could perhaps be strengthened. To reflect these considerations, the FAR should include an account of major macroeconomic developments affecting the country’s most important trading partners: the US, UK and Continental Europe.

This would improve the general understanding of the driving forces behind the Irish economy – a perspective that Irish politicians and the Irish public should constantly be reminded of. Otherwise, there is a danger that Irish policy-makers feel tempted to overestimate the scope for domestic policy actions, leading to short-sighted expansionary measures that could eventually threaten fiscal sustainability.

We are of the opinion that every issue of the FAR should include a section or annex summarizing the advice of previous Assessment Reports. This section could also include a brief ‘post-mortem’ by IFAC on its advice in the past, thereby providing an opportunity to explain, where this is the case,

¹⁶ According to paragraph 9 in the remit of the Swedish Council: “The Council is also to work to stimulate more public debate on economic policy.”
<http://www.finanspolitiskaradet.se/english/swedishfiscalpolicycouncil/abouttheswedishfpc/ordinance.4.4c1b31c91325af4dad3800020198.html>

why previous advice was inappropriate. This is a way of maintaining knowledge about the views of IFAC, but also for IFAC to demonstrate the evolution of its fiscal advice. By the same token, IFAC should also be ready to reassert its advice in hindsight where subsequent developments reveal that the government should have taken more heed. We believe that such a section would increase the credibility of IFAC in the eyes of the Irish media and the Irish public.

As part of its policy of reaching out to the interested public, IFAC should, subject to confidentiality agreements, make all data used in the tables and charts in the Fiscal Assessment Reports easily downloadable in excel format. These data as well as all tables and charts should be available at the home page of IFAC under a special heading, perhaps with the title “Data, tables and charts”. The home page of IFAC is presently a most proper one. Still, IFAC should follow closely how other independent fiscal institutions develop their home pages in order to be able to import the best practice.

The timing of reports is always vulnerable to data releases from the Central Statistical Office, especially if the latter contain surprises that can undermine the narrative in IFAC reports. The same may be true of Eurostat (or other) releases of partner country data. Although there is no easy way out of this dilemma if other factors are paramount in the timetable, a solution may be to present interim updates of facets of the FAR that are sensitive to data revisions.

STRENGTHENING ANALYTICAL CAPACITY AND RESEARCH

The impact of a fiscal policy council like IFAC ultimately builds upon its credibility and reputation in producing well-founded and well-researched output. Thus, the analytical capacity of IFAC is of utmost importance for its future. At a technical level, we have not identified any cause for concern about the methodologies and approaches followed. There was a procedural difficulty around the first endorsement exercise because IFAC produced its work on the basis of a forecast that was amended shortly afterwards, but that has been resolved.

A major challenge for IFAC is to maintain and improve the analytical capacity of its staff. A danger is that the staff works as an isolated entity with a narrow focus on its traditional tasks. In order to stay up-to-date with current research on fiscal and methodological issues, IFAC should aim at deepening its interaction with the academic community, for example by considering setting up an academic advisory panel. Such a panel should serve as a testing ground for ideas and projects of potential interest for IFAC. It should also give IFAC feed-back on its FARs and endorsements.

How far should an institution like IFAC go concerning the development and use of quantitative models for forecasting, simulations and other forms of econometric work to fulfill its mandate? First of all, we want to stress that the assessments and recommendations of IFAC should be based on strong analytical work, a thorough understanding of Irish economic and political characteristics and good judgement. Econometric work may underpin the analysis, but should never replace it. Econometric estimates and simulations may thus complement, but not substitute, the analysis of IFAC.

Keeping this caveat in mind, we have arrived at the following opinion: as the task of IFAC is to assess and monitor the fiscal stance of the Irish public sector, we do not see a need presently for IFAC to build and maintain a full-fledged large macro-model of the Irish economy, although it should not be ruled out indefinitely. At the present stage of the Council's development such a major undertaking would require substantial resources that could be better spent on other activities. In addition, one single in-house macro-model would tie the hands of IFAC in a non-constructive way. There is a risk that it would force IFAC to rely on its model even when this would not be relevant.¹⁷

Other fiscal councils with the mandate to assess the fiscal stance like the Swedish one have not opted for large and ambitious econometric models, suggesting that this is not the optimal route to take for IFAC either. Instead, assessments of fiscal sustainability can be based on fairly straightforward models or accounting frameworks covering a limited number of variables. For an overall econometric model, IFAC should persevere with its involvement in with the COSMO model being developed by the ESRI/Central Bank of Ireland.

We believe that IFAC should follow a two-pronged strategy concerning other econometric models. First, IFAC should continue to use a range of models and quantitative approaches with a focus on government deficits and debt sustainability to give guidance for the fiscal monitoring and the endorsement of Government forecasts. Such models should be used as a check on the conclusions of the FARs. Work is already well underway in this field but should be further encouraged.

¹⁷ There is also the risk with any econometric model that it will not accurately capture the dynamics leading to fiscal and financial crisis for the simple reasons that econometric models typically presume equilibrium processes. This is the experience from large econometric models during the 2008 crisis as well as from earlier crises.

Second, we believe that IFAC should commission occasional studies in fields of interest for assessing fiscal sustainability more often, for example from university departments or organizations with advanced modelling capacity in econometric studies. These studies should be designed in cooperation with IFAC. The choice of methodology should be selected in the light of the tasks being analyzed. In this way, IFAC will turn to outside experts with unique competence to prepare reports that can be published as working papers or research papers by IFAC. Authors of such studies should be invited to give a seminar for IFAC staff and interact with IFAC staff. Background papers of general interest may also be presented at the annual conference we propose in the next section.¹⁸

IFAC has so far focused principally on the short-run and medium-term perspective when assessing Irish fiscal issues. This has been a reasonable strategy given the acute economic crisis of recent years. As the Irish economy continues to recover, more analysis of longer-term fiscal issues is likely to be needed. A number of long-run aspects related to fiscal policy should thus be on the table of IFAC, such as the design of the Irish pension system, demographic developments, migration to and from Ireland, climate change and the growth performance of Ireland.

As all factors impacting on the long-run performance of the Irish economy will affect Irish government finances, IFAC should have a special focus on the determinants of Ireland's economic growth. Attention should also be paid to likely influences on future revenues, including the potential volatility of revenues from certain sectors of activity such as financial services. Our view is that IFAC should not limit itself too narrowly to analyzing the direct determinants of public expenditure and revenue, but should also undertake occasional studies of issues that indirectly affect the two sides of the public accounts, focusing on areas where research from other sources reveals substantial uncertainties.

MAIN CONCLUSIONS AND RECOMMENDATIONS

The overall output of IFAC has gradually improved. We regard it today as of high quality. Still, the challenge for IFAC is to maintain and improve its analytical capacity. The credibility and impact of IFAC's publications and recommendations hinge upon its analysis. Here we have some recommendations to enhance IFAC's performance. IFAC should consider:

¹⁸ The Swedish fiscal council has successfully adopted such a strategy. For example, the Council assigned a German research institute to prepare a generational accounting simulation covering Sweden. Similarly, the Council has purchased econometric studies examining the distribution of income in Sweden from the National Institute of Economic Research in Stockholm.

- putting more stress on long-term fiscal issues, such as long term debt sustainability.
- complementing its recommendations on the deficit with some more discussion of likely developments in the wider economic context and any resulting uncertainties.
- deepening its interaction with the academic community, for example by setting up an academic advisory panel.
- developing and using models with a focus on government deficits and debt sustainability, and purchasing econometric studies of interest from university departments or organisations with advanced modelling capacity
- commissioning background studies.
- canvassing external views on the structure and presentation of its reports and offering a simplified and shorter summary.
- including a post mortem section in the Fiscal Assessment Report.
- making all data used in tables and charts in the Fiscal Assessment Report downloadable in excel format.

4. THE IMPACT OF IFAC AND ITS COMMUNICATION STRATEGY

IFAC has only been in existence since 2011. Our general impression from those we consulted is that it is too early to judge the impact of IFAC. This is partly due to its relative youth as an institution of fiscal governance, the short period of its existence but also to the fact that Ireland was in an EU programme during much of the period, which constrained the Government's room for manoeuvre in any event.

IFAC AND THE POLITICAL SYSTEM

In terms of the political system, the Joint Oireachtas Committee on Finance, Public Expenditure and Reform has called IFAC before it after each of the FAR reports to discuss the reports. The records of these meetings show that the main representatives of the political parties on the Committee are certainly aware of the work of IFAC and the advice it gives to Government. There was also a series of statements in the Dáil in October 2014 by the Minister for Finance and the main opposition spokespersons on the IFAC Pre-Budget 2015 Statement.

There have been three substantive cases where the Government has not adopted the recommendations of IFAC:

- First, under the Troika, IFAC thought greater adjustments of €1 billion should have been made in the 2012 Budget because of significant uncertainty, and in order to provide a margin of safety. The Government disagreed and this margin was eventually provided by the deal with the ECB on the Anglo promissory notes.¹⁹
- Second, IFAC suggested that a precautionary credit line should have been availed of when Ireland exited the Troika programme. The Government disagreed and never took a precautionary credit line.
- The third, and most contentious, issue was IFAC's recommendation for a €2 billion adjustment in the 2015 budget. Despite underlying conditions improving following the June forecast, IFAC

¹⁹ €30 billion of promissory notes were issued by the Government in 2010 as part of the rescue of Anglo Irish Bank and used as collateral for borrowing from the Central Bank. Repayments by the Government of €3 billion a year were significantly reduced in 2013 when the promissory notes were converted into long term Government bonds, held by the Central Bank and to be sold by the Central Bank over time.

continued to adhere to its €2 billion adjustment target. The Government did not follow this advice.

There have been many public references, both in the media and by politicians, to IFAC's advice being "ignored". Since IFAC is an advisory body, the Government does not have to accept its advice. However, it would certainly damage IFAC's image and standing if its advice were summarily and persistently dismissed. In our discussions, much stress was put on the need for the Minister to justify in more detail the reasons for not following the Council's advice. The Minister now responds to the FAR reports in a direct communication to IFAC, which is published. This is a crucial document which needs to give as detailed a response as possible, but as noted above, it may also be incumbent on IFAC to highlight its most significant points more effectively, so that the government is obliged to respond to them.

It is difficult at this stage to gauge whether IFAC has made a difference to budgetary policy and, if so, in what way. The Minister for Finance has indicated that he has been influenced by the Council's advice in setting a tighter budget deficit target for 2015 than he might otherwise have done.²⁰

It has certainly added to the transparency of the budget process through its detailed FARs and its Analytical Notes. These have become more comprehensive over time, though they are accessible largely to "insiders" rather than to the general public. They have raised the level of public debate on fiscal matters, through the Parliamentary Committee debates on the FARs and the media coverage. Now that Ireland is no longer in an EU programme, there will be more scope for IFAC to influence Government actions. The key goal for IFAC is to act as a constraint over the long run on the pursuit of poor fiscal policy.

²⁰ See here the statement by the Minister for Finance in Dail Éireann, 21 October 2014: "The IFAC's advice was an important consideration in our decision to go beyond our requirements under the Stability and Growth Pact."

IFAC AND THE MEDIA

The most important line of outreach for IFAC to the Irish public and voters goes through the media. The media generally give good coverage to IFAC publications when they are released, with interviews on radio and television and reports and op-eds in the print media.

The topics covered by IFAC are not easy to report in a simple manner. IFAC have made great efforts to assist the media with the advance circulation of documents with a publication deadline and briefings in advance of publication. Consideration should be given to how the reports might be presented in simpler language, including the use of infographics, to enable the media to get the reports to a wider audience.

Since dealing with the media is a specialised business, IFAC might consider whether it would be useful to get such expertise on board to help improve media coverage of its publications and activities. This could be done by appointing a part-time member of staff (or sub-contractor) to deal with external communications.

IFAC AND THE PUBLIC

It is most important for IFAC to be visible in Irish public debate, to stand out as an institution that contributes to the quality of Irish fiscal policy-debate and thus ultimately improves fiscal policy-making. As stressed in an OECD (2014b, p. 98) report: *Fiscal councils' influence in fiscal policy making is persuasive – rather than coercive by means of legal sanctions or other punitive measures. Their influence is largely exercised through contributions to the public debate – thus fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters. This underlines both the importance of fiscal councils' maintaining a transparent publishing model and the importance of their relationship with the legislature and the media as concrete avenues of influence.*

There are several steps that we recommend as part of the communication strategy of IFAC.

IFAC should organise an annual conference on Irish fiscal policy, perhaps in cooperation with an outside institution like the ESRI, the IIEA or a university department. Such an annual event has several benefits: It will strengthen the credibility of IFAC, it will foster the interaction between IFAC staff and the research community and policy-makers, and it will make IFAC and its assessments more visible.

The annual conference should be aimed at policy-makers, politicians from government and opposition, high-level civil servants, researchers, media, representatives from the banking and financial sector and international organizations. It should be open for interested laymen as well. The programme should cover a half-day to a full day. One session should deal with the assessments of IFAC with invited comments from government and opposition, independent researchers etc. The work of IFAC staff and papers produced for IFAC by outsiders should be covered by other sessions.

It might be useful to produce a 4/5 page summary of FAR reports in simple language for the general public to read. It might also be useful to produce short explanatory notes on emerging issues aimed at interested lay people, for members of the Oireachtas and similar interested parties, covering emerging fiscal themes such as long-run debt sustainability and the consequences of ageing for the Irish pension system.

From our discussions, it seems that the financial market analysts and business are generally satisfied with the way that IFAC is operating and regard its output as of a high standard. Still, it is important for IFAC to address in particular financial market participants and the business sector.

One promising way for IFAC to contribute to and stimulate public debate on Irish economic policy is to broaden its web-site to include a section aimed at lay readers with no or little knowledge of Irish economic policies. This section should include fact-sheets on important fiscal issues, up-to-date charts on key Irish economic data and links to international websites of similar character. It is important to recognize that producing such material is a specialist skill and that it may, therefore, be necessary to either to recruit a part-time assistant for this purpose or to sub-contract such work. It is not something that existing staff are necessarily well-placed to do, especially with their already heavy workload.

Although IFAC already uses Twitter, it should also consider being more visible in social media. For example, the Swedish Fiscal Policy Council has recently set up a home page on YouTube as part of its outreach strategy. Such an innovative step may be tried by IFAC as well.²¹

²¹ See the home page of the Swedish Fiscal Policy Council.
<http://www.finanspolitiskaradet.se/2.5dd459a31158f2d75c380003166.html>

MAJOR CONCLUSIONS AND RECOMMENDATIONS

IFAC is by now accepted and respected across the political spectrum. Still its communication strategy can be improved in a number of ways. IFAC should consider:

- producing a 4/5 page summary of its FARs in simple language for the general public.
- employing infographics to a greater extent as a way of presenting its reports.
- organising an annual conference on its outputs.
- producing shorter explanatory notes aimed at members of the Oireachtas and similar interested parties, including journalists, covering emerging themes.
- producing shorter more 'vox pop' version of reports which convey the key messages but offer links to the more detailed material.
- appointing a part-time member of staff (or sub-contractor) to deal with external communications.
- broadening its website to include a section aimed at lay readers including fact-sheets on important fiscal issues, up-to-date charts on key Irish economic data and links to international websites of similar character.
- being active in social media.

5. IFAC AND THE EU FISCAL GOVERNANCE FRAMEWORK

As a member of the euro area, Ireland is part of the EU system of fiscal governance. The foundation of this system is the Stability and Growth Pact (SGP) of 1997. The basic idea behind the SGP is that in a monetary union - where monetary policy is centralized to a common central bank while fiscal policy is left to the governments of the members of the union - fiscal rules are required to prevent national fiscal policies from being a threat to the common monetary policy.

Two parts - one preventive and one corrective arm – constituted the original Pact. They were designed to prevent and arrest the rise of large budget deficits and thus unsustainable debt, although, initially, the debt criterion was not explicitly operationalized. However, the original SGP proved lacking. It was relaxed in 2005 after big member states had breached the rules. Again a few years later, the SGP proved to be unable to prevent the fiscal and financial imbalances that pushed the euro area – not least Ireland – into deep depression.

The euro crisis revealed fundamental weaknesses in the design of the SGP and fiscal policy coordination among the member of the Eurozone. In response far-reaching changes were put in place. The SGP was reformed in 2011 (as part of the “six-pack”), with a debt target included for the first time, and complemented in 2013 (the “two-pack”) by additional regulations governing budgetary policy, one of which is the obligation to submit draft budgets in the autumn of each year to the European Commission for scrutiny. More stringent targets were introduced in the national budgetary frameworks (the Fiscal Compact). The “six-pack” measures also included a new Macroeconomic Imbalance Procedure designed to prevent and, if necessary, correct imbalances other than in the public finances, such as the property bubbles that affected Ireland and Spain. As Ireland is in the euro, all these changes were fully incorporated into Irish law and apply to the country.

As a result of these changes, the EU fiscal governance system has been transformed from a fairly simple fiscal framework into a very complex one – with many rules and sub-rules as well as escape clauses. The aim has been to make the system all-encompassing, covering a wider set of threats to the fiscal stance, including financial ones, while at the same time being more flexible, allowing for exceptional circumstances to influence the overall assessment of the fiscal stance. The higher degree of complexity also results from the fact that member states generally insist on codifying all

elements of SGP implementation as opposed to granting discretion to the Commission. As a result of this process, room for judgement and bargaining between the Commission/the Council and the national authorities has emerged. The complexity and degree of detail of the fiscal surveillance system also runs the risk of fostering inconsistencies and suboptimal outcomes.²²

IFAC was established as part of the new EU fiscal surveillance system in response to EU initiatives, notably the “six-pack” and the “two-pack” and the fiscal compact. IFAC is also assigned tasks given by the EU fiscal governance system. Still, IFAC is a national, domestic institution, receiving its financial resources from the Irish government with no obligations towards the EU.

The co-existence of the EU system of fiscal surveillance and a domestic watchdog like IFAC is a new and challenging arrangement. It raises a number of questions, concerning both the past and the future.

Before turning to the issues involved, we want to stress that this new arrangement is still bedding-in. In addition, the agreement between Ireland and the Troika determined the fiscal path of Ireland until Ireland exited the programme, leaving little room for evaluating the workings of the new system in “normal” times. Still, a number of conclusions can be drawn.

First, looking at the past, how has IFAC carried out its national role within the international framework set out by the EU? Commission sources indicate that the performance of IFAC is a strong one, clearly above the EU-average of independent fiscal institutions. IFAC is seen as a constructive partner in an ongoing dialogue concerning the Irish fiscal stance. In a short period of time, IFAC has earned a strong reputation and has managed to get good visibility. IFAC covers the relevant activities of the Irish public sector well. In short, the performance by the staff of IFAC and by the members of the Council is highly regarded.²³

We understand that there are regular and mutually fruitful contacts between the staff of IFAC and Commission representatives in Brussels and in Dublin. It is clearly valuable to have a national fiscal institution that is able to complement the role of the EU Commission while improving domestic fiscal debate and performance. In a small country there is always a risk of “group-thinking” on

²² For a survey of the EU fiscal governance system, see Eyraud and Wu (2015).

²³ These conclusions stem from meetings with Commission staff in Brussels on January 21st and April 28th 2015.

policy matters, so that an additional input is conducive to a broader domestic debate on fiscal issues.

Second – and this is a comment concerning the future role of IFAC in the EU fiscal governance framework - the complexity of this framework assigns potentially important tasks to IFAC once Ireland has emerged fully from the financial crisis. The EU fiscal framework tries to allow for country-specific factors, while starting from the common methodology behind measuring and interpreting *inter alia* output gaps and elasticities. There will be an opportunity for dialogue concerning the proper way of describing key characteristics of the Irish economy. Here, IFAC has the option to serve as a constructive voice in the dialogue, given its analytical capacity and focus on fiscal sustainability. However, an implication for IFAC is that it will have to engage more extensively in analyzing some of these key concepts and measures from an Irish perspective.

MAIN CONCLUSIONS AND RECOMMENDATIONS

The Irish system of fiscal surveillance is well incorporated within the EU framework. IFAC is viewed as a successful domestic institution by the EU representatives that we have talked to. In a European perspective, it is valuable to have domestic ownership of fiscal surveillance. Here IFAC has an important role to play. IFAC should consider:

- within reason, serving as a bridge between Brussels and Dublin, fostering the exchange of views and information between the European Commission, the European Council and the Government of Ireland and other Irish actors;
- developing its analytical capacity on issues pertaining to the EU framework of fiscal surveillance such as the output gap, taking account of the specific nature of the Irish economy; and
- continuing to take an active part in the newly established network of European independent fiscal institutions as well as in other international networks for fiscal councils.

6. CONCLUSIONS AND RECOMMENDATIONS

Our overall assessment of IFAC is a positive one. IFAC has fulfilled all the tasks that are expected from an independent fiscal institution: it has been independent, credible and non-partisan; it has created a good brand-name; its outputs are well-regarded; and it has been visible in public debate, increasing transparency and public knowledge about fiscal matters. IFAC is well integrated in the EU framework for fiscal surveillance. These achievements augur well for the future, but there is also scope for enhancing the output and impact of the Council.

The main conclusions and recommendations of this evaluation are summarized below.

THE MANDATE

The mandate of IFAC is clear and stipulates exactly what IFAC is supposed to produce. No disputes concerning the interpretation of the mandate of IFAC have surfaced as far as we know. IFAC has emerged as a credible independent institution on the basis of its mandate.

- We see no reasons to change the mandate of IFAC at this stage.
- Although the evaluation team heard a number of arguments for a broadening of the mandate of IFAC, this should only be considered after a further period during which the Council is able to grow into its current role.
- IFAC should have a clear say, through its Chairman, in setting the criteria for the selection of new members of the Council.
- The present number of five members of the Council (as specified in the Act) should be maintained.
- The recruitment of Council members from outside Ireland, Irish nationals or non-nationals, should continue to be encouraged to ensure a diverse range of skills on the Council.
- The recruitment of members should reflect the balance of analytic needs and be open to differing specifications of skills as retiring members are replaced.

THE FINANCIAL AND HUMAN RESOURCES

IFAC has been sufficiently endowed with financial and human resources, although in an international budgetary comparison IFAC is one of the smallest of all independent fiscal institutions. The Council works well as a team and has good relations with the staff of IFAC.

- The staff of IFAC is young, capable and dedicated. As some of them are on secondment and thus likely to turnover fairly rapidly, as well as being at a stage in their careers where they will be looking to move to more senior jobs, this could lead to problems of retention of the ‘institutional memory’ and consistency of approach and messages.
- Steps should be taken to make work at IFAC still more attractive, for example by encouraging staff to work on academic publications (as happens in DG ECFIN of the European Commission and many central banks) and boosting participation in professional conferences. IFAC should be able to meet any ensuing costs within its current budget.
- IFAC should have stronger right, preferably statutory right to obtain information covering relevant public sector authorities as recommended for independent fiscal institutions by the OECD.

THE OUTPUT OF IFAC:

The overall output of IFAC has steadily improved. We regard it today as of high quality. Still, the challenge for IFAC is to maintain and improve its analytical capacity. The credibility and impact of IFAC’s publications and recommendations hinge upon its analysis. Here we have some recommendations to foster IFAC’s performance. IFAC should consider:

- putting more stress on long-term fiscal issues, such as long-term debt sustainability.
- complementing its recommendations on the deficit with some more discussion of likely developments in the wider economic context and any resulting uncertainties;
- deepening its interaction with the academic community, for example by setting up an academic advisory panel;

- developing and using models with a focus on government deficits and debt sustainability and purchasing econometric studies of interest from university departments or organisations with advanced modelling capacity;
- commissioning background studies;
- canvassing external views on the structure and presentation of its reports and offering a simplified and shorter summary;
- including a post mortem section in the Fiscal Assessment Report; and
- making all data used in tables and charts in the Fiscal Assessment Report downloadable in excel format.

THE IMPACT OF IFAC AND ITS COMMUNICATION STRATEGY

IFAC is accepted and respected across the political spectrum. Still its communication strategy can be improved in a number of ways. Specifically: IFAC should consider

- producing a 4/5 page summary of FAR reports in simple language for the general public;
- employing infographics to a greater extent as a way of presenting its reports;
- organising an annual conference on its outputs and on Irish fiscal policy;
- producing shorter explanatory notes aimed at members of the Oireachtas and similar interested parties, including journalists, covering emerging themes;
- developing shorter, more popular versions of reports which convey the key messages but offer links to the more detailed material;
- appointing a part-time member of staff (or sub-contractor) to deal with external communications;

- broadening its website to include a section aimed at lay readers including fact-sheets on important fiscal issues, up-to-date charts on key Irish economic data and links to international websites of similar character; and
- being active in social media.

THE EU FRAMEWORK AND THE IRISH FISCAL FRAMEWORK

The Irish system of fiscal surveillance is well incorporated within the EU framework. IFAC is viewed as a successful domestic institution by the EU representatives that we have talked to. In a European perspective, it is valuable to have domestic ownership of fiscal surveillance. Here IFAC has an important role to play:

- within reason, serving as a bridge between Brussels and Dublin, fostering the exchange of views and information between the European Commission, the European Council and the Government of Ireland and other Irish actors;
- developing its analytical capacity on issues pertaining to the EU framework of fiscal surveillance such as the output gap, taking account of the specific nature of the Irish economy; and
- continuing to take an active part in the newly established network of European independent fiscal institutions as well as in other international networks for fiscal councils.

7. LOOKING AHEAD

So far IFAC has served Irish fiscal policy well, supporting the process of fiscal consolidation, carried out under the Troika agreement and under the Excessive Deficit Procedure (EDP). Ireland is now moving into a new economic policy landscape with more degrees of freedom to design its fiscal policies, more independently than during the years immediately following the crisis.

It is important to have the proper domestic institutions in place to foster a prudent fiscal performance. It is here that IFAC has a constructive role to play in shaping the future of Irish economic performance, helping to keep Ireland on a sustainable fiscal path and thus ultimately on a successful growth path as well.

The first years of IFAC, since its establishment in 2011, have been a period of learning. IFAC has gradually evolved into a full-fledged fiscal policy council, producing bi-annual assessment reports and endorsing the macroeconomic forecasts of the government as the core of its activity.

Now it is time to prepare IFAC for its future role. To reach this goal, our hope is that the conclusions and recommendations set out above will be helpful. If implemented we believe that they would strengthen IFAC as an institutional actor, minimizing the risk of the Council losing relevance and visibility in public debate. Several of them would serve to make IFAC an exciting and attractive place to work. We leave open the possibility of assigning larger financial resources to IFAC in the future as the demands on its activities increase. Finally, we recommend a new evaluation of IFAC in five years, by 2020. By then, IFAC will have become a fully-fledged part of the Irish economic landscape.

REFERENCES

Bates, John and Clive Granger, (1969), "The combination of forecasts", *Operational Research Quarterly*, vol. 20, 451-68.

Debrun, Xavier and Tidiane Kinda, (2014), "Strengthening post-crisis fiscal credibility: Fiscal councils on the rise – A new dataset", IMF working paper 14/58, IMF. Available at:

<http://www.imf.org/external/pubs/ft/wp/2014/wp1458.pdf>

Eyraud, Luc and Tao Wu, (2015), "Playing by the Rules: Reforming fiscal governance in Europe", IMF working paper 15/67, IMF. Available at:

<https://www.imf.org/external/pubs/cat/longres.aspx?sk=42804.0>

OECD (2014a), "Recommendation of the Council on Principles for Independent Fiscal Institutions".

OECD, Paris, February. Available at: www.oecd.org/gov/budgeting/recommendation-on-principles-for-independent-fiscal-institutions.htm

OECD (2014b), "Budgeting practices and procedures in OECD countries", OECD, Paris.

http://www.oecd-ilibrary.org/governance/budgeting-practices-and-procedures-in-oecd-countries_9789264059696-en

OECD (2015, forthcoming), "Principles for Independent Fiscal Institutions and Country Notes". A draft version for comment was presented at the 7th Annual Meeting of OECD Parliamentary Budget Officials and Independent fiscal Institutions, Vienna, 16-17 April, 2015. Available at:

http://www.parlament.gv.at/ZUSD/BUDGET/Principles_for_Independent_Fiscal_Institutions_and_Country_Notes_x_Draft_for_Discussion_xOECD_Secretariatx.pdf

Page, Kevin, (2014), External Review of the Office for Budget Responsibility, London, September 2014. Available at: <https://www.gov.uk/government/publications/external-review-of-the-office-for-budget-responsibility>

APPENDIX A: TERMS OF REFERENCE OF THE IFAC INDEPENDENT EVALUATION

The Irish Fiscal Advisory Council (IFAC) will undergo an independent evaluation in 2015 to assess the functioning of the Council with respect to its mandate under the Fiscal Responsibility Act 2012 (FRA) and its performance as an independent fiscal watchdog in support of sustainable growth in Ireland.

The evaluation is expected to assess the performance of the Council since it was set up in 2011 and established on a statutory basis on 31 December 2012.

Recommendations for improvement should be made as appropriate.

EVALUATION PANEL

The evaluation panel will have three members (including a chair) with relevant expertise in macroeconomics, fiscal policy and public policy. Its composition will include academic and public sector experience. The membership will have international representation. To provide an element of peer review, it will include member(s) with direct experience of similar independent fiscal institutions in other countries.

The panel will be independent of IFAC and the Irish government.

OBJECTIVES

The evaluation will assess the performance of the Council with respect to its mandate and obligations under the FRA. Each element of the mandate should be considered:

- To assess the official forecasts.
- To assess whether the fiscal stance of Government is conducive to prudent economic and budgetary management, including by reference to the EU Stability and Growth Pact.
- To monitor and assess compliance with the Budgetary Rule.

- To endorse, as it considers appropriate, the official macroeconomic forecasts prepared by the Department of Finance in relation to each Budget and Stability Programme.

It should make reference to the mission, goals and expected outputs set out in “Irish Fiscal Advisory Council Strategic Plan 2014-2016”.

It should consider the analytical capacity of the Council given its mandate, its independence, its accountability and its visibility. In particular, the evaluation should consider:

- The **context** the Council operates in, including its mandate, and the economic, political and institutional setting.
- The **inputs** available to the Council, including its financial and human resources; its organisational structure and operation; its access to information; and its analytical tools and resources. This should include consideration of the Council’s tools for producing forecasts and modelling capacity. It should also include consideration of the Council’s interaction with other similar bodies abroad and with other forecasters and commentators.
- The Council’s **outputs** in terms of *Fiscal Assessment Reports*, other papers, and communications by the Council and its members. This should include the quality of the assessment of: the macroeconomic forecasts and budgetary projections; compliance with the fiscal rules; and the assessment of the fiscal stance. It should include consideration of the framework for endorsement of official forecasts and the rigour of the endorsement process. The appropriateness of the Council’s work programme should also be considered.
- The Council’s **impact** in terms of the Council’s credibility in providing independent and soundly-based analysis and assessment, and its playing an appropriate role in public and political debate and policy-making. The effectiveness of its communication should be considered.

The views of key stakeholders should be sought, including the Department of Finance/Department of Public Expenditure Reform, the Oireachtas Joint Committee on Finance and Public Expenditure and Reform, the academic community and the media.

The evaluation should refer to the OECD Principles for Independent Fiscal Institutions.

The evaluation is not intended to assess the appropriateness of the Council's role as defined by the FRA. However, the evaluation may highlight any concerns about the FRA that affect the ability of the Council to achieve its mandate or perform effectively as an independent fiscal institution.

The evaluation is not intended to cover IFAC's statutory governance and financial management.

MODE OF OPERATION

The evaluation panel is expected to consider the relevant documents and make an initial visit to Dublin of 2-3 days to meet IFAC and relevant stakeholders.

The Council will submit relevant documentation to the evaluation panel in advance of the Dublin visit and make available any other relevant information required for the evaluation. The initial documentation submitted to the panel will include:

- A letter from the Council providing an overview of the documentation, the Council's view of the current challenges, and specific questions about its operation and future direction for the consideration of the evaluation panel.
- The published output of the Council (including the Council's Annual Report).
- A summary of media coverage.
- Relevant internal Council documents, including regular internal evaluations of aspects of Council performance.

During its work, the evaluation team will receive such additional information as it may require from the Council.

The evaluation panel is expected to present its initial findings to the Council on an informal basis.

The final report will be submitted to IFAC and sent by the Council to the Minister for Finance, the Oireachtas Joint Committee on Finance and Public Expenditure and Reform and published on IFAC's website.

The final report is expected to be 20-30 pages in length and be written in a way that is accessible to the general public.

Evaluation panel members would receive an honorarium for their service in the amount of €5000 for the Chair and €3000 for each of the other members. Expenses will be paid under IFAC rules. Secretarial and logistical assistance will be provided by the Council secretariat.

TIMING

The evaluation is expected to be completed during the summer of 2015, preferably in time to be included with the Council's annual report.

APPENDIX B: BIOGRAPHIES OF THE EVALUATION TEAM

Iain Begg is a Professorial Research Fellow at the European Institute, London School of Economics and Political Science. His main research work is on the political economy of European integration and EU economic governance. He has directed and participated in a series of research projects on different facets of EU policy and his current projects include studies on fiscal policy coordination and on the long-run determinants of employment in the EU. He has undertaken a number of advisory roles, including being a member of the research committee of the Czech National Bank, serving as the rapporteur of the high-level group that carried out the interim evaluation of the EU 7th Framework Programme for Research, and acting as an expert witness or specialist adviser on EU issues for the House of Commons Treasury Committee, the House of Lords European Communities Committee and the European Parliament. His recent publications include work on fiscal transparency, the governance of the euro and the political economy of monetary union.

Lars Jonung is professor emeritus at Lund University, Lund, Sweden. He served as member of the Swedish Fiscal Policy Council 2010-11 and as chairman of the Council 2011-13. He was Research Advisor at DG ECFIN, European Commission, Brussels 2000-2010, professor in economics, Stockholm School of Economics, Stockholm, 1988-2000, professor in finance, department of economics, Lund University, 1987-88, Research Director at the National Institute of Economic Research (*Konjunkturinstitutet*), Stockholm, 1981-82. His research interests include monetary economics, monetary and financial history, inflationary expectations, the euro, European integration and the economics of Knut Wicksell. He has published books and articles in English and Swedish and is the co-author of a leading macroeconomic textbook in Swedish. Jonung served as chief economic adviser to Prime Minister Carl Bildt in 1992-94. He has been on the board of a number of listed Swedish companies and has served as economic adviser to the *Skandinaviska Enskilda Banken*. He holds a PhD in Economics from the University of California, Los Angeles, 1975.

Michael G Tutty spent a lot of his working career in the Department of Finance, where he reached the position of Second Secretary General in charge of Budget and Economic Division. From October 2000 to July 2004, he was Vice-President of the European Investment Bank in Luxembourg. He was appointed Commissioner for Energy Regulation in Ireland in October 2004 and was appointed as Chairman of the CER in October 2008. He retired from this position in May 2011 on reaching the compulsory public sector retirement age. He is currently involved in a number of voluntary activities including member of the Board of Peamount Healthcare and Chairman of the EU

Economic Governance Committee in the Institute for International and European Affairs. Born in Dublin, he holds Masters Degrees in Economic Science from UCD and in Strategic Management in the Public Sector from Trinity College.

APPENDIX C. IRISH FISCAL ADVISORY COUNCIL: A TIMELINE

July 2011:	Irish Fiscal Advisory Council established in line with the requirements under the EU-IMF Official Support Programme. The Council hires office space in the ESRI's premises at Whitaker Square, Sir John Rogerson's Quay, Dublin 2.
Council:	Professor John McHale (Chair) (4 years) Mr Sebastian Barnes (4 years) Professor Alan Barrett (3 years) Dr Donal Donovan (2 years) Dr Roisin O'Sullivan (3 years)
Secretariat (3):	Chief Economist/Head of Secretariat (Mr Diarmaid Smyth – seconded from Central Bank of Ireland) Economist (Ms Eimear Leahy) Administrator (Ms Rachel Joyce)
October 2011:	First Fiscal Assessment Report published.
November 2011:	Appearance before Joint Committee on Finance, Public Expenditure and Reform.
January 2012:	"Fiscal Rules for Ireland" by Dr Robert Hagemann is published. Paper commissioned by IFAC as background to the Council's analysis of proposed fiscal rules. Paper on "Strengthening Ireland's Fiscal Institutions" is published.
February 2012:	IFAC Chair before the Joint Committee on European Affairs.
April 2012:	Second Fiscal Assessment Report published. Appearance before Joint Committee on Finance, Public Expenditure and Reform.

- September 2012:** Third Fiscal Assessment Report published.
- Appearance before Joint Committee on Finance, Public Expenditure and Reform.
- December 2012:** Council established on a statutory basis by the [Fiscal Responsibility Act](#) The terms of the Council members were re-set to commence from the date IFAC became a statutory body (December 2012). The new terms of office of the Council members effective from December 2012 are as follows:
- Professor John McHale (Chair) (4 years)
 Mr Sebastian Barnes (4 years)
 Professor Alan Barrett (3 years)
 Dr Donal Donovan (2 years)
 Dr Roisin O’Sullivan (3 years)
- April 2013:** Fourth Fiscal Assessment Report published.
- Appearance before Joint Committee on Finance, Public Expenditure and Reform.
- July 2013:** The [Ministers and Secretaries Amendment Act](#) added the endorsement role to the functions of the Council:
- “ (a) endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department of Finance on which the Budget and stability programme will be based, (b) provide an assessment of the official forecasts, and (c) in relation to each Budget and stability programme, provide an assessment of whether the fiscal stance for the year or years concerned is, in the opinion of the Fiscal Council, conducive to prudent economic and budgetary management, including by reference to the provisions of the Stability and Growth Pact.”
- Aug 2013** [Memorandum of Understanding](#) is signed between IFAC and the Department of Finance relating to the “Endorsement Function” of the Council under the Fiscal Responsibility Act as amended 2013.
- Sept 2013:** “The Government’s Balance Sheet after the Crisis: A Comprehensive Assessment” by Sebastian Barnes and Diarmaid Smyth is published.
- Oct 2013:** First macro endorsement process carried out. Endorsement letter published 4 October 2013.

	Eimear Leahy leaves IFAC
Nov 2013:	Fifth Fiscal Assessment Report published. Mr John Howlin joins on a 2-year secondment from the Department of Public Expenditure and Reform. Secretariat complement remains at three.
Feb 2014:	One additional economist (Mr Eddie Casey) and one research assistant (Mr Andrew Hannon) are hired bringing the total secretariat to five.
Mar 2014:	IFAC Strategic Plan 2014-2016 is published.
Apr 2014	Signed Service level Agreement with ESRI.
June 2014:	Sixth Fiscal Assessment Report including Analytical Notes published. Appearance before Joint Committee on Finance, Public Expenditure and Reform.
July 2014:	Diarmaid Smyth is replaced by Thomas Conefrey as Chief Economist/Head of Secretariat (two-year secondment). Rachel Joyce leaves IFAC and is replaced by Ms Sarah Doyle as Administrator (three-year secondment). Secretariat complement remains at five.
Aug 2014	Publish Annual Report & Accounts.
Sept 2014:	IFAC publishes first Pre-Budget Statement.
Sept/Oct 2014:	Second Macro Endorsement exercise carried out. Endorsement letter published 06 Oct 2014.
Nov 2014:	Seventh Fiscal Assessment Report published with Analytical Notes.
Dec 2014:	Revised SLA with ESRI signed. Appearance before Joint Committee on Finance, Public Expenditure and Reform. Donal Donovan's Council term expired.

March 2014: Íde Kearney appointed to the Council

Annual budget of the Council:

Initially the Government decided that the annual budget for the Council should be pitched in the range €400,000 to €650,000. Once Statutory, funding in the FRA is capped at €800,000 and indexed to HICP inflation.

2011	€300,000 (from Sept 2011-2012)
2012	€650,000
2013	€800,000
2014	€820,080
2015	€823,360

APPENDIX D: QUESTIONNAIRE USED BY THE EVALUATION TEAM

In our discussions with you, we would like to focus on the questions from those below which are most relevant to your field of expertise and your experience of IFAC.

A. THE INSTITUTIONAL SETTING AND THE MANDATE OF IFAC

1. Is the mandate of IFAC clear and well designed?
2. Does IFAC have sufficient independence?
3. Is IFAC viewed by the Irish public as an independent institution/authority?
4. Any changes you would propose concerning the mandate of IFAC?

B. THE RESOURCES OF IFAC

1. Are the financial resources allocated to IFAC consistent with its mandate?
2. Are the human resources available to IFAC adequate for carrying out its mandate?
3. Does IFAC have sufficient and timely access to relevant information to meet its mandate?
4. Does the Memorandum of Understanding provide a sufficient and timely framework to govern interactions between IFAC and the Department of Finance?
5. Any changes you would propose concerning the resources of IFAC?

C. THE OUTPUT OF IFAC

1. How would you rank the recent Fiscal Assessment Reports by IFAC? More specifically:
 - a) the assessment of the fiscal stance?
 - b) the assessment and endorsement of macroeconomic forecasts?
 - c) the assessment of the budgetary forecasts?

d) the assessment of compliance with fiscal rules?

2. In your opinion, does IFAC cover the relevant activities of the Irish public sector? (revenues, expenditures, balance sheets, local authorities, the quality of public finances)
3. In your opinion, does IFAC cover all risks to fiscal sustainability to a sufficient extent, including financial imbalances? Does IFAC have a sufficiently long horizon?
4. Does IFAC cover international developments to a sufficient degree?
5. Do IFAC conclusions and policy advice follow appropriately from the analysis?
6. Overall do you find the Fiscal Assessment Report well-written and balanced? Would you suggest any improvements, whether of style or content?
7. How often should IFAC go public with its reports? For example, is a Pre-Budget Statement appropriate, as published in September 2014?
8. Should IFAC find new ways and forms of presenting its output, particularly to reach wider audiences?
9. How do you rank the overall output of IFAC?

D. THE IMPACT OF IFAC (OUTCOMES) AND ITS COMMUNICATION STRATEGY

1. Is IFAC accepted and respected across the political spectrum?
2. Does the government/opposition (Irish politicians) pay attention to IFAC?
3. Does the Irish public pay attention to IFAC? Has IFAC established an identifiable role in debates around Irish economic policy?
4. How do Irish media treat IFAC?
5. What about the response of financial markets and business to IFAC?

6. How do you look upon the communication strategy of IFAC? How can it be improved?

7. Has IFAC made a difference? In which ways: Enhanced fiscal discipline? Promoted budgetary transparency? Raised the quality of public debate on fiscal matters? How would Irish public finances look without IFAC?

E. LOOKING AHEAD

1. How can the performance of IFAC be improved? As a relatively new body, does IFAC have shortcomings that you think need to be corrected?

2. Which are the main threats to IFAC in the future?

F. THE EU FRAMEWORK AND THE IRISH FISCAL FRAMEWORK

1. Is the Irish system of fiscal (budgetary) surveillance well incorporated within the EU framework?

2. Which are the main issues of debate between the EU and its Irish fiscal counterparts?

3. Are there any issues/observations you would like to mention regarding the relationship between the EU fiscal framework and Ireland?

APPENDIX E: LIST OF PERSONS INTERVIEWED BY THE EVALUATION TEAM

Alan Barrett	IFAC Council member
Sen. Sean Barrett	Joint Committee on Finance, Public Expenditure & Reform
Sebastian Barnes	IFAC Council member
Arthur Beesley	The Irish Times
Eddie Casey	IFAC Secretariat
Thomas Conefrey	IFAC Secretariat
Pearse Doherty TD	Joint Committee on Finance, Public Expenditure & Reform
John FitzGerald	Trinity College Dublin
John Flynn	Central Bank of Ireland
Martin Fraser	Dept of Taoiseach
Andrew Hannon	IFAC Secretariat
Rónán Hickey	Central Bank of Ireland
John Howlin	IFAC Secretariat
Íde Kearney	IFAC Council member
Brendan Keenan	Irish Independent
Philip Lane	Trinity College Dublin
John McCarthy	Department of Finance
Tom McDonnell	NERI
Michael McGrath TD	Joint Committee on Finance, Public Expenditure & Reform
John McHale	IFAC Council member
Derek Moran	Department of Finance
Fergal O'Brien	IBEC
Róisín O'Sullivan	IFAC Council member
Frances Ruane	ESRI
Diarmaid Smyth	Central Bank of Ireland
Graham Stull	European Commission
Liam Twomey TD	Joint Committee on Finance, Public Expenditure & Reform
Robert Watt	Department of Public Expenditure & Reform
Seán Whelan	RTÉ
Rossa White	NTMA

A submission was also received from the EU Economic Governance Group of the Institute for International and European Affairs. Donal Donovan, former member of the IFAC Council, also made an input. In addition, the chairman of the team met with Gabriel Fagan and Stefan Gerlach of the Central Bank of Ireland in April 2015 as well as with EU Commission staff members in Brussels at two occasions in January and May 2015.