



Mr Michael Noonan T.D.
Minister for Finance
Government Buildings
Upper Merrion Street
Dublin 2

24 January 2012

Dear Minister

On behalf of the Irish Fiscal Advisory Council, I am pleased to submit to you the Council's report "*Strengthening Ireland's Fiscal Institutions*" which was requested as input to the forthcoming 'Fiscal Responsibility Bill' (FRB) to be published by the Government. The report is the Council's response to the Department of Finance's "*Reforming Ireland's Budgetary Framework: A Discussion Document*", issued in March 2011.

The Report contains two main sections. The first part reviews the proposed design of a set of fiscal rules and includes the Council's recommendations as to how these rules might be better established in order to enhance fiscal and macroeconomic performance. The recommendations take into account the most up to date information on likely EU requirements stemming from recent high level agreements. However, it is recognised that these requirements may continue to evolve and that the finalised proposals to be included in the Fiscal Responsibility Bill will need to take this into account.

The second section contains the Council's recommendations on specific aspects of the design of a permanent independent fiscal advisory council. These cover: the composition of the Council; budgetary provisions; transparency; accountability; and arrangements vis-à-vis other institutions.

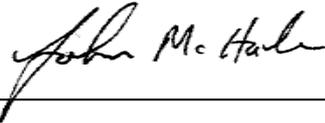
I would also like to take this opportunity to draw to your attention the matter of adequate budgetary arrangements (referred to in section 4.6 of the report) in order to allow the Council to fulfil the mandate entrusted to it. The experience to date has shown that fulfilling their responsibilities has entailed, and is likely to continue to entail, major commitments of time by Council members who in general have other full time professional responsibilities. Thus, the time required of members has exceeded very significantly that envisaged at the time the Council was established.



To address the problem that this gives rise to, the Council has suggested in its report a possible approach whereby a “time buy out” arrangement would be entered into, which would facilitate reconciling Council members’ work with their other professional constraints. Such an arrangement would not involve any member employed by the Irish public sector gaining financially from their Council work.

In raising this issue, we are of course all conscious of the very difficult budgetary situation the Government faces. However, our motivation is a desire to ensure that the Council is established on a sustainable basis and adequately equipped to fulfil its current mandate and the important tasks that will be entrusted to it in the future. We look forward to discussing the concerns we have in more detail with your officials in order to arrive at an appropriate solution.

Yours sincerely



Professor John McHale (Chair)