

Independent Evaluation of the Irish Fiscal Advisory Council (IFAC)

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Introduction

- In line with its *Strategic Plan 2014-2016*, IFAC commissioned an independent evaluation
- Three member panel with specific terms of reference

Focus on five issues:

1. Institutional setting and mandate of IFAC
 2. Human and financial resources of IFAC
 3. Output of IFAC
 4. Impact of IFAC and its communication strategy
 5. IFAC and the EU system of fiscal governance
- The first four issues inspired by a OECD (2015) report.
 - The fifth issue specific for Ireland as a member of the euro area.

Introduction

Before presenting the main conclusions and recommendations made by the independent evaluation team, let me turn to the question:

Are the members of the team in agreement?

My answer is a clear yes!

1. The Institutional Setting and Mandate of IFAC

- *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.*

Recommendations:

- We see no reasons to change the mandate of IFAC at this stage.
- Several arguments for broadening of IFAC mandate exist, but should only be considered after a further period of operation.
- IFAC should have a clear role, through its Chairman, in helping to set the criteria for the selection of new Council members. The Minister should be flexible on job specifications in making appointments.
- The present number of five members of the Council should be maintained.
- Continued recruitment of members outside Ireland should be encouraged to ensure a diverse set of skills/experience.

2. The Resources of IFAC

- *Our main conclusion is that IFAC so far 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 its staff.*

Recommendations:

- Staff of IFAC is young, able and dedicated. Those on secondment are likely to turnover fairly rapidly; look to move to more senior jobs. This could lead to retention problems for 'institutional memory' and consistency of approach/messages. Succession planning will be essential.
- 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 Ecfm of the European Commission and many central banks) and boosting participation in professional conferences.
- IFAC should have stronger right, preferably the statutory right to obtain information covering relevant public sector authorities as recommended for independent fiscal institutions by the OECD.

3. The output of IFAC

- *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.*

Recommendations:

- More stress on long-term fiscal issues like long term debt sustainability.
- **Complement recommendations on the deficit with some more discussion of likely developments in the wider economic context and any resulting uncertainties.**
- Deepen interaction with the academic community, for example by setting up an academic advisory panel.
- Develop and use models with focus on deficit/debt sustainability and purchase econometric studies of interest from organisations with advanced modelling capacity.
- Commission background studies.
- Include a post mortem section in the Fiscal Assessment Report.
- Make 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 is by now accepted and respected across the political spectrum. IFAC has made great efforts with media. Still its communication strategy can be improved in a number of ways.*

Recommendations:

- Produce 4/5 pg summary of FARs in simple language for general public.
- Employ infographics to greater extent as a way of presenting reports.
- Organise an annual conference on IFAC outputs and Irish fiscal policy.
- Produce shorter explanatory notes aimed at members of Oireachtas and similar parties, including journalists, covering emerging themes.
- Produce shorter more 'vox pop' version of reports conveying key messages but offer links to the more detailed material.
- Appoint a part-time member of staff (or sub-contractor) to deal with external communications.
- Broaden website to include a section aimed at lay readers with fact-sheets on fiscal issues, charts and links to international websites of similar character
- Be more active in social media

5. IFAC and the EU fiscal governance 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.*

Recommendations:

- Serve as a bridge between Brussels and Dublin, foster exchange of views and information between the EC, European Council, the Irish Government and other Irish actors.
- Develop 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.
- Continue to take an active part in the newly established network of European independent fiscal institutions.

6. Conclusions

- So far IFAC has served Irish fiscal policy well
- Ireland is now moving into a new economic policy landscape with more degrees of freedom to design its fiscal policies
- While IFAC's first years have been a period of learning, IFAC has a constructive role in shaping future Irish economic performance, helping to keep Ireland on a sustainable fiscal path and ultimately growth path.

7. Looking ahead

- If implemented we believe the findings of this review would strengthen IFAC as an institutional actor, minimizing the risk of the Council losing relevance and visibility in public debate.
- Several of the recommendations 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.
- We recommend a new evaluation of IFAC in five years, by 2020.

7. Looking ahead

- What is most important among all the recommendations?
- The goal is to be a successful watchdog!
- The instruments are two:
 - 1. Strong analytical base
 - 2. Strong communication capacity
- IFAC will be a success when IFAC is a household word.

7. Looking ahead – some final thoughts

- What is most important among all the recommendations?
- The goal is to be a successful watchdog!
- To reach this goal IFAC should pursue two routes:
 - 1. Strong analytical base
 - 2. Strong communication capacity
- IFAC will be a success when IFAC is a household word.

7. Looking ahead – some final thoughts

- IFAC will be a success when IFAC is a household word.

Gunnar Myrdal used to say that he talked to taxi-drivers to find out what was going on in the Swedish economy.

On my way from Dublin airport to IFAC, I asked the taxidriver: do you know about IFAC?