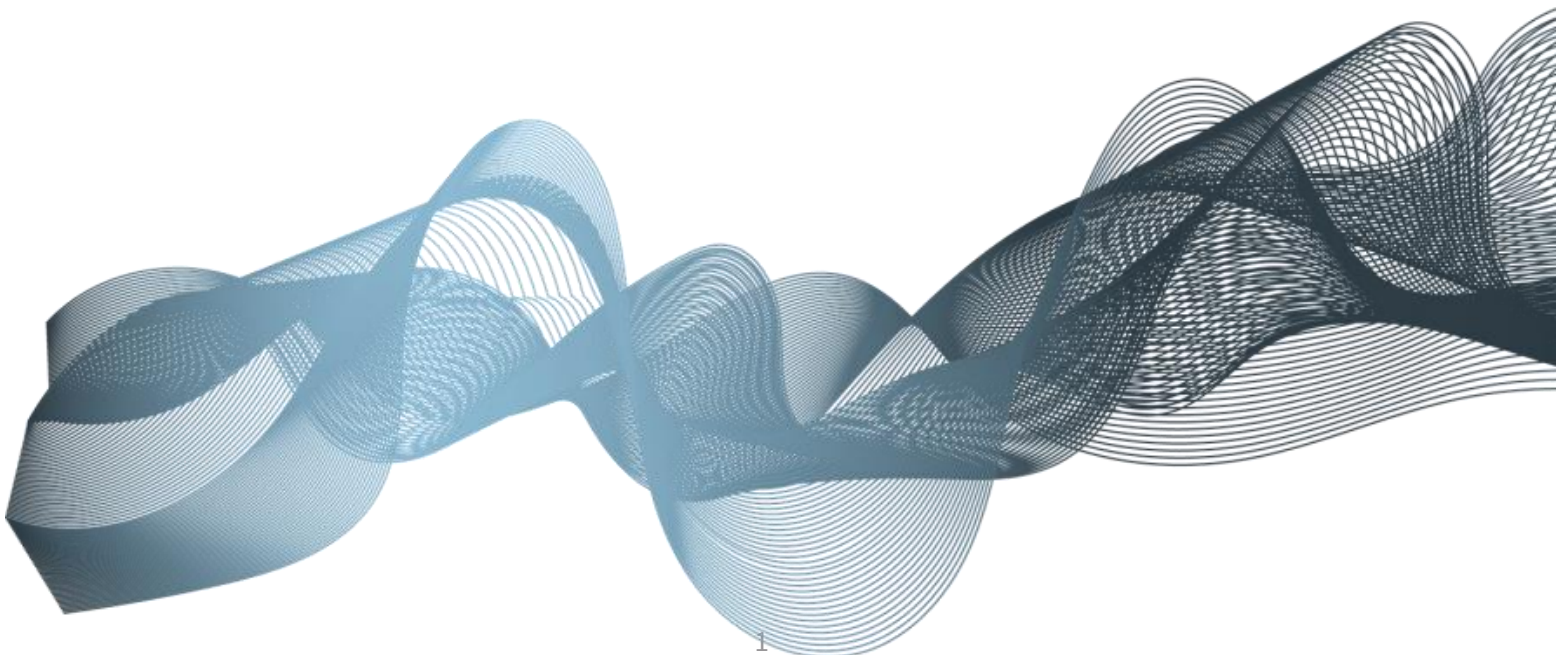




**Irish Fiscal  
Advisory Council**

# Strategic Plan

**2023–2025**



## Introduction

The Fiscal Responsibility Act 2012 established the Irish Fiscal Advisory Council (“the Fiscal Council”) as an independent state body. This is the Fiscal Council’s fourth strategic plan.

## Mission

The Fiscal Council’s mission is to support the effectiveness of fiscal policy in the near and medium-term through delivery on each element of its mandate as an independent fiscal institution.

## Vision

The Fiscal Council’s vision is for an economy with broadly based growth in incomes and employment founded on sustainable macroeconomic and fiscal policies.

## Values

The key values of the Fiscal Council are:

- High quality analytical output.
- Independence and integrity.
- Openness, objectivity and transparency.
- Highest ethical standards.

## Background

### Mandate of the Fiscal Council

The Fiscal Council has four legally mandated functions. The first three were assigned in the *Fiscal Responsibility Act 2012*.<sup>1</sup> The fourth function (endorsement) was assigned to the Fiscal Council in July 2013.<sup>2</sup>

1. **To assess the official forecasts** produced by the Department of Finance and published in the Stability Programme and in the Budget.
2. **To assess the fiscal stance** of Government, and specifically whether it is conducive to prudent

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<sup>1</sup> Fiscal Responsibility Act 2012 *available at:*

<http://www.irishstatutebook.ie/eli/2012/act/39/enacted/en/pdf>

<sup>2</sup> See Ministers and Secretaries (Amendment) Act 2013 *available at:*

<http://www.irishstatutebook.ie/pdf/2013/en.act.2013.0029.pdf>.

economic and budgetary management, with reference to the EU Stability and Growth Pact.

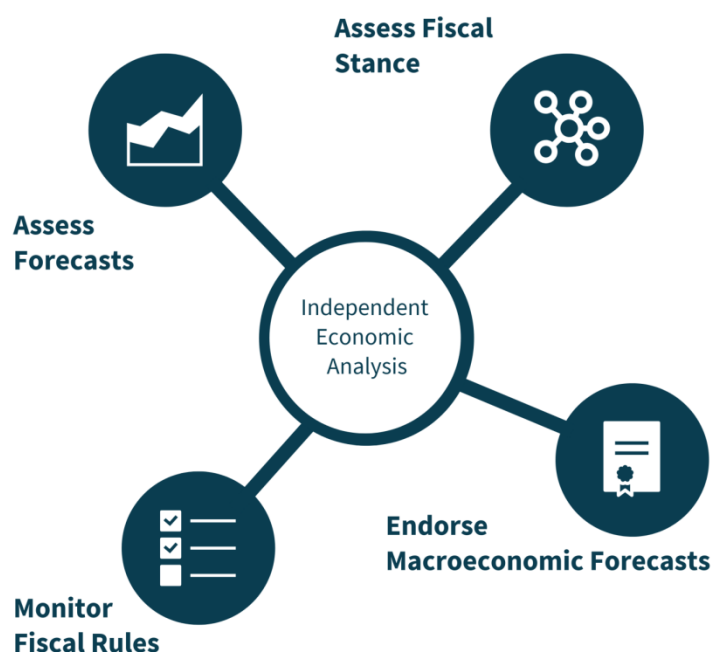
3. **To monitor and assess compliance with the Budgetary Rule.**<sup>3</sup>
4. **To endorse the official macroeconomic forecasts** prepared by the Department of Finance in relation to each Budget and Stability Programme. This follows revised European requirements to have national medium-term fiscal plans and draft budgets based on independent macroeconomic forecasts, which means macroeconomic forecasts produced or endorsed by an independent body. A joint Memorandum of Understanding between the Fiscal Council and the Department of Finance underpins the endorsement process.<sup>4</sup>

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<sup>3</sup> *The budgetary rule requires that the budgetary position of the general government is in balance or in surplus, or is moving at a satisfactory pace towards that position. The Council must also 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.*

<sup>4</sup> The Fiscal Council's *Fiscal Assessment Report* (November 2018) detailed the process in the run up to *Budget 2019*. The Memorandum of Understanding was subsequently revised in January 2019 and can be accessed here: <https://www.fiscalcouncil.ie/wp-content/uploads/2019/02/IFAC-DoF-Forecasting-MoU-2019-Signed.pdf>

**Figure 1: The Fiscal Council's Mandate**



The Fiscal Council produces biannual Fiscal Assessment Reports as well as an annual Pre-Budget Statement. Reports are submitted to the Minister for Finance and subsequently published within ten days. The Fiscal Council also submits its Annual Report to the Minister who arranges to lay the Report before each House of the Oireachtas. The Council chairperson may also be required to appear before the Oireachtas in relation to its activities.

In relation to the endorsement function, the Council is required to provide a formal letter to the Secretary General of the Department of Finance at least five working days before the Department publishes the Budget and Stability Programme<sup>5</sup>. If the Council were to conclude that it had significant reservations about the preliminary or “provisional final” macroeconomic forecasts, it would immediately communicate these informally to the Department. If, following further discussions, the Council were still not in a position to endorse the macroeconomic forecasts underlying the Budget or SPU, the Chair would write to the Secretary General

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<sup>5</sup> The process of this function is outlined in the Memorandum of Understanding between the Fiscal Council and the Department of Finance, 2017 and can be accessed here: [http://www.fiscalcouncil.ie/wp-content/uploads/2011/07/IFAC\\_DoF\\_Forecasting\\_MoU\\_2017-FINAL.pdf](http://www.fiscalcouncil.ie/wp-content/uploads/2011/07/IFAC_DoF_Forecasting_MoU_2017-FINAL.pdf)

explaining why this was the case, at least five working days before the Department publishes the Budget or SPU.

To support the Fiscal Council's delivery of its mandate, the Fiscal Council also produces *ad hoc* reports including Analytical Notes, Working Papers and other analytical work on the Irish economy, macroeconomic forecasting, and fiscal policy.

### **Current Position of the Council and Progress to Date**

The Minister for Finance appointed the Council's five members based on their experience and competence in domestic and international macroeconomic and fiscal matters. The current Council has a strong international dimension with four members based outside of Ireland.

The Secretariat's comprises a Chief Economist, two Economists, two Research Assistants, and an Administrator.

The Council was established in 2011 on an administrative basis and on statutory basis in 2012. To date, the Council has published 23 Fiscal Assessment Reports, 9 Pre-Budget Statements, 19 endorsement letters, 18 Analytical Notes, and 17 working papers.

Two independent peer reviews of the Council have been conducted. The first in June 2015, and the latest in February 2021 by the OECD. The latter concluded that:

*"The Council has been an important institution in Ireland, helping to spread greater understanding around fiscal policy over a time period when there has been a drive for Ireland to improve fiscal management. The work of the Council is highly regarded by peers, and it is viewed as independent by those on all sides of the political spectrum."*

However, the OECD (2021) review made recommendations to ensure the Council was to continue to perform well relative to international standards. These included aspects related to how its budget is set, legal underpinnings for access to information, and adjustments to leadership arrangements, such as advertising the Chair role as up to half-time instead of part-time. These recommendations help inform the Council's latest strategic plan.

## Key Challenges, Risks and Opportunities in our Operating Environment

### Key Challenges

- **Visibility:** It is essential for the Fiscal Council's effectiveness to maintain visibility of its assessments. While it has managed to build a strong voice in the domestic debate around fiscal policy, it needs to continue to build awareness of its mandate and assessments, which cover key government decisions, in a crowded field of public debate, while ensuring that credibility is maintained.
- **Administrative burden:** Achieving all elements of its mandate and expanding on Fiscal Council's analytical output is a challenge, given the small size of the Secretariat.
- **Data/informational asymmetries:** Government departments and bodies may have more granular information that cannot be accessed by the Council for its analysis.
- **Capacity:** The Council's resources are small and it is now approaching its budget ceiling. This has constrained the Council's ability to sustain output and to respond to changing circumstances or new analytical requirements. It has meant that the Council has not been able to maintain a staff position that was primarily involved in the area of long-term analytical work. This constraint could in the future impact the Council's ability to deliver its legal mandate. The OECD (2021) Review recommended changes to how the Council's budget is set, including linking it to changes in its main costs. The Council is involved in ongoing discussions with the Department of Finance to implement the OECD's recommendations in this regard.

## Risks

- **Small size of Secretariat:** The Fiscal Council is at risk if staff were to suddenly leave or to take periods of extended absence as there is limited scope for duplication of skill sets resulting in reliance on key personnel.
- **Independence:** Although the Fiscal Council's independence is underpinned by legislation, there is a possibility that these protections could be reduced in the future or other measures could be taken to undermine the Council.
- **Changing environment:** Wider changes to economic conditions, political changes, or developments in the EU and Irish institutional frameworks might limit or weaken the role of the Fiscal Council in contributing to prudent and sustainable fiscal policy.
- **Reliance on goodwill:** The Fiscal Council is highly reliant on information from government departments and agencies, which is provided by goodwill rather than formal information-sharing arrangements. If this goodwill were to diminish, access to information could become more constrained. The OECD Review recommended that the Council should have a statutory right to information.
- **Conflict with Government:** The Fiscal Council may be required to risk controversy by publishing criticisms of Government policy or unwelcome advice where the Council considers that it is warranted. This is in line with its independent role and mandate.
- **Organisational risks:** Disruption to existing service-level agreements could severely impede the functioning of the Council.
- **Conflicts arising between the technical application of the fiscal rules and overall recommendations on the fiscal stance:** There is a risk that the Fiscal Council's assessments — which reflect its assessment of the

broader fiscal stance and which draw on the Council’s “principles-based approach to the fiscal rules” — might conflict with European Commission’s assessments of the rules or with changes to the EU fiscal governance regime. This could weaken the credibility of the fiscal framework or lessen the impact of the Fiscal Council’s assessments.



## Opportunities

- **Deeper analysis/research:** The Council could develop richer analysis in areas related to long-term fiscal sustainability as the population ages and fiscal risks, building on its 2020 Long-term Sustainability Report. This is something that many stakeholders have called for including those participating in the OECD (2021) Review. However, due to it not been able to maintain a staff position primarily involved in the area of long-term analytical work, the Council's ability to develop work in this area is constrained. This would require lifting current budget constraints.
- **The Government's introduction of a medium-term spending rule:** This framework could help to avoid procyclical fiscal policy, but needs to be supported by other institutional measures and better long-term forecasting and planning. The Council's work and increasing its medium- and longer-term focus could help to achieve this.
- **Greater role in relation to the fiscal governance:** The new communication from the European Commission (2022) calls for a greater role for independent fiscal institutions, such as the Fiscal Council, in relation to how the EU fiscal rules operate. This could potentially mean that the Council has a more direct role in terms of assessing the appropriateness of fiscal requirements.
- **Increased visibility:** The Council will continue to make its output more visible and engage more strongly with relevant stakeholders, including public bodies, the general public, and through greater outreach to universities.
- **European and domestic agenda:** The Fiscal Council could continue to play a role in the European and domestic debate on fiscal rules, structures, and economic governance. This includes through its continued active participation in the independent Network of EU Independent Fiscal Institutions.

## Strategic Goals

### Central Goal: Deliver on all Elements of our Mandate

Goal	Outputs
<p>Assessment of:</p> <ul style="list-style-type: none"> <li>• Fiscal Stance</li> <li>• Official Forecasts</li> <li>• Compliance with Budgetary Rule</li> </ul>	<p>The Fiscal Council will:</p> <ul style="list-style-type: none"> <li>• Publish at least two Fiscal Assessment Reports, as well as a Pre-Budget Statement every year; with Fiscal Assessment Reports to be produced within 6 weeks of each Budget and within 8 weeks of the Stability Programme Update.</li> <li>• Report systematically on official forecasts.</li> <li>• Continue to develop its analytical tools for assessing the fiscal stance and compliance with the Domestic Budgetary Rule.</li> <li>• Review each Fiscal Assessment Report and document changes/improvements for future reports.</li> <li>• Document clearly the Government’s compliance or non-compliance with the domestic Budgetary Rule.</li> </ul>
<p>Endorsement of:</p> <ul style="list-style-type: none"> <li>• Macroeconomic Forecasts</li> </ul>	<ul style="list-style-type: none"> <li>• Finalise the “Benchmark projections” prepared by the Secretariat as an input in the Council’s endorsement considerations.</li> <li>• Document the Council’s approach to each endorsement exercise in each Fiscal Assessment Report including all relevant meetings, data and decisions.</li> <li>• Provide an Endorsement Letter (or reasons for non endorsement) no later than five working days prior to each Budget and Stability Programme.</li> <li>• Develop and refine short-, medium-, and longer-term forecasting models.</li> <li>• Review, on an ongoing basis, the Memorandum of Understanding with the Department of Finance.</li> </ul>

**Supporting Goal 1: Ensure Compliance with all Requirements  
for a Statutory Body**

Goal	Outputs
Publication of annual report and a set of financial accounts.	<p>The Fiscal Council will:</p> <ul style="list-style-type: none"> <li>• Publish its Annual Report and financial statements within one month of the Comptroller and Auditor General completing its audit of the financial statements, or within six months of the end of the financial year (whichever is earlier).</li> <li>• Implement any recommendations following audit by the Comptroller and Auditor General.</li> <li>• Review ongoing requirements for statutory bodies and update procedures as may be required.</li> </ul>
Independence and transparency.	<ul style="list-style-type: none"> <li>• Publish dates of all Fiscal Council meetings.</li> <li>• Publish all formal interactions with Government.</li> <li>• Respond to all queries (including parliamentary questions) in relation to Fiscal Council activities.</li> <li>• Ensure that the website is up to date and reflective of Fiscal Council work (meetings, decisions, reports, presentations).</li> </ul>
External review of Fiscal Council operations.	<ul style="list-style-type: none"> <li>• The Council will implement as far as possible and as appropriate the recommendations of the OECD (2021) external peer review. Where there are changes required to legislation, it will work with other bodies to ensure the most complete implementation of the review recommendations. The Council will also initiate an external review of its operations in 2026 taking into account performance over the period since 2021.</li> </ul>

## Supporting Goal 2: Promote Awareness of Fiscal Policy issues

Goal	Outputs
Two Fiscal Assessment Reports and a Pre-Budget Statement every year.	<ul style="list-style-type: none"> <li>• Ensure that reports are presented in a clear manner to the highest possible professional standards.</li> <li>• Ensure that queries on reports are responded to in a timely manner.</li> </ul>
Analytical Notes and Working papers.	<ul style="list-style-type: none"> <li>• Publish key analytical work undertaken in relation to its mandate outside of the bi-annual assessment reports.</li> <li>• Seek to present such work at relevant conferences/seminars.</li> <li>• Raise awareness on fiscal issues and activities of the Fiscal Council outside of the Fiscal Assessment Report cycle.</li> </ul>
External communications and awareness of the Fiscal Council.	<ul style="list-style-type: none"> <li>• When invited, appear before Oireachtas Committees in relation to the Fiscal Council’s work.</li> <li>• Host media briefings prior to the publication of each Fiscal Assessment Report.</li> <li>• Use social media to disseminate the Council’s output and assessments.</li> <li>• Publish press briefings (including presentations).</li> <li>• Organise a “Path for the Public Finances” conference every year, to bring focus to long-term public finance issues relevant for Ireland, with each year’s conference focusing on a particular theme.</li> <li>• Participate in domestic and international conferences and seminars of relevance to the Fiscal Council’s mandate.</li> <li>• Respond in a timely manner to all queries in relation to its activities.</li> <li>• Make greater use of the Fiscal Council’s website and social media accounts, to establish the Fiscal Council as the authoritative source on fiscal policy and fiscal stance in Ireland.</li> <li>• Communicate report messages in a clear manner.</li> </ul>

## Achieving Our Goals

Goal	Outputs
<p>Economic Forecasting:</p> <ul style="list-style-type: none"> <li>• Short-term and medium-term forecasting.</li> <li>• Long-term forecasting.</li> </ul>	<ul style="list-style-type: none"> <li>• Further develop the Secretariat’s short-term (2 year), medium-term (3-5 year), and long-term (5+year) forecasting capabilities through training, recruitment and reviewing Benchmark projections.</li> <li>• Document and publish its approaches to forecasting.</li> <li>• Make key databases or links to data sources available on the Fiscal Council’s website.</li> <li>• Liaise with other institutions including the Central Bank of Ireland and the Economic and Social Research Institute on their approaches to modelling.</li> </ul>
<p>Public Finances.</p>	<ul style="list-style-type: none"> <li>• Ensure staff are appropriately trained and informed on all issues relating to the public finances.</li> <li>• Document clearly the Government’s compliance or non-compliance with the domestic Budgetary Rule.</li> <li>• Further develop analysis of revisions to public finance projections relative to plans.</li> <li>• Develop understanding of key drivers of public expenditure forecasts.</li> <li>• Publish updated long-term fiscal projections.</li> <li>• Publish datasets used by the Fiscal Council for use by other researchers.</li> </ul>
<p>Fiscal Rules.</p>	<ul style="list-style-type: none"> <li>• Ensure staff are appropriately trained and informed on all issues relating to the fiscal rules.</li> </ul>

<p>Full-time six-person Secretariat.</p>	<ul style="list-style-type: none"> <li>• Train Secretariat on an ongoing basis where appropriate.</li> <li>• Regularly review Secretariat output.</li> <li>• Foster a supportive work environment.</li> <li>• Ensure that there are clear work plans and goals in place for staff.</li> <li>• Liaise with service providers to ease administrative burden on staff (to include an annual review of any Shared Service Agreement(s)).</li> </ul>
<p>Stakeholders.</p>	<ul style="list-style-type: none"> <li>• Periodically meet with key stakeholders of the Fiscal Council to hear their views on economic issues and work related to the Fiscal Council. To include: Committees to Houses of the Oireachtas, Central Statistics Office, Department of Finance, Department of Public Expenditure and Reform, ESRI, PBO, private economic forecasting agencies, other international fiscal councils.</li> <li>• Participate in international fiscal council forums: <ul style="list-style-type: none"> <li>○ Network of EU Independent Fiscal Institutions (EUIFI)</li> <li>○ EU Network of Independent Fiscal Institutions (EUNIFI)</li> <li>○ OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions</li> </ul> </li> </ul>