

Memorandum of Understanding

**between the
Irish Fiscal Advisory Council
and the
Department of Finance**

2025

This Memorandum of Understanding (MoU) covers the Council’s “Endorsement Function” as set out under the Fiscal Responsibility Act 2012 as amended in 2013.

The Fiscal Responsibility Act 2012 established the Irish Fiscal Advisory Council as an independent institution and assigned it certain responsibilities. These include:

- assessing the Department of Finance’s official forecasts,
- assessing whether the Government’s overall fiscal stance is conducive to prudent management of the economy and public finances, and
- assessing whether the Government is complying with Ireland’s Budgetary Rule

The Council was later assigned an “endorsement role” in 2013.¹ This requires the Council to independently endorse the Department of Finance’s macroeconomic forecasts used for each Budget and Stability Programme Update. The latter are typically considered the Department’s “spring forecasts”, with the Stability Programme Update now replaced by the Annual Progress Report.

This MoU between the Council and the Department of Finance details how the endorsement process works. It covers:

- The information the Department shares with the Council
- How the Council broadly undertakes the exercise
- The timings involved
- How the endorsement decision is communicated
- How the MOU arrangements are reviewed

¹ This was prompted by EU Regulation [No 473/2013](#). Article 4.4 requires Ireland to have its “national medium-term fiscal plans” and “draft budgets” based on independent macroeconomic forecasts. This means macroeconomic forecasts produced or endorsed by an independent body. The endorsement function is set out in the amended Fiscal Responsibility Act 2012. This role entered into force on 23 July 2013. Under the Fiscal Responsibility Act, the Council as an independent body (as defined in Article 2.1.a of [Regulation No 473/2013](#)) is assigned the endorsement function.

1 Information sharing

Each endorsement sees the Department's macroeconomic forecasting staff and the Council's Secretariat engage in regular technical dialogue. This ensures the Council fully understands the Department's forecasting process. It will also orally present to the Council judgement behind its forecasts.

The Department will note any information that is required to be treated as confidential, including under the Fiscal Responsibility Act.

The Department will provide the Council in a timely manner with any information it reasonably requests to assess its forecasts. If its forecasts rely on data from other bodies, the Department will make reasonable efforts to share these data with the Council.

Key variables

A number of key macroeconomic variables will be taken into account in each endorsement. Table 1 sets out the variables the Department should share with the Council. All demand-side inputs are to be shared in both real and nominal terms. From time to time, the Council may request additional variables not included in Table 1. Where the request is judged to be reasonable by both the Department and Council, these should be provided in a timely manner.

How supply-side estimates are constructed

The Department will provide details on how any inputs to its supply-side estimates are constructed and forecast. This includes details of any changes to its models (Murphy et al., 2018) or of any new models adopted. Significant changes to the model code used to construct these will also be provided.

Quarterly profiles

The Council views quarterly data as key inputs to projections. In the interest of developing more robust forecasts that are consistent with latest available information, the Department will provide real and nominal quarterly profiles for personal consumption of goods and services, modified investment, net expenditure by central and local government on current goods and services, modified domestic demand, employment,

unemployment, unemployment rate, labour force, and HICP inflation plus, at shorter horizons, its sub-components.

Table 1 – The key variables shared with the Council

Technical assumptions	Weighted external demand growth ECB policy rate Exchange rates (USD and GBP) Oil and gas prices Net expenditure by central and local government on current goods and services
Demand	Modified gross national income (GNI*) Gross domestic product (GDP) Gross national product Modified domestic demand Net factor income Statistical discrepancy
Demand sub-components	Personal consumption of goods and services Net expenditure by central and local government on current goods and services Modified gross domestic fixed capital formation Building and construction Dwellings Improvements Transaction costs Other building and construction Modified machinery and equipment Non-leasing aircraft Other modified machinery and equipment Modified intangibles Gross domestic fixed capital formation Leasing aircraft Other intangibles (traded IP + imported R&D services) Stocks Domestic exports and imports (relevant to GNI*) Total exports and imports (relevant to GDP)
Supply	Potential output estimates Output gap estimates Unemployment rates used as inputs Private sector credit used as inputs Construction employment used as inputs Any other inputs used to generate supply-side estimates
Other	Modified current account balance Dwellings Population Migration Average hourly wages Average weekly hours Employment Unemployment Labour force Personal disposable income Labour income Household Taxes Household Transfers Capital income HICP inflation Core HICP inflation HICP inflation sub-components (unprocessed food, processed food, non-energy industrial goods, rent, core services, energy)

2 How the Council undertakes its endorsement

In endorsing, the Council considers how appropriate the Department's forecasts are as most likely projections. It takes into account how suitable the underlying forecast methodology, how plausible any judgements made and how internally consistent the forecasts are.

The Council will develop and maintain its technical capacity and analytical expertise for evaluating Ireland's macroeconomic projections.

The Council will communicate regularly on its endorsement approach. This will include the analysis underpinning its assessments.

The Council recognises the inherent uncertainty surrounding forecasts and that appropriate forecasts may lie within a range. While point estimates of macroeconomic variables are required as forecast outputs, both parties note that output is volatile and that the magnitude of revisions to Irish economic aggregates can be large.

How the decision is communicated

The Council's Chairperson will communicate the endorsement decision via a formal letter to the Secretary General of the Department of Finance. This letter is to be sent after the Department's formal endorsement meeting with the Council.

The Council and Department will publish the endorsement letter no later than on Budget day, once the Minister for Finance begins speaking, or on the day the spring forecasts are published. It will be included in the Budget or spring forecast publications as appropriate.

The letter from the Council's Chairperson would not typically contain any commentary on the macroeconomic forecasts. The Council's detailed views regarding the forecasts would instead be contained in the Council's subsequent Endorsement Note or in its Fiscal Assessment Report.

If significant reservations arise

In the event that the Council concluded preliminarily that it had significant reservations with the Department's preliminary forecasts, it will communicate these reservations to the Department as soon as possible on an informal basis.

Further discussions could then take place between the Department and the Council and a revised set of forecasts addressing the concerns raised could be provided to the Council as a basis for endorsement subject to the timings set out in Section 3. The substantive conclusions of such discussions would be reflected in written communications between the Council and the Department.

If, at the end of the process, the Council was not in a position to endorse the macroeconomic forecasts underlying the Budget or spring forecasts, the Chairperson of the Council would write to the Secretary General of the Department prior to the publication of the Budget or spring forecasts. They would outline the reasons why the Council was not in a position to endorse the macroeconomic forecasts. This communication should take place no later than five working days ahead of Budget day or the publication of the spring forecasts. Such a letter would also be made public by the Council and the Department no later than on Budget day, once the Minister begins speaking, or the publication of the spring forecasts.

Commentary on endorsement

The Council may comment on the endorsement exercise in its subsequent Endorsement Note, Fiscal Assessment Report, or other publications. Material of a factual nature relating to the endorsement exercise for publication will be supplied to the Department no later than five working days in advance of publication to allow for comment on issues solely of a factual nature. This does not prejudice the Council's sole responsibility for the content of the Report.

3 The timings involved

There are at least two endorsements each year. One covers the macroeconomic projections underpinning the Budget for the following year. The other covers the spring forecasts.² Another possibility is an endorsement of the macroeconomic projections for the Medium-Term Fiscal-Structural Plan.

The Government has decided that Budget Day will be on or before October 15th each year from 2013 on.³ The spring forecasts must be submitted to the European Commission by the end of April each year.

The endorsement is expected to be an ongoing process involving written and informal interactions. These interactions will mainly occur between members of the Council's Secretariat and the relevant Department of Finance staff.

The Council Secretariat's and the Department will each designate one person to be the central point of contact for these exchanges. In the Department's case, this will be a member of the forecasting team. Council members may also, on occasion, participate in the discussions, as appropriate.

Specific timings

To ensure the Council is in a position to carry out its formal function in an effective and timely fashion, the following timetable will apply.

At least 40 days ahead of publication

The Department will communicate in writing to the Council the intended **publication date** for the Budget or the spring forecasts. Once communicated to the Council, staff involved in forecasting will not discuss their respective work-in-progress forecasts bilaterally until they are formally sent to the Council's Secretariat. This does not preclude discussions on technical clarifications.

² [Regulation No 473/2013](#) refers to "the main assumptions of the independent macroeconomic forecasts and important economic developments which are relevant to the achievement of budgetary targets" and "an annex containing the methodology, economic models and assumptions, and any other relevant parameters underpinning the budgetary forecasts and the estimated impact of aggregated budgetary measures on economic growth."

³ In line with requirements under [Regulation No 473/2013](#).

At least 18 working days ahead of publication

Departmental staff will provide the Council's Secretariat with its **technical assumptions** in electronic form at least 18 working days ahead of Budget day or the publication of the spring forecasts.

At least 15 working days ahead of publication

The Department's staff will provide the Council's Secretariat with its **preliminary set of forecasts** in electronic form at least 15 working days ahead of Budget day or the publication of the spring forecasts. These will be provisional in nature, will not necessarily take account of data released between then and final publication, and will serve as a basis for informal discussion.

At least 12 working days ahead of publication

Departmental staff will **meet with the Council's Secretariat to discuss its preliminary forecasts**. Individual Council members may participate in this meeting if they so wish. This discussion is intended to be for the purposes of the Council's Secretariat seeking clarification on technical matters.

At least 10 working days ahead of publication

Following such interaction, no later than 10 working days prior to Budget day or publication of the spring forecasts, the Department will provide at a **meeting with the Council** its "provisional final" macroeconomic forecasts. These forecasts will incorporate the macroeconomic impact of the most recent, officially-articulated consolidation/expansion measures foreseen in the Budget.

The final amount of fiscal measures, and their composition between expenditure and tax measures (as well as the precise details of individual measures) may not be available, pending subsequent Government decisions and announcement on Budget day. Accordingly, the official macroeconomic forecasts published in the Budget may differ from the "provisional final" forecasts endorsed by the Council.

At least 7 working days ahead of publication

Any **revisions** to the "provisional final" forecast in the light of interactions with the Council or other factors would be provided to the Council at least 7 working days before Budget day or the publication of the spring forecasts.

This is to be sent after the Department's formal endorsement meeting with the Council.

At least 5 working days ahead of publication

The Council's **endorsement letter** should be sent to the Department at least five working days ahead of Budget day or ahead of the publication of the spring forecasts.

On the day of publication

The Council and Department will **publish the endorsement letter** no later than on Budget day, once the Minister for Finance begins speaking, or on the day the spring forecasts are published. The letter will be included in the Budget or spring forecasts publications as appropriate.

If modifications to the endorsed forecasts are made, the Department will provide the Council with a **reconciliation table** between endorsed and final forecasts for all years affected by any discretionary fiscal policies. This reconciliation table will be provided on Budget day or on the day the spring forecasts are published and will be included in the respective publications.

Where a reconciliation is required, the Department will detail the specific calculations used in determining the impact of the aggregate of discretionary fiscal measures on the endorsed forecasts. This includes their impact on GNI* and its components, HICP, and the labour market. The Department will set out the fiscal multipliers assumed and the import elasticities assumed.

This information may be used by the Council in its subsequent publications and communications.

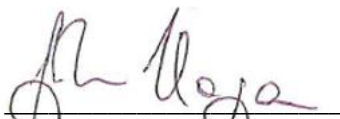
4 Publication and Review of this Memorandum

This MoU will be posted on the websites of both the Council and the Department.

The MoU may be reviewed by both sides annually or earlier at the agreement of both parties.

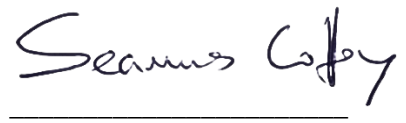
Any revisions to the MoU that prove necessary as a result of this review will be introduced subject to the agreement of both parties.

If the MoU remains satisfactory to both sides upon review, it can be assumed that the MoU will continue to operate as last agreed.



John Hogan
Secretary General,
Department of Finance

Date: 04/06/2025



Seamus Coffey
Chairperson,
Irish Fiscal Advisory Council

Date: 04/06/2025