

# Fiscal Councils: Evidence, Common Features, and Lessons for the Caribbean

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Country Department Caribbean  
Group

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# **Fiscal Councils: Evidence, Common Features, and Lessons for the Caribbean**

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## **Abstract**

Fiscal councils are among the most recent innovations in terms of the architecture of fiscal institutions. This paper provides an overview of the history and evolution of these institutions, research regarding their effectiveness, and a detailed survey of their key characteristics across countries. Emerging evidence suggests that fiscal councils that are well insulated from government or political influence, adequately resourced and funded, with clear mandates and quantitative objectives anchored in fiscal rules, and able to effectively influence public opinion are most effective in strengthening fiscal outcomes. Conversely, poorly designed or inadequately resourced fiscal councils may not improve fiscal outcomes at all. Caribbean countries are just the latest frontier in the expansion of fiscal councils globally. As these and other small and/or developing countries begin to design and activate such entities, it will be important for their architects to optimize them to country-specific needs and constraints. Not doing so risks compromising credibility and progress to date on institutional reform.

**JEL Codes:** E62, H60

**Key Words:** budget, Caribbean, fiscal councils, fiscal forecasting, fiscal institutions, fiscal rules

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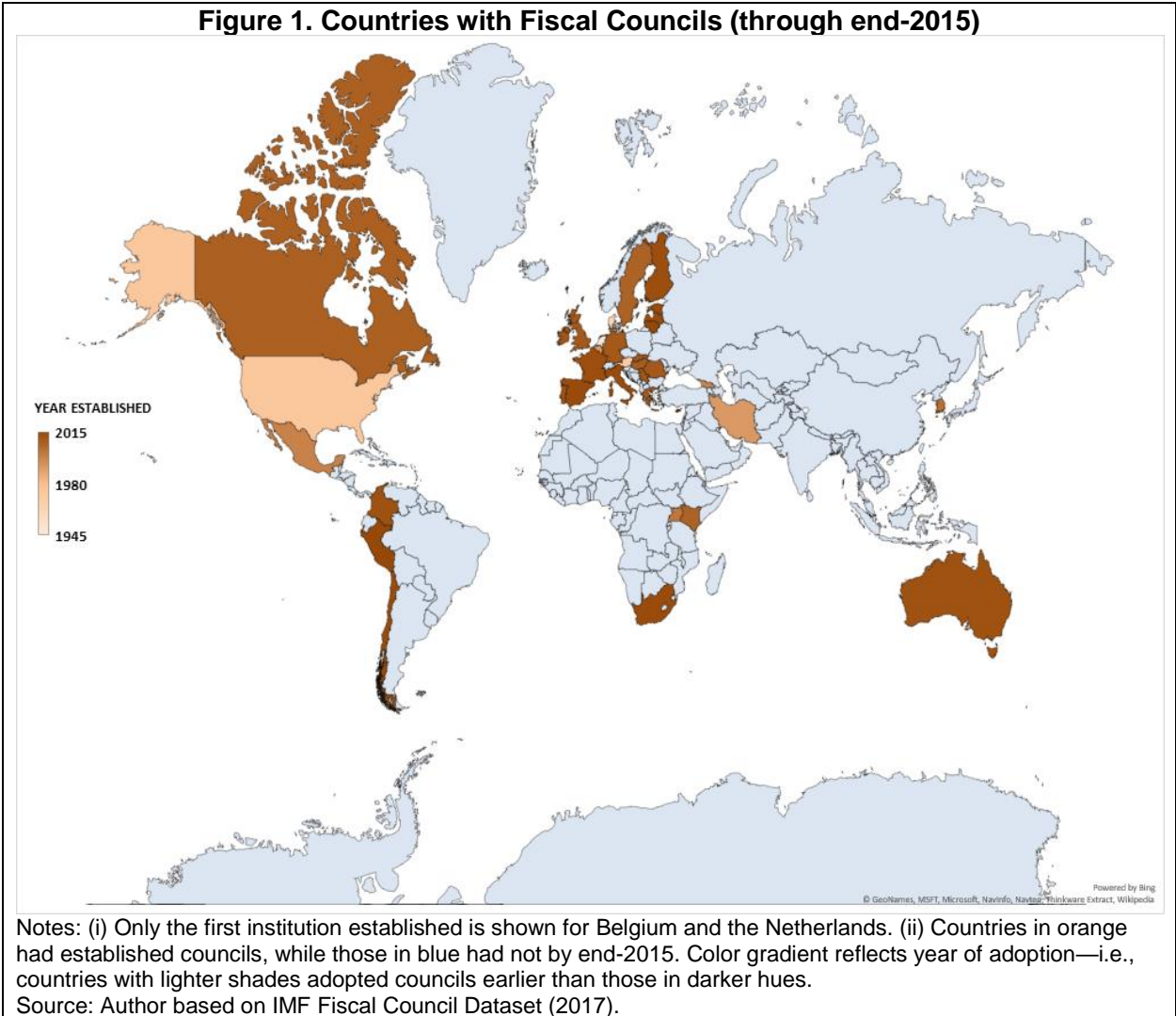
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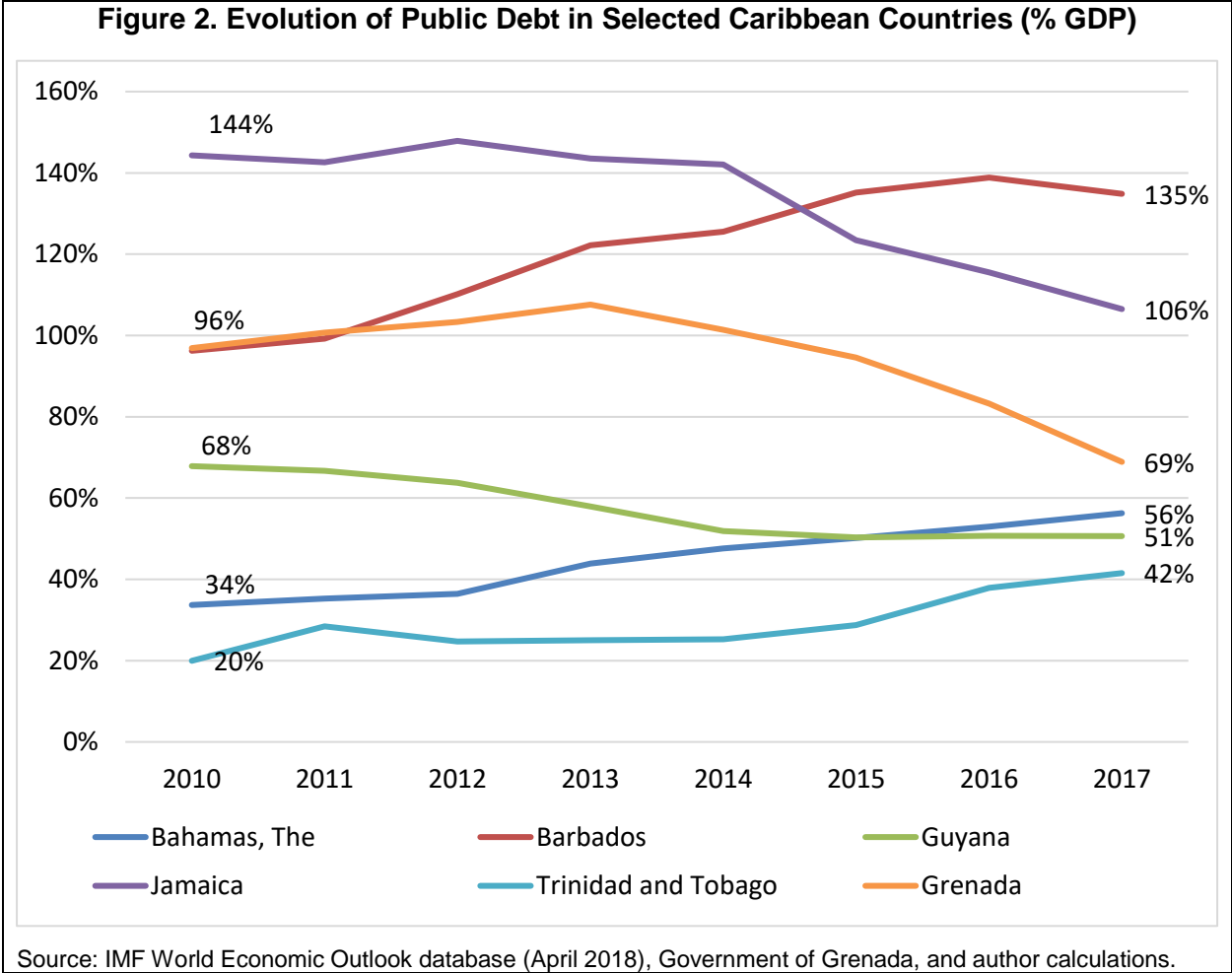
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# 1. Introduction

The term 'fiscal council' has been used to describe a variety of different administrative structures. The meaning of this term has evolved considerably since the Dutch established the first council in 1945. Unlike other policy structures or regimes with relatively uniform definitions such as inflation targeting for central banks or value-added tax regimes, the role, structure, and mandate of fiscal councils can differ considerably. These and other differences can have significant implications for the effectiveness and desirability of such structures. The number of countries with fiscal councils has increased considerably over the past 70 years, with many having emerged over the last decade since the global financial crisis that began in 2008. While early adopters were advanced economies with strong administrative and technical capacity, recent years have seen a number of developing economies join this rapidly growing group (Figure 1).



The Caribbean region represents the latest frontier in the development of fiscal councils. The Bahamas and Grenada have recently implemented their own councils, and Jamaica committed in 2018 to design and operationalize one in the near future. As a region with high debt levels (Figure 2) and significant vulnerability to external shocks, these and other developing countries in the Caribbean region appear to be strong candidates for the type of fiscal discipline, transparency, and accountability that fiscal councils can help to engender.



This paper will discuss the history and evolution of fiscal councils and related administrative structures across the world, review some available evidence regarding the relationship between their characteristics and effectiveness for strengthening fiscal outcomes, and distil the key features of such institutions with a focus on highlighting common and strong practices. We will also map out a number of options and observations regarding existing structures related to their mandates, coverage, operational features, degree of independence, and composition. Finally, we put forward some issues for consideration based on our review of the design and operational features of fiscal councils around the world.

## 2. Fiscal Councils: Overview and History

While the mandate, structure, and composition of fiscal councils can vary widely across jurisdictions, they are generally understood to be independent public institutions designed to achieve certain objectives. Some of these objectives include: (i) strengthening commitments to sustainable policies and finances, including via public assessments of fiscal plans and performance; (ii) evaluating or providing macroeconomic and budgetary forecasts; (iii) and/or involving independent stakeholders in the policy development and review process.<sup>1</sup> Put simply, fiscal councils are entities with some degree of independence from agencies normally charged with budgetary functions—including with respect to planning, forecasting revenues and/or expenditures, as well as budget execution—and that inform the debate on the formulation and execution of public financial policies.

The history of fiscal councils goes back as far as the end of World War II, when the Netherlands established the first such entity—the Netherlands Bureau for Economic Policy Analysis—in 1945. After nearly two decades, the government of Denmark also established a council in 1962 (the Danish Economic Council), followed by authorities in Austria in 1970 (the Fiscal Advisory Council), and in the United States in 1974 (the Congressional Budget Office).<sup>2</sup> Subsequently, the number of countries with fiscal councils increased slowly starting in the 1970s, with only 10 countries having implemented such institutions by 2006.

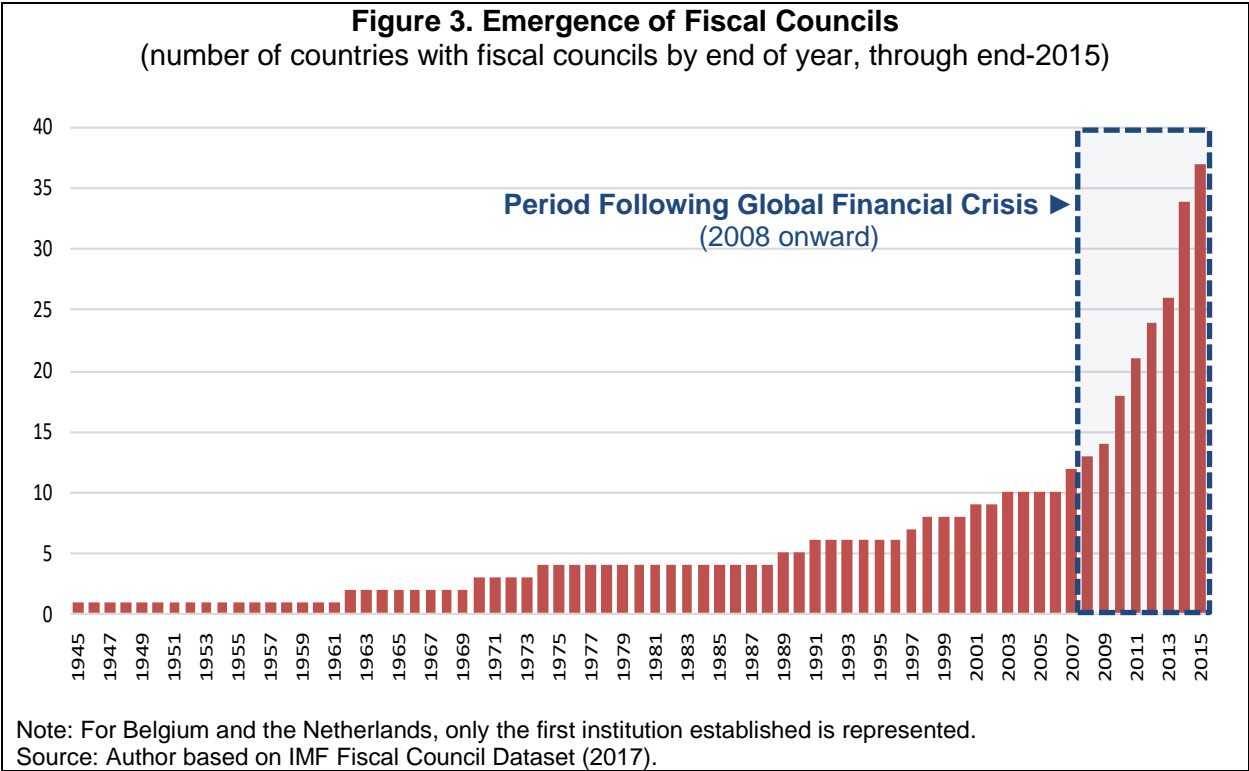
The global financial crisis that began in 2008, and the economic strains that this precipitated for countries around the world, served as a powerful catalyst for fiscal reform and restructuring. This contributed to a rapid increase in the number of countries adopting such structures. In this context, the number of countries that had implemented independent fiscal councils increased from 10 at end-2006 to 37 by end-2015—a nearly threefold increase in just under a decade (Figure 3).

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<sup>1</sup> For additional information, see Debrun et al. (2013).

<sup>2</sup> From IMF Fiscal Council Dataset (2017).





The variety of countries that had adopted such entities by end-2015 has expanded considerably. While the first countries to adopt fiscal councils were predominantly advanced economies, the spectrum now ranges from some of the wealthiest countries in the world—e.g., Luxembourg, with a per capita GDP of US\$106,000 in 2017—, to low- and middle-income economies such as Uganda and Kenya, with per capita incomes of US\$1,700 and US\$700 in 2017, respectively. Similarly, the group of countries that had put fiscal councils in place by end-2015 ranged from some of the world’s largest economies—e.g., the United States and Mexico, with populations of 342 million and 124 million, respectively—to three states with populations of less than 1 million inhabitants—i.e., Estonia, Malta, and Luxembourg. In terms of geography, 24 of the 37 countries that have implemented councils are in Europe. Only four Latin American countries—Chile, Colombia, Mexico, and Peru—had developed fiscal councils by end-2015.

**Table 1. Fiscal Councils (through end-2015\*)**

Country	Name of Institution	Year Established	Per Capita GDP (US\$, 2017)	Population (2017, millions)	Region	IDA Income Category
Uganda	Parliamentary Budget Office	2001	699.41	45.0	Sub-Saharan Africa	Low income
Kenya	Parliamentary Budget Office	2007	1,701.55	46.7	Sub-Saharan Africa	Lower middle income
Georgia	Parliamentary Budget Office	1997	4,098.62	3.7	Europe & Central Asia	Lower middle income
Jamaica	TBD	TBD	5,047.96	2.8	Latin America & Caribbean	Upper middle income
Iran	Public sector Directorate of Parliament (Majlis) Research Center	1991	5,304.66	81.4	Middle East & North Africa	Upper middle income
Serbia	Fiscal Council	2011	5,899.04	7.0	Europe & Central Asia	Upper middle income
South Africa	Parliamentary Budget Office	2014	6,179.87	62.1	Sub-Saharan Africa	Upper middle income
Colombia	Comite Consultivo para la Regla Fiscal	2012	6,272.82	49.3	Latin America & Caribbean	Upper middle income
Peru	Consejo Fiscal	2015	6,762.19	31.8	Latin America & Caribbean	Upper middle income
Mexico	Centre for Public Finance Studies	1998	9,304.17	123.5	Latin America & Caribbean	Upper middle income
Grenada	Fiscal Responsibility Oversight Committee (FROC)	2017*	10,360.44	0.1	Latin America & Caribbean	Upper middle income
Romania	Fiscal Council	2010	10,757.00	19.6	Europe & Central Asia	Upper middle income
Chile	Advisory Fiscal Council	2014	15,070.41	18.4	Latin America & Caribbean	High income
Hungary	Fiscal Council	2009	15,531.21	9.8	Europe & Central Asia	High income
Latvia	Fiscal Discipline Council	2014	15,547.24	2.0	Europe & Central Asia	High income
Lithuania	National Audit Office	2015	16,730.23	2.8	Europe & Central Asia	High income
Slovak Republic	Council for Budget Responsibility	2011	17,664.30	5.4	Europe & Central Asia	High income
Greece	Parliamentary Budget Office	2010	18,637.27	10.8	Europe & Central Asia	High income
Estonia	Fiscal Council	2014	19,840.14	1.3	Europe & Central Asia	High income
Portugal	Portuguese Public Finance Council	2012	21,161.29	10.3	Europe & Central Asia	High income
Cyprus	Fiscal Council	2014	24,976.18	0.9	Europe & Central Asia	High income
Malta	Malta Fiscal Advisory Council	2015	27,250.41	0.5	Middle East & North Africa	High income
Spain	Independent Authority of Fiscal Responsibility	2014	28,358.81	45.9	Europe & Central Asia	High income
South Korea	National Assembly Budget Office	2003	29,891.26	51.5	East Asia & Pacific	High income
The Bahamas	Fiscal Responsibility Council (FRC)	2018*	31,255.19	0.4	Latin America & Caribbean	High income
Italy	Parliamentary Budget Office	2014	31,984.01	60.6	Europe & Central Asia	High income
United Kingdom	Office for Budget Responsibility	2010	39,734.59	68.0	Europe & Central Asia	High income
France	High Council of Public Finance	2013	39,869.08	64.8	Europe & Central Asia	High income
Belgium	High Council of Finance - Public Sector Borrowing Section / Federal Planning Bureau	1989 / 1994	43,582.17	11.4	Europe & Central Asia	High income
Germany	Independent Advisory Board to the German Stability Council (Stabilitätsrat)	2010	44,549.69	82.7	Europe & Central Asia	High income
Canada	Parliamentary Budget Office	2008	45,077.39	36.7	North America	High income
Finland	National Audit Office of Finland	2013	46,016.74	5.5	Europe & Central Asia	High income
Austria	Fiscal Advisory Council	1970	47,290.00	8.8	Europe & Central Asia	High income
Netherlands	Netherlands Bureau for Economic Policy Analysis / Raad van State	1945 / 2014	48,345.73	17.1	Europe & Central Asia	High income
Sweden	Swedish Fiscal Policy Council	2007	53,217.63	10.8	Europe & Central Asia	High income
Australia	Parliamentary Budget Office	2012	55,707.28	24.8	East Asia & Pacific	High income
Denmark	Danish Economic Council	1962	56,444.10	5.7	Europe & Central Asia	High income
United States	Congressional Budget Office 10/	1974	59,501.11	341.7	North America	High income
Ireland	Irish Fiscal Advisory Council	2011	70,638.26	4.7	Europe & Central Asia	High income
Luxembourg	National Council of Public Finance	2014	105,803.13	0.6	Europe & Central Asia	High income

Notes: (i) Sorted by population. (ii) (\*) Councils for The Bahamas and Grenada were not yet included in the IMF's databases by the time of this publication. (iii) IDA income categories (2019 fiscal year) are as follows: low-income economies are those with a gross national income (GNI) per capita (World Bank Atlas method) of < \$995 in 2017; lower middle-income economies = GNI per capita between \$996 and \$3,895; upper middle-income economies = GNI per capita between \$3,896 and \$12,055; high-income economies = GNI per capita of \$12,056 or more. Sources: IMF Fiscal Council Dataset (2017), World Bank WDI and IDA data, and author calculations.

While national fiscal councils remain the norm, related regional entities linked to economic and monetary unions have also begun to emerge. Notably, the European Commission recently launched the European Fiscal Board (EFB), a supra-national fiscal agency whose mandate is broadly in line with that of traditional national fiscal councils.<sup>3</sup> The EFB was established in October 2015 in response to recommendations of the Five Presidents' Report on completing Europe's Economic and Monetary Union. All European Union (EU) member states are now

<sup>3</sup> For further details, see: [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/european-fiscal-board-efb\\_en#reports-and-publications](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/european-fiscal-board-efb_en#reports-and-publications)

required to have independent fiscal council, and the EFB will work with member state councils, particularly regarding the exchange of best practices and to facilitate the interpretation and assessment of EU fiscal rules. The EFB will, in cooperation with member state fiscal councils, advise the European Commission on fiscal matters, including by evaluating the implementation of EU fiscal rules, as well as advising the Commission on national and regional fiscal policies appropriate for the euro area as a whole.

Since 2017, two Caribbean countries—Grenada followed by The Bahamas—have created fiscal councils. They are the smallest countries (by population) in the world to put such agencies in place. Grenada’s Fiscal Responsibility Oversight Committee (FROC) was constituted on August 23, 2017, with a legislated mandate to monitor and report on the government’s compliance with its fiscal rules and targets, as set out in Section 14 of the country’s Fiscal Responsibility Law (FRL). Specifically, the FROC assesses compliance of fiscal performance with budgets, as well as any supplementary budgets (Fiscal Responsibility Act No. 29 of 2015).

In The Bahamas, Sections 17 to 22 of the Fiscal Responsibility Bill (FRB) 2018 prescribe the establishment, functions, and constitution of a Fiscal Responsibility Council (FRC). The FRC’s mandate is to assess compliance with the FRB’s general principles, fiscal responsibility requirements, and fiscal objectives. This mandate also includes a requirement to advise on broader fiscal and budgetary matters, including the fiscal strategy report, annual budget, mid-year review, pre-election economic and fiscal update, annual accounts, reports on any potential deviations from fiscal responsibility requirements, and the government’s fiscal adjustment plan in response to deviations (The Bahamas Fiscal Responsibility Bill, 2018). The Bahamas’ FRC is slated to become operational in 2018-19 pending approval and entry into force of relevant legislation.

Jamaica is in the early stages of designing a fiscal council. In May of 2018, the government announced its intention to establish an independent fiscal council, with the objective of strengthening Jamaica’s fiscal responsibility framework.<sup>4</sup> The overall aim will be to ensure that the hard-won gains with respect to fiscal discipline and debt reduction achieved in recent years are more firmly entrenched in the country’s legislative and institutional frameworks. In this context, the government has initiated consultations regarding the design of a fiscal council. It will seek input from a wide range of stakeholders, including international experts, unions, representatives of the private and financial sectors, civil society, academia, as well as

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<sup>4</sup> See announcement: <http://www.mof.gov.jm/downloads/speeches/presentations/hmfps-speech-fiscal-responsibility-framework.pdf>

opposition members in Jamaica's Parliament. While many details regarding the specific scope, composition, staffing, and mandate of Jamaica's forthcoming council remain to be discussed, markets have already taken notice, prompting at least one ratings agency to publish commentary in support of the initiative and its potential implications for future risk assessments and ratings (Box 1).

#### **Box 1. Rating Agency Reaction to Planned Fiscal Council in Jamaica**

Moody's Investor Service released an Issuer Comment in June 2018, praising the government's decision to move towards the establishment of a fiscal council. The agency noted that such an institution would support Jamaica's credit profile by further strengthening policy credibility and effectiveness. They noted that the ultimate effectiveness of such an entity would depend crucially on the degree to which it might be able to operate independently to provide an additional layer of oversight to Jamaica's policy framework. If adequately designed and resourced, such an agency would support both ratings views and long-term sustainability by enhancing fiscal and policy transparency, as well as enforcing compliance with the fiscal rule, once the IMF supported program currently in place expires in 2019.

Source: Moody's Issuer Comment on the Government of Jamaica (June 2018).

As these countries in the Caribbean and other small and/or developing economies begin to consider the design and implementation of fiscal councils, it will be important for policymakers to consider the experiences and structures implemented by other countries. Similarly, while many of these institutions have been created relatively recently, some empirical evidence is emerging regarding the relationship between the design, composition, resourcing, and mandates of fiscal councils, and their effectiveness in terms of improving budgetary, fiscal, and macroeconomic outcomes. The next section discusses related findings and their potential implications.

### **3. Effectiveness of Fiscal Councils—Recent Cross-Country Evidence**

Recent research and evidence regarding the benefits of institutions meeting the aforementioned qualification criteria suggest that certain institutional, legal, and structural characteristics can be linked to superior fiscal outcomes. Specifically, these key features relate to the scope of fiscal operations captured or reviewed by councils, the sanctity of their legal and operational independence, and whether they display some kind of enforcement procedure (Debrun et al.,

2013).<sup>5</sup> This evidence also points to the conclusion that the mere existence of a fiscal council may not improve fiscal performance if its structure, resources, and/or design are inadequate. Despite the usual methodological caveats<sup>6</sup>, several key findings of this research are helpful in considering optimal design features. These include the following:

- **Legal and Operational Independence:** As an entity charged with providing an impartial assessment of fiscal assumptions (ex ante) and performance (ex post), independence is clearly a crucial issue with implications for a council's effectiveness. In this context, evidence suggests that councils that benefit from explicit legal and other guarantees regarding their ability to operate freely and without interference from fiscal authorities have, on average, performed better in terms supporting improvements in fiscal outcomes. These guarantees are generally most effective when enshrined in legislation. They are also linked to councils' ability to ensure that they have adequate human resources (e.g., in terms of financing), as well as unbiased membership (e.g., limiting membership of the council to those without direct affiliation to the sitting government also responsible for budgeting and fiscal management).
- **Monitoring of Fiscal Rules:** Evidence suggests that fiscal councils embedded in a country's existing fiscal rule are most effective in improving fiscal outcomes. This is particularly so as fiscal rules generally involve quantitative targets for budgetary outcomes (e.g., government operating balance) and/or debt levels (e.g., debt-to-GDP ratios), generally with some kind of temporal boundary. They can also involve adjustment mechanisms for deviations that have quantitative dimensions. When independent councils are specifically charged with monitoring and advising on the achievement of such targets, their recommendations are more easily defined, observed, and measurable. This facilitates the task of informing and seeking support from the public regarding a council's recommendations, as the population is generally already sensitized to the rationale for and importance of adhering to the fiscal rule itself.
- **Normative Analyses and Forecast Preparation:** Assessments by fiscal councils of budgetary forecasts (e.g., revenue, expenditure, and underlying macroeconomic forecasts)

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<sup>5</sup> We focus on evidence linked to fiscal councils consistent with the IMF's definition and criteria described above, which forms the basis for the analyses outlined in previous and subsequent sections of this paper. While other research is also relevant, definitional differences introduce potential inconsistencies.

<sup>6</sup> Authors note that results are not conclusive. Many of the councils assessed had only a short track record of operation, limiting the data available to assess post-implementation fiscal outcomes. Similarly, while the underlying econometric analyses found correlations, these were not able to determine causation. Other institutional characteristics may also have driven strong fiscal outcomes.

and reviews of assumptions regarding costs of planned policies is also linked to improvements in fiscal outcomes. Evidence suggests that in cases where sufficient technical and human capacity exists, related activities can reduce optimism and procyclical policy biases<sup>7</sup>, as well as reduce the scope or incentives of governments to purposely manipulate forecasts.

- **Outreach and Information Dissemination:** Fiscal councils that are better able to engage the voting public regarding their findings and recommendations appear to have the most traction in terms of influencing policies and improving fiscal outcomes. As discussed above, in cases where fiscal rules already exist, messaging regarding the importance of a council's recommendations is facilitated by the public's familiarity with related concepts and targets.

In summary, emerging research suggests that not all fiscal councils are created equal. Institutions that are poorly designed, lack independence, are inadequately resourced, do not focus on quantitative measures, and/or are not able to gain traction with the public regarding recommendations may not provide significant benefits. Some functions, such as the ability to provide normative analyses and/or to produce high quality alternative economic and financial forecasts, are predicated on adequate resourcing and skills availability. Producing low-quality alternative projections or related recommendations is not likely to be helpful. This notwithstanding, any government designing or considering improvements to the country's fiscal institutional framework should consider this and related evidence in the context of its own specific needs.

#### 4. Survey of Current Institutional Practices

A review of key characteristics of existing fiscal councils as reported in the IMF's Fiscal Council Dataset (2017)<sup>8</sup> is a helpful starting point in terms of highlighting strong practices across the world. The analyses and observations discussed below are based largely on data and other information drawn from the IMF's database, as well as from countries and their respective agencies. Characteristics considered include the following: (i) the council's degree of legal and

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<sup>7</sup> For a broader discussion of the link between optimism in macroeconomic forecasts and their implications for fiscal and debt sustainability, see Mooney and de Soyres (2017).

<sup>8</sup> The version used for analyses detailed in this paper was last updated in December 2016. Note that the dataset covers existing fiscal councils for IMF member countries, including those at an advanced stage of development and some that were revised or abolished. For more information, see: IMF Fiscal Council Dataset (2017) and accompanying note by Debrun et al., "The Fiscal Council Dataset: A Primer to the 2016 Vintage" (<http://www.imf.org/external/np/fad/council/>).

operational independence, (ii) its coverage and mandate, (iii) its tasks and instruments, (iv) accountability, and (v) resources.

### ***A. Legal and Operational Independence***

A crucial consideration for architects of fiscal councils is the degree to which these entities are able to operate at arm's length from the government or elected officials. Councils are designed to operate as institutional pillars supporting a country's rules-based fiscal framework by acting as a "fiscal watchdog." In this context, one key feature that distinguishes fiscal councils from other agencies of government traditionally mandated with budgetary and fiscal policy functions is its non-partisan nature (IMF, 2017).

In addition to the empirical evidence presented above, the literature suggests that this non-partisan nature should be insulated from political cycles (e.g., Kopits, 2011), and that councils should be accountable to the elected legislature (e.g., parliament or congress), rather than the executive branch (e.g., the cabinet of ministers). Similarly, councils should be free to engage relevant stakeholders, including the media, private sector, and regional and/or international institutions regarding views or assessments of government compliance with fiscal responsibility legislation. Other dimensions of independence include staffing, budgeting, and access to information. Finally, councils should ideally have the ability to direct operations without interference from central government authorities or other agencies of government.

A related consideration has to do with the mechanisms and rules of engagement between a fiscal council and agencies of government. A typical structure in this regard is the establishment of a formal Memorandum of Understanding (MOU) covering, inter alia: (i) guidelines for data provision, (ii) protocols for handling sensitive information, (iii) modalities for review and discussion of the council's draft report, and (iv) guidelines for addressing differences of opinion.

**Table 2. Fiscal Councils: Independence (through end-2015)**

Country	Name of Council	Independence					
		Legal	Operational	Safeguards on budget	Right to Select Staff	Adequate Staffing	Access to Information
Australia	Parliamentary Budget Office	YES	YES	YES	YES	YES	NO
Austria	Fiscal Advisory Council	YES	YES	YES	YES	YES	YES
Belgium	High Council of Finance - Public Sector Borrowing Section	NO	YES	NO	NO	YES	YES
Belgium	Federal Planning Bureau	YES	YES	NO	YES	YES	YES
Canada	Parliamentary Budget Office	YES	YES	NO	YES	YES	YES
Chile	Advisory Fiscal Council	NO	NO	NO	NO	YES	YES
Colombia	Comite Consultivo para la Regla Fiscal	YES	NO	NO	NO	YES	YES
Cyprus	Fiscal Council	YES	YES	YES	YES	NO	YES
Denmark	Danish Economic Council	YES	YES	NO	YES	YES	NO
Estonia	Fiscal Council	YES	YES	YES	YES	YES	YES
Finland	National Audit Office of Finland	YES	YES	NO	YES	YES	YES
France	High Council of Public Finance	YES	YES	YES	NO	YES	YES
Georgia	Parliamentary Budget Office	YES	NO	NO	YES	YES	YES
Germany	Independent Advisory Board to the German Stability Council	NO	NO	NO	NO	YES	YES
Greece	Parliamentary Budget Office	YES	YES	NO	YES	N.A.	YES
Hungary	Fiscal Council	YES	NO	NO	YES	NO	YES
Iran	Public sector Directorate of Parliament (Majlis) Research Center	YES	YES	NO	YES	YES	NO
Ireland	Irish Fiscal Advisory Council	YES	YES	YES	YES	YES	YES
Italy	Parliamentary Budget Office	YES	YES	YES	YES	YES	YES
Kenya	Parliamentary Budget Office	NO	YES	NO	N.A.	YES	YES
Latvia	Fiscal Discipline Council	YES	YES	YES	YES	YES	YES
Lithuania	National Audit Office	YES	YES	YES	YES	YES	YES
Luxembourg	National Council of Public Finance	YES	YES	NO	NO	YES	YES
Malta	Malta Fiscal Advisory Council	YES	YES	YES	YES	N.A.	YES
Mexico	Centre for Public Finance Studies	NO	NO	NO	YES	YES	YES
Netherlands	Netherlands Bureau for Economic Policy Analysis	NO	YES	YES	YES	YES	NO
Netherlands	Raad van State	YES	YES	NO	NO	YES	YES
Peru	Consejo Fiscal	YES	YES	YES	YES	YES	YES
Portugal	Portuguese Public Finance Council	YES	YES	YES	YES	YES	YES
Romania	Fiscal Council	YES	YES	YES	YES	NO	YES
Serbia	Fiscal Council	YES	YES	NO	YES	YES	YES
Slovak Republic	Council for Budget Responsibility	YES	YES	YES	YES	YES	YES
South Africa	Parliamentary Budget Office	YES	NO	YES	YES	YES	YES
South Korea	National Assembly Budget Office	YES	YES	YES	YES	YES	YES
Spain	Independent Authority of Fiscal Responsibility	YES	NO	NO	YES	YES	YES
Sweden	Swedish Fiscal Policy Council	YES	YES	YES	YES	NO	NO
Uganda	Parliamentary Budget Office	NO	NO	YES	YES	YES	NO
United Kingdom	Office for Budget Responsibility	YES	YES	YES	YES	YES	YES
United States	Congressional Budget Office	YES	YES	YES	YES	YES	YES
<b>TOTAL AFFIRMATIVE:</b>		<b>32</b>	<b>30</b>	<b>21</b>	<b>31</b>	<b>33</b>	<b>33</b>

Notes: Cells in green/red reflect YES/NO assessment on criterion. "N.A." = not available.

Sources: IMF Fiscal Council Dataset (2017) and author calculations.

As outlined in Table 2, the vast majority of fiscal councils for which data were available—32 of 39—operated with legal independence from political interference, which was guaranteed by law or in some form of treaty. In this context, two of the seven that did not were based in countries with a second institution that did have legal independence (i.e., Belgium and the Netherlands). Only five countries—Chile, Germany, Kenya, Mexico, and Uganda—did not operate councils considered ‘independent’ from a legal perspective.

The majority of institutions assessed also enjoyed considerable independence with respect to the following:

- The management of their day-to-day operations (30 of 39).
- Having adequate safeguards on their budgetary resources (21 of 39).
- The right to select staff (not including members of the council itself) (31 of 38).



- Having the capacity to adequately staff their agencies in a manner commensurate with their mandates (33 of 37).
- Having sufficient rights to access information required to accomplish their objectives (33 of 39).

**Box 2. Independence of Fiscal Councils—The Bahamas and Grenada**

Country	Name of Council	Independence					
		Legal	Operational	Safeguards on budget	Right to Select Staff	Adequate Staffing	Access to Information
Bahamas	Fiscal Responsibility Council	Yes	Yes	Yes	Yes	Yes	Yes
Grenada	Fiscal Responsibility Oversight Committee	Yes	Yes	Yes	Yes	N/A	Yes

Turning to the new councils operating in the Caribbean, in the case of Grenada, the FROC is accountable to the legislature. The Governor-General appoints four of its members upon the recommendations of the Privilege Committee of the Parliament, and one member on the advice of the Governor of the Eastern Caribbean Central Bank. Within weeks of tabling a report to the Parliament, the FROC holds a media briefing to present its findings. Since being constituted, the FROC has presented Parliament with two compliance reports (for fiscal year (FY) 2016 and FY 2017). The Bahamian council is also responsible to the legislature. The Governor General appoints members with advice from the Speaker of The House of Assembly. Reports (at least three each year—including a mid-year and full-year review) are to be tabled to Parliament, within at least one month of the publication of the government’s accounts.

**B. Council Selection and Dismissal Authority**

Another key decision in designing a fiscal council is determining which body should be responsible for appointing council members, and/or who is empowered to dismiss members of the council. These issues are crucially linked to the issue of a council’s independence. One clearly relevant example in terms of institutional practice is that of central banks and the independence of their executives. In this context, the independence of central banks is often linked to the terms related to the appointment of the governor or chief executive officer and members of the board, including the length of terms, the number of reappointments possible, and provisions for their removal from office.<sup>9</sup>

As outlined in Table 3, in terms of responsibility for appointing members, the sample of councils (not including new agencies in the Caribbean) was about evenly split between countries whose governments (i.e., the executive and the cabinet) were responsible for appointing members of

<sup>9</sup> For a detailed discussion of the theory and evidence regarding the importance of central bank independence, see Crowe and Meade (2008).

the council (19 of 37 agencies), and those whose parliaments or non-executive elected government bodies had this responsibility (19 of 37).

**Table 4. Fiscal Councils: Selection and Dismissal Authority (through end-2015)**

Country	Name of Council	Selected or Appointed by			Dismissal by		
		Government	Parliament	Other	Government	Parliament	Other
Australia	Parliamentary Budget Office	NO	YES	NO	NO	YES	YES
Austria	Fiscal Advisory Council	YES	NO	YES	NO	NO	NO
Belgium	High Council of Finance - Public Sector Borrowing Section	YES	NO	YES	NO	NO	YES
Belgium	Federal Planning Bureau	YES	NO	NO	YES	NO	NO
Canada	Parliamentary Budget Office	YES	NO	NO	YES	NO	NO
Chile	Advisory Fiscal Council	YES	NO	NO	N.A.	N.A.	N.A.
Colombia	Comite Consultivo para la Regla Fiscal	YES	YES	NO	N.A.	N.A.	N.A.
Cyprus	Fiscal Council	YES	NO	NO	YES	NO	NO
Denmark	Danish Economic Council	YES	NO	NO	NO	NO	NO
Estonia	Fiscal Council	NO	NO	YES	NO	NO	YES
Finland	National Audit Office of Finland	NO	YES	NO	NO	YES	NO
France	High Council of Public Finance	NO	YES	YES	NO	NO	NO
Georgia	Parliamentary Budget Office	NO	YES	NO	NO	YES	NO
Germany	Independent Advisory Board to the German Stability Council	NO	NO	YES	NO	NO	NO
Greece	Parliamentary Budget Office	NO	YES	NO	N.A.	N.A.	N.A.
Hungary	Fiscal Council	NO	YES	YES	NO	NO	NO
Iran	Public sector Directorate of Parliament (Majlis) Research Center	NO	YES	NO	NO	YES	NO
Ireland	Irish Fiscal Advisory Council	YES	NO	NO	NO	YES	NO
Italy	Parliamentary Budget Office	NO	YES	NO	NO	YES	YES
Kenya	Parliamentary Budget Office	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Latvia	Fiscal Discipline Council	NO	YES	NO	NO	YES	NO
Lithuania	National Audit Office	NO	YES	NO	NO	YES	NO
Luxembourg	National Council of Public Finance	YES	YES	YES	YES	NO	NO
Malta	Malta Fiscal Advisory Council	YES	NO	NO	YES	NO	NO
Mexico	Centre for Public Finance Studies	NO	YES	NO	NO	YES	NO
Netherlands	Netherlands Bureau for Economic Policy Analysis	YES	NO	NO	N.A.	N.A.	N.A.
Netherlands	Raad van State	YES	NO	NO	YES	NO	NO
Peru	Consejo Fiscal	YES	NO	NO	YES	NO	NO
Portugal	Portuguese Public Finance Council	YES	NO	YES	NO	NO	YES
Romania	Fiscal Council	NO	YES	YES	NO	YES	NO
Serbia	Fiscal Council	NO	YES	NO	NO	YES	NO
Slovak Republic	Council for Budget Responsibility	YES	NO	YES	NO	YES	NO
South Africa	Parliamentary Budget Office	NO	YES	NO	NO	YES	NO
South Korea	National Assembly Budget Office	NO	YES	NO	NO	NO	YES
Spain	Independent Authority of Fiscal Responsibility	YES	NO	NO	YES	NO	NO
Sweden	Swedish Fiscal Policy Council	YES	NO	NO	YES	NO	NO
Uganda	Parliamentary Budget Office	NO	YES	NO	NO	YES	NO
United Kingdom	Office for Budget Responsibility	YES	NO	NO	YES	NO	NO
United States	Congressional Budget Office	NO	YES	NO	NO	YES	NO
<b>TOTAL AFFIRMATIVE:</b>		<b>19</b>	<b>19</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>6</b>

Notes: Cells in green/red reflect YES/NO assessment on criterion. "N.A." = not available.

Sources: IMF Fiscal Council Dataset (2017) and author calculations.

In terms of dismissal, about 15 of 32 countries for which assessments and data were available empowered non-executive elected bodies to dismiss councilors if needed, while about 10 countries had delegated this responsibility to the executive branch of government.

### Box 3. Selection and Dismissal Authority—The Bahamas and Grenada

Country	Name of Council	Selected or Appointed by			Dismissal by		
		Government	Parliament	Other	Government	Parliament	Other
Bahamas	Fiscal Responsibility Council	No	No	Governor-General	No	No	Governor-General
Grenada	Fiscal Responsibility Oversight Committee	No	No	Governor-General	No	No	Governor-General

In Grenada, Section 14 (2) of the FRL stipulates the tenure and procedures for the termination of council member appointments. A member can hold office for up to three consecutive years, but cannot serve for more than four consecutive years. A person who has served for a period of four consecutive years may become eligible for re-appointment after the expiration of two years. The Governor General may revoke the appointment of a member of the council under specific circumstances outlined Section 14 (4) (2), including mental and physical infirmity and criminal misconduct. In the case of The Bahamas' FRC, the tenure of a member shall not exceed three years in the first instance, and he or she shall be eligible for reappointment.

### C. Composition

Composition is another key consideration in the design of a council. This has implications for both its effectiveness—i.e., the ability of a fiscal council to improve fiscal outcomes over time—and its independence. Councils are generally composed of principals who are experts in the field, supported by staff responsible for gathering data, providing key inputs and mandated analyses, and administrative functions. Councilors and technical staff responsible for analytical tasks should ideally have expertise in economic forecasting and public finance.

**Table 4. Fiscal Councils: Composition (through end-2015)**

Country	Name of Council	Composition				
		Academics	Policy Experts	Politicians	Civil Servants	Other
Australia	Parliamentary Budget Office	NO	YES	NO	YES	YES
Austria	Fiscal Advisory Council	YES	YES	NO	YES	YES
Belgium	High Council of Finance - Public Sector Borrowing Section	YES	NO	NO	YES	YES
Belgium	Federal Planning Bureau	NO	YES	NO	NO	YES
Canada	Parliamentary Budget Office	NO	YES	NO	YES	NO
Chile	Advisory Fiscal Council	NO	YES	NO	YES	NO
Colombia	Comite Consultivo para la Regla Fiscal	YES	YES	YES	NO	NO
Cyprus	Fiscal Council	YES	YES	NO	NO	YES
Denmark	Danish Economic Council	YES	NO	NO	YES	YES
Estonia	Fiscal Council	YES	YES	NO	NO	YES
Finland	National Audit Office of Finland	YES	YES	NO	YES	NO
France	High Council of Public Finance	YES	YES	NO	YES	YES
Georgia	Parliamentary Budget Office	NO	NO	NO	YES	NO
Germany	Independent Advisory Board to the German Stability Council	NO	NO	YES	YES	NO
Greece	Parliamentary Budget Office	YES	NO	NO	NO	NO
Hungary	Fiscal Council	YES	NO	NO	YES	NO
Iran	Public sector Directorate of Parliament (Majlis) Research Center	YES	YES	NO	YES	YES
Ireland	Irish Fiscal Advisory Council	YES	YES	NO	NO	NO
Italy	Parliamentary Budget Office	YES	YES	NO	YES	N.A.
Kenya	Parliamentary Budget Office	N.A.	N.A.	N.A.	N.A.	N.A.
Latvia	Fiscal Discipline Council	YES	YES	NO	YES	NO
Lithuania	National Audit Office	NO	NO	NO	NO	YES
Luxembourg	National Council of Public Finance	NO	NO	YES	YES	YES
Malta	Malta Fiscal Advisory Council	YES	YES	NO	YES	NO
Mexico	Centre for Public Finance Studies	YES	YES	NO	YES	YES
Netherlands	Netherlands Bureau for Economic Policy Analysis	YES	YES	NO	YES	NO
Netherlands	Raad van State	YES	YES	NO	YES	YES
Peru	Consejo Fiscal	YES	NO	NO	NO	YES
Portugal	Portuguese Public Finance Council	YES	YES	NO	YES	NO
Romania	Fiscal Council	YES	YES	NO	NO	NO
Serbia	Fiscal Council	YES	YES	NO	NO	NO
Slovak Republic	Council for Budget Responsibility	YES	YES	NO	YES	YES
South Africa	Parliamentary Budget Office	YES	YES	NO	YES	NO
South Korea	National Assembly Budget Office	YES	YES	NO	YES	NO
Spain	Independent Authority of Fiscal Responsibility	NO	YES	NO	YES	YES
Sweden	Swedish Fiscal Policy Council	YES	YES	NO	NO	NO
Uganda	Parliamentary Budget Office	NO	YES	NO	NO	NO
United Kingdom	Office for Budget Responsibility	YES	YES	NO	NO	NO
United States	Congressional Budget Office	YES	YES	NO	YES	YES
<b>TOTAL AFFIRMATIVE:</b>		<b>28</b>	<b>29</b>	<b>3</b>	<b>25</b>	<b>17</b>

Notes: Cells in green/red reflect YES/NO assessment on criterion. "N.A." = not available.

Sources: IMF Fiscal Council Dataset (2017) and author calculations.

As highlighted in Table 4, a survey of institutions for which data was available through end-2015 reveals that most councils around the world were composed of policy experts (29 of 38 for which data is available), representatives of the academic community (28 of 38), and civil servants (25 of 38). A small minority of these fiscal councils (3 of 38, in Colombia, Germany, and Luxembourg) also included politicians.

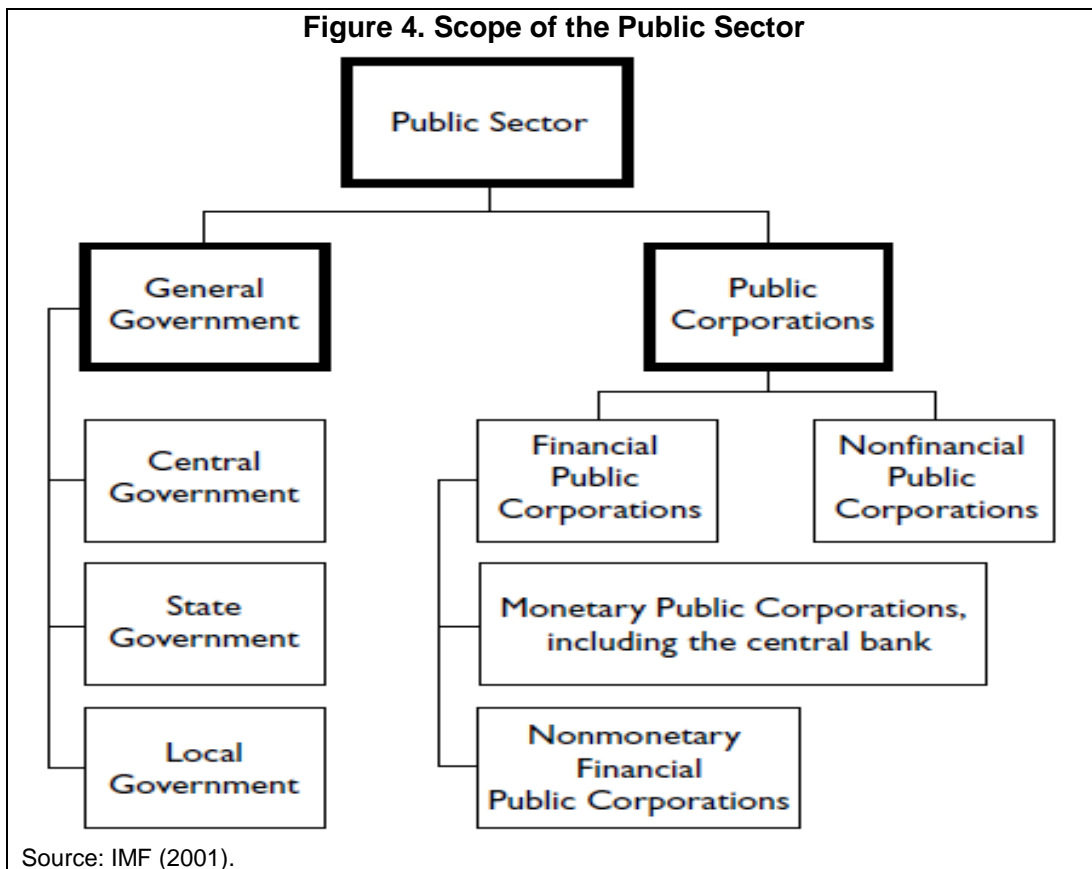
**Box 4. Composition of Fiscal Councils—The Bahamas and Grenada**

Country	Name of Council	Composition				
		Academics	Policy Experts	Politicians	Civil Servants	Other
Bahamas	Fiscal Responsibility Council	Yes	Yes	No	No	Civil Society
Grenada	Fiscal Responsibility Oversight Committee	No	Yes	No	No	No

As prescribed in Section 14 (2) of Grenada's FRL, FROC members must have expertise in accounting, business management, economics, law, and public administration. The current chairperson, currently the managing director of a commercial bank in Grenada, is an accountant and economist. Two other members— a former high-level public servant, and a former financial sector specialist—are retirees. The other two members work in the private sector, one as a lawyer in private practice, and the other as a senior economist employed with the Eastern Caribbean Central Bank. In addition to the five members of the council, the FROC employs the services of a private management firm to provide a secretariat and administrative support. Like in Grenada, the five members of The Bahamian council are expected to be experts in accounting and finance, business, economics, and law, with one of the five appointed as chairperson of the council (Section III of the Fiscal Responsibility Bill 2018).

#### ***D. Scope of Coverage***

The scope of coverage of fiscal councils may, at first glance, appear to be a mere technical nuance. However, its implications for the effectiveness of these entities may be substantial. In many countries, a large proportion of budgetary and fiscal activity takes place via the operations of non-financial agencies of the central government, and/or is related to the activities of subnational governments. In this context, in order to ensure comprehensive oversight, the broadest possible coverage for which reliable data is advisable when developing a council's structure.



The IMF's Government Finance Statistics Manual 2001 (2001) defines the public sector as an aggregation of public or publicly-owned entities falling into one of two categories—(i) the general government sector, and (ii) public corporations (Figure 4). The general government sector is composed of the central government, state or provincial governments, and local or municipal governments. Some countries, such as Belgium, also have regional government entities that encompass groups of states or provinces, which would also fall in such a sub-category.

**Table 5. Fiscal Councils: Scope of Coverage (through end-2015)**

Country	Name of Council	Scope of Coverage
Australia	Parliamentary Budget Office	Central Government
Austria	Fiscal Advisory Council	General Government
Belgium	High Council of Finance - Public Sector Borrowing Section	General Government
Belgium	Federal Planning Bureau	General Government
Canada	Parliamentary Budget Office	General Government
Chile	Advisory Fiscal Council	Central Government
Colombia	Comite Consultivo para la Regla Fiscal	Central Government
Cyprus	Fiscal Council	General Government
Denmark	Danish Economic Council	General Government
Estonia	Fiscal Council	General Government
Finland	National Audit Office of Finland	General Government
France	High Council of Public Finance	General Government
Georgia	Parliamentary Budget Office	Central Government
Germany	Independent Advisory Board to the German Stability Council	General Government
Greece	Parliamentary Budget Office	General Government
Hungary	Fiscal Council	General Government
Iran	Public sector Directorate of Parliament (Majlis) Research Center	General Government
Ireland	Irish Fiscal Advisory Council	General Government
Italy	Parliamentary Budget Office	General Government
Kenya	Parliamentary Budget Office	Central Government
Latvia	Fiscal Discipline Council	General Government
Lithuania	National Audit Office	General Government
Luxembourg	National Council of Public Finance	General Government
Malta	Malta Fiscal Advisory Council	General Government
Mexico	Centre for Public Finance Studies	Central Government
Netherlands	Netherlands Bureau for Economic Policy Analysis	General Government
Netherlands	Raad van State	General Government
Peru	Consejo Fiscal	General Government
Portugal	Portuguese Public Finance Council	General Government + State, Regional and Local Companies + Concessions + PPPs
Romania	Fiscal Council	General Government
Serbia	Fiscal Council	General Government
Slovak Republic	Council for Budget Responsibility	General Government
South Africa	Parliamentary Budget Office	General Government
South Korea	National Assembly Budget Office	N.A.
Spain	Independent Authority of Fiscal Responsibility	General Government
Sweden	Swedish Fiscal Policy Council	General Government
Uganda	Parliamentary Budget Office	N.A.
United Kingdom	Office for Budget Responsibility	General Government
United States	Congressional Budget Office	Central Government

Notes: Cells in green/red reflect YES/NO assessment on criterion. "N.A." = not available.

Sources: IMF Fiscal Council Dataset (2017) and author calculations.

As detailed in Table 5, nearly all fiscal councils for which data was available through end-2015 focused on the general government (29 of 37) in terms of the budgets that they were responsible for reviewing. Only the fiscal council in Portugal had been mandated to go beyond the general government in terms of its scope of coverage—the Public Finance Council considered the financial operations of state, regional, and local companies, as well as concessions and public-private partnerships. Seven councils (Australia Chile, Colombia, Georgia, Kenya, Mexico, and the United States) considered only the central government.

#### **Box 5. Scope of Coverage of Fiscal Councils—The Bahamas and Grenada**

In the case of Grenada, the FRL governs the management of public finances, fiscal matters of the central government, and activities of covered public entities”— defined as statutory bodies or state-owned enterprise for which any of the following applies: (i) the entity has received transfers of any kind from the budget, including subventions or guarantees, for any year in the

five-year period immediately preceding the current fiscal year; or (ii) the entity has, for three consecutive quarters in the preceding fiscal year, not met the quarterly reporting requirements established by the minister of finance; or (iii) the audited balance sheet of the entity has recorded a negative equity position at the end of one of the preceding three financial years (Grenada's FRL, Section 2- Definitions). The Bahamas Fiscal Responsibility Bill 2018 covers the management of public finances, with the exclusion of public private partnerships and other contingent liabilities.

### ***E. Mandated Role and Disciplines***

Turning from issues related to the structure of councils, such as independence, appointment and dismissal authorities, and coverage, another crucial design consideration is the council's mandate. As discussed in Wright and Grenade (2018), the mandate of a fiscal council typically includes some or all of the following:

- to provide objective analysis (positive or normative) of current fiscal developments;
- to assess medium- and long-term fiscal sustainability;
- to produce independent macroeconomic forecasts;
- to assess the appropriateness of the fiscal policy stance, and make related recommendations;
- to monitor and report on compliance with fiscal rules; and/or
- to produce public reports on findings.

When determining what to include in such mandates, it is important to consider both country-specific factors (e.g., deficiencies in public finances that are most important to address), and the capacity of the council itself to fulfil its mandate. Regardless of the mandates and disciplines chosen, it is crucial that mandates be clearly defined in law and that any outputs or recommendations be based on an independent and competent analysis of data and information.

A survey of available data on councils presented in Table 6 reveals that all of these entities undertook positive analyses of fiscal policies and related budgeting—i.e., assessments of available data and past outturns, without necessarily making outright recommendations. In addition, about half of these agencies (20 of 39) were also mandated to undertake normative analyses or to provide recommendations on fiscal policies or projections.



**Table 6. Fiscal Councils: Mandates and Related Functions (through end-2015)**

Country	Name of Council	Mandate					
		Normative Analysis	Forecast Preparation	Forecast Assessment	Recommendations	Monitoring of Fiscal Rules	Public Reports
Australia	Parliamentary Budget Office	NO	NO	NO	NO	NO	YES
Austria	Fiscal Advisory Council	YES	YES	YES	YES	YES	YES
Belgium	High Council of Finance - Public Sector Borrowing Section	YES	NO	NO	YES	YES	YES
Belgium	Federal Planning Bureau	NO	YES	YES	NO	NO	YES
Canada	Parliamentary Budget Office	NO	YES	YES	YES	NO	YES
Chile	Advisory Fiscal Council	YES	NO	NO	YES	YES	NO
Colombia	Comite Consultivo para la Regla Fiscal	YES	YES	NO	YES	YES	YES
Cyprus	Fiscal Council	YES	NO	YES	YES	YES	YES
Denmark	Danish Economic Council	YES	YES	YES	YES	YES	YES
Estonia	Fiscal Council	NO	NO	YES	YES	YES	YES
Finland	National Audit Office of Finland	YES	NO	YES	YES	YES	YES
France	High Council of Public Finance	NO	NO	YES	NO	YES	YES
Georgia	Parliamentary Budget Office	NO	YES	YES	YES	NO	YES
Germany	Independent Advisory Board to the German Stability Council	NO	NO	NO	NO	YES	YES
Greece	Parliamentary Budget Office	YES	NO	YES	YES	YES	YES
Hungary	Fiscal Council	YES	YES	YES	NO	YES	YES
Iran	Public sector Directorate of Parliament (Majlis) Research Center	NO	YES	YES	YES	YES	YES
Ireland	Irish Fiscal Advisory Council	YES	NO	YES	YES	YES	YES
Italy	Parliamentary Budget Office	NO	NO	YES	NO	YES	YES
Kenya	Parliamentary Budget Office	YES	YES	YES	YES	NO	YES
Latvia	Fiscal Discipline Council	YES	NO	YES	YES	YES	YES
Lithuania	National Audit Office	YES	NO	YES	YES	YES	YES
Luxembourg	National Council of Public Finance	YES	NO	YES	YES	YES	YES
Malta	Malta Fiscal Advisory Council	YES	NO	YES	YES	YES	YES
Mexico	Centre for Public Finance Studies	NO	YES	YES	NO	NO	YES
Netherlands	Netherlands Bureau for Economic Policy Analysis	NO	YES	NO	NO	NO	YES
Netherlands	Raad van State	YES	NO	NO	YES	YES	YES
Peru	Consejo Fiscal	NO	NO	YES	YES	YES	YES
Portugal	Portuguese Public Finance Council	NO	NO	YES	NO	YES	YES
Romania	Fiscal Council	NO	YES	YES	YES	YES	YES
Serbia	Fiscal Council	YES	YES	YES	YES	YES	YES
Slovak Republic	Council for Budget Responsibility	NO	NO	NO	NO	YES	YES
South Africa	Parliamentary Budget Office	YES	NO	NO	YES	NO	YES
South Korea	National Assembly Budget Office	NO	YES	YES	YES	NO	YES
Spain	Independent Authority of Fiscal Responsibility	YES	YES	YES	YES	YES	YES
Sweden	Swedish Fiscal Policy Council	YES	NO	YES	YES	YES	YES
Uganda	Parliamentary Budget Office	NO	NO	YES	YES	NO	YES
United Kingdom	Office for Budget Responsibility	NO	YES	YES	NO	YES	YES
United States	Congressional Budget Office	NO	YES	YES	NO	NO	YES
<b>TOTAL AFFIRMATIVE:</b>		<b>20</b>	<b>17</b>	<b>30</b>	<b>27</b>	<b>28</b>	<b>38</b>

Notes: Cells in green/red reflect YES/NO assessment on criterion. "N.A." = not available.

Sources: IMF Fiscal Council Dataset (2017) and author calculations.

Three-quarters (30 of 39) of the councils assessed central government budgetary forecasts, though less than half (17 of 39) were mandated to undertake independent forecasts of budgetary variables. Most councils (28 of 39) were responsible for monitoring compliance with fiscal rules. Many councils (27 of 39) prepared and provided recommendations to fiscal authorities regarding budgets and related assumptions. Finally, all but one council—Chile's Advisory Fiscal Council—were required to publish public reports on their findings.

### Box 6. Fiscal Council Mandates—The Bahamas and Grenada

Country	Name of Council	Mandate					
		Normative Analysis	Forecast Preparation	Forecast Assessment	Recommendations	Monitoring of Fiscal Rules	Public Reports
Bahamas	Fiscal Responsibility Council	Yes	Yes	Yes	Yes	Yes	Yes
Grenada	Fiscal Responsibility Oversight Committee	Yes	No	Yes	Yes	Yes	Yes

In the case of Grenada, the mandate of the FROC is solely to monitor and report on Government's compliance with its fiscal rules and targets. In The Bahamas, the mandate of the FRC is to assess compliance with fiscal responsibility principles and fiscal objectives and to advise on fiscal and budgetary matters.

In this context, empowering councils to put forward independent assessments and views regarding the prudence of fiscal policies should be considered a strong practice, assuming these agencies have the requisite capacity to come to informed judgments—i.e., technical and other resources required to undertake detailed forecasts of economic and fiscal variables, and to interpret and assess related information. Without such capacity, it is possible that alternative views may create confusion or risk undermining central government efforts. In this context, in the early stages, it may be preferable for newer fiscal councils to begin with more limited responsibilities in terms of undertaking normative assessments, until they are able to develop the required experience and capacity (e.g., for producing accurate forecasts).

#### ***F. Compliance***

Another important consideration in the design of fiscal councils is the requirement for compliance or responses from fiscal authorities to observations and recommendations put forward by councils. This is an area where disciplines continue to evolve even in advanced economies that have put such institutions in place. Clearly, the impact of councils on policy formulation and execution will depend crucially on both uptake and adoption. Related considerations include:

- whether forecasts produced by fiscal councils are used as inputs to the government's budget,
- whether these forecasts are binding for the purpose of budgetary and fiscal policy formulation,
- whether governments are expected to "comply or explain" their rationale for not including council forecasts in budgets,
- whether formal consultations or hearings are mandated and required to discuss a council's views and recommendations, and

- whether a council can halt the budget process if it deems this to be necessary.

Country	Name of Council	Compliance Mechanisms				
		Forecasts used in Budget	Binding Forecasts	"Comply or Explain"	Formal Consultation or Hearings	Can Stall the Budget Process
Australia	Parliamentary Budget Office	NO	NO	NO	NO	NO
Austria	Fiscal Advisory Council	NO	NO	NO	YES	NO
Belgium	High Council of Finance - Public Sector Borrowing Section	NO	NO	YES	NO	NO
Belgium	Federal Planning Bureau	YES	YES	NO	NO	NO
Canada	Parliamentary Budget Office	NO	NO	NO	NO	NO
Chile	Advisory Fiscal Council	NO	NO	NO	NO	NO
Colombia	Comite Consultivo para la Regla Fiscal	NO	NO	NO	NO	NO
Cyprus	Fiscal Council	NO	NO	YES	YES	NO
Denmark	Danish Economic Council	NO	NO	NO	NO	NO
Estonia	Fiscal Council	NO	NO	YES	NO	NO
Finland	National Audit Office of Finland	NO	NO	YES	YES	NO
France	High Council of Public Finance	NO	NO	NO	YES	NO
Georgia	Parliamentary Budget Office	NO	NO	NO	YES	NO
Germany	Independent Advisory Board to the German Stability Council	NO	NO	NO	NO	NO
Greece	Parliamentary Budget Office	NO	NO	NO	NO	NO
Hungary	Fiscal Council	NO	NO	NO	YES	YES
Iran	Public sector Directorate of Parliament (Majlis) Research Center	NO	NO	NO	YES	NO
Ireland	Irish Fiscal Advisory Council	NO	NO	NO	NO	NO
Italy	Parliamentary Budget Office	NO	NO	NO	YES	NO
Kenya	Parliamentary Budget Office	NO	NO	NO	NO	NO
Latvia	Fiscal Discipline Council	NO	NO	YES	YES	NO
Lithuania	National Audit Office	NO	NO	NO	YES	NO
Luxembourg	National Council of Public Finance	NO	NO	NO	YES	NO
Malta	Malta Fiscal Advisory Council	NO	NO	NO	NO	NO
Mexico	Centre for Public Finance Studies	NO	NO	NO	YES	NO
Netherlands	Netherlands Bureau for Economic Policy Analysis	YES	YES	NO	NO	NO
Netherlands	Raad van State	NO	NO	NO	YES	NO
Peru	Consejo Fiscal	NO	NO	NO	NO	NO
Portugal	Portuguese Public Finance Council	NO	NO	YES	YES	NO
Romania	Fiscal Council	NO	NO	NO	YES	NO
Serbia	Fiscal Council	NO	NO	NO	YES	NO
Slovak Republic	Council for Budget Responsibility	NO	NO	NO	NO	NO
South Africa	Parliamentary Budget Office	NO	NO	NO	NO	NO
South Korea	National Assembly Budget Office	YES	NO	NO	NO	NO
Spain	Independent Authority of Fiscal Responsibility	NO	NO	YES	YES	NO
Sweden	Swedish Fiscal Policy Council	NO	NO	NO	NO	NO
Uganda	Parliamentary Budget Office	NO	NO	NO	NO	NO
United Kingdom	Office for Budget Responsibility	YES	NO	YES	YES	NO
United States	Congressional Budget Office	NO	NO	NO	NO	NO
<b>TOTAL AFFIRMATIVE:</b>		<b>4</b>	<b>2</b>	<b>8</b>	<b>18</b>	<b>1</b>

Notes: Cells in green/red reflect YES/NO assessment on criterion. "N.A." = not available.  
Sources: IMF Fiscal Council Dataset (2017) and author calculations.

Table 7 provides an overview of compliance mechanisms. Only four of the councils for which data were available through end-2015 produced forecasts that were mandated to be included in budgets (for Belgium, the Netherlands, Spain, and the United Kingdom). Of these, only Belgium and the Netherlands stipulated that these forecasts be binding for the purpose of fiscal policy formulation. About 8 of the 39 institutions required governments to explain any deviations from the forecasts and/or recommendations of fiscal councils. About half of the institutions assessed (18 of 39) required Budget formal consultations or hearings as part of budget formulation, such that these councils interacted directly with those responsible during the budget preparation process—e.g., in an advisory capacity. Only the fiscal council in Hungary was empowered to stall the budgetary process if its concerns were sufficiently acute.

### Box 7. Compliance Mechanisms—The Bahamas and Grenada

Country	Name of Council	Budgetary Responsibilities and Mandate				
		Forecasts used in Budget	Binding Forecasts	"Comply or Explain"	Formal Consultation or Hearings	Can Stall the Budget Process
Bahamas	Fiscal Responsibility Council	No	No	No	Yes	No
Grenada	Fiscal Responsibility Oversight Committee	No	No	No	No	No

Grenada's FROC does not produce independent forecasts, as this is not a legislated requirement. The Bahamian fiscal council assesses compliance with fiscal principles and objectives, while advising on matters related to fiscal strategy, annual budgets and accounts, mid-year reviews, the pre-election economic and fiscal update, and any required fiscal adjustments and/or government responses to deviations. The council requests fiscal forecasts from the minister of finance, and may hire experts on a short-term basis to help fulfil its mandate.

## 5. Conclusions

Fiscal councils are rapidly emerging as a feature of strong fiscal institutions and budgetary frameworks. Most fiscal councils have come into existence in the past decade, since the global financial crisis. While initially most prevalent in advanced economies, characterized by strong institutional structures and levels of capacity, in recent years these institutions have emerged in middle- and even low-income economies, as well as in small states with limited technical capacity and relatively limited government staffing.

Caribbean countries are the latest frontier in the expansion of this model, and as the first group of countries in this region begin to adopt and implement related disciplines, it is important that governments wishing to put them in place tailor their institutions to the specific characteristics and needs of their countries. Small, open economies such as those in the Caribbean face unique challenges in terms of macroeconomic and fiscal management. These include susceptibility to external demand and other shocks, including natural disasters. Vulnerabilities such as these point to the need for conservative and prudent budgeting and forecasting, as well as the need to develop fiscal buffers. Fiscal councils can be helpful on both fronts. This includes by helping to ensure that growth and related fiscal projections are conservative, and that they incorporate the impacts of expected shocks (e.g., probabilistic impacts of recurring disasters). Similarly, by anchoring budget development and implementation in fiscal rules or other sustainable objectives, fiscal councils can help ensure that investments and expenditures are anchored in realistic assessments of their future benefits.

The survey of characteristics of existing fiscal councils presented suggests that models, mandates, and structures of these institutions vary widely across countries. Most of the councils operating around the world have been able to leverage a combination of experts from private, academic, and civil service sectors to comprise their councils. In a few countries, elected officials are also included, though this may risk compromising the independence of such entities. While most fiscal councils currently focus on the general government, one country has expanded this scope of coverage to include local and regional governments, as well as state-owned enterprises and other entities with implications for budgetary resources. In this context, the broadest coverage for which data are available would be preferable.

The degree of independence with respect to the operations and budgeting also varies widely across countries. Those entities with the greatest legal and operational leeway are likely to perform best as independent watchdogs of the budgetary process. Some councils provide only positive analyses of policies, with limited ability to bind fiscal authorities to their recommendations. At the other end of the spectrum, some countries have empowered their councils to produce alternative fiscal forecasts and recommendations, and to enforce action on their proposals. In this context, it would seem that capacity is a key factor in determining the degree to which a council's recommendations and projections should be incorporated into budgets.

In the seven decades since fiscal councils began to emerge, the experience overall has been positive, albeit highly dependent on the design, resourcing, and mandates underpinning these institutions. Those that are most insulated from government influence, with the greatest flexibility in terms of staffing and resourcing, and that are able to anchor recommendations in quantitative objectives (e.g., fiscal rules) seem to be associated with stronger fiscal outcomes and improvements in the credibility of government with respect to fiscal and debt sustainability. Developing countries that are now contemplating the creation of their own councils stand to benefit greatly, while also facing unique challenges in terms of ensuring that these entities are optimized to their circumstances in terms of design, and provided with adequate capacity to produce high-quality analyses and recommendations. Emerging evidence suggests that not doing so may compromise the effectiveness of these institutions and potentially undermine broader efforts to enhance economic and fiscal institutions.

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