Independent Fiscal Institution

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Four European IFIs during the pandemic

Austria, Italy, Slovakia, Spain - Comparative study with recommendations for the post-pandemic context

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ABBREVIATIONS AND ACRONYMS

AIReF	Independent Authority for Fiscal Responsibility (Spain)
Budgetdienst	Parliamentary Budget Office (Austria)
EDP	Excessive Deficit Procedure
EU	European Union
Fiskalrat	Fiscal Council (Austria)
GDP	Gross Domestic Product
IFI	Independent Fiscal Institution
MTO	Medium Term Objective
PAYGO	Pay As You GO (prohibition of any deliberate deteriorating of the fiscal balance
PFM	Public Financial Management
RRZ	Council for Budget Responsibility (Slovakia)
SCP	Stability and Convergence Programs
SGP	Stability and Growth Pact
UPB	Ufficio Parlamentare di Bilancio (Italy)
WIFO	Österreichisches Institut für Wirtschaftsforschung

1. EXECUTIVE SUMMARY

The effectiveness of national fiscal governance frameworks was seriously tested during the COVID-19 pandemic. While most countries adopted fiscal stimulus measures to address the socioeconomic impacts of the pandemic, the compatibility of these measures with the regulatory frameworks varied significantly.

Many economists have emphasized the crucial role for national Independent Fiscal Institutions (IFIs) within fiscal governance framework. IFIs are public institutions tasked with critically evaluating fiscal policy and performance and, in some cases, providing non-partisan advice. They contribute to enhancing the quality of policy debates, holding governments accountable for their policy choices and increasing credibility with citizens and financial markets (Hagemann, 2011).

In the European Union, nearly every member state has its own IFI, but these institutions differ considerably in terms of their mandate and resources. This paper focuses on reviewing the IFIs of four eurozone member states: Austria, Italy, Slovakia, and Spain. All four IFIs are similar to the IFI in Brazil, but from different aspects, offering valuable lessons that can be applied to Brazil's context.

The relation between the IFI and the government did not change significantly under the pressure of the pandemic. This can be seen as both good and bad news. On the positive side, governments maintained transparency despite the fiscal challenges, ensuring that IFIs had access to the same information as before the crisis. However, in many cases, this access was insufficient for IFIs to fully perform their tasks. Even this exceptional crisis, which was clearly not "government-made," did not eliminate the pre-existing limits of cooperation achieved during peaceful times. It is important to note that the pandemic only partially tested the independence and information access of IFIs due to the suspension of fiscal rules.

Several fundamental practices of IFIs contribute to their ability to provide well-informed and impartial analyses to the parliament and the public:

- Clear and written protocol governing the cooperation with relevant ministries.
- Regular publication of baseline (no policy change) scenarios which only take into account policy decisions already officially promulgated.

- Organizing formal debates on a regular basis, involving government experts, private sector experts as well as research institutions.
- Explicit and detailed agreements on external assumptions and policy measures to be taken into account.
- Consolidating all IFI functions within a single institution.

The core functions of IFIs as maintaining databases, developing macro-fiscal baseline scenarios, conducting macro-fiscal impact assessments, analyzing fiscal risks and debt sustainability, and assessing compliance with fiscal rules require a minimum level of human and financial resources. Based on the experience of the four European IFIs, it is estimated that at least 15-20 expert staff members are needed. Any additional responsibilities must be accompanied by corresponding increases in human and financial capacities.

No IFI should rely solely on a single macroeconomic model. Different quantitative models are required for various tasks. Traditional large econometric models, DSGE-models, dynamic factor models, microsimulation, simple consistency spreadsheets, etc. can all find their role in the core toolkit of IFIs. There is always a trade-off between forecast accuracy and theoretical consistency, with greater emphasis placed on theoretical consistency for longer-term issues.

To maintain their independence, IFIs must refrain from normative tasks and avoid becoming involved in political debates. They should leverage their analytical capacity in evidence-based policy discussions.

The structure of this paper is organized as follows: Chapter 2 presents the rationale behind selecting the four EU countries. Chapter 3 outlines the role of their respective IFIs. Chapter 4 analyzes the episode of the pandemic, including the behavior of national governments and IFIs. Chapter 5 examines the European Commission's recent proposal to reform fiscal governance, particularly its provisions regarding the role and resources of IFIs. Finally, Chapter 6 presents proposals for further developing IFIs in the EU and Brazil.

2. CHARACTERISTICS THAT MOTIVATED THE SELECTION OF THE FOUR COUNTRIES

In the paper we analyze recent experiences of the IFIs in four member countries in the European Union that are similar to the Brazilian context from different points of view.

AUSTRIA

Austria is a federal state like Brazil. IFI roles are allocated between three institutions. The Fiskalrat (Fiscal Advisory Council, also known by the acronym FISK) is responsible for assessing the observance of fiscal rules, while the Budgetdienst (Parliamentary Budget Office) is mainly active in providing fiscal impact assessments for the Parliament. Macroeconomic forecasts are produced by the well-respected Austrian Institute of Economic Research (WIFO, in the German acronym for Österreichisches Institut für Wirtschaftsforschung). The Fiskalrat is a relatively old institution, established in 1970, but the current budgetary system is a result of a large-scale Public Financial Management (PFM) systemic reform implemented in 2007-2013.

ITALY

The institutional set-up of the Italian Ufficio Parlamentare di Bilancio (UPB, Parliamentary Budget Office) is probably the closest to the Brazilian case. The UPB – established in the constitution in 2012, operational since 2014 – is part of the office of the Parliament and it is the only IFI in Italy. They are integrated into the parliamentary process and perform all IFI roles. The staff of 27 experts (including the 3 board members) is a precondition for the large amount of analysis published on their webpage.

SLOVAK REPUBLIC

The Slovakian Rady pre Rozpočtovú Zodpovednosť (RRZ, Council for Budget Responsibility) – established at a constitutional level in 2011 and operational since 2012 – performs all standard IFI functions except for endorsement of the government's macro assumptions. It has a relatively strong relation with the Parliament, for which it produces policy costing, but no budget analysis. It has a smaller staff (about 15 experts plus the 3 board members) than Italy or Spain, hence in this respect it is similar to the current Brazilian IFI.

SPAIN

The Spanish Autoridad Independiente de Responsabilidad Fiscal (AIReF, Independent Authority for Fiscal Responsibility) – established in 2013 and operational since 2014 – is a relatively large institution with 35 staff members. Its main specialty compared to the others is its focus on regional public financial issues. Though Spain is not a federal state, its autonomous regions have significantly more public policy responsibilities than in other countries and, in this respect, it is more similar to Brazil.

3. ROLE OF THE IFIS

Mandate and standard products

GENERAL CHARACTERISTICS

All four countries are members of not only the EU, but the eurozone as well. This implies that they have to adjust their budget calendar to the so-called European Semester. The European Semester is a broader concept, which covers not only budgeting, but several other areas of economic governance, most notably the issues of economic growth, macroeconomic imbalances and structural reforms.

EU-regulations[1] state:

> *1. Member States shall have in place independent bodies for monitoring compliance with:*
>
> *(a) numerical fiscal rules incorporating in the national budgetary processes their medium-term budgetary objective as established in Article 2a of Regulation (EC) No 1466/97;*
>
> *(b) numerical fiscal rules as referred to in Article 5 of Directive 2011/85/EU.*
>
> *2. Those bodies shall, where appropriate, provide public assessments with respect to national fiscal rules, inter alia relating to:*
>
> *(a) the occurrence of circumstances leading to the activation of the correction mechanism for cases of significant observed deviation from the medium-term objective or the adjustment path towards it in accordance with Article 6(2) of Regulation (EC) No 1466/97;*
>
> *(b) whether the budgetary correction is proceeding in accordance with national rules and plans;*
>
> *(c) any occurrence or cessation of circumstances referred to in the tenth subparagraph of Article 5(1) of Regulation (EC) No 1466/97 which may allow a temporary deviation from the medium-term budgetary objective or the adjustment path towards it, provided that such a deviation does not endanger fiscal sustainability in the medium term.*

1 Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013, Article 5 (https://bit.ly/3Uz3Hh4).

Article 5 of Directive 2011/85/EU prescribes that "Each Member State shall have in place numerical fiscal rules which ..." i.e. it only spells out the requirements that national fiscal rules have to comply with. From this follows that on paper, national IFIs "only" have the assignment to assess compliance with the national fiscal rules (while the EU Commission monitors the EU-level rules), but practically the imposed harmony between the national and EU-level fiscal rules imply the assignment for national IFIs to assess the compliance with the EU-level rules as well.

This is also true for the escape clauses. In some countries (e.g. Austria) suspension of domestic rules is directly linked to the activation of the Stability and Growth Pact (SGP) clause. In some other countries there are national procedures even for the suspension of national rules: in part of them (e.g. Italy or Spain) the parliament, in another part (e.g. Slovakia) the government, makes the decision about the suspension.

Every year by:

- April 30 the national governments have to submit to the EU Commission their medium-term macro-fiscal plans (so-called Stability Programs). National IFIs have a role here to produce, or at least endorse (or not), the macroeconomic assumptions behind those fiscal plans and to assess whether the plans are credibly observing the EU-level fiscal rules.
- mid-October, national governments have to submit to the EU-Commission their draft annual budget bill for the upcoming year. Here, again, the role of national IFIs is to endorse (or not) the macroeconomic assumptions and to assess whether the plan is credibly observing the EU-level fiscal rules.

Those IFIs, that monitor the observance of the EU-level fiscal rules, are also vested with the task of monitoring national fiscal rules, including the verification of circumstances required to activate the related escape clauses. (In the case of EU-level fiscal rules, activation of the escape clauses is the Commission's role.)

National IFIs do not report directly to the EU Commission, but they have to publish their reports, so that everybody can read it, including the public, the members of the national parliament and the EU-Commission.

Beside these fundamental roles, there is some variation in the other types of output that national IFIs produce.

Country specificities

AUSTRIA

In Austria, the roles of an IFI are distributed among three different organizations, as pointed out before: the WIFO, the Fiskalrat and the Budgetdienst of the Parliament.

The **WIFO** is an almost 100 years old, mature and well-respected research institute. Already before the 2012 reform of the European Semester the WIFO produced the macro assumptions for the annual budget. Macro projections are published four times a year. No baseline scenario is published without the effect of planned policy measures, only a policy scenario that takes into account all measures that were already adopted at a government level.

The **Fiskalrat's** only mandatory task beyond the report produced for the EU Semester, on the observance of EU fiscal rules, is an annual report with its recommendations to the Parliament and the government. The FISK has no direct role in the budget process. Nevertheless, it may and does produce many other regular documents, involving:

- Assessment of the financial policy situation with a preview (twice a year).
- Analysis of the economic effects of national debt.
- Analysis of the sustainability and quality of budget policy.
- Annual report with analyses and investigation results to the National Council.
- Submission of written recommendations on fiscal policy and medium-term budget orientation.
- Timely monitoring of compliance with national and EU fiscal rules.
- Participation in the formation of public opinion.
- Regular evaluation of the macro and fiscal forecasts of domestic institutions.

Number of primary publications of the Fiskalrat by main types and years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012	2023
Reports on public finances	0	0	1	1	1	1	1	1	1	1	1	0
Fiscal Rules Reports	0	0	1	1	1	1	1	1	1	1	1	0
Sustainability reports	0	0	0	0	0	0	0	0	0	1	0	0
Fiscal policy recommendations	1	2	2	2	2	2	3	2	2	2	2	0
Activity reports	0	0	0	0	0	0	0	1	1	1	1	0
Studies commissioned by the Fiscal Council	0	1	0	0	2	1	3	2	0	1	0	0
Working Papers	0	0	0	0	0	2	2	2	0	1	1	0
Brief analysis and information	0	0	0	4	3	1	0	2	4	3	5	1
TOTAL	**1**	**3**	**4**	**8**	**9**	**8**	**10**	**11**	**9**	**11**	**11**	**1**

The **Budgetdienst** is not a separate legal entity. The only quasi-legal basis of the creation of the Budgetdienst is a five-party agreement of 2011, which stated that a catalog of products has to be compiled by the head of the Budgetdienst together with the budget spokespersons of the (then) parliamentary factions. The document formulates the following mandate:

„Support of Parliament in the budgetary process, in consulting and enacting budget laws and exercising its budget oversight role"

Key tasks:

(1) Supporting the Budget Committee in form of written expertise, analysis and short studies on budgetary matters presented by the government according to the Federal Organic Budget Act (e.g. draft fiscal framework and budget, budget execution reports, performance (outcome controlling) reports, debt reports, subsidies reports).

(2) Preparing (short) studies upon request of members of the Budget Committee.

(3) Supporting other parliamentary committees, regarding impact assessment of new legislation.

(4) Consulting Parliament on performance budgeting and the effective equality of women and men (gender budgeting).

(5) Participation of the Head of Parliamentary Budget Office (PBO) in all meetings of the Budget Committee as permanent expert.

(6) Participation in all meetings of the Fiscal Council and of the Productivity Board in an advisory function.

(7) Publication of all results on Parliament's homepage.

More recently, there have been debates about expanding the IFI roles to assessment of the impact of policy measures related to climate change.

Number of primary publications of the Budgetdienst by main types and years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sectoral analysis	0	0	0	0	68	38	11	101	44	60	1
Intra-year (monthly or quarterly, mainly descriptive) reports on the most recent budget data	0	0	8	18	62	18	24	23	51	52	1
Fiscal impact assessments	0	0	4	13	13	6	4	10	20	26	3
Other analytical documents (performance information, climate, gender, etc.)	0	0	2	2	22	5	7	14	16	16	0
Answers to questions from MPs (miscellaneous)	1	2	5	8	16	12	14	10	14	8	1
Fiscal sustainability reports	0	0	0	0	0	0	0	1	1	3	0
PFM-system-related analysis and recommendations (transparency, accounting, etc.)	0	0	0	0	1	0	4	0	0	0	0
Administrative documents (annual reports on the IFI's own activities, budget proposal, etc.)	0	0	0	0	0	0	0	1	1	2	0
TOTAL	**1**	**2**	**19**	**41**	**182**	**79**	**64**	**160**	**147**	**167**	**6**

Note: MP is acronym for Member of Parliament.

ITALY

Almost all tasks of the UPB listed in the law are voluntary. However, the tasks of endorsing the government's macro forecasts and assessing fiscal rules is delegated to the UPB, hence these are not voluntary.

The domestic legal mandate specifies a number of analyses, audits, and assessments that the Italian PBO should undertake, but does not identify specific reports.

Twice a year (April and October), both the Ministry of Finance (MoF) and the UPB produce their baseline (no policy change) macro scenario and their fiscal forecasts, which take into account the newly adopted and officially promulgated policy measures.

Number of primary publications of the UPB by main types and years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Budgetary Planning Report	1	2	2	2	1	2	2	2	1	0
Report on Recent Economic Developments	0	2	4	4	4	4	4	4	4	1
Validation letter	2	4	4	4	3	4	2	4	5	0
Parliamentary intervention	4	10	7	7	6	9	11	3	8	0
Flash	0	0	0	1	1	1	0	2	1	0
Focus Paper	0	9	7	6	10	8	3	3	9	0
Working Paper	0	1	1	3	1	0	1	2	2	0
TOTAL	**7**	**28**	**25**	**27**	**26**	**28**	**23**	**20**	**30**	**1**

SLOVAKIA

There are two reports that the RRZ has to produce by law: (1) a report on sustainability and (2) a report evaluating the implementation of the fiscal rules and fiscal transparency rules established in the law. Basically, both of them are related to the European Semester. Beyond these, the RRZ publishes long-term sustainability reports, macroeconomic and fiscal forecasts, fiscal impact assessments, opinions and research papers.

Number of primary publications of the RRZ by main types and years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Budget evaluations	2	2	2	1	3	4	3	3	4	6	3	2
Long-term sustainability	1	1	1	1	1	1	1	1	1	3	6	1
Evaluation of compliance with the rules of budgetary responsibility	0	1	1	1	1	1	0	1	1	2	1	0
Evaluation of the fulfillment of the balanced budget rule	0	0	1	1	1	1	1	1	2	2	0	0
Opinions	1	1	1	1	3	2	3	1	3	3	5	0
Quantification of the impact of measures	0	0	0	0	0	0	2	5	2	3	2	3
Macroeconomic comments	0	0	0	1	4	2	0	0	0	1	3	1
Nowcasting	0	0	0	0	0	0	1	0	0	3	0	0
Tax forecast	0	0	0	0	0	0	1	0	0	5	3	1
Budget traffic light	0	0	0	0	0	0	2	0	0	15	13	2
Fiscal forecasts - MAIN	0	0	0	0	0	0	0	0	0	2	1	0
Working papers	0	0	3	4	1	1	3	3	0	0	0	0
Discussion studies	1	0	5	2	3	0	2	0	0	0	0	0
Comments	0	4	8	6	3	2	2	1	1	3	0	0
Public spending limit	0	0	0	0	0	0	0	0	0	1	5	0
Pensions	0	0	0	0	0	1	3	0	0	8	5	1
Models	0	0	0	0	0	0	0	0	0	2	0	0
TOTAL	**5**	**9**	**22**	**18**	**20**	**15**	**24**	**16**	**14**	**59**	**47**	**11**

SPAIN

Although the Independent Authority for Fiscal Responsibility (AIReF) is attached to the Ministry of Finance and Public Administrations (MINHAFP), it has been conceived as an entity with functional autonomy and full independence. According to the organic law, the AIReF president and staff cannot seek or take any instructions whatsoever from any institution, whether public or private.

The AIReF has by far the longest list of mandatory products:

1. Report on macroeconomic forecasts.
2. Report on the methodology to calculate trend patterns of income and expenditure and the growth reference rate.

3. Report on the draft Stability Programme.
4. Reports on the analysis of budget implementation, public debt and debt-ceiling rule.
5. Reports on the determination of individual objectives for autonomous regions.
6. Report on economic-financial and re-balancing plans for the central administration and the autonomous regions.
7. Report on the projects and main aspects of the budgets of public administrations.
8. Report on the application of correction mechanisms, foreseen in Organic Law 2/2012 of 27 April, on Budgetary Stability and Financial Sustainability.
9. Report on the occurrence of the exceptional circumstances, referred to in Article 11.3 of Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability.
10. Annual opinion on the determination of the pension revaluation index.

AIReF performs studies at the request of the government or of the co-ordination bodies in the government, subnational entities and the social security system. AIReF may also perform studies at the request of autonomous regions and local governments, provided that they refer to matters under each administration's competence and that they do not affect any other administration.

Number of primary publications of the AIReF by main types and years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Macro assumptions for the budget	2	3	4	7	25	29	19	43	17	0
Macro forecast	0	0	0	3	5	4	3	4	4	0
Fiscal baseline scenarios	4	12	6	10	38	30	19	43	17	0
Fiscal impact assessment	5	10	3	5	14	3	21	7	4	0
Fiscal sustainability reports	3	2	3	3	3	4	3	4	2	0
Sub-national macro-fiscal issues	0	0	0	0	0	0	20	5	3	0
Assessment of the observance of fiscal rules	5	15	5	13	29	23	44	42	9	0
Endorsement	0	0	0	0	0	0	4	12	2	0
Data	0	0	2	4	3	4	1	4	4	2
Intra-year analytical reports on the most recent budget data	3	1	1	2	1	2	1	2	1	0
Methodology	2	6	3	2	1	0	3	1	1	0
PFM-system-related analysis and recommendations	0	3	4	5	5	3	4	4	4	2
Sectoral analysis	0	0	0	0	4	8	5	5	10	0
Spending Review	0	0	0	0	0	7	0	0	0	0
Working Paper	0	0	0	1	7	1	0	0	1	0
TOTAL number of documents*	**12**	**29**	**21**	**38**	**82**	**83**	**86**	**119**	**54**	**4**
o/w Regional	0	9	1	6	44	35	54	85	22	0

Note: As several documents contain more than one topic, the total number of documents is smaller than the sum of the documents classified under the various categories. Before 2018, papers on regional fiscal rules and macro-fiscal plans were part of the respective national documents. From 2018, AIReF started to publish each of the 17 regional papers at times most adequate for the specific region's political cycle.

Selected country-specific issues

AUSTRIA

As already mentioned above, the Fiskalrat, responsible for fiscal forecasting, is positioned between the WIFO, responsible for macroeconomic forecasting, and the Budgetdienst, mainly active in fiscal impact assessments. This means that the Fiskalrat misses both macro and fiscal impact assessment capacities.

When a proposal is submitted to the Parliament by the government, the latter is required to attach a fiscal impact assessment. In these cases, the Fiskalrat's function is to challenge the government's analysis. However, when the proposal is submitted by an individual Member of Parliament (MP) – or a group of MPs –, this requirement can be avoided. The Fiskalrat is not formally part of the legislative process, so that MPs or committees cannot ask the Fiskalrat for an impact assessment (they ask the Budgetdienst), but the Fiskalrat might still need the impact assessment for its own fiscal forecasting purposes. In these cases, the staff either uses simple elasticities derived from the macromodels run be the WIFO, or uses their own microsimulation tools.

Nevertheless, no institution in the Austrian system (including the Fiskalrat) publishes a no policy change baseline scenario, i.e. only policy scenarios are published. The argument is that baselines are not reliable.

Information about measures to be included in the policy scenario is from the official journal and the minutes of the government meetings.

Austria is a federal state, but data forecasted by the Fiskalrat always refer to the general government; it does not focus on central and subnational governments separately (partly because of inferior quality of subnational fiscal plans).

ITALY

There is a permanent protocol between the UPB and the MoF, which regulates the coordination between the two institutions (see in the package of background documents to this paper). The process consists of the following steps:

1. After comments from the UPB and some occasional iteration, the MoF declares the final set of exogenous assumptions to be used for the baseline (no policy change) scenario.
2. Based on the same exogenous assumptions of the MoF, the UPB and four private sector professional forecasters (e.g. Oxford Economics) produce their own baseline scenarios (officially called "trend-scenarios").
3. A meeting is held among the MoF, the UPB and the four private forecasters to assess the differences.

4. The MoF produces its own final baseline scenario.
5. After comments from the UPB and some occasional iteration, the MoF declares its final estimate for the impact of policy measures to be included in the stability program (April) and in the budget bill (October). Officially, the October version is called an update of the annual forecast.
6. The fiscal impact of the new policy measures is assessed in a package (not one-by-one), but usually some breakdown is presented for the large single items.
7. Based on (i) the relative position of the MoF's macro scenario compared to the distribution of the other 4+1 forecasts, and (ii) the fiscal impact attributed to the new policy measures, the UPB endorses, or refuses to endorse, the government's macroeconomic forecasts.
8. The endorsement (or its refusal) is communicated to the MoF in the form of an official letter.
9. If the UPB does not endorse the government's macro forecast, and one third of the deputies in the budget committee request it, the government has to go for a hearing in the budget committee and explain the deviations.

Up to now, there were two cases when the UPB did not endorse the government's macro forecast. In both cases, at the end, the government had to change its numbers. However, here we have to add that if the Parliament adopted a budget bill or a stability program based on a macro scenario not endorsed by the national IFI, "the [European] Commission could initiate legal action – an infringement procedure – against the country in question, in line with the general Treaty provision for breaching EU law".[2]

In January 2022, the UPB published a Focus Paper[3] to assess the evolution of the macroeconomic forecast error of the MoF, the European Commission and the UPB. Without rigorous econometric testing, data show, by simple visual inspection, that the average deviation of government forecasts from realized figures significantly dropped after the establishment of the PBO (but before the COVID pandemic).

The UPB does not face any problem in getting access to information from the MoF, whenever it is necessary for its work. The only systemic problem arises when the new policy measures have to be assessed, because often the political decisions about the specification of the measures (indispensable for any quantitative fiscal impact assessment) are missing or procrastinated.

The good working relation between the MoF and the UPB at an expert level heavily depends on personal contacts of good old colleagues now working in separate institutions.

The Parliament does appreciate the expertise of the UPB. UPB staff has to attend hearings to the budget committee quite frequently.

2 Citation from the 2022 annual report of the European Fiscal Board (p. 41).

3 Available at: https://en.upbilancio.it/focus-paper-no-1-20-january-2022/.

Slovakia

According to the Slovak MoF:

> *"In order to achieve higher transparency and objectivity of macroeconomic forecasts, the Ministry of Finance has approached renowned and independent institutions and set up a Macroeconomic Forecasting Committee. Members of the Committee are currently the representatives from the following institutions: Ministry of Finance, National Bank of Slovakia, Council for Budget Responsibility, Slovak Academy of Sciences, Statistical Office, Infostat (an organization established by the Statistical Office) and 5 commercial banks (ČSOB, Slovenská Sporiteľňa, Tatra Banka, UniCredit Bank, VÚB). The Committee meets regularly at least twice a year before preparing the starting points-related information and finalizing the draft state budget itself. The Committee discusses the preliminary forecast delivered by the Ministry of Finance, which can be subsequently modified respecting the prevailing opinion of the Committee. The outcome of such discussions includes, among other things, an overall evaluation of the character of the said forecasts, i.e. whether the forecast is conservative, realistic, or optimistic. The Ministry's medium-term macroeconomic forecast thus accepted is a basis for preparing background information on starting points for a multi-year budget for the next three years and forms a part of strategic governmental documents."*[4]

Final endorsement is published on the MoF's webpage as part of the minutes of the Macroeconomic Forecasting Committee.

SPAIN

The head of the AIReF goes twice a year to the parliamentary budget committee for hearings. The head does not have the right to talk to the plenary session, but this is in line with the rights of the central bank and the audit office.

Coordination with the government

In Spain, macro forecasting and government debt management is under the Ministry of Economy (MoE). Typically, about two weeks before the MoE or the MoF has to submit its macro or fiscal proposal to the government, there are meetings at the director/head of department level, where AIReF can comment on the draft. Final endorsement is published in the form of a press statement. Several times, the government had to change, and did change, the first draft before submission. Due to these meetings, there has never been an occasion when the AIReF did not endorse the government's final documents. However:

- There is no memorandum of understanding with the MoF, the MoE or the Parliament. AIReF always wanted to have such a protocol but, up to now, they have failed. One of the most important items would be a prescription requiring the MoF to transparently show its baseline scenario, a list of well specified policy measures, and the fiscal path resulting from the combination of the two.

4 From the webpage of the Slovak Ministry of Finance: https://bit.ly/3n3yE0d

- In spite of relatively good working relation at the staff level, there are important pieces of information to which AIReF does not have access.

Subnational level

Spain is not a federal state, but it is very decentralized, in the sense that a very large part of the general government spending takes place at a subnational level. Both the 17 regions and the significant cities have a direct link to the central government, i.e. large cities are not under their respective regions.

A law adopted in 2012 has set the rule for regions and cities to have balanced budgets. However, since the subnational governments generally ran a significant deficit at the beginning, the deficit limit remained an ambitious goal. Moreover, the only "sanction" on deficit is the requirement of preparing a new medium-term program to achieve the goal.

The law on fiscal rules limits regional debt to 13% of the regional GDP, but this is also more of a goal than a limit for many regions.

In order to meet EU-level fiscal rules that constrain the deficit and the debt of the general government (covering both national and subnational governments), each year in June the central government sets annual fiscal targets for each region for the upcoming fiscal year. At the subnational level, prior authorization from the State is required for any credit operation carried out abroad and for any issuance of public debt.

Though different regions started from very different balance (and debt) positions, it was politically impossible to set different deficit targets for them.

There is a consultative body (Fiscal and Financial Policy Council) for the finance ministers of the 17 regions and the central government Minister of Finance, where each year they negotiate about the uniform fiscal target to be applied at the regional level. There is an analogous council for large cities.

As AIReF has to review and endorse all the regional macro-fiscal plans, AIReF has always been very vocal when it considered the target not credible for some of the regions (which happened quite often).

There is no association or any formalized network of regional ministries of finance, but AIReF initiated several years ago an annual gathering for them, where they can talk about PFM problems. Regional governments significantly appreciate this opportunity.

Ideally, the budget processes in the central government and in the regions should go parallel, but in practice they do not, partly because there are differences in regional electoral cycles. Because of these variations in regional budget calendars, AIReF started in 2018 to publish its regional macro and fiscal reports separately, timing them in line with regional calendars. Such arrangement does not lead to any significant change in the actual analytical work done by the AIReF. Instead, it is a technique to increase the impact of AIReF's contribution.

Often the central government does not share its plans for new policy measures, even with the regions. This makes planning at the regional level even more difficult and contributes to the delay of regional budget processes compared to the central one. A clear-cut case took place in late 2019, when the Parliament did not manage to adopt the budget law for 2020, elections were held, 2020 started with a continuing resolution and, in February, the new government submitted a new budget bill, which then became obsolete 2 months later.

Spending reviews

A unique (among the four countries investigated) function of AIReF is to conduct spending reviews in various fields of government expenditures. AIReF not only participates in spending review working groups, but actually runs the whole process. This is a case where – clearly not in line with the OECD principles – normative functions are mixed into the IFI's principally positive functions.

Methodology for macro-fiscal modelling and forecasting in IFIs

All IFIs investigated use several quantitative models for various purposes, such as :

1. Medium-long term projection.
   a) Macroeconomic model.
   b) Pension expenditures.
   c) Interest expenditures.
2. Impact assessment.
   a) Macroeconomic effects.
   b) Microeconomic effects (microsimulation).
      i) Household tax-benefit.
      ii) Corporate tax.
3. Auxiliary models
   a) Nowcasting the GDP and its components.
   b) Yield curve estimation.

Developing models is a big investment, hence it takes time until all necessary types of models are ready for use. With the help of outside experts, the resource problem of development can be significantly mitigated, but the real constraint comes with the regular use. Large scale or very data-intensive models might overburden an IFI with limited human capacities.

When selecting a type of model for medium-long term projection and forecasting, one has to find the right balance between theoretical consistency, goodness of fit to historical data and good forecasting performance. Moreover, models used for long-term debt sustainability analysis have to be able to allow for digitalization, climate change, ageing and other long-term trends. Traditional ("Cowles Commission style") large econometric models are probably at one end of the spectrum, putting much emphasis on explicit integration of supply side effects, while somewhat agnostic Vector Autoregression (VAR) models are at the other end. Both happen to show up in our very small sample of IFIs.

For medium-term impact assessment, IFIs typically use Dynamic Stochastic General Equilibrium (DSGE) models, putting more emphasis on the demand side, monetary policy reactions and the role of expectations.

Two large systems, interest payment and pensions, are modelled in much detail, because each of them represent a large part of the expenditure side of the budget and they are subject to relatively strong long-term trends, both due to exogenous factors and policy measures.

For a more detailed presentation of country-specific model choices, see the Appendix.

Projects to quantify the macro-fiscal effects of green and digital transitions

AUSTRIA

Fiskalrat

The Fiskalrat has started to work on the estimation of a marginal abatement cost curve for Austria in cooperation with the Federal Environment Agency. The project focuses on the cost-effective achievement of national and international greenhouse gas emission targets for Austria. The project aims to identify ways to achieve compliance with emission targets through the lowest possible macroeconomic costs and to facilitate the associated implementation of measures. In a first step, the existing gap between mandatory emission targets and expected emissions will be calculated, taking into account the already budgeted and legally adopted measures of the federal government. The second step of the project will deal with closing this gap in a cost-effective way.

However, the project is dependent on the data provided by the Federal Environment Agency, and the Fiskalrat has not received any data so far. There is no documentation available yet.

The Fiskalrat does not currently have any projects on the topic of digital transition.

Budgetdienst

The Budgetdienst has not developed a specific econometric model, but has analyzed the green impact in the following studies (only available in German):

- Change in the standard fuel consumption tax and their effects (https://bit.ly/40e7AcE).
- Budgetary implications of EU emissions trading and burden-sharing procedure (https://bit.ly/3UAh28S).

Concerning the digital transition, the Budgetdienst is currently undertaking a study on digital projects in the budget but they do not have a model yet.

ITALY

The UPB is using the Global Economic Model (GEM), released by Oxford Economics, which has a fairly detailed energy and environment module.

SLOVAKIA

No information available.

SPAIN

The AIReF does not have any specific modelling project to quantify the impact of the digital transition. Regarding climate change, they are now starting to explore how to add a climate change module to their debt sustainability assessment model, in order to gauge the macro-fiscal impact of the green transition. They will benefit from assistance by the Technical Support Instrument of the European Commission's Directorate General for Reform.

4. THE PANDEMIC–EPISODE

The COVID-19 pandemic in 2020-2021 lends itself as a natural stress test for the working environment of independent fiscal institutions. Previous empirical literature already indicated that governments tend to reduce fiscal transparency whenever budgetary problems intensify, hence it seemed reasonable to expect significant deterioration in fiscal transparency in a crises situation that pushed up both government deficits and debts with unprecedented force. However, empirical literature also demonstrated that pressure from a deficit rule creates incentives for fiscal gimmicks, a clear form of reduced transparency, hence the fact that very soon after the outbreak of the pandemic all fiscal rules at the EU level and most fiscal rules at national level were suspended, would imply that the incentives against transparency were practically rather weak. In such situations a third driver might play the key role: what institutional behavior minimizes conflicts (that require extra efforts? Most probably the already established and legislated practice is the one that will prevail.

Policy measures introduced in response to the pandemic

Based on the International Monetary Fund (IMF) database[5], the table below summarizes the main types of COVID-related policy measures introduced by national governments and parliaments in the first 15 months of the crisis. Detailed information about them is presented in the Appendix.

5 https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

Main types of COVID-related policy measures (March 2020 – June 2021)

	Brazil	Austria	Italy	Slovakia	Spain
1) Current budget					
a) Current expenditure					
i) health care system	+	+	+	+	+
ii) fixed cost subsidy to firms	+	+	+		+
iii) short-term work arrangement		+	+	+	
iv) loss compensation to firms		+		+	+
v) extended social insurance	+			+	+
vi) income support to families	+		+	+	+
b) Tax reduction (targeted)					
i) VAT	+	+			+
ii) PIT		+			
2) Investment					
a) climate protection		+			
b) affordable housing		+			+
c) healthcare		+			+
d) digitalization		+			+
e) innovation and research		+			+
3) Loan guarantees	+	+	+	+	+
4) Deferral					
a) taxes (PIT, CIT, SSC, VAT)		+	+	+	+
b) utility bills			+		
c) rent				+	
d) loan repayment				+	
5) Other regulatory changes					
a) relaxing labor code requirements				+	
b) easing of the administrative burden				+	

The most important types were current expenditure (including healthcare spending, which jumped up in all countries, but various transfers to households and enterprises, as well) and loan guarantees. Above the line items amounted to 6.3-12.6% of the GDP. State guarantees and other (on the short-run) deficit-neutral measures were many times of an even bigger order of magnitude. These fiscal measures clearly had a significant effect both on macroeconomic and fiscal indicators.

Fiscal transparency during the pandemic

The International Budget Partnership (IBP), in the frame of the Open Budget Survey 2021 (near the end of 2020), assessed the fiscal transparency of a large number of countries in the period of the pandemic.[6] Their main finding was that

> *"governments are falling short of managing their fiscal policy response to the crisis in a transparent and accountable manner. More in detail:*
>
> 1) *Comprehensive reporting, transparent procurement processes and expedited audits of crisis-related spending were promoted by the IMF, [Global Initiative for Fiscal Transparency] GIFT, IBP, but governments fell short in all these areas.*
> 2) *In almost half of the countries in our assessment, governments are introducing fiscal policy measures through executive decrees of different kinds, sidestepping the normal legislative approval process.*
> 3) *Decision-making around COVID response packages and their implementation includes very little or no input from the public, especially from those most impacted by the crisis.*
> 4) *Across the 120 countries surveyed, some governments have clearly tried to make information available to citizens and various groups of stakeholders in a useful way."*

Below we present the results for Brazil and three out of the four selected countries (Austria was not part of the survey), and use it as a control for the assessment of the activities of the IFIs. The survey categorized the countries into four groups according to the level of accountability in early COVID fiscal policy responses: Adequate, Some, Limited and Minimal. Brazil, Italy and Slovakia belong to the second ("Some") group, while Spain's performance was only enough for the third ("Limited") group. This exactly corresponds to the general fiscal transparency index of these countries: Brazil (80), Italy (75) and Slovakia (65) in the second group of countries (between 61-80 points) and Spain (54) in the third group (between 41-60).

The tables below present detailed answers for those questions that are especially relevant for the work of IFIs.

Updated macro-fiscal projections were published in these four countries in general. Only the Spanish government did not provide the fiscal estimates.

6 https://internationalbudget.org/covid/.

Did the government publish, as part of published budget documents and information about emergency fiscal policy packages or elsewhere, updated macroeconomic and fiscal projections, comparing them to the originally approved ones for the current fiscal year? (IBP Q1 & Q2)

	Brazil	Italy	Slovakia	Spain
Inflation Rate	1	1	1	1
Nominal GDP	1	1	1	1
Real GDP	1	1	1	1
Interest Rates	1	1	1	1
Unemployment Rate	1	1	1	1
Comparison between originally approved and updated projections	1	1	1	1
Explanatory narrative	1	1	1	1
Total Revenues	1	1	1	1
Revenues by category (tax vs. non-tax)	1	1	1	0
Individual sources of revenue	1	1	1	0
Total expenditures	1	1	1	1
Expenditures by admin unit	1	1	1	0
Expenditures by functional classification	1	1	1	0
Expenditures by economic classification	1	1	1	0
Expenditures by program	1	1	1	0
"COVID tag" for expenditure	1	0	1	1
Deficit	1	1	1	1
Government debt	1	1	1	0
Comparison between originally approved and updated projections	1	1	1	1
Explanatory Narrative	1	1	1	1

As for the announced policy measures, information was already imperfect. In particular, the allocation of planned spending among administrative units and the financing of the extra spending was left in the shadow in the EU countries. In the case of Brazil, the situation was even worse.

Do published documents and information about the emergency fiscal policy package under consideration include analysis and justification of the specific policy initiatives within the package to address the COVID-19 crisis? (IBP Q3-Q6 & Q11)

	Brazil	Italy	Slovakia	Spain
Background info on specific policy initiatives	0	1	1	1
Policy rationale for specific policy initiatives	0	1	1	1
Objectives/anticipated effects of specific policy initiatives	1	1	1	0
Cost estimates of specific policy initiatives	0	1	1	1
Total expenditures	0	1	1	1
Expenditures by admin unit	1	0	0	0
Expenditures by program	1	0	1	0
Explanatory narrative	0	1	1	0
Estimate of total revenue losses from tax relief measures	0	1	0	1
Estimate of revenue losses for individual tax relief measures	1	1	1	1

	Brazil	Italy	Slovakia	Spain
Policy rationale for individual tax relief measures	0	1	1	1
Intended beneficiaries for individual tax relief measures	1	1	1	1
Explanatory narrative	0	1	1	1
Description and policy rationale	1	1	1	1
Intended beneficiaries	1	1	1	1
Maximum amounts allowed	0	1	0	0
Entry requirements and approval processes	1	1	0	0
Reporting requirements	0	1	0	0
Total cost estimates	1	1	1	1
Total borrowing needs	0	1	0	1
Domestic vs. external borrowing	0	0	0	0
Types of borrowing instruments	0	0	0	0
Interest rates	0	1	0	0
Explanatory narrative	0	0	0	1

Interestingly, Italy, which was the most transparent in terms of plans, turned out to be the least transparent when it came to reporting on facts, though this would have been clearly necessary for assessing and adjusting further plans.

Do the published documents or information about the implementation of the emergency fiscal policy package under consideration include information on: (a) actual expenditures for spending measures; (b) actual revenue losses from tax relief measures; and (c) total exposure of loans and loan guarantees issued by the government, included in the package? (IBP Q14)

	Brazil	Italy	Slovakia	Spain
Total expenditures	1	0	1	0
Expenditures by admin unit	1	0	0	0
Expenditure by program	1	0	1	0
Total revenue losses from tax relief measures	1	0	1	0
Revenue losses for individual tax relief measures	0	0	1	0
Total exposure to loans and loan guarantees issued	0	1	0	0
Explanatory narrative	0	0	1	1

From the point of view of the IFIs' role, a key question was the ability of the parliaments to exercise their oversight function. In all four (three + Brazil) countries the state of emergency was declared, which implied a significant relaxation of parliamentary control over the government. Beyond this, in many countries fast tracked parliamentary approval procedures were routinely used.

Which of the following "fast track" procedures were used that limited legislative oversight during the crisis? (IBP Q21)

	Brazil	Italy	Slovakia	Spain
State of emergency declared	1	1	1	1
Cabinet/individual ministers were empowered with emergency expenditure and law-making authority	0	1	0	0
Fast tracked parliamentary approval procedures were introduced	1	1	1	0
Role of Upper Chamber was limited	0	1	0	0
Executive used extra-budgetary entities and other off-budget arrangements that bypassed regular legislative oversight	0	0	0	0

In the three EU member states, parliaments had not been very inventive to use other tools at their hands in influencing government decision making. The answers for Brazil look much more encouraging, but the effectiveness of parliamentary scrutiny remains a question given the problems noticed above in relation to information provided by the government.

How was the legislature involved in monitoring the implementation of the emergency fiscal policy package (EFPP) under consideration? (IBP Q22)

	Brazil	Italy	Slovakia	Spain
Legislature receives and debates regular/special reports regarding execution of EFPP	1	0	0	0
Legislature hears testimony from members of the executive to get a better picture of emergency related policy execution	1	0	0	1
Legislature receives and debates regular/special audit reports regarding audits of EFPP	1	0	0	0
Legislature established special Covid-19 committee to oversee execution or granted additional powers to existing committee	1	0	0	0
None of the above	0	1	1	0

Contribution of the IFIs to the domestic economic discourse

Based on the webpages of the IFIs themselves, we will identify their output and the gap between the IFI output and the fiscal policy measures left without an appropriate IFI assessment.

All four European IFIs already attained their full capacity and activity determined by the relevant regulation, hence any gap against the mandatory and habitual outputs has to be interpreted as the consequence of the pandemic.

During the period of the pandemic both EU and domestic fiscal rules had been suspended, but the domestic procedures remained intact.

Country specificities

AUSTRIA

The ***Fiskalrat*** published its first COVID-related paper in May 2020 under the title "First estimate of the budgetary effects of the COVID-19 pandemic for Austria". In spite of its title, it does not only assess the effects of the external shock, but also the budgetary consequences of the new policy measures. For the quantification of the macroeconomic effects, it uses a DSGE model, i.e. it does not rely on the macroeconomic forecasts of the WIFO (which published its first estimate only in June).

The regular paper to assess the observance of the fiscal rules, due in May 2020, already took a longer-term perspective till the end of 2021.It forecasted a 9.4% deficit/GDP ratio for 2020 and a 3% ratio for 2021. Both were higher than the forecasts of the EU-Commission and both turned out to be closer to the fact figure.

The Fiskalrat published updates to the first estimate of the effects of shocks and measures twice (one month and four months later).

In December 2020, in the frame of its regular annual public finance report, the Fiskalrat already drew attention to the long-term sustainability problems, and recommended "Thoroughly preparing and rigorously implementing the return to sustainable fiscal policy after COVID-19 pandemic".

Deploying its microsimulation model FISKSIM, in June 2021, the Fiskalrat assessed the redistribution effects of the policy measures and stated that those had been overwhelmingly well targeted.

In August 2022, the Fiskalrat published a paper on the fiscal costs of the COVID-related government guarantees. At that time, they estimated a loss rate of about 5.6% of the face value of the guaranty contracts.

The ***Budgetdienst*** regularly reported on the COVID-related fiscal measures in its monthly publications (see more details in the Appendix). However, the most important episode was the so-called COVID Transparency Act. On March 15, 2020, the Austrian Parliament – at the proposal of the government – established a COVID-fund in the order of magnitude of 10 percent of the GDP, granting the government unprecedented freedom to use the public money for whatever purpose it deemed appropriate in the fast-evolving crisis situation. This was a technique used in many other countries. The conflict arose when the government wanted to prolong the fund into the 2021 budget bill in unaltered form. During the autumn of 2020, the Budgetdienst very vocally opposed this idea and used all its communication channels to convince the government, the Parliament and the public about the importance of transparency even in the case of emergency. For example, on early November, at the request of an opposition MP, the Budgetdienst prepared and published a special report[7] in which it presented the fiscal impact assessment of the policy measures adopted up to

7 Available at: https://bit.ly/3ZIrvRb.

then, and explained the importance of transparency in budgeting. The campaign succeeded[8], and already at the end of November the Parliament debated about the new draft of an act introducing significantly stricter transparency and accountability rules in relation to emergency measures.

ITALY

During the period of the pandemic, EU fiscal rules were suspended, but domestic procedures remained intact. No special arrangement between the UPB, the MoF and/or the Parliament was instituted. The only difference compared to "normal times" was the fact that, in April 2020, the government did not produce a fiscal forecast (with policy measures), but only a baseline scenario. Endorsement of the government's macro forecast was based more on expert judgement than on formal modelling, but the Parliament did pay attention to the UPB's comments. It helped that the government did not try to use the pandemic for irresponsible over-spending or other forms of unsustainable fiscal policy measures.

In navigating through the pandemic, the UPB mainly followed the principles propagated by the European Commission: the most important among them was the 3T (known already for a long time in the literature on fiscal stimuli), meaning that all measures adopted during the pandemic have to be Timely, Temporary and Targeted.

After assessing the expectable macroeconomic consequences of the pandemic, the UPB managed to publish fiscal impact estimates of the new policy measures as early as 26 March 2020. Throughout the subsequent two years various publications focused on COVID-related topics (see the Appendix). Moreover, since March 2020 each of the semiannual reports (fiscal policy reports in spring and budget planning reports in autumn) dealt with the relevant aspects of the pandemic.

SLOVAKIA

The RRZ (Council for Budget Responsibility) became an active participant of the debates already in March 2020.

On 12 March, RRZ wrote, on its one-page assessment of the situation of public finances, that „We assume that the effects of the COVID-19 coronavirus on budget expenditures and, indirectly through the economic slowdown, on its revenues will contribute to the further deepening of the budget deficit."

On 20 March, RRZ published a 19 pages long document with the title „Quantifying the impacts of the spread of the infectious disease COVID-19". However, at the beginning of the text it was made clear that „At this stage, it is therefore necessary to perceive this information as very preliminary to indicative, they do not represent an estimate or a forecast, but only a possible development under various scenarios and assumptions."

On 30 April, the Public Finance Report was already much more specific:

8 For assessing the circumstances and factors that led to the success of the campaign one probably has to take into account the other scandals of Austrian politics at the time as well.

"In connection with the pandemic, the Council is considering a scenario of a 10.3% decline in the economy for 2020, which would with the other effects of measures known to date, increase the deficit of public finances to 7.8% of GDP. However, from the point of view of the long-term sustainability of public finances, the development is more important than the result of 2020 in the following years determined by the adopted legislation, the current pandemic and related economic development. The Council assumes that the indicator of long-term sustainability for 2020 would increase to the level of 8% of GDP, which already represents a high risk from the point of view of long-term sustainability."

As a matter of fact, in 2020Q2 the Slovak GDP fell by 9.3% compared to the same quarter of the previous year, so the 10.3% fall was an almost perfect estimate. What the Council (or anybody else) did not know was that the sharp fall only lasted for one quarter, and the annual GDP in 2020 was only 3.4% below the previous year.

At the end of May 2020, the Slovakian chapter of the OECD review ended with the sentence "The Council also is one of the first to incorporate scenarios of the pandemic into formal long-run fiscal sustainability assessments and is now in the process of preparing an in-depth opinion on the fiscal measures introduced by the government in response to the COVID-19 pandemic." However, it seems that the impact assessment of policy measures did not materialize as planned (at least until February 2021, according to the webpage of the RRZ[9].

SPAIN

AIReF assessed the estimated budgetary impact of all measures related to health spending, Social Security (that is, cessation of activity, temporary employment adjustment schemes and minimum income schemes) and all revenue measures.

They did not assess, on their own, subsidies to companies or guarantees: in both cases, they took the government's calculations. In the case of measures related to the Recovery and Resilience Plan (investment in digitalization) or to the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU, for vaccines), the estimates were just a guess by AIReF due to the lack of information in national accounts. No specific estimate was provided on the budgetary impact of the reduction of administrative burden, mainly, because the legal text of the measure was formulated in a very generic way.

The assessment of measures can be found in the regular reports AIReF published assessing the stability program[10].

9 URL: https://bit.ly/3TNHX0p.

10 For an example, see https://www.airef.es/wp-content/uploads/2021/05/Informe-Ptos-iniciales-2021_EN.pdf.

5. POTENTIAL IMPLICATIONS OF THE REVISED FISCAL GOVERNANCE SYSTEM PROPOSED BY THE EU COMMISSION (9 NOV. 2022 AND 26 APRIL 2023) ON THE ROLE OF IFIS

A whole new Article[11] requires that, from now on (assuming the adoption of the directive unaltered), IFIs in every EU Member State will have to meet:

- Merit based selection of the leadership (economics, public finance).
- Adequate and stable own resources.
- Access to information needed to perform their role.
- Minimum requirements for the legislated mandate.
    - Produce or endorse
        - Macroeconomic and fiscal forecasts.
        - Debt sustainability analysis.
        - Macro-fiscal impact assessments.
    - Monitoring of the observance of
        - National fiscal rules.
        - EU-level fiscal rules.
    - Regular review of the national budgetary framework.
    - Participate in regular hearings and discussions at the national Parliament.
- The "comply or explain" principle shall apply whenever the government does not act according to the IFI's assessments.

The Commission's proposal is in the form of a directive, which means that in some aspects it is still ambiguous or open, so that member states have some freedom to choose the way of domestic implementation. Up to now, no significant criticism has been expressed by national governments, but in the case of the fiscal rules there are still significant conflict points, hence it is far too early to make forecasts about the end of the negotiations. Here we try to summarize the main aspects from the IFIs'

11 For the legal text, see the Appendix.

perspective, partly based on anonymous personal conversations and prevailing problems of the IFIs identified in other contexts.

In a standard Strengths, Weaknesses, Opportunities, and Threats (SWOT) framework, the following characteristics of the proposal seem the most relevant:

STRENGTHS

- aim of significantly strengthening the independence of IFIs, including their resources and freedom to communicate
- expanding the role of IFIs beyond macroeconomic forecasting: fiscal forecasting, debt sustainability analysis and macro-fiscal impact assessment
- obligation to apply the principle of comply or explain

WEAKNESSES

- The proposal implicitly assumes that, if one specific legal solution for the independence of the IFI is acceptable in one member country, then it is acceptable in any other member country as well. This assumption neglects the differences among member mtates in terms of legal tradition and political-sociological context. If member states want to use, in many cases, the argument "there is no one size fits all", then they should also accept, to an equal degree, when the Commission, or the EU-level regulation, differentiates among member states in order to achieve the ultimate goal. More specifically, in countries where the tradition of independent institutions is less deeply rooted in the legal system and social preferences, probably more detailed and stricter rules will be needed, than in some other countries, where there is a centuries-long track record and a dense network of such institutions.
- The proposal does not mention the regular publication of macro-fiscal baseline projections as a mandatory task for IFIs.
- In the case of macro-fiscal forecasting, impact assessment and debt sustainability analysis, the proposal prescribes for the IFI to produce it OR to endorse the respective document used by the government. Endorsement should not be a substitute for production. It would be important to prescribe that the IFI produces a document, and the government can either use it directly, or if it wants to produce another version, then the differences have to be defended so that ultimately the IFI can endorse it. If the IFI is not obliged to actually produce at least one full version of all these documents, there is no guarantee that it will have the adequate human/financial/informational capacity to challenge whatever the government will table for endorsement. To make sure that the IFI can make an informed decision about the endorsement, it should be mandated to publish its own papers in a comparable form.

- The proposal prescribes for the IFIs to produce or endorse macro-fiscal impact assessments only in cases when the government is required to produce the impact assessments. It does not require IFIs to produce the impact assessments whenever the author of the proposal does not submit it with the bill.
- Debt sustainability analysis is even more complex than calculating the output gap and the structural deficit, thus it might easily become victim of Goodhart's Law (any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes).
- The European Fiscal Board in its current form is not suitable to play a distinctive/superior role in or above the network of IFIs (it is not clear from the April 26 proposal whether this idea, raised in the November 2022 version, is dropped or maintained).
- Negotiations about the targets remind of bad past experiences about unjust differentiations among stronger and weaker member states, but most probably political economy reality cannot be escaped.

OPTIONS

- High level of resources will be required to assess fiscal structural plans, investments and reforms.
- As national implementation of the directive will have to be reviewed by the EU-Commission on a case-by-case basis, differences in the legal tradition and the social context can be controlled for to some extent in order to achieve the same de facto level of independence for each national IFI.
- The network of European IFIs can have an important role in protecting individual members from domestic political pressures.
- IFIs can effectively help (i) to keep eventual negotiations between their national governments and the EU-Commission within professional limits and (ii) to fend off purely political considerations.
- IFIs contribute to the plausibility and monitoring process, not to policy making.

THREATS

- Unlike most national governments, the EU Commission is not accustomed to the idea that the IFI can contradict them.
- There is a risk in the "EU Commission – government – domestic IFI" triangle, because it might push the IFI into a political debate (e.g. about national targets), but this could be mitigated by clearly separating the role of the IFI and of the Commission.
- Some national governments might want to carve into law the methodologies to be used for forecasting, impact assessments and debt sustainability analysis, in order to avoid "surprises", practically to tie the hands of the IFI. However, this might undermine not only the competence of the IFI, but even its credibility, as soon as the government starts to misuse the letter of the law against its spirit.

One of the key points is the negotiation between the EU Commission and member states about the appropriate fiscal targets. Some experts consider it an outright weakness, while some others "only" a significant threat based on past experiences concerning equal treatment of small and big (influential and less influential) member states. Some interviewed partners expressed their views that the institutionalization of negotiations is nothing but the acknowledgment of political realities (i.e. differences in negotiating powers).

In relation to this political character of the procedure (unless it is taken out of the final version under the strong opposition of some member states), there is a broad consensus that IFIs should avoid, at any cost, to become part of the political debate.

Refraining from (party-) political debates is necessary, but clearly not enough for true independence. IFIs should neither seek, nor avoid conflicts with the government. International experience shows that self-censorship can arise whenever IFIs are afraid of losing access to financial resources, human resources or information. It is of the utmost importance that IFIs should not be afraid to point out issues explicitly, whenever there is a conflict with the government. Hence, securing their access to whatever they need for their tasks has to be part of the high-level legislation.

Currently, there are only very few IFIs in the eurozone which actually perform all the tasks at the right frequency necessary to serve the envisaged new version of the European Semester. Beyond legal problems (e.g. the Commission will need a reliable local partner who will be required to provide the necessary analysis on time), most IFIs lack the number of qualified staff necessary for producing everything at the right time under the strict time constrains (e.g. analyze the whole budget proposal in a 2-3 weeks' timeframe).

Number of expert staff and tasks of the IFIs

	Fiskalrat	*Budgetdienst*	WIFO (macro)	UPB	RRZ	AIReF[12]
Number of staff (experts)	6	8	25	24	14,5	29
Macroeconomic forecasting & endorsement of the government's macroeconomic assumptions			+	+		+
Fiscal forecasting & assessment of the observance of fiscal rules	+			+	+	+
Long-term sustainability assessment	+			+	+	+
Fiscal impact assessment and other ad hoc studies						
- measures embedded in the fiscal plans	+	+		+	+	+
- major tax legislation on a voluntary basis	+	+		+	+	+
- at the request of the budget committee		+		+		
- at the request of executive bodies						+

12 In the OECD database there was no separate number for the leadership and the expert staff of the AIReF. As a proxy we assumed that the president and the cabinet of the president (1+5 people) are not part of the expert staff.

In Austria, the Fiskalrat and the Budgetdienst have a combined staff of 14. The macro-fiscal staff of the WIFO is 25 experts strong, but only a small fraction of this capacity is dedicated to the forecasting activities directly linked to the PFM system. Based on the number of publications, at least the equivalent of one full time expert of the Budgetdienst has to be devoted to answering questions from individual MPs.

In Italy – again, based on the number of publications – about 30% of the capacity, equivalent to 6-7 full time experts, is devoted to parliamentary interventions.

The Slovak RRZ can save some capacity due to the fact that (in the frame of the Macroeconomic Forecasting Committee mainly) the Central Bank is responsible for producing the macro forecasts. However, this is just partial relief, because the RRZ does need skills of macroeconomic analysis, at least for its fiscal impact assessments and for long-term debt sustainability analysis.

The OECD review in 2017 estimated that, in the case of AIReF, only half of the 29 full time experts were devoted to national level tasks, the other half was involved in subnational issues.

On the whole, we can say that in all four countries about 15-20 experts are currently working on tasks that are related to the core functions indispensable for the European system of fiscal surveillance: maintenance of the database, macro-fiscal baseline scenario, macro-fiscal impact assessments, fiscal risk and debt sustainability analysis, and assessment of the observance of fiscal rules. Probably, this would be enough, if the workload was evenly distributed over the year, but this is far from reality. In all countries, and eurozone member states are no exception, the bulk of the annual workload is concentrated in a period of about five months (two in the spring and three in the autumn), hence most IFIs are understaffed. Some of them try alternative methods, like hiring private sector consultants for specific non-core studies (e.g. AIReF for some studies at the request of the government), or mutually "renting" experts with the audit office (e.g. in Austria), but these are very limited tools and imply some risk run by the IFI. Usually, such experts cannot have access to all information. Additionally, training and quality assurance is an extra burden on the institution: if next year the same expert is not available, the "investment" is sunk. The current capacity (number of staff, and in close relation the size of the budget) of the IFIs is not enough for a reliable actor in the budget process that can provide high quality and detailed analysis even under significant stress.

The reform of the EU economic policy coordination system is probably more an option than a threat for these institutions, assuming that the EU Commission will have prime interest in helping them beef up their resources. These, in seasons outside the European Semester peak times, will be available for other assignments and development of analytical tools.

6. PROPOSALS TO FURTHER DEVELOP THE NATIONAL IFIS

1. The quint essence of the idea of an independent fiscal institution is to deprive the government from the freedom to use unrealistic assumptions and calculations as a basis for its fiscal policy decisions. This is true not only for the main macroeconomic variables like GDP and inflation, but even more for the macro-sensitive fiscal variables. There is no point in spending tax payers' money on an IFI, if its output is only "one more opinion" that the government might adopt or ignore. It is a standard political technique for governments to solicit a diverse range of (at least seemingly) professional opinions at first sight only to demonstrate the uncertainties surrounding the problem at hand, but practically to reserving the liberty to disregard any sensible professional constrains. If there is a publicly funded IFI in the national public financial management system, then it must be the ultimate source of information for the parliament and the government about any positive quantitative fiscal analysis it produces. Not because the IFI is infallible (it is certainly not, notwithstanding its ongoing pursuit of service excellence), but rather stems from its nonpartizan character. This is the only way to prevent politically motivated bias in the positive (non normative) domain of fiscal policy. This very role of the ultimate source of information justifies the significant resources to be provided to the IFI.
2. National IFIs should assume all positive roles and leave all normative roles to the government, the EU-Commission and the EU-Council. IFIs should resist the temptation to lend their reputations of independence to inherently normative roles, but should be active in offering their positive analytical services to any public institution as much as it is permitted by their human and financial capacity.
3. IFI functions are best placed in one single institution. Splitting IFI functions among several institutions decreases efficiency, because both sides will need the same skill and capacity in some form:
    - An IFI responsible for fiscal issues, but deprived from macroeconomic analysis (e.g. Fiskalrat in Austria and RRZ in Slovakia) will still need macroeconomic capacity when assessing fiscal impact, long-term sustainability or fiscal risks.
    - An IFI responsible for impact assessment, but deprived of forecasting (e.g. the Budgetdienst in Austria) will still need forecasting capacity, because impact assessment requires a baseline projection, against which the impact might be measured.

4. Producing an own, consistent macro-fiscal baseline is a cornerstone in quantitative fiscal analysis. First, this has to be developed, before impact of newly proposed measures can be added. Otherwise, no efficient debate among experts and institutions can take place.

5. Rules vs personal relations:

   - Good personal relations with other institutions (MoF, central bank, etc.) is crucial when establishing a new IFI and its culture of cooperation with fellow institutions, but good practice has to be stabilized by formal rules. For instance, at the extreme case, this is what lower level staff members can refer to when higher ranking managers try to deter them from cooperation and other elements of good practice.

   - Good rules are crucial to protect what has already been achieved, but implementing the rules for the first time (especially for the first time under stress) requires personal efforts.

6. National IFIs should be protected from domestic (and occasionally international) political pressure by all means, including multiyear funding schemes and an active international network of IFIs.

7. In Brazil, the IFI might establish and protect a network of state-level IFIs.

7. ANNEX

A) Comparative table of the main characteristics of the Brazilian and the selected European IFIs based on the OECD database

	Austria		Italy	Slovakia	Spain	Brazil
	Fiscal Advisory Council (FISK)	Parliamentary Budget Office (PBO)	Parliamentary Budget Office (PBO)	Council for Budget Responsability (CBR)	Independent Authority for Fiscal Responsibility (AIReF)	Independent Fiscal Institution (IFI)
LEGAL BASIS						
Year legislation for current institution passed9	2013	2012	2012	2011	2013	2016
Year started operating	1970	2012	2014	2012	2014	2016
Legal basis for establishment						
Constitutional legislation	○	○	●	●	○	○
Primary legislation	●	○	●	○	●	●
Other	○	●	○	○	○	○
INSTITUTIONAL MODEL						
Institutional model						
Legislative budget office	○	●	●	○	○	○
Fiscal council	●	○	○	●	●	●
Audit institution	○	○	○	○	○	○
MANDATE AND FUNCTIONS						
Functions						
Analysis of long-term fiscal sustainability	●	●	●	●	●	●
Role in macroeconomic or fical forecasts	■	○	■	○	■	□
Role in monitoring compliance with fiscal rules	●	○	●	●	●	●
Directly support legislature in budget analysis	○	●	●	○	○	○
Role in policy costing	○	●	●	●	○	◖
Role in costing election platforms	○	○	○	○	○	○
Can the institution provide normative advice?	●	◖	○	○	◖	○
PUBLICATIONS						
Number of reports required in legislation each year	1	0	0	2	10	2
RELATIONSHIP WITH THE LEGISLATURE						
Reports published online	●	●	●	●	●	●
Key reports send to the legislature	●	●	●	●	●	●
Leadership participates in parliamentary hearings	●	●	●	●	●	●
Parliament plays a role in appointment or dismissal process for leadership	○	●	●	●	●	●
TRANSPARENCY						
Full operational transparency	●	○	●	●	●	●
All reports published?	●	●	●	●	●	●

	Austria		Italy	Slovakia	Spain	Brazil
	Fiscal Advisory Council (FISK)	Parliamentary Budget Office (PBO)	Parliamentary Budget Office (PBO)	Council for Budget Responsability (CBR)	Independent Authority for Fiscal Responsibility (AIReF)	Independent Fiscal Institution (IFI)
All underlying methodology published?	●	◖	●	●	●	◖
ADVISORY SUPPORT						
Advisory support and peer review						
External advisory panel	○	○	●	●	●	●
Peer review	●	○	●	○	○	○
EVALUATION						
External evaluation foreseen in legislation	○	○	○	○	◖	○
LEADERSHIP						
Nature of leadership						
Individual	○	●	○	○	●	○
High school	●	○	●	●	○	●
Leadership commitment						
Full-time	○	●	●	○	●	●
Part time	●	○	○	○	○	○
Both	○	○	○	●	○	○
Is leadership paid?	○	●	●	●	●	●
The leadership has experience in:						
Academy	●	●	●	●	○	●
Finance Ministry	○	○	●	●	○	○
Audit	○	●	○	○	○	○
Central bank	○	○	○	●	●	○
Private sector	○	○	○	●	●	●
International organization	○	●	●	○	○	○
IFIs	○	○	●	○	○	○
Parliament	○	○	○	○	○	●
Others	○	○	○	●	○	●
INDEPENDENCE						
Independence of leadership:						
Leadership appointments made based on merit and technical competence	●	●	●	●	●	●
Term length						
Duration of leadership terms clearly defined	●	●	●	●	●	●
Term length (years)	6	5	6	7	6	4
Can the term be renewed?	●	●	○	○	○	○
How many times can the term be renewed?	No limit specified	No limit specified	None	None	None	None
Clearly defined criteria for dismissal of leadership	○	○	●	●	●	●
Leadership has control over the employee hiring process6	◖	◖	●	●	●	●
Operational independence:						
Ability to define your own work program within the limits of your mandate	●	●	●	●	●	●

	Austria		Italy	Slovakia	Spain	Brazil
	Fiscal Advisory Council (FISK)	Parliamentary Budget Office (PBO)	Parliamentary Budget Office (PBO)	Council for Budget Responsability (CBR)	Independent Authority for Fiscal Responsibility (AIReF)	Independent Fiscal Institution (IFI)
Ability to perform analyzes on your own initiative8	●	●	●	●	●	●
Financial independence:						
It has a separate budget line	○	○	○	○	○	○
Has multi-year financing commitment	◖	○	◖	◖	○	○
RESOURCES						
Year	n/a	2017	2017	2018	2017	2017
Budget (million euros)	n.a.	0,9	6	1,37	5,07	0,9
Staffing						
Staff (full-time)	6	8	24	14,5	35	8
Chairs						
Council/Board	15		3	3		3
Total	21	8	27	20,5	35	11
ACCESS TO INFORMATION						
Access to info secured:						
Via legislation only	○	○	○	○	●	●
Via MoU/agreement only	○	○	○	○	○	○
Via both	○	○	●	●	○	○
Neither	●	●	○	○	○	○

B) **Legal regulations of the mandate**

AUSTRIA

Fiskalrat

Federal Act No. 226/I/2021 amending the Federal Law Establishing the Fiscal Advisory Council and Establishing a Productivity Board (Fiscal Advisory Council and Productivity Board Act of 2021 – Fiskalrat- und Produktivitätsratgesetz 2021).

It gives the Fiskalrat the following mandate:

Article 1. A Fiscal Advisory Council shall be established and entrusted with the following tasks:

1. *Assessing the current and future fiscal situations against the backdrop of Austria's fiscal policy objectives within the meaning of Article 13, para. 2 and 3, Federal Constitutional Law (Bundesverfassungsgesetz) and Article 2, para. 3, Federal Budget Act 2013 (Bundeshaushaltsgesetz 2013, Federal Law Gazette I No. 139/2009) and development trends in the money and capital markets;*
2. *Analyzing economic effects of financial operations in connection with public debt on the basis of research activities under no. 1;*
3. *Analyzing the sustainability and the quality of public budgetary policies against the backdrop of Austria's fiscal policy objectives;*
4. *Providing written recommendations on the fiscal policies of the public authorities in Austria, taking economic conditions into consideration;*
5. *Tasks according to Article 3 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, Federal Law Gazette III No. 17/2013, Article 6 of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, OJ L 306, 23.11.2011, p. 41, and according to Article 5 of Regulation (EU) No 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, OJ L 140, 27.5.2013, p. 11 ("Two-Pack"); this specifically includes:*
    a) *Providing recommendations on the medium-term budget objectives according to Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies as amended by Regulation (EU) No 1175/2011, OJ L 306, 23.11.2011, p. 12;*
    b) *Providing recommendations on the adjustment path to reach medium-term budget objectives;*
    c) *Monitoring, in a timely fashion, rule compliance under Article 5 of Regulation (EU) No 1466/97 as amended by Regulation (EU) No 1175/2011;*
    d) *Identifying circumstances and submitting recommendations that activate, extend or end corrective measures according to Article 7 of Austrian Stability Pact (Österreichischer Stabilitätspakt 2012), Federal Law Gazette I No. 30/2013;*

6. *Preparing an annual report on the recommendations made to the Federal Minister of Finance under nos. 4 and 5, including the results of studies and analyses under nos. 1 to 3, which the Federal Minister of Finance is obligated to present to the National Council and the Federal Government;*
7. *Other tasks requested by the fiscal equalization partners;*
8. *Contributing to shaping public opinion in connection with the tasks of the Fiscal Advisory Council as well as organizing information events;*
9. *Regularly preparing and publishing analyses of the quality of macroeconomic and fiscal forecasts.*
10. *Exchanging expertise and best practices with similar bodies in other countries and, where appropriate, preparing joint analyses with such bodies; in particular, participating in presentations and meetings with representatives of such bodies and presenting the Fiscal Advisory Council's own work in national and international fora.*

Budgetdienst

The Budgetdienst does not have any legal foundation. Its existence is based on three political documents:

- Political agreement among all political parties represented in the Austrian national council (2011).
- Statement of the Budget Committee of the Austrian Parliament, 10th November 2011.
- Catalogue of Products and Services agreed between the Head of the PBO and the budget spokespersons of the political groups.

The mandate of the Budgetdienst is the support of Parliament in the budgetary process, in consulting and enacting budget laws and exercising its budget oversight role.

The key tasks are:

(1) Supporting the Budget Committee in form of written expertise, analysis and short studies on budgetary matters presented by the government according to Federal Organic Budget Act (e.g. draft fiscal framework and budget, budget execution reports, performance (outcome controlling) reports, debt reports, subsidies reports).

(2) Preparing (short) studies upon request of members of the Budget Committee.

(3) Supporting other parliamentary committees regarding impact assessment of new legislation.

(4) Consulting Parliament on performance budgeting and the effective equality of women and men (gender budgeting).

(5) Participation of the Head of PBO in all meetings of the Budget Committee as permanent expert.

(6) Participation in all meetings of the Fiscal Council and the Productivity Board in an advisory function.

(7) Publication of all results on Parliament's homepage.

ITALY

Since 20 April 2012 a Constitutional Law contains the following sentence (Article 5, paragraph 1):

f) *the establishment in the Chambers, in compliance with the relative constitutional autonomy, of an independent body to be assigned tasks of analysis and verification of public finance trends and evaluation of the observance of the fiscal rules;*

Based on the above constitutional rule, Law 243 of 24 December 2012, Articles 16-19, established the UPB[13]:

> *"Pursuant to article 5, paragraph 1, letter f) of the constitutional law of 20 April 2012, n.1…"*
>
> *18 (1) "1. The Office, also through the elaboration of its own estimates, carries out analyses, checks and assessments regarding:*
>
> a) *macroeconomic and public finance forecasts;*
>
> b) *the macroeconomic impact of legislative measures of greater prominence;*
>
> c) *public finance trends, also by subsector, and compliance with fiscal rules;*
>
> d) *the long-term sustainability of public finances;*
>
> e) *the activation and use of the corrective mechanism referred to in Article 8 and the deviations from the objectives resulting from occurrence of the exceptional events referred to in Article 6;*
>
> f) *other economic and public finance topics relevant for the analyses, checks and evaluations referred to in this paragraph.*
>
> *2. The Office prepares analyses and reports also at the request of the parliamentary commissions responsible for public finance.*
>
> *The President, if requested, holds hearings before the commissions' parliamentarians referred to in the first period."*

13 Disponível em: https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:legge:2012-12-24;243.

SLOVAKIA

According to a constitutional act:

Constitutional Act
of 8 December 2011
on Fiscal Responsibility
Article 3
Establishment of the Board

1) *The Fiscal Responsibility Board (hereinafter the 'Board') is hereby established as an independent body set up to monitor and evaluate the fiscal performance of the Slovak Republic and evaluate compliance with the fiscal responsibility rules.*

SPAIN

There is no reference to an IFI in the constitution, but amending the organic law[14] establishing AIReF requires qualified majority. The organic law spells out the mandatory and optional tasks of the AIReF in detail:

Reports and Opinions

Article 14. Report on macroeconomic forecasts.

1) *Macroeconomic forecasts included in the draft budgets of all Public Administrations or the stability programme shall be based on a report issued by the Authority also stating if such forecasts have been endorsed by the Authority.*
2) *For such purpose, Public Administrations shall previously request the Independent Authority for Fiscal Responsibility to issue a report as referred to in paragraph 1 of this article, which shall be taken into account in order to draw up the final forecasts to be included in their draft budget or the stability programme.*
3) *Among other aspects, the reports referred to in this article shall determine if forecasts are compliant with Council Directive 2011/85/EU of 8 November 2011 on the requirements applicable to the budgetary frameworks of Member States.*
4) *An assessment shall be included in the report above in order to determine if there is any significant bias in macroeconomic forecasts estimated for a period of four consecutive years, all of that in accordance with article 4.6 of Council Directive 2011/85/EU on the requirements applicable to the budgetary frameworks of Member States. If the report finds that there is such a bias, the State shall take all necessary measures to correct it and shall make them public.*

Article 15. Report on the methodology to calculate trend patterns of revenue and expenditure and the growth reference rate.

Any amendments to the Ministerial Order governing the methodology to calculate trend patterns of revenue and expenditure and the growth reference rate as referred to in articles 12.3 and 21.1. b) of Organic Law 2/2012 of 27 April on Budgetary Stability and Financial

14 Available at: https://bit.ly/3mBsxA4.

Sustainability shall be reported by the Independent Authority for Fiscal Responsibility prior to their approval.

Article 16. Report on the draft Stability Programme.

1) *Prior to 15 April each year, the Independent Authority for Fiscal Responsibility shall report the draft Stability Programme with a special assessment of the commitments guaranteeing compliance with the budgetary stability objective, the public debt limit and the expenditure rule.*
2) *Should there be any changes in the budgetary stability objective, in the public debt limit and in the expenditure rule that may affect the stability programme, these will be reported by the Independent Authority for Fiscal Responsibility.*

Article 17. Reports on the analysis of budget implementation, public debt and expenditure rule.

Prior to 15 July each year, the Independent Authority for Fiscal Responsibility shall report on the fulfilment of budgetary stability and public debt objectives and compliance with the expenditure rule by all Public Administrations in the current year, considering the budget implementation and the measures foreseen for the current year and the previous one.

Article 18. Reports on the determination of individual objectives for Autonomous Regions.

Within ten days following the approval by the Government of the budgetary stability and public debt objectives for all Public Administrations, the Independent Authority for Fiscal Responsibility shall submit a report to the Ministry of Finance and Public Administration on the budgetary stability and public debt objectives for each Autonomous Region in accordance with the provisions set forth in article 16 of Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability.

Article 19. Report on economic-financial and re-balancing plans for the Central Administration and the Autonomous Regions.

Prior to their approval, all economic-financial and re-balancing plans for the Central Administration and the Autonomous Regions shall be reported by the Independent Authority for Fiscal Responsibility.

Article 20. Report on the projects and main aspects of the budgets of Public Administrations.

Prior to 15 October each year, the Independent Authority for Fiscal Responsibility shall prepare the report referred to in article 17.1 of Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability.

Article 21. Report on the application of correction mechanisms foreseen in Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability.

The Independent Authority for Fiscal Responsibility may report on the appropriateness of implementing any of the preventive, corrective and coercive measures foreseen in chapter IV of Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability, as well as on the monitoring of those already adopted, especially by those Administrations in charge of the financial management of Local Entities, as well as of those implemented by each subsector and autonomous region and on the occasion of the quarterly publication of non-financial operations of the Public Administrations in national accounts terms, or at the time of the issue of the monitoring reports on economic-financial plans.

Article 22. Report on the occurrence of the exceptional circumstances referred to in article 11.3 of Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability.

The Independent Authority for Fiscal Responsibility shall report on the occurrence of any of the exceptional circumstances foreseen in article 11.3 of Organic Law 2/2012 of 27 April on

Budgetary Stability and Financial Sustainability prior to the parliamentary procedure provided for in such article.

Article 23. Opinions issued by the Independent Authority for Fiscal Responsibility.

The Independent Authority for Fiscal Responsibility may issue an opinion on the subjects below:

1) *The monitoring of the information on budgetary implementation provided by the Ministry of Finance and Public Administration – in furtherance of the accountability principle set forth in Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability – with regard to the fulfilment by all Public Administrations of the objectives of budgetary stability, public debt and the expenditure rule.*
2) *The sustainability of public finances in the long run.*
3) *On any other issues as provided for by the law.*

c) Quantitative models used by the selected European IFIs

Country	Austria	Italy	Slovakia	Spain
	https://bit.ly/3n59ApB	NO OECD REPORT	https://bit.ly/3KQ3eTd	https://bit.ly/42m7YrJ
Medium-long-term macro forecast	WIFO-MACROMODa demand-driven structural econometric model with supply side elements used for price and wage determination FISK-OLG numerical GE model with microfoundations and fiscal block for impact assessment of demographic changes and structural reforms	Cowles-Comission style traditional econometric model	Macroeconomic Forecasting Committee	Bayesian VAR-model with exogenous variables (BVARX)
Medium-long-term macro forecast	https://bit.ly/3lmP7w1 https://bit.ly/3JO6wHo (OLD version) https://bit.ly/3ZPX4Zz	https://bit.ly/3lhGVNG		https://bit.ly/3FB9tsi
Nowcasting	A project was started at WIFO, but suspended in 2018. (https://bit.ly/3n8cGZZ) Currently it is not used in the regular forecasting exercises.	Short-term factor model	There is a methodology published by the RRZ in 2021 and a Central Bank research paper from 2017, but it is not clear which one is used in the IFI roles.	MIPred: a set of dynamic factor models for both GDP and its demand components, plus a balancing procedure to ensure the transversal consistency of these forecasts
Nowcasting	https://bit.ly/3ooKEu5	https://bit.ly/42sdSHF	https://bit.ly/3lr4XWs https://bit.ly/3KQ3eTd	https://bit.ly/3yOuCvd
Output-gap				Markov-switching autoregressive model
Output-gap				https://bit.ly/405HzNq
Fiscal impact assessment	Based on elasticities derived from a medium-sized New Keynesian general equilibrium model of a small open economy in a monetary union	QUEST (DSGE-type model developed by the EU-Commission)	DSGE-type model	
Fiscal impact assessment	https://bit.ly/3FzSOoK	https://bit.ly/3KQ3eTd	https://bit.ly/3yVVkC1	

Country	Austria	Italy	Slovakia	Spain
Redistribu-tion effects	FISKSIM: costing tool to estimate the cost of reforms of the Austrian system of taxes and transfers, based on the AT-SILC data	MEDITA: corporate tax microsimulation MicroSim: household tax-benefit	EUROMOD SIMTASK: immediate effects of changes in taxes, levies and social benefits for individuals and households (online available)	AIReF already has a microsimulation modelling tool, but the methodology is not published yet https://bit.ly/3Tu153r
	https://bit.ly/3KQ3eTd	https://bit.ly/3yUiRTS https://bit.ly/3yOTUcB	https://bit.ly/3FyU3EO https://bit.ly/2EL1nvG	No publication yet
Interest payment on government debt			(No formal model, only short- and long-term average interest rate on securities)	Outstanding stock of debt by instruments & yield-curve modelling by level/slope/curvature & detailed issuing plan for the financing need (including the new deficit)
	https://bit.ly/3z88tIF	https://bit.ly/3JPxG0l	No model	https://bit.ly/3TowoNb
Pension ex-penditures		Projections are produced in the framework of the Ageing Populations and Sustainability Working Group of the EU Econ. Pol. Committee.		Integrated framework of the demographic, macroeconomic and institutional components
				https://bit.ly/3THdNw5

Note: URLs below country names lead to OECD reports on their respective IFIs. URLs below other cells lead to documents with details about the models

D) Fiscal measures in the first 15 months of the pandemic

Excerpts from the Covid 19 Policy Tracker of the IMF[15]

AUSTRIA (AS OF JUNE 3, 2021)

In 2020, the government announced one of the largest multi-year fiscal package in Europe, totaling 49.6 billion euros (12.6 percent of 2019 GDP) to support the economy. Financing includes support to the health care system, short-term work arrangement, liquidity support for firms (fixed cost subsidy, and loss compensation), and public loan guarantees. On the revenue side, the government announced deferral of personal and corporate income taxes, social security contributions (3 months), and VAT payments, as well as VAT reduction in some categories. In tandem with emergency support, the multi-year package also includes measures to jump start the economy, including investment in climate protection, affordable housing, health, and digitalization, innovation and research. The reduction of the lowest income tax rate from 25 to 20 percent, planned for 2021, was brought forward and made retroactive to January 2020. In 2020, majority of the spending was related to emergency support and these extraordinary measures resulted in the budget deficit of 8.9 percent of GDP.

In 2021, several emergency support measures have been extended in light of renewed lockdowns. They include a new phase of short-term work arrangement (June 2021), fixed cost subsidy, hardship fund for small businesses, revenue replacement, and unemployment assistance. At the same time, the budget envisages a significant amount of public investment as well as incentives for private investment to jump start the economy. Measures to reallocate labor including upskilling and retraining are also included. The latest 2021 stability program envisages a deficit of over 8 percent of GDP.

ITALY (AS OF JULY 1, 2021)

On March 17 (2020), the government adopted a €25 billion (1.6 percent of GDP) "Cura Italia" emergency package. It includes (i) funds to strengthen the Italian health care system and civil protection (€3.2 billion); (ii) measures to preserve jobs and support income of laid-off workers and self-employed (€10.3 billion); (iii) other measures to support businesses, including tax deferrals and postponement of utility bill payments in most affected municipalities (€6.4 billion); as well as (iv) measures to support credit supply (€5.1 billion)

On April 6 (2020), the Liquidity Decree allowed for additional state guarantees of up to €400 billion (25 percent of GDP). The guarantee envelope from this and earlier schemes is aimed to unlock more than €750 billion (close to 50 percent of GDP) of liquidity for businesses and households (see below).

On May 15 (2020), the government adopted a further €55 billion (3.5 percent of GDP) "Relaunch" package of fiscal measures. It provides, among other things, further income support for families (€14.5 billion), funds for the healthcare system (€3.3 billion), and other measures to support businesses, including grants for SMEs and tax deferrals (€16 billion).

15 https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#A

Following the Parliament's approval of a further €25 billion (1.6 percent of GDP) deficit deviation, on August 8 (,2020), the government adopted a new third support package. Labor and social measures (€12 billion) include, among other things, additional income support for families and some workers, an extension of the short-time work program, and a suspension of social security contribution for new hires. Other key measures are extensions of the moratorium on SMEs' debt repayment and the time to pay back tax obligations.

On October 27 (2020), the government adopted a €5.4 billion (0.3 percent of GDP) package that seeks to provide quick relief to the sectors affected by the latest round of COVID containment actions. Measures include grants to 460 thousand SMEs and the self-employed, and further income support for families. The government has also extended social contribution exemptions for affected businesses.

On March 19 and May 20 (2021), the government approved further support packages for about €72 billion aiming at extending supports for business and workers affected by the pandemic as well as kickstarting the economy. Key measures include compensating businesses and the self-employed (proportional to 2020 turnover loss), and extending the firing ban (until end-June) and the short-time work schemes.

SLOVAKIA (AS OF JUNE 22, 2021)

Measures introduced by the coalition government include (i) wage compensation for affected businesses and self-employed, and subsidies to individuals without income (subsequently extended to end-2021 and augmented in size); (ii) enhanced unemployment benefits, and sickness and nursing benefits; (iii) deferral and waiver of employers' social security contributions for some months for affected companies and self-employed (deferral extended to September 2023); (iv) easing of the administrative burden on businesses and relaxing labor code requirements; (v) deferral of payroll and corporate tax payments for businesses whose revenues decline by more than 40 percent; (vi) allowing companies to include loss carryback since 2014; (vii) rental subsidies; and (viii) higher medical spending. Total disbursed above-the-line measures in 2020 amounted to €1.9 billion, or 2.1 percent of GDP, and contributed to the widening of the fiscal deficit to 6.1 percent of GDP. In addition to policies with direct fiscal impact, the government introduced several measures to ease liquidity pressures. A number of state-guarantee schemes were launched, up to a total of €4 billion or 4.4 percent of 2020 GDP, covering both SMEs and large firms, though intake amounted to 1.04 billion in 2020. Individuals, self-employed and SMEs are also allowed to defer loan repayments for up to 9 months (application deadline later extended to March 2021), while a rent payment moratorium was imposed until June 30, 2020. The government also introduced temporary state protection from creditors for affected businesses.

The 2021 revised budget included in the Stability Program includes funds/reserve allocated to COVID response amounting to 4.2 percent of GDP (3.4 billion direct aid and 0.6 billion below-the-line measures) and envisages a fiscal deficit of 9.9 percent of GDP in 2021

SPAIN (AS OF JUNE 30, 2021)

Key measures (about 7.4 percent of GDP, €85 billion, subject to changes in the usage and duration of the measures) include budget support from the contingency fund to the Ministry of Health (€1.4 billion); transfers to the regions for regional health services (€12.4 billion); additional healthcare related spending including research related to COVID-19 (€270 million); entitlement of unemployment benefit for workers temporarily laid off under the Temporary Employment Adjustment Schemes (ERTE) due to COVID-19, with no requirement for prior minimum contribution or reduction of accumulated entitlement (about €24.7 billion depending on the duration); measures taken by regional governments on social services, education and support to firms (about €11 billion); direct aid for corporate solvency support an extraordinary benefit for self-employed workers, including seasonal self-employed, affected by economic activity suspension (about €6.5 billion depending on the duration); increased sick pay for COVID-19 infected workers or those quarantined, from 60 to 75 percent of the regulatory base, paid by the Social Security budget (€1.6 billion); introduction of a new means-tested Minimum Income Scheme (about €3 billion annually); new rental assistance programs for vulnerable renters and additional state contribution to the State Housing Plan 2018-21 (€800 million); strengthened unemployment protection for workers under permanent discontinuous contracts who cannot resume work but are not qualified for unemployment benefits (€800 million); additional budgetary funds of €300 million and further budget flexibility for the provision of assistance to dependents; subsidy for vehicle renewal under the MOVE II program (€250 million); investment in digitization and innovation in the tourism sector (€220 million); benefits for workers who have exhausted unemployment benefits (€180 million); extension of unemployment benefit to cover workers who were laid off during the probation period (since March 9), as well as those who were switching jobs but with the new offer falling through (€42 million); a temporary monthly allowance for temporary workers whose contract (at least two months' duration) expired during the first state of emergency and were not entitled to collect unemployment benefits (€18 million); a temporary subsidy for household employees affected by COVID-19 with an amount equal to 70 percent of their contribution base (€30 million); transfer of €25 million to autonomous communities funding meals for children affected by the school closure; extension of the social benefit for energy provision; financial assistance to the education system (€40 million); and other industry and sectoral support measures (about €700 million). Further measures include exemptions of social contributions for impacted companies that maintain employment under the ERTE and those that reinstate jobs for ERTE workers (around €7.7 billion depending on the duration); exemption of social contributions for self-employed that receive the extraordinary benefits (about €3.3 billion or more depending on the duration); reduction of VAT rate for surgical disposable masks (€850 million); temporary zero VAT rate on purchases of medical material essential to combat the COVID-19, as well as on COVID-19 tests and vaccines (€480 million); deferral of social security debts for companies and the self-employed; moratoria of social security contributions for the self-employed and companies in selected industries; tax incentives for some landlords that reduce rents of properties used for activities related to the hotel, restaurant and tourism industries (€324 million); tax payment deferrals for small and medium enterprises and self-employed, with the first three/four months exempt from interest; extension of the deadlines for filing tax returns and self-assessment for SMEs and self-employed; flexibility for SMEs and self-employed to calculate their income tax and VAT installment payment based on the actual profit in 2020 (about €100 million); temporary increases in the reduction of taxation by the module system in income tax and VAT (€117 million); reduction in the contribution for employed agricultural workers who have completed a maximum of 55 real days of contribution in 2019; reduction in VAT on digital publications from 21 to 4 percent; no surcharge for late payment of tax debts for companies obtaining financing through the Instituto *de Crédito Oficial (ICO) Guarantee Lines; more flexibility for workers to access savings from their pension plans; budget flexibility to enable transfers between budget lines and for local governments to use budget surplus from the previous years for supporting measures in the area of housing; modification of spending ceilings for certain lines of ministries and subnational governments; centralization of medical supplies; and an emergency management process for the procurement of all goods and services needed by the public sector to implement any measure to address COVID-19.*

BRAZIL (AS OF JUNE 30, 2021)

To mitigate the impact of COVID-19, the authorities announced a series of fiscal measures in 2020 adding up to 12 percent of GDP, of which the direct impact on the primary deficit stood 7.2 percent of GDP. Congress declared a state of "public calamity" at the onset of the pandemic, lifting the government's obligation to comply with the primary balance target in 2020. The government has also invoked the escape clause of the constitutional expenditure ceiling to accommodate exceptional spending needs. Emergency measures were included in a separate (so called 'war') 2020 budget, not bound by the provisions of Brazil's Fiscal Responsibility Law and the constitutional golden rule. The fiscal measures included the expansion of heath spending, temporary income support to vulnerable households – cash transfers to informal and low-income workers (Emergency Aid program), bringing forward the 13th pension payment to retirees, expanding the Bolsa Familia program with the inclusion of over 1 million more beneficiaries, and advance payments of salary bonuses to low income workers –, employment support (partial compensation to furloughed workers, as well as temporary tax breaks), lower taxes and import levies on essential medical supplies, and new transfers from the federal to state governments to support higher health spending and as cushion against the expected fall in revenues. Public banks expanded credit lines for businesses and households, with a focus on supporting working capital (credit lines add up to 4.5 percent of GDP), and the government has backed over 1 percent of GDP in credit lines to SMEs and micro-businesses to cover payroll costs, working capital and investment. Most measures have expired in end 2020, but the Emergency Aid, employment support program, and credit support to SMEs were renewed in the second quarter of 2021.

E) OECD: IFIs promoting transparency[16]

AUSTRIA

Fiskalrat (Fiscal Advisory Council)

- *Providing rapid analysis.*
  - *Self-initiated briefing notes*
  - *Economic and fiscal forecasts in real-time*
  - *Economic and fiscal scenario analysis*
  - *Assessments of planning assumptions*
- *Costing emergency legislation*
- *Monitoring activation and implementation of escape clauses.*

The Austrian Fiscal Advisory Council produced a substantial piece of analysis on the budgetary impact of COVID-19 one month after Austria's first reported case and is updating it regularly as the crisis unfolds. The analysis assessed the fiscal impact of emergency measures implemented by the federal government and the direct and indirect economic consequences of the pandemic according to two scenarios of similar magnitude but with different weights for supply and demand shocks. The Council has also run its own costing exercise for COVID-19 measures.

Response	Description	Date
Update: Assessment of budgetary effects of COVID-19 pandemic in Austria	*An updated assessment of both the economic and fiscal consequences of COVID-19, including the budgetary impact and public debt consequences of both emergency aid (costed by the government) and a range of macroeconomic shock scenarios using sectoral analysis, a DSGE model, and the Fiscal Advisory Council's forecasting analysis.*	*17 April 2020*
First assessment of budgetary effects of COVID-19 pandemic in Austria	*A detailed assessment of both the economic and fiscal consequences of COVID-19, including the budgetary impact and public debt consequences of both emergency aid (costed by the government) and a range of macroeconomic shock scenarios using sectoral analysis, a DSGE model, and the Fiscal Advisory Council's forecasting analysis.*	*30 March 2020*
	Beyond the IMF tracker	
Initial assessment of the budgetary impact of the COVID-19 measures currently adopted, including the economic stimulus package		*21 September 2020*
Overall good targeting of household income support measures in the context of the COVID-19 crisis in 2020		*18 June 2021*
Budgetary costs of the COVID-19 guarantee		*12 August 2022*

16 Country excerpts from the OECD document (https://bit.ly/3ZB31t5).

Budgetdienst (Parliamentary Budget Office)

- *Providing rapid analysis.*
    - *Self-initiated briefing notes*
    - *Economic and fiscal forecasting*
    - *Economic and fiscal scenario analysis*
    - *Assessments of government planning assumptions.*
- *Costing emergency legislation.*

The Parliamentary Budget Office published an overview of the government's planned emergency measures and their budgetary impact along with a summary of external forecasts of the economic impact of COVID-19 and support measures planned at the EU level as they related to Austria. A section on "Re-porting and transparency" recommends reporting practices the government should follow as it implements its emergency plan. The office also provided an update on the government's targets and performance indicators to account for the new COVID-19 measures. The Office later provided a full analysis of Budget 2020, along with all measures taken to date, macroeconomic scenarios, and quantitative and qualitative discussions of the impact of the crisis. The Budget Analysis 2020 report also assessed the government's Stability Programme update. The PBO has been highly involved in pushing for greater transparency and accountability to parliament.

Response	Description	Date
Influence of the COVID-19 crisis on objectives in BVA-E 2020	*Overview of the implications of COVID-19 for government targets and performance indicators*	*07 April 2020*
Updated COVID 19 packages of measures and 2020 draft budget	*Backgrounder of government measures and their budgetary effects, along with a discussion of affected economic sectors, external forecasts, and support measures at the EU level. Discussion of reporting and transparency and discussion of structural deficits and escape clauses.*	*07 April 2020*
Analysis of Budget Execution from January to March 2020 and COVID-19 Reporting	*Analyses of the first quarter of budget implementation. Critical of the government's changes to reporting procedures and recommendations on how COVID-19 intervention reporting should be improved going forward.*	*06 May 2020*
Budget Analysis 2020	*Analysis of COVID-19 measures implemented to date and the government's Stability Programme update. Possible effects of the COVID-19 pandemic are dis-cussed qualitatively and quantitatively. Several macroeconomic scenarios are assessed and a rough estimate of the impact of the crisis on tax revenues is provided*	*06 May 2020*
Beyond the IMF tracker		
From 9 May all monthly budget execution reports		*09 May 2020-*
Answer to a question from an MP	*Transparency of budgeting for COVID-related measures*	*2 November 2020*
Analysis of a bill	*COVID-19 Transparency Act*	*23 November 2020*
Analysis of a bill	*Preload Act COVID-19 Vaccination & Disposal of Federal Assets*	*21 June 2021*

Response	Description	Date
Analysis of a bill	*On the COVID-19 contract awards and procurement processes of the federal government*	*7 July 2021*
Answer to a question by an MP	*One-off payments during the COVID-19 and inflation crises*	*25 October 2022*

ITALY

Ufficio Parlamentare di Bilancio (Parliamentary Budget Office)

- *Providing rapid analysis.*
    - *Self-initiated briefing notes*
    - *Economic and fiscal forecasts in real time*
    - *Economic and fiscal scenario analysis*
    - *Requests from committees and individual legislators*
    - *Assessments of government planning assumptions*
- *Monitoring activation and implementation of escape clauses*
- *Costing emergency legislation*

The Italian Parliamentary Budget Office (UPB) has published several documents, including a report recommending the suspension of EU fiscal rules, a substantial piece of analysis (the largest and deepest among all IFIs) on the economic and fiscal consequences of COVID-19and the government's emergency response to it, and an updated report on economic developments and forecasts related to the pandemic. Because of the uncertainty linked to the economic outlook, the UPB's activities related to the endorsement process of the government's forecasts have been delayed. The UPB also participated in the hearings of parliamentary committees and responded to committee analytical requests.

Response	Description	Date
Memo of the President of the UPB on the Report to Parliament prepared pursuant to Law 243/2012	*An examination of the macroeconomic context in which the COVID-19 emergency was unfolding, the possible channels through which it could affect the Italian economy, and the implications of the Report to national and European fiscal rules.*	*10 March 2020*
Memorandum of the Chairman of the UPB on Bill AS 1766 ratifying Decree Law 18 of 17 March 2020	*Memorandum examining the main measures contained in the "Cure Italy Decree" and the beneficiaries affected by the measures, as well as a preliminary estimate of their macroeconomic and fiscal impacts, a description of healthcare interventions, and labour market outcomes.*	*26 March 2020*
Publication of the Report on Recent Economic Developments for April 2020	*An update of the impact of COVID-19 on Italy's economic indicators, along with analysis produced using the PBO's short-term forecasting models.*	*21 April 2020*

Response	Description	Date
Hearing of the PBO as part of the examination of the 2020 Economic and Financial Document	*Testimony of Chairman at an informal hearing before a joint meeting of the Bureaus of the Budget Committees of the Senate and Chamber of Deputies as part of the preliminary consideration of the 2020 Economic and Financial Document (EFD) and the examination of the Report to Parliament pursuant to the provisions of Law 243/2012.*	*29 April 2020*
Memorandum of the Chairman of the PBO on Bill AC 2461 ratifying Decree Law 8 April 2020 n. 23 (the Liquidity Decree)	*Submitted to the Finance and Economic Activities Committees, an overview of the government's measures to support the liquidity and financing of small-and medium-sized enterprises.*	*30 April 2020*
Beyond the IMF tracker		
Focus Paper	*Monitoring hospitals: financial performance and indicators of outputs, quality and outcomes*	*25 June 2020*
Focus Paper	*An overview of the Relief decrees*	*23 December 2020*
Working Paper	*Assessing Italy's public debt dynamics in the medium term with the PBO framework: Illustrative scenario analysis for the post-COVID period*	*November 2021*

SLOVAK REPUBLIC

Rada pre Rozpoctovu Zodpovednost (Council for budget responsibility)

- *Providing rapid analysis*
  - *Self-initiated briefing notes*
  - *Economic and fiscal forecasting in real time*
  - *Economic and fiscal scenario analysis*
- *Monitoring activations and implementation of escape clauses*
- *Costing emergency legislation*

The Council for Budget Responsibility (CBR) has published two versions of analysis of the potential impacts of the COVID-19 pandemic on the economic and fiscal situation under various scenarios and assumptions. It also published a short assessment on the impact of fiscal measures on public finances and several blogs relating to the pandemic, including a call for a common European fiscal approach, potential techniques for test and trace and possible public health strategies to fight the pandemic. The Council also is one of the first to incorporate scenarios of the pandemic into formal long-run fiscal sustainability assessments and is now in the process of preparing an in-depth opinionon the fiscal measures introduced by the government in response to the COVID-19 pandemic.

Response	Description	Date
Information on current developments in public finances	*A short assessment of the impact of fiscal measures relating to COVID-19 on public finances, compliance with fiscal rules and long-term sustainability.*	*12 March 2020*
First version: Quantification of measures to mitigate the effects of the COVID-19 pandemic	*Substantial piece of analysis on economic and fiscal scenarios of the pandemic.*	*20 March 2020*
Budgetary traffic light	*Regular (as of April) update of CBR budget indicator including the estimated effects of the pandemic.*	*30 April 2020*
Updated version: Quantification of measures to mitigate the effects of COVID-19 pandemic	*Second, updated, version of the costs of emergency legislation along with macro and fiscal forecasts for 2020. The document also presents projections calculated by an epidemiological model developed by the CBR to guide CBR's assumptions on the type and duration of measures taken by the government*	*30 April 2020*
Report on the Long-Term Sustainability of Public Finances (April 2020)	*Assessment of the sustainability of public finances, including scenarios of the effects of the pandemic on economic development and public finances in 2020.*	*30 April 2020*
Beyond the IMF tracker		
Comments	*Finding a balance between economic costs and limiting the spread of the virus in the second wave of the COVID-19 pandemic*	*19 October 2020*
Opinions	*RRZ's opinion on the proposal for the Recovery and Resilience Plan of the Slovak Republic*	*26 March 2021*
Comments	*The impact of the COVID-19 pandemic on individual incomes*	*19 August 2021*

SPAIN

Autoridad Independiente de Responsabilidad Fiscal (Independent Authority for Fiscal Responsibility, AIReF)

- *Providing rapid analysis*
  - *Self-initiated briefing notes*
  - *Economic and fiscal forecasts in real time*
  - *Economic and fiscal scenario analysis*
  - *Assessments of government planning assumptions*
- *Monitoring activation and implementation of escape clauses*
- *Costing emergency measures*

Spain's Independent Authority for Fiscal Responsibility (AIReF) is closely following and assessing the impact of the COVID-19 crisis and the fiscal measures put in place. It reviewed the potential suspension of EU and national fiscal rules and recommended that the government activate the escape clause and begin working on the mandatory Rebalancing Plan for the aftermath of the crisis. On 1 May 2020, AIReF released a statement endorsing the macroeconomic forecasts of the government's Stability Programme Update, heavily caveating that it is doing so because of the flexibility the European Commission permitted in simplifying information requirements, *drawing attention to shortcomings in the scenarios the government provided (or failed to provide). AIReF released its full report on 6 May 2020, which contained two macroeconomic scenarios and estimates of the possible cost of measures taken by the government and their effect on the budget as an independent check and for transparency. It also contained a fiscal and debt sustainability analysis and other briefing material related to the national and international implications of the crisis. The office has also conducted its own cost estimates in order to assess the government's estimates of its fiscal response and has promoted transparency by publishing more disaggregated estimates of the measures.*

Response	Description	Date
Statement of monitoring the situation and suspension of some activities	*Statement on the highly uncertain environment and decision to postpone reports as a result. The statement also says the AIReF is considering both the EU's discussion of suspension of fiscal rules and the implementation of Spain's domestic procedures for fiscal rules under extraordinary emergencies.*	*20 March 2020*
AIReF announces that it suspends temporarily the publications of MI-Pred and explores alternatives to evaluate economic growth in the short-term.	*Due to enormous uncertainty, on-time unavailability of some statistics, and a distorted labor market due to the enormous quantity of employees affected by Temporary Employment Regulation (ERTEs), AIReF considers that forecasts of MIPred are not accurate enough and therefore cease its publication until the model can conduct more reliable short-term growth projections. Alternatives to MIP red short-term analysis will be explored.*	*01 May 2020*
Endorsement on the macroeconomic forecasts of the 2020-2021 stability programme up-date	*AIReF endorsed the Government's economic forecasts included in its draft macroeconomic scenario that will accompany the 2020-2021 Stability Pro-gramme Update (SPU), deeming it reasonable against a backdrop of great economic uncertainty. AIReF also warns of downside risks relating to the possibility of more adverse epidemiological scenarios or more persistent damage to the productive capacity of the economy and employment. The office also flags that it has not received a fiscal scenario. AIReF recommends that the government prepare a fiscal scenario and a no-change policy scenario to show the impact of the epidemic on the public finances.*	*01 May 2020*
Self-initiated briefing notes published as annexes to the Stability Program 2020-2021 Endorsement	*Evaluation of Spanish government measures to face COVID-19, comparing estimated costs of each measure conducted by both institutions. This analysis was also helpful to shed light to the multiple and diverse measures taken by the government.*	*06 May 2020*
Assessment of the update of the Stability Pro-gram 2020-2021	*AIReF assessed the Government's Stability program including on it an updated macroeconomic analysis with two different scenarios and an analysis on the government's budget scenario. In the report AIReF evaluated the impact of the COVID-19 crisis on public accounts, determining how incomes and expenses would be affected and measuring the cost of economic measures announced by the government. Among others, a detailed fiscal and debt sustainability analysis is also included in this report.*	*06 May 2020*
	Beyond the IMF tracker	
Study	*Study on hospital spending in the national health system: pharmacy and investment in capital goods*	*12 October 2020*

Response	Description	Date
Report	*Report on the concurrence of the exceptional circumstances referred to in article 11.3 of the Organic Law 2/2012, of April 27, 2012, on Budgetary Stability and Financial Sustainability*	*13 October 2020*
Main lines	*Report on the Main Lines of the 2021 Budgets of the Public Administrations*	*5 November 2020*
Main lines	*Report on the main budgetary lines and draft budget of the General Government (GG) for 2022*	*25 October 2021*

F) List of background documents

1. Federal Act No. 226/I/2021 amending the Federal Law Establishing the Fiscal Advisory Council and Establishing a Productivity Board (Fiscal Advisory Council and Productivity Board Act of 2021 – Fiskalrat- und Produktivitätsratgesetz 2021).
2. Law 243/2012 of the Ufficio Parlamentare di Bilancio – English translation.
3. Protocol for cooperation between the UPB and the Ministry of Finance (Italian).
4. Independent fiscal institutions: promoting fiscal transparency and accountability during the Coronavirus (COVID-19) pandemic (OECD).
5. International Budget Partnership: Managing COVID Funds – The Accountability Gap.

G) Excerpt from the European Commission's April 26, 2023 proposal for a COUNCIL DIRECTIVE amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

'Article 8

1. Member States shall ensure that independent fiscal institutions, such as structurally independent bodies or bodies endowed with functional autonomy as regards the budgetary authorities of the Member States, are established by national laws, regulations or binding administrative provisions.

2. The institutions referred to in paragraph 1 shall be composed of members nominated and appointed on the basis of their experience and competence in public finances, macroeconomics or budgetary management, and by means of transparent procedures.

3. The institutions referred to in paragraph 1 shall:

(a) not take instructions from the budgetary authorities of the Member State concerned or from any other public or private body;

(b) have the capacity to communicate publicly about their assessments and opinions in a timely manner;

(c) have adequate and stable own resources to carry out their mandate in an effective manner, including any type of analysis within their mandate;

(d) have adequate and timely access to the information needed to fulfil their mandate;

(e) be subject to regular external evaluations by independent evaluators.

4. Member States shall ensure that the institutions referred to in paragraph 1 have the following tasks:

(a) producing the annual and multiannual macroeconomic and budgetary forecasts underlying the government's medium-term planning or endorsing those used by the budgetary authorities;

(b) producing debt sustainability assessments underlying the government's medium-term planning or endorsing those provided by the budgetary authorities;

(c) producing assessments on the impacts of policies on fiscal sustainability and sustainable and inclusive growth or endorsing those provided by the budgetary authorities;

(d) monitoring compliance with country-specific numerical fiscal rules in accordance with Article 6;

*(e) monitoring compliance with the Union fiscal framework in accordance with Regulations [XXX preventive arm of the SGP] and [XXX corrective arm of the SGP] *;*

(f) conducting, on a regular basis, reviews of the national budgetary framework, in order to assess the consistency, coherence and effectiveness of the framework, including mecha-

nisms and rules that regulate fiscal relationships between public authorities across sub--sectors of general government;

(g) participate in regular hearings and discussions at the national Parliament.

5. Member States shall ensure that the budgetary authorities of the Member State concerned comply with the assessments or opinions issued by the institutions in the context of the tasks referred to in paragraph 4. Where such budgetary authorities do not comply with those assessments or opinions, they shall publicly justify the decision not to comply within a month from the issuance of such assessments or opinions.

H) **References**

INTERNATIONAL ORGANIZATIONS

OECD

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OECD Policy Responses to Coronavirus (COVID-19): Independent fiscal institutions: promoting fiscal transparency and accountability during the Coronavirus (COVID-19) pandemic https://bit.ly/3Dpouwc

IMF

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Democracy when you need it most: Strengthening legislative transparency and accountability during crises (Blogpost) https://bit.ly/3KRuYa1

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Austria

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Spain

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2021: *https://bit.ly/3nNDD5l*
2022: *https://bit.ly/3K13iPq*

Organic Law 6/2013, of November 14, creating the Independent Authority for Fiscal Responsibility. (Spanish)
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Independent Fiscal Institution

Dialogues
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