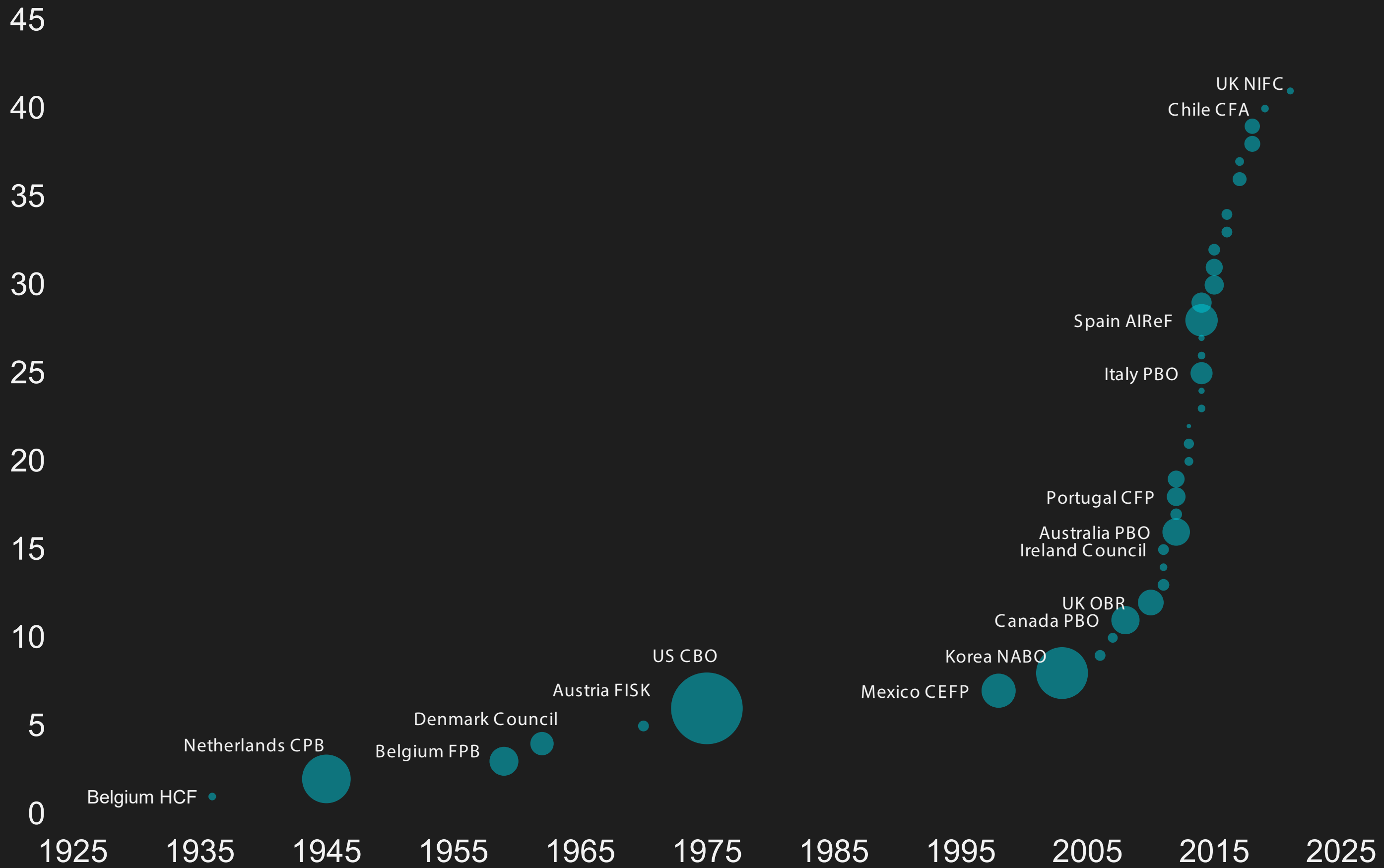


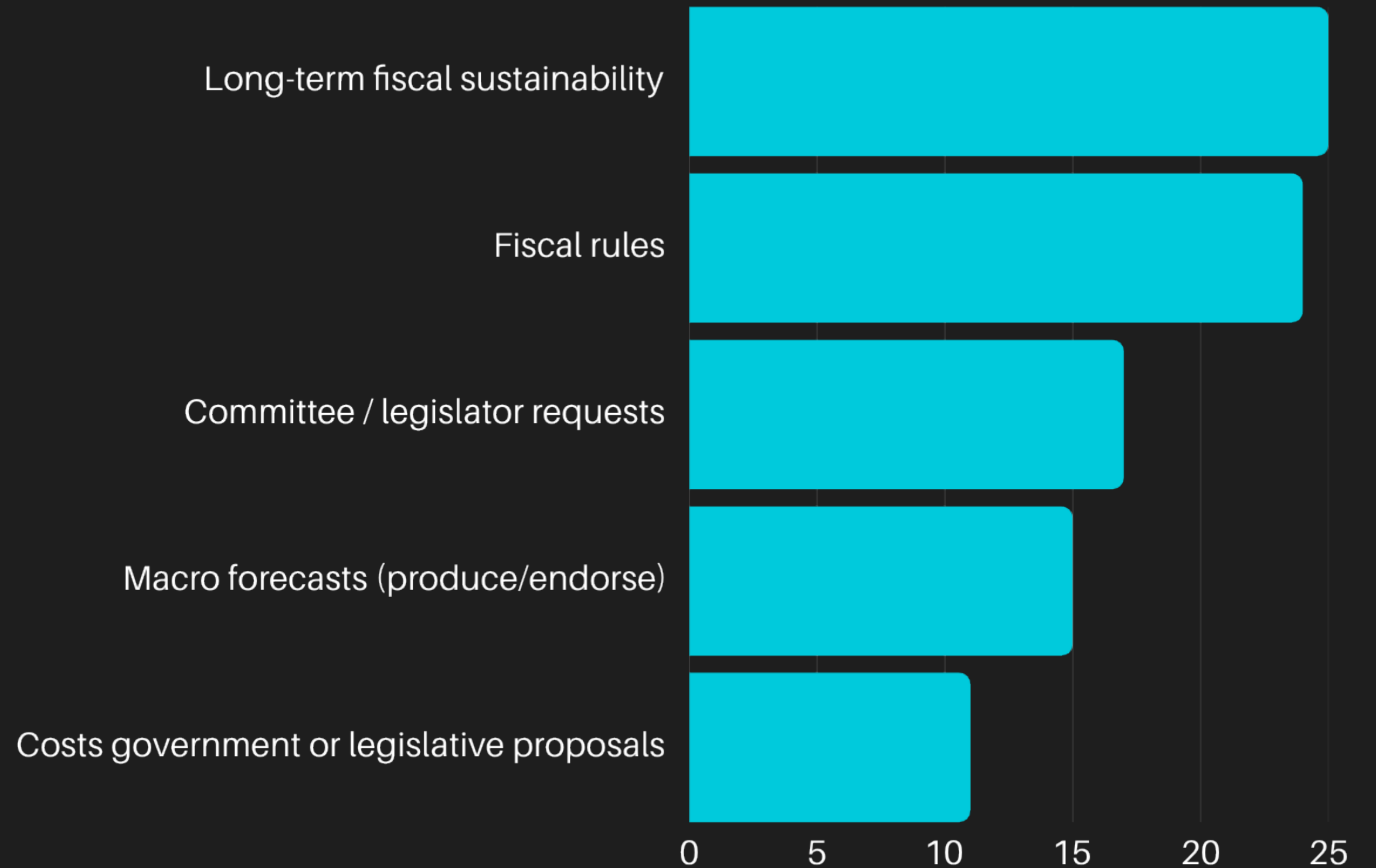


INDEPENDENT FISCAL INSTITUTIONS

Presented by
Eddie Casey
Senior Economist



What do they do?



Why are they needed?

Deficit bias, short-termism, common pool
→ unsustainable public finances

Budgets often technical, seldom understood

Need for independent “referees” for
fiscal rules and forecasts

Vision

CONGRESS OF THE UNITED STATES
CONGRESSIONAL BUDGET OFFICE
WASHINGTON, D.C.

January 5, 1976

TO: Executive Staff
FROM: Alice M. Rivlin *Alice*
SUBJECT: Public Policy Issues

As we begin the first full year with the new Congressional budget procedures in place, I want to emphasize once again that CBO must be, and must be perceived to be, an objective, non-partisan, professional organization in the service of the Congress. You have all acted in that spirit thus far, and I ask that you consciously continue to do so.

Our work and our publications must always be balanced, thorough and free of any partisan tinge. Our task is to provide information which will help the whole Congress in reaching its decisions. It will not be a help---indeed, it will be a harm---if we appear to take sides, for then the trustworthiness of the information we provide will be in doubt.

We are not to be advocates. As private citizens, we are entitled to our own views on the issues of the day, but as members of CBO, we are not to make recommendations or to characterize, even by implication, particular policy positions as good or bad, wise or unwise.

Does it work?

Transparency

- More informed media debate (Debrun et al., 2017)
- Reduces incumbency advantage on policy costings (Watt & Anderson, 2017)
- Helps voters elect competent governments

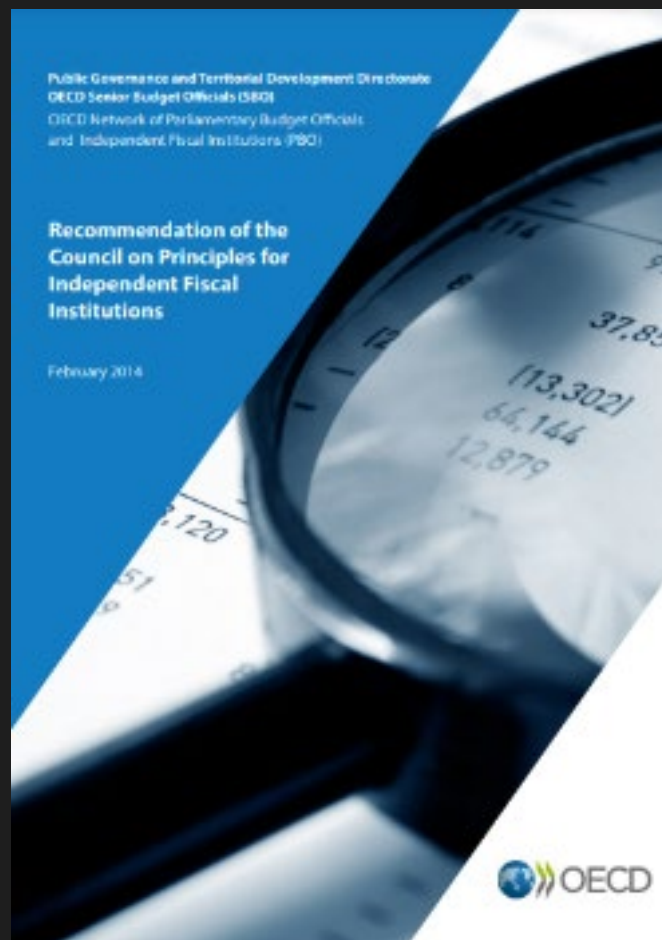
More sustainable public finances










- Stronger budget balances (Debrun and Kinda, 2017)
- Greater compliance with fiscal rules (Beetsma et al., 2018)
- Lower sovereign debt financing costs (IMF, 2017)

Better government forecasts

- Reduced errors, bias (Hagemann, 2011; Frankel & Schreger, 2012; Debrun and Kinda, 2017)

OECD Principles



Local ownership  Role and structure determined according to local needs	Independence and non-partisanship  Independent appointments and non-partisan analysis	Mandate  Mandate clearly defined and IFI able to work at own initiative
Resources  Resources commensurate with mandate	Relationship with legislature  Appropriate accountability to the legislature	Access to information  Access to information guaranteed in legislation
Transparency  Act as transparently as possible	Communication  Effective communication channels, especially with media	External evaluation  A mechanism for external evaluation in place

Spain

Spain urged to rebalance high-speed and suburban rail investment

A report from Spain's Independent Fiscal Responsibility Authority (AIReF) has found the country has overinvested in its high-speed network while simultaneously under investing in urban rail networks despite a strong increase in demand for the latter.



ÚLTIMA HORA

AIREF: FALTA INFORMACIÓN DE MÁS DE 1200 M €

Transparency



Independent Fiscal Institutions

- High transparency
- Less resources
- Impartial, avoid commenting on specific policies

Strong & predictable information sharing

Mutual respect

Finance Ministries

- Information advantage
- Stronger resources
- Closer to political side

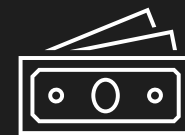
Relationship with Finance Ministries

Key challenges

OECD Reviews give a strong insight into challenges



Access to information



Stable adequate resources

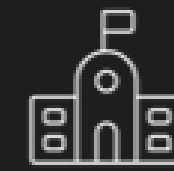
Canada

Strengthening legislation



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Security of Tenure



Previously

Held office "during pleasure"



Now

Removed only for cause

Institutional Status

Officer within Library of Parliament

Independent officer of Parliament

Operational Autonomy

Relied on Library for resources

Full authority over resources

Budget

Embedded within Library's allocation

Separate line item in estimates

Access to Information

Reported challenges obtaining data

Clarified and strengthened right

Next frontier

from fiscal watchdogs
to fiscal advocates

Why change is needed



Multiple
crises

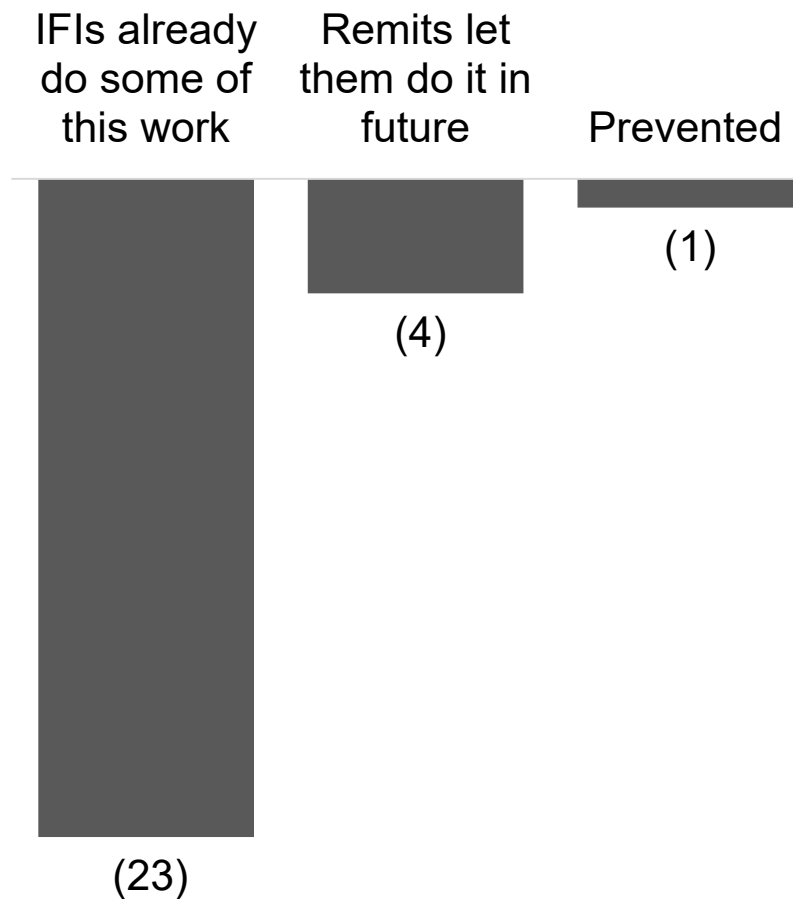
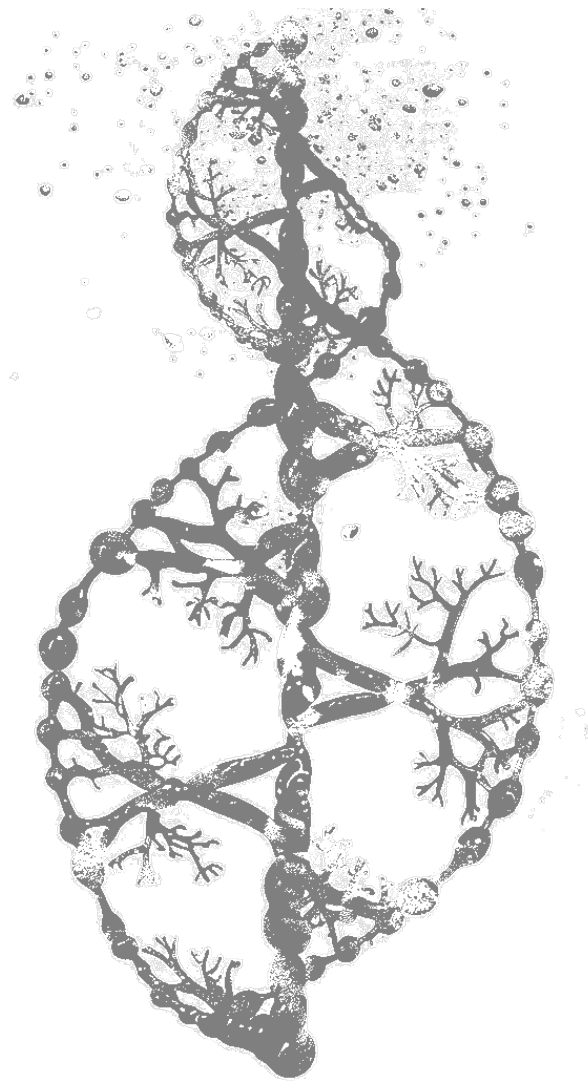


High
debt



Substantial
new
pressures

It's in their DNA



“the independent fiscal institution has a forward-looking diagnostic task”

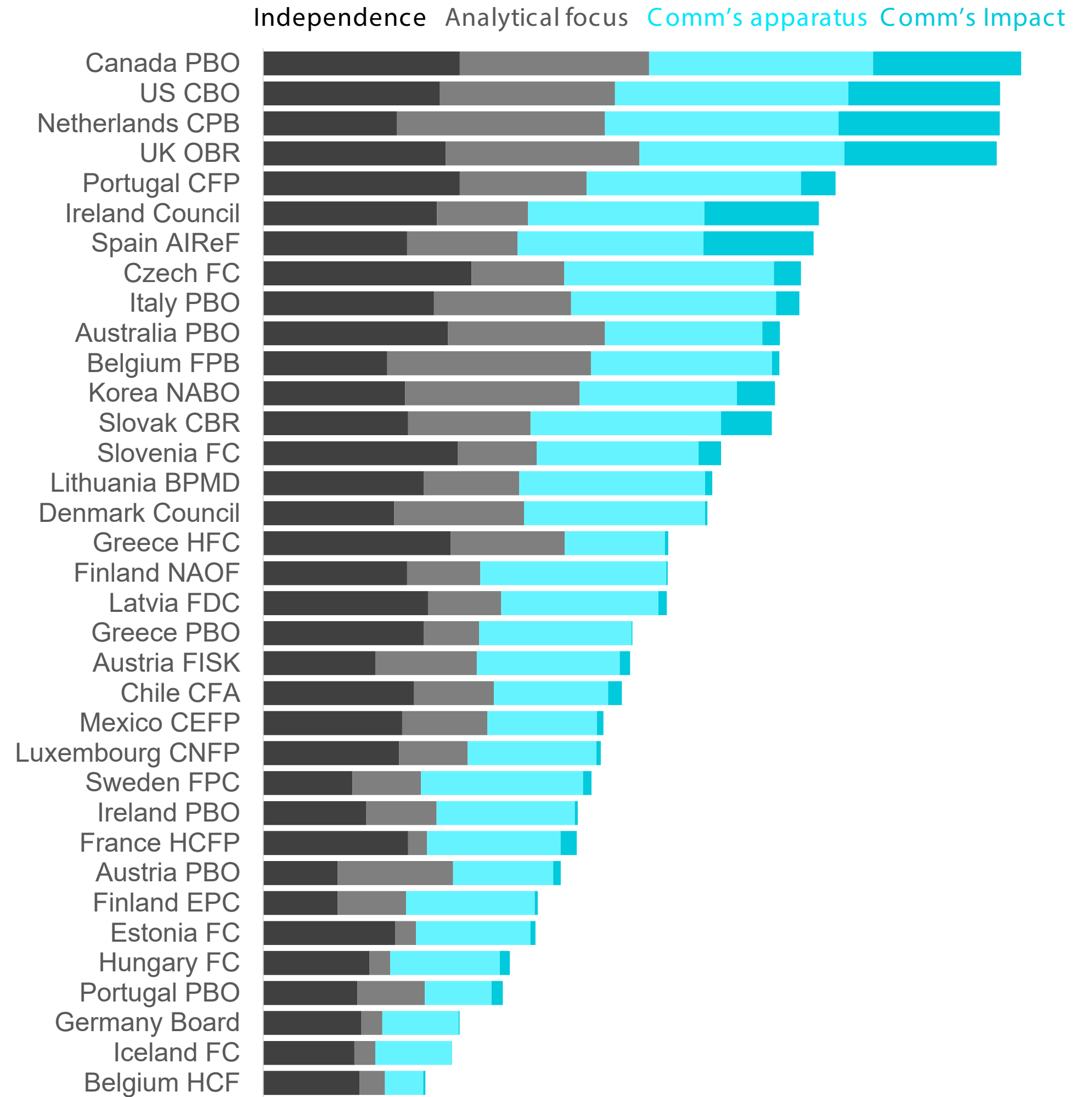
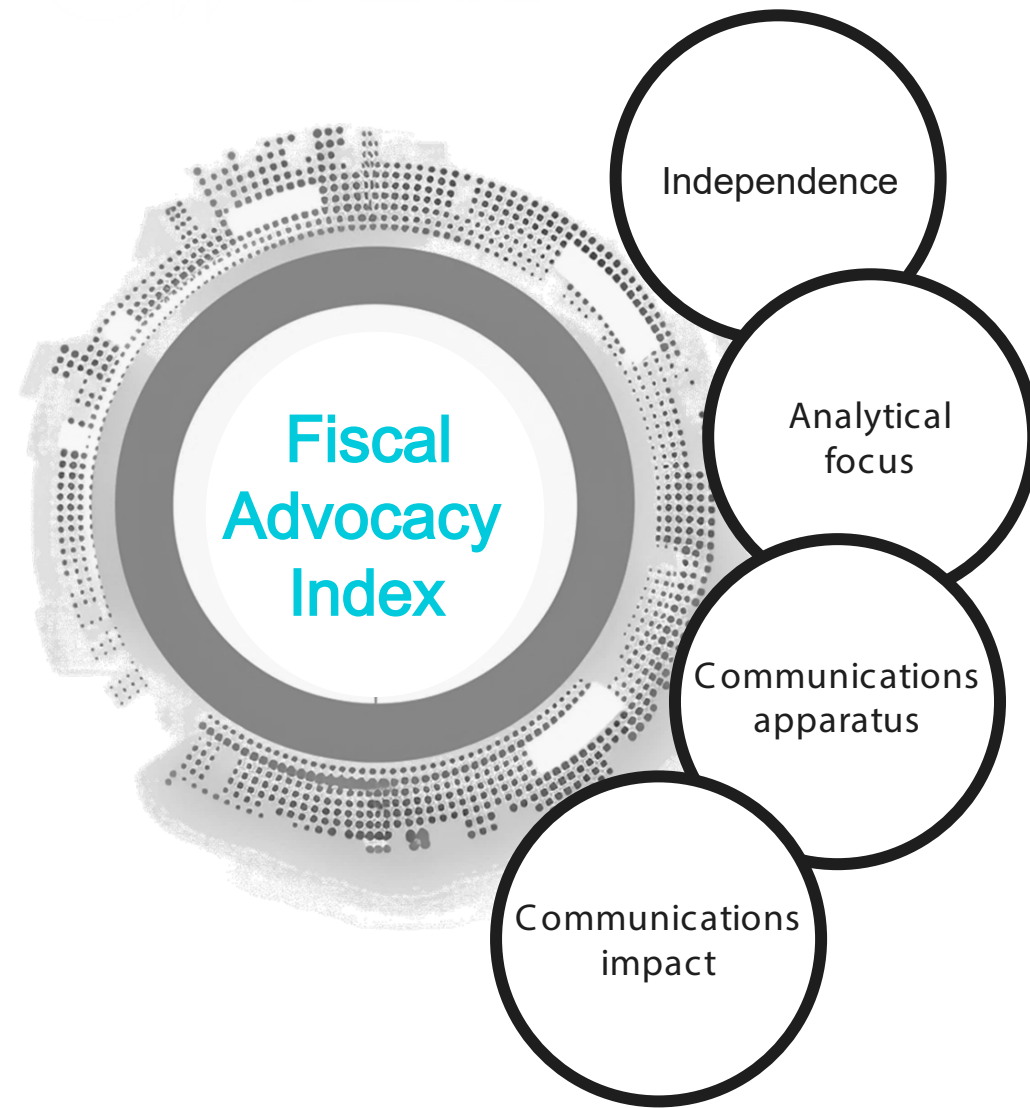
Debrun and Kumar (2007)

“providing fiscal sustainability calculations highlighting these consequences...Long - run fiscal analysis should also be a core activity of a fiscal watchdog”

Calmfors and Wren-Lewis (2011)

“persuasion” not “coercion”

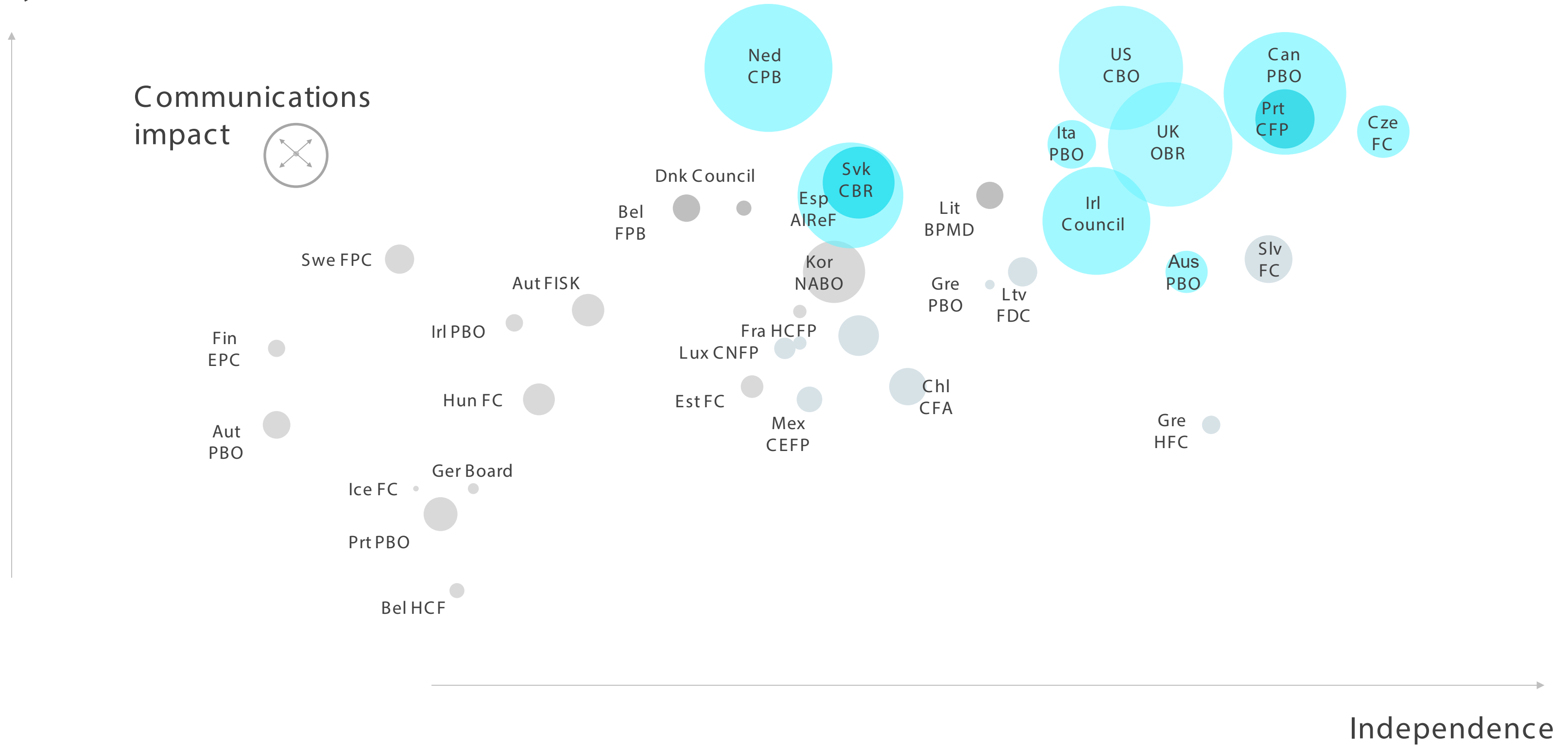
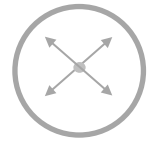
Hagemann (2011)



Institutions compared

Analytical focus

Communications impact



Impact

Vision

Look ahead to major challenges facing public finances

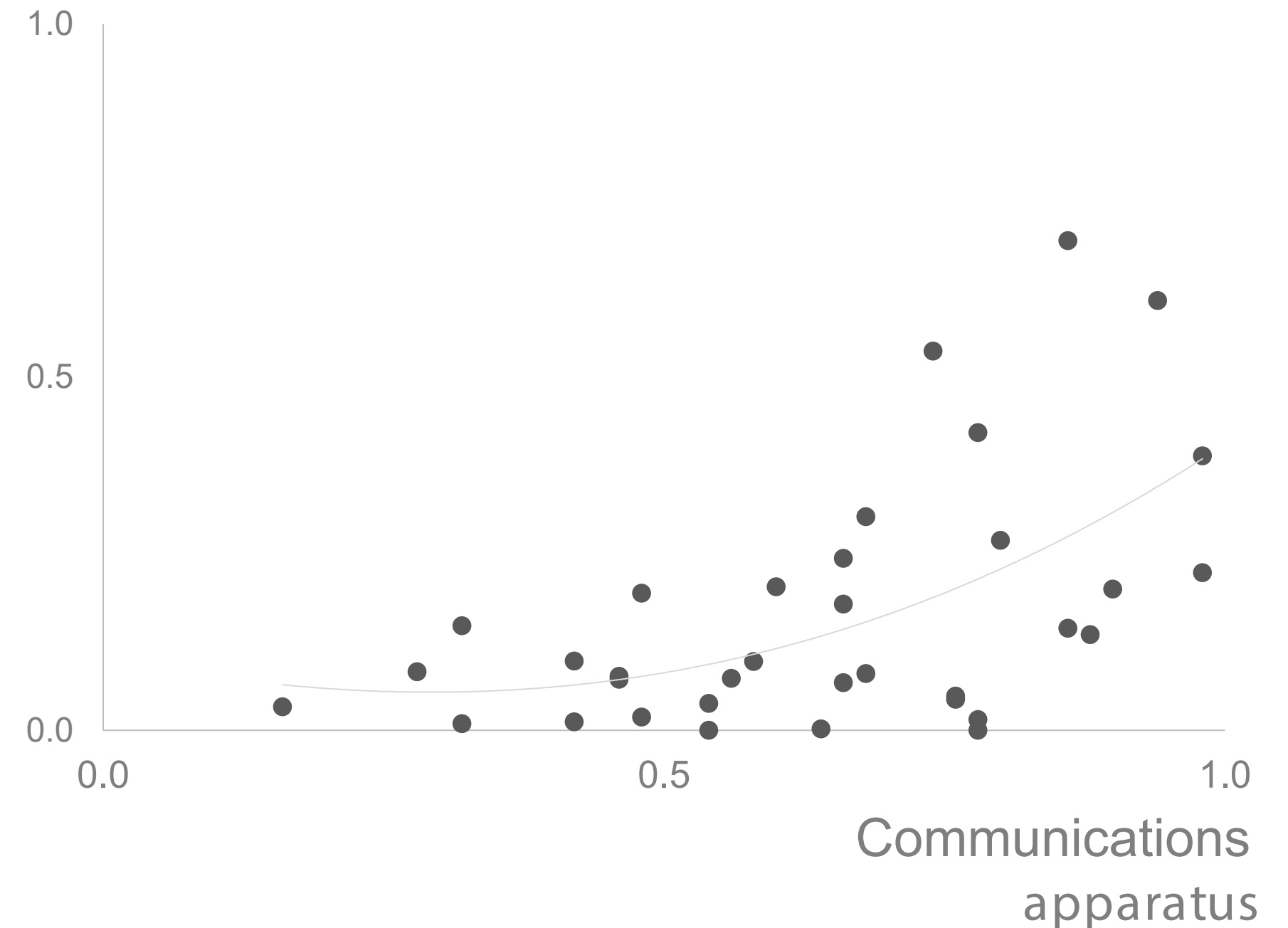
Develop a voice

A stronger communications set-up helps with impact

Enable action

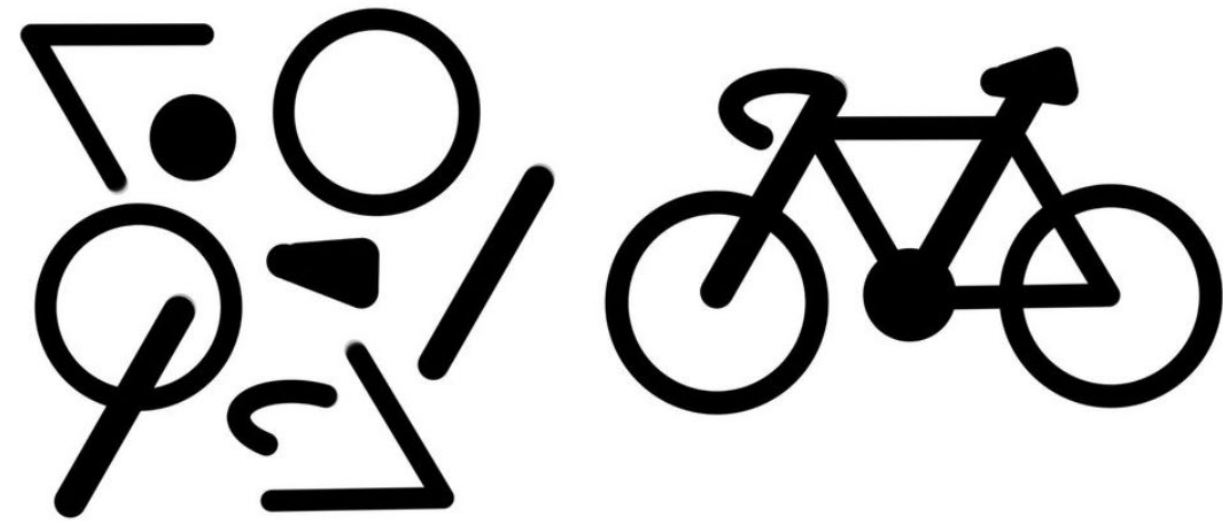
Communicating trade-offs clearly, tracing a way forward with scenario analysis

Communications impact

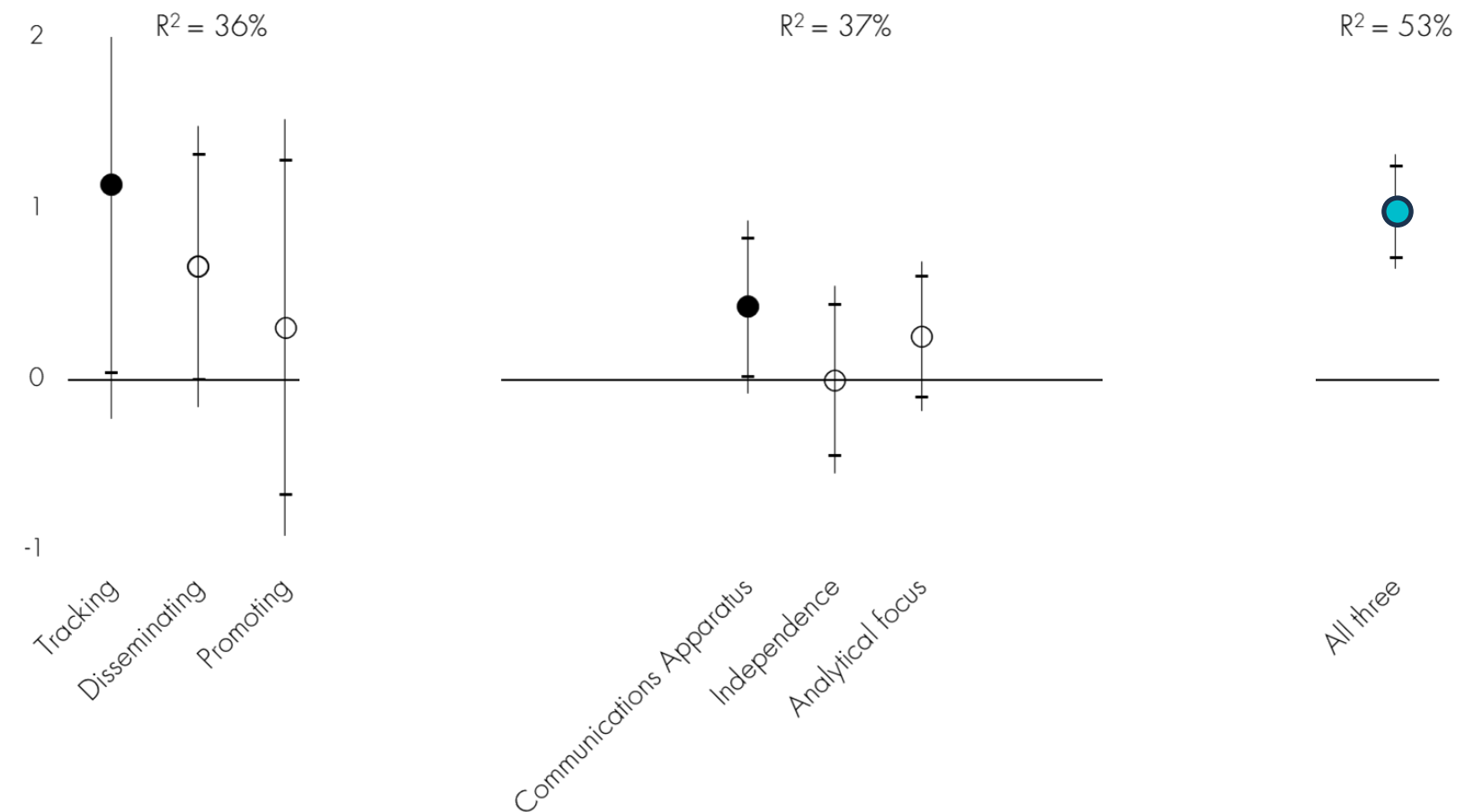
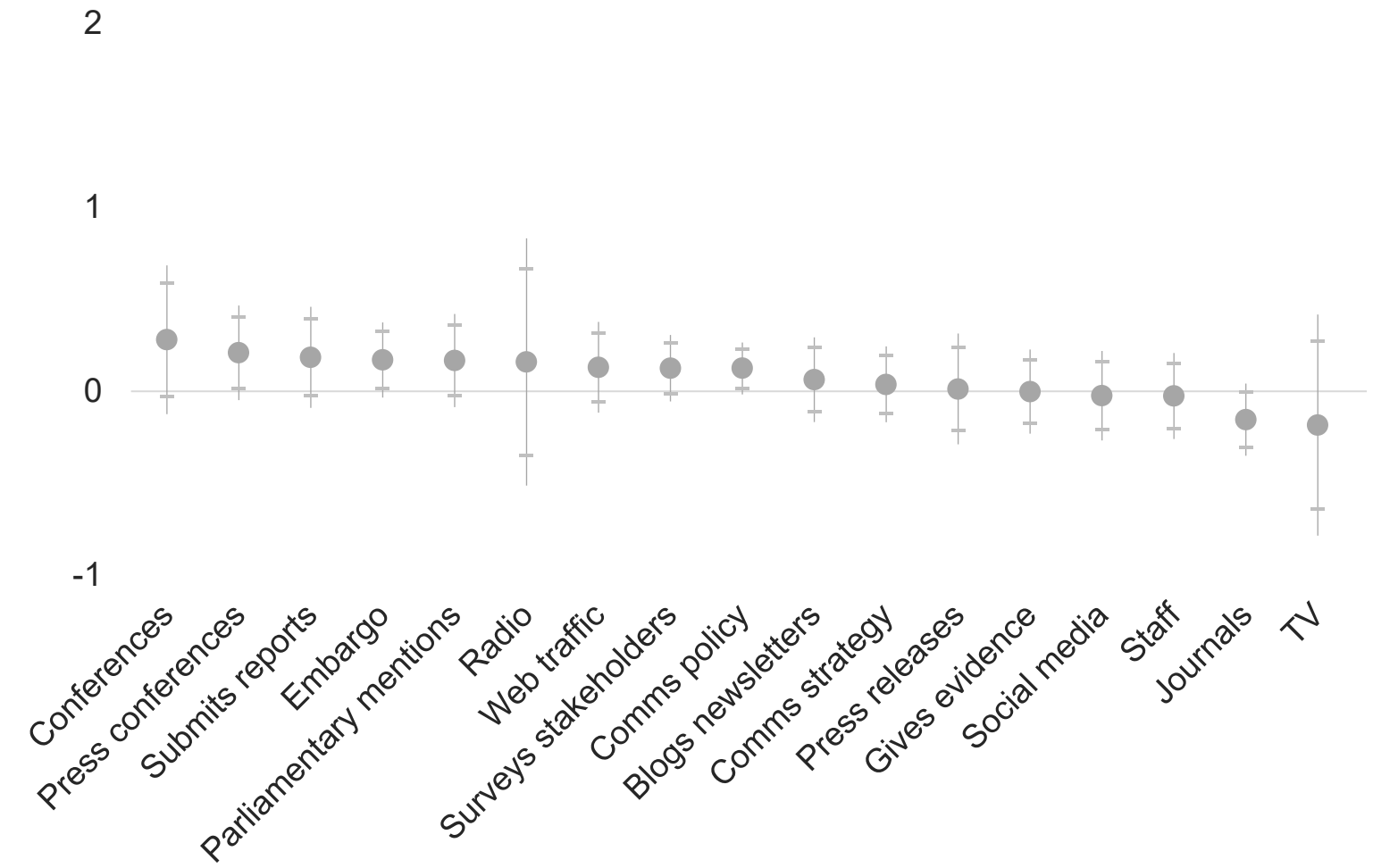


Gestaltian

the whole is different than
the sum of its parts



IFIs need to have **aholistic approach** to achieving their communications aims. **Weak independence or a lack of focus** on areas of major importance **will hamper any communications effort** no matter how well designed it is



See more

[How we communicate public finances](#) — Casey (2024)

[From fiscal watchdogs to fiscal advocates: creating champions of fiscal sustainability](#) — Casey (2024)

[Recommendation of the Council on Principles for Independent Fiscal Institutions](#) — OECD (2014)

[2021 OECD IFI database](#)



**Thank
you**

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