



Irish Fiscal Advisory Council

Presentation to PEM PAL

Dublin, November 13, 2013

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Introduction

- The Fiscal Advisory Council (IFAC)
 - Background
 - Mandate
 - Activities to Date
 - Plans for 2013/2014



Background

- IFAC established in June 2011
- Fiscal Responsibility Act (FRA) 2012 established the Council on a statutory basis
- Funding (subject to a ceiling) from the Government's Central Fund
- Why do we need a fiscal council?
 - Improve analysis – better identification of appropriate fiscal policy
 - Political biases – raise the costs of running inappropriate fiscal policy
 - Evidence points to improved fiscal performance from stronger fiscal institutions
 - EU/IMF/ECB requirement



Why do we need a fiscal council?

- Improve analysis – better identification of appropriate fiscal policy
- Political biases – raise the costs of running inappropriate fiscal policy
- Evidence points to improved fiscal performance from stronger fiscal institutions
- International demands for more oversight: EU/IMF/ECB
- Programme for Government



Types of Fiscal Councils

- UK – Office of Budgetary Responsibility
 - Forecasting: Macro and Budgetary projections
 - Not required to assess the appropriateness of the fiscal stance

- Sweden (Swedish Fiscal Policy Council)
 - Normative mandate

- Irish Fiscal Advisory Council...



Mandate

- Assessment :
 - **soundness of the economic and budgetary projections and forecasts** set out by the Government
 - **appropriateness of the fiscal stance**
 - whether the **budgetary plans are consistent with the fiscal rules**
- Endorsement:
 - **Independent endorsement** of the macroeconomic projections of Government
 - European requirement (Two Pack)



Who are we?

- **Council**
 - John McHale, Chair (NUIG)
 - Alan Barrett (ESRI)
 - Sebastian Barnes (OECD)
 - Donal Donovan (formerly IMF)
 - Roisin O'Sullivan (Smith College, MA)
- **Secretariat**
 - Diarmaid Smyth (Head of Secretariat and Chief Economist)
 - John Howlin (Economist)
 - Rachel Joyce (Administrator)
 - Two Other Vacancies

Delivering on the Mandate?

- Analytical and Technical Competence
- Independence
- Accountability
- Transparency / Public Visibility



Key Outputs

- **Fiscal Assessment Reports (bi-annual)**
- **Annual Report**
- **Working Papers**
- **Endorsement Function**
 - **Annual Budgets**
 - **Annual Stability Programmes**



Value of the Council

- **Surveillance**/ “Watchdog” – help to prevent mistakes/vulnerabilities that preceded the current crisis
- **Independent** view on fiscal matters
- Integral part of the new and **evolving fiscal architecture** in Ireland (and the EU)
- Main value is the **long-haul**



Activities to Date

Office set up in July/August 2011 (Statutory from end-2012)



Fiscal Assessment Reports



Oireachtas Appearances



Presentations to Stakeholders/Media



Amended Legislation: Endorsement Function

Fiscal Assessment Reports

4 Broad Areas

1. Macroeconomic Assessment
2. Budgetary Assessment
3. Compliance with Fiscal Rules
4. Fiscal Stance

Other Areas

- Fiscal Feedbacks Model
- Modelling of Uncertainty
- Forecasting Capability
- Off-balance Sheet risks

Plans for 2013/14

- Fiscal Assessment Reports
- First Annual Report
- Endorsement Function for the Stability Programme
- Working Papers