



Report on the Implementation of the OECD Recommendation on Principles for Independent Fiscal Institutions

2022



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1. Background

1. Independent fiscal institutions (IFIs) provide authoritative and non-partisan analysis of public sector finances. Recognising that IFIs have the potential to enhance fiscal discipline, to promote greater budget transparency and accountability, and to raise the quality of public debate on fiscal policy, the Council adopted the Recommendation on Principles for Independent Fiscal Institutions [[OECD/LEGAL/0401](#)] (hereafter the “Recommendation”) on the proposal of the Public Governance Committee (PGC) in February 2014.

2. The Recommendation, which originated in the Network of Parliamentary Budget Officials and Independent Fiscal Institutions, renamed the Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions in 2021 (hereafter the “PBO Working Party”),¹ was the culmination of over two years of intensive consultation within the PBO Working Party, its parent body the Committee of Senior Budget Officials (hereafter the “SBO”)², and the PGC. Consultation began in April 2011, when the PBO Working Party tasked the OECD Secretariat with helping to develop a set of principles for IFIs. The SBO endorsed the PBO Working Party’s request in June 2011. To help guide the process, the OECD Secretariat brought together an informal high-level Reference Group comprised of heads and deputy heads of IFIs in Canada, Korea, the Netherlands, Sweden, the United Kingdom (UK) and the United States (US), along with two former Chairs of IFIs in Hungary and Sweden. The Reference Group brought a critical practitioner’s perspective to the text.

3. A first set of draft principles was presented for comment to the PBO Working Party in February 2012 and the SBO in June 2012. A revised version was then presented at the 47th meeting of the PGC in April 2013 [[GOV/PGC/M\(2013\)1](#), Item 11] and minor revisions were subsequently approved by the PGC by written procedure in May 2013 [[GOV/PGC\(2013\)9/REV1](#)] before being submitted for adoption to the Council in the form of a Recommendation [[C\(2014\)17](#) & [C\(2014\)17/CORR1](#); [C/M\(2014\)2](#), Item 16].

4. Throughout consultations, the draft principles were informed by discussions in the PBO Working Party and the SBO (see for example, (Kopits, 2011[2])); earlier OECD research on establishing and operating parliamentary budget offices; a survey of the PBO Working Party; and case studies of IFIs in OECD Member countries. The OECD Secretariat also consulted with government officials, staff in international organisations, academics, and other stakeholders.

5. The Recommendation that resulted from the consultations is the first of its kind and provides concrete guidance to policymakers on issues to consider in the design and governance of IFIs, codifying lessons learned and good practices. Through the 22 principles set out in the Annex, the Recommendation seeks to reinforce the core values of IFIs across nine areas such as independence, non-partisanship, and transparency (Figure 1.1). The Recommendation further aims to assist Members and non-Members having adhered to it

¹ The PBO Working Party is the first intergovernmental body to bring IFIs together. Created in 2009 it provides a collaborative platform for IFIs to debate substantive budgeting issues; share practical experiences on institutional arrangements and working methods; and identify good practices and contribute to standard setting.

² In May 2021, the OECD Council elevated the Working Party of Senior Budget Officials to the level of a committee and transferred the responsibility of the Recommendation from the PGC to the SBO [see [C\(2021\)61](#) and [C/M\(2021\)10](#), Item 104].

(hereafter “Adherents”)³ in designing an enabling environment conducive to an effective IFI and to ensuring its long-run viability.

Figure 1.1. Scope of the Recommendation



6. The Recommendation does not recommend that Adherents establish an IFI – this is the choice of individual countries which should take into account their own institutional environment, needs and constraints – and it is not prescriptive in terms of IFIs’ functions, which vary from country to country in line with the principle on local ownership. Rather, the Recommendation recommends that Adherents which have chosen to establish an IFI, or are considering establishing an IFI, take into account the Principles for Independent Fiscal Institutions which cover nine areas (Figure 1.1).

7. The Recommendation came at a critical time. Relatively few IFIs existed worldwide before the global financial crisis of 2008. These included in OECD Member countries such as Belgium (The High Council of Finance was established in 1936 and the Federal Planning Bureau in 1959), the Netherlands (1945), Denmark (1962), Austria (1970) and the United States (1974). Based in part on the experience of these older institutions, a number of economists and academics in the mid-1990s discussed the idea that countries could adapt some of the positive experiences of independent central banking to the fiscal sphere. This idea was given new momentum with the surge of government deficits that followed the 2008-09 financial crisis, as policymakers searched for new ways to safeguard fiscal discipline and rebuild public trust in their capacity to manage public budgets prudently and transparently.

8. After the financial crisis, the number of IFIs within the OECD more than tripled (Figure 1.2). In 2014, the year the Recommendation was adopted, six new national IFIs in OECD Member countries began operating. The main motivation for these new IFIs was compliance with the “Two Pack” of reforms in 2013 to the framework for European Union (EU) coordination and surveillance of budgetary processes for euro area members

³ To date the Recommendation has no non-Member Adherents.

(Box 1.1). Another driving factor behind the establishment of new IFIs has been parliamentary budget reforms.

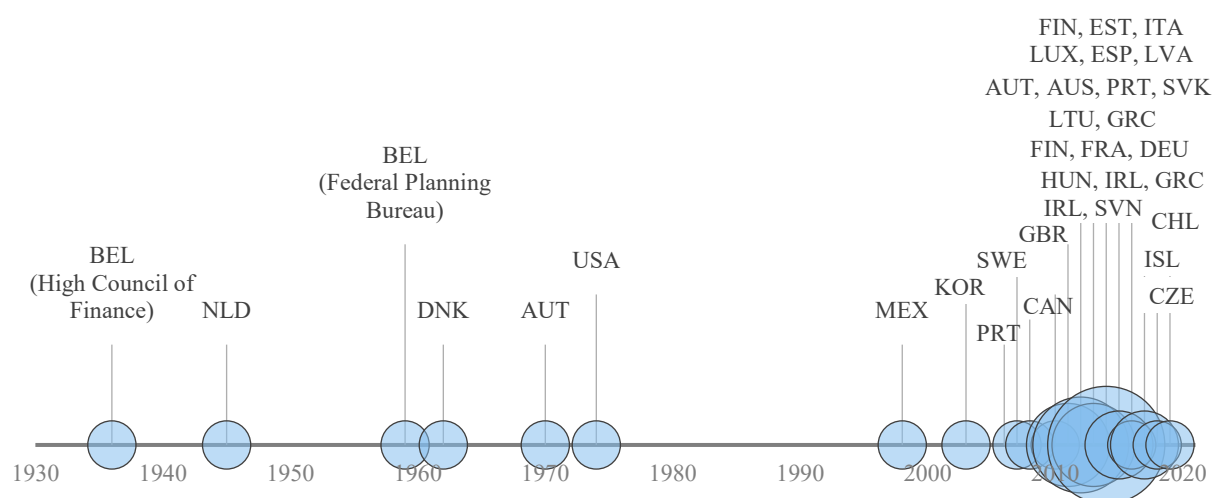
Box 1.1. IFIs in the framework for EU coordination and surveillance of budgetary processes for euro area members

The EU fiscal governance framework (through Council Directive 2011/85 on requirements for national budgetary frameworks; the Treaty on Stability, Coordination and Governance; and the “Two Pack” of reforms, Regulation (EU) No 472/2013 and Regulation (EU) No 473/2013) formalised requirements for independent bodies to assess compliance with numerical fiscal rules and produce or endorse independent macroeconomic projections. IFIs fulfilling the endorsement function of the EU surveillance framework are expected to publish twice-annual endorsement statements corresponding to the Stability Programme Update and the Draft Budgetary Plans of the European Semester.

In 2015, the first regional IFI, the European Fiscal Board, was established to evaluate the implementation of EU fiscal rules, advise the Commission on the fiscal stance appropriate for the euro area as a whole, and cooperate with Member States’ national fiscal councils (Juncker et al., 2015^[3]). The five-members that make up the European Fiscal Board and the Board’s permanent secretariat contribute to euro area fiscal surveillance through activities such as publishing assessments of the accuracy of the European Commission’s forecasts and maintaining a database on EU member states’ compliance with the four fiscal rules of the Stability and Growth Pact.

The EU has set safeguards in place for independent bodies, notably through the Common principles on national fiscal correction mechanisms, many of which are similar to those in the OECD Recommendation. The legislation establishing the European Fiscal Board is also aligned with many of the elements of the Recommendation (Commission Decision (EU) 2015/1937). For example, the Board must act independently and neither seek nor take instructions from the Union’s institutions or bodies, from any government of a Member State or from any other public or private body.

Figure 1.2. Growth of national IFIs within Adherents



Source: OECD IFI Database (2021).

9. A majority of Adherents now have IFIs and some are seeking to establish a new IFI.⁴ There are also several IFIs at subnational level within Adherents (Box 1.2).

10. Although they have not requested to adhere to the Recommendation, many non-Members use the Recommendation when establishing or reforming an IFI. This is the case, for example, in OECD Key Partners Brazil and South Africa, as well as in Argentina, Bulgaria, Georgia, Malta, Peru, Romania, and Serbia. At the time of drafting this Report, Romania has requested to adhere to the Recommendation.

11. In the Recommendation, the Council invited the Secretary-General and Adherents to disseminate it and instructed the PGC to monitor its implementation and to report thereon to the Council within three years following its adoption and regularly thereafter. Given that this has been a particularly dynamic field with many new IFIs being established, the timeframe was extended to construct a new survey and database for monitoring implementation to provide a more accurate analysis to the Council. The timeframe was further extended in view of the elevation of the former Working Party of Senior Budget Officials to the level of a committee and the transfer of responsibility for the Recommendation from the PGC to the SBO [see [C\(2021\)61](#) and [C/M\(2021\)10](#), Item 104]. The present Report fulfils the reporting requirement of the Council.

12. The Recommendation has proven to be effective, most recently during the COVID-19 pandemic. Adherents that have established IFIs that align closely with the Recommendation benefit from IFIs that provided parliaments and governments with rapid analysis of emergency measures, including economic and fiscal forecasts and scenario analysis; assessments of government planning assumptions; monitoring activation and implementation of escape clauses; and costing emergency legislation. For IFIs that have gaps in aligning to the principles, greater difficulties were reported in providing decision

⁴ For example, New Zealand began discussions in 2018. Norway's Advisory Committee for Fiscal Policy Analysis recently had its mandate extended to independently assess the sustainability of fiscal policy, bringing it closer to peer European IFIs.

makers with rapid analysis. For a full discussion of the actions of IFIs during the pandemic, see (OECD, 2020^[1]).

Box 1.2. IFIs in subnational levels of government within Adherents

IFIs in subnational levels of government within Adherents are working to align with the Recommendation. For example:

- In a recent evaluation by the OECD, the Scottish Fiscal Commission was assessed to align closely with the Recommendation (OECD, 2019^[4]). The Scottish Fiscal Commission plays an important role in the fiscal framework of the United Kingdom, given its mandate to provide forecasts for many of Scotland's devolved taxes, assigned revenues from the central government, and social security expenditures.
- The Parliamentary Budget Office (PBO) of the state of Victoria (Australia) has been given a mandate focused on fulfilling the requests of legislators and committees, and costing both legislative proposals during parliamentary sittings as well as party proposals during elections. A 2019 OECD review found the PBO in alignment with most principles of the Recommendation but highlighted several areas for improvement, for example on access to information and on the office's scope to produce reports and analysis at its own initiative (OECD, 2019^[5]).
- Northern Ireland (United Kingdom) set up a fiscal council in 2021 assigned with assessing the reasonableness of official planning assumptions, the likelihood of the draft budget complying with subnational borrowing constraints, and the long-term sustainability of Northern Ireland's finances. The fiscal council's terms of reference were developed explicitly in line with the Recommendation and call for an independent external evaluation within four to five years that covers "progress towards adhering towards the OECD principles and recommendations on way forward to further aspire to these" (Northern Ireland Department of Finance, 2021^[6]).

2. Methodology

13. This Report focuses on 35 national IFIs in 29 Adherents, including Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, Portugal, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom, and the United States.⁵

14. The Report was prepared mainly using data in the 2021 OECD IFI Database, compiled with formal surveys and informal discussions to track the nine areas of the Recommendation. The OECD IFI database is updated on a rolling basis as new IFIs are created, IFIs are reformed, or countries with IFIs become OECD Members and thus Adherents to the Recommendation.

15. The Report also used information from:

⁵ Austria, Belgium, Finland, Greece, Ireland, and Portugal have two IFIs.

- OECD IFI reviews, the evaluation framework of which is based on the Recommendation. The OECD Secretariat has conducted reviews of national IFIs in Spain (2017), Portugal (2018), Lithuania (2019), Slovak Republic (2020), the United Kingdom (2020), Ireland (2021), Finland (2021), and Latvia (2021) and for subnational IFIs in Victoria, Australia (2019) and Scotland, United Kingdom (2019).
- OECD case studies for Australia, Austria, Belgium, Canada, Denmark, Finland, France, Ireland, Italy, Korea, Mexico, Netherlands, Portugal, Slovak Republic, Spain, Sweden, United Kingdom and the United States (von Trapp, Lienert and Wehner, 2016^[7]).
- Briefing notes prepared by the OECD secretariat or staff from IFIs, such as the recent report on Access to Information (OECD, 2020^[8]).
- Discussions at the PBO Working Party's annual meetings.
- The [2018 OECD Budget Practices and Procedures Survey](#).
- Surveys undertaken by the independent EU IFIs Network and by the European Commission.

3. Process

16. The first draft of the Report was discussed at the PBO Working Party Meeting on 5 November 2021. It was then revised, in light of two written comments received, to include two boxes: one on IFIs in subnational levels of government within Adherents and a second one on the European Fiscal Board, a regional IFI. It was then submitted to the SBO for approval.

17. The SBO approved the draft Report at its meeting on 20 December 2021 with two changes regarding one national example. Following SBO's approval, the Council has been invited to note and declassify the Report, agreeing on several follow-up actions. A link to the approved Report is included in the public webpage of the Recommendation on the online [Compendium of OECD legal instruments](#). The Report will be disseminated through the SBO and its subsidiary bodies as appropriate.

4. Dissemination

18. Dissemination of the Recommendation has been wide and sufficient. The Recommendation has been disseminated through the PBO Working Party, the SBO and several of the SBO's regional networks, the PGC, and in the course of reviews undertaken in individual countries such as Argentina, Colombia (prior to joining the OECD) and Romania.

19. It has also been disseminated through external stakeholders, including the Network of EU IFIs; the EU Network of IFIs convened by the European Commission; the Inter-Parliamentary Financial Information Network (IPFIN) in the United Kingdom; and the former Global Network of Parliamentary Budget Officers (GN-PBO) sponsored by the World Bank. The Recommendation informed the work of, and is well aligned with, the Network of EU IFIs' proposal for minimum standards for EU IFIs in 2016 (EU Independent Fiscal Institutions, 2016^[9]). These were further defined in a "Network Statement on the

Need to Reinforce and protect EU IFIs” issued in January 2019 (EU Independent Fiscal Institutions, 2019^[10]).

20. The Recommendation is also regularly disseminated during the annual meetings of the PBO Working Party. For example, there have been dedicated sessions on communications, developing performance information for IFIs, external evaluation and use of advisory boards. Most recently, a briefing note on access to information was developed to assess the current practices of IFIs for accessing information and to promote good practices (OECD, 2020^[8]). It is also a tradition at PBO Working Party meetings for new IFIs to give a presentation on how they align with the Recommendation.

21. OECD IFI reviews have also supported dissemination of the Recommendation among Adherents. These reviews are featured at the annual meetings of the PBO Working Party.

5. Implementation

22. The Recommendation recommends that “Members which have chosen to establish or are considering establishing an independent fiscal institution take into account the Principles for Independent Fiscal Institutions which are set out in the Annex to this Recommendation of which it forms an integral part.” The Recommendation has been implemented widely across Adherents. Several Adherents have reformed their IFIs to be more in line with the Recommendation and Adherents that established an IFI after the Recommendation was adopted have sought to design their institution to align with the Recommendation. Where an Adherent's legislation does not clearly implement the Recommendation, IFIs themselves have implemented it through their internal rules and norms.

23. There are 22 Principles for IFIs across nine areas:

- | | |
|--------------------------------------|--------------------------------------|
| 1. Local ownership | 5. Relationship with the legislature |
| 2. Independence and non-partisanship | 6. Access to information |
| 3. Mandate | 7. Transparency |
| 4. Resources | 8. Communications |
| | 9. External evaluation. |

24. The following section assesses the degree to which Adherents have implemented each individual Principle.

5.1. Local ownership

Principle 1.1. To be effective and enduring, an IFI requires broad national ownership, commitment, and consensus across the political spectrum. While a country seeking to establish an IFI will benefit from the study of existing models and experiences in other countries, models from abroad should not be artificially copied or imposed. Regional or international authorities may provide valuable support and protection.

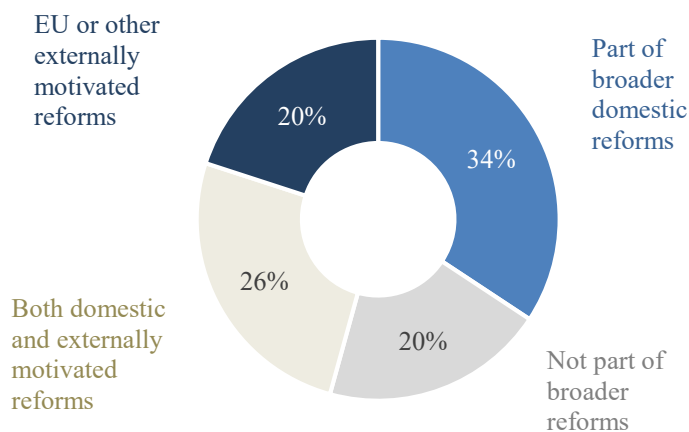
Principle 1.2. Local needs and the local institutional environment should determine options for the role and structure of the IFI. Design choices may also have to take into account capacity constraints, particularly in smaller countries. The basic characteristics

of an IFI, including specific protections, should be informed by the country's legal framework, political system, and culture. Its functions should be determined by the country's fiscal framework and specific issues that need to be addressed.

25. IFIs in the OECD are highly heterogeneous. The design choices made by Adherents reflect local legal frameworks, procedures, customs, and traditions. Therefore institutional models vary considerably among Adherents in terms of size, governance, mandate, and resources. Institutional models may be categorised most broadly into three categories, although there are exceptions: (1) fiscal councils that are standalone bodies, most often led by a council of part-time academics with a small permanent secretariat (2) legislative budget offices that fulfil IFI responsibilities while also serving the research needs of the legislature, and (3) IFI responsibilities associated with the Adherent's supreme audit institution. This latter arrangement is rare, with only three Adherents (Finland, France and Lithuania) choosing a form of this model. Finland is increasingly strengthening the independence of the audit institution's IFI team from the governance structure of the rest of the supreme audit institution and has also established a second standalone economic policy council. While France's High Council of Public Finance has strong physical ties to its Court of Auditors, the Council's legislation includes several provisions to guarantee its complete independence from the Court.

26. IFIs are often established in the context of broader budgetary reforms (Figure 5.1). The fiscal council model is the most common among IFIs that were established as part of EU reforms to provide independent monitoring for purposes of the "Two Pack" of reforms to the Stability and Growth Pact, namely Regulation (EU) No 473/2013. The creation of new parliamentary budget offices in Canada and Portugal in 2006, Australia in 2011, Austria in 2012, and Ireland in 2017 sought to strengthen the analytical base of legislature's guardianship of the public purse and promote greater fiscal transparency.

Figure 5.1. IFIs established as part of broader reforms

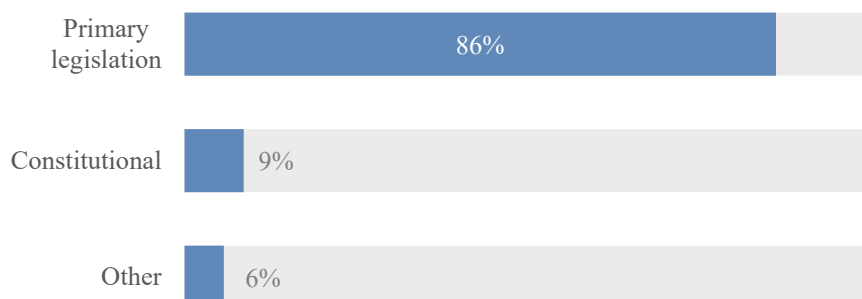


Source: OECD IFI Database (2021).

27. A large majority of IFIs within Adherents (86%) were established in primary legislation (Figure 5.2). A small minority were given a constitutional basis, mostly those whose establishment coincided with broader constitutional reforms such as in Hungary and Slovak Republic. Others were established using the internal organisational rules of

parliaments (for example, the Austrian PBO) or with secondary legislation (for example, the Swedish Fiscal Policy Council).

Figure 5.2. Legal basis for establishment



Source: IFI Database (2021).

28. The variety of institutional details with which IFIs were designed demonstrates the principle of local ownership, with Adherents implementing aspects for which no two are alike. Some examples of particularly unique models include:

- Italy, whose parliament has considerable power over budget deliberations, established its IFI using a parliamentary budget model but with collegial leadership that is more typical of the fiscal council model.
- Austria, Greece and Ireland have both a fiscal council and a PBO, with the fiscal council officially fulfilling the EU requirements.
- Finland has put the IFI function devoted to fiscal rules scrutiny in the National Audit Office and set up a separate Economic Policy Council that provides more normative *ex ante* policy advice to government.
- Moreover, IFIs within the EU tend to have important country-specific aspects in their mandates. For example, Spain's Independent Authority for Fiscal Responsibility (AIReF) has a broad subnational mandate, reflecting Spain's decentralised system.

5.2. Independence and non-partisanship

Principle 2.1. Non-partisanship and independence are pre-requisites for a successful IFI. A truly non-partisan body does not present its analysis from a political perspective; it always strives to demonstrate objectivity and professional excellence, and serves all parties. This favours that IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship.

Principle 2.2. The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit – including professional standing and relevant government or academic experience. Qualifications should include proven competence in economics and public finances and familiarity with the budget process.

Principle 2.3. Term lengths and the number of terms that the leadership of the IFI may serve should be clearly specified in legislation as should be the criteria and process for

dismissal for cause. The leadership's term should optimally be independent of the electoral cycle. Independence may be enhanced by defining the term span beyond the electoral cycle.

Principle 2.4. The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict of-interest standards, particularly for institutions with council members employed on a part-time basis, should be applied equally vis-à-vis other employment in the public or private sector.

Principle 2.5. The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.

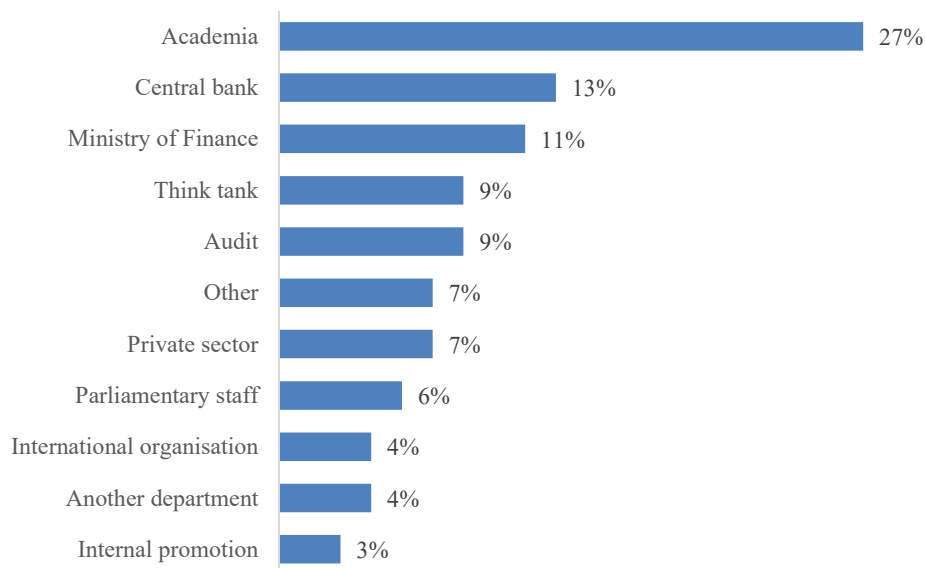
Principle 2.6. Staff should be selected through open competition based on merit and technical competence and without reference to political affiliation. Conditions of employment should be along the lines of that of the civil (or parliamentary) service.

29. The Recommendation states that IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship, as such a perception would risk undermining their reputation and credibility as politically neutral arbiters of the numbers (Principle 2.1). In line with this, no IFIs have policy-making responsibilities. Around 40% of IFIs within Adherents do not provide normative statements of policy advice whatsoever. Of the 60% that do, nearly all restrict normative advice to broad commentary on the path of fiscal aggregates required to ensure compliance with fiscal rules. Those that do comment on individual policies, such as Finland's IFI team in the National Audit Office and Sweden's Fiscal Policy Council, typically comment only on the merit of individual policies for achieving the government's fiscal objectives. As such, they do not challenge the policy choices of governments, but merely put them in the context of fiscal objectives governments have set themselves.

30. In the United States, while enabling legislation for the Congressional Budget Office (CBO) does not prevent it from giving policy recommendations, the choice to not provide policy recommendations was made by the CBO's first director, who drew a distinction between policy recommendations, which the CBO would "assiduously refrain from", and technical recommendations, which would be provided if requested. This choice is seen as having been critical to the CBO's "influence and credibility" (Joyce, 2015^[11]).

31. Leadership arrangements reinforce independence (Principle 2.2). Across the board, the leadership of IFIs within Adherents is selected on the basis of merit and technical competence, without reference to political affiliation. The leadership of IFIs within Adherents is drawn from a variety of relevant backgrounds, but the largest source of appointments is from academia, which is twice as prevalent as the second-most common, central banks (Figure 5.3).

Figure 5.3. Leadership background



Source: OECD IFI Database (2021).

32. Leadership nominations and appointments may be made by government, parliament or a range of stakeholders. Several IFIs within Adherents have secondary approval procedures in place to ensure that the legislature is represented in the appointment process. For example, appointments to the United Kingdom OBR's Budget Responsibility Committee are made by the Chancellor of the Exchequer, subject to the consent of the House of Commons Treasury Select Committee. In Spain, the candidate nominated by the Council of Ministers to be President of AIREF must appear before the Finance and Public Administrations Committee, which assesses their experience, training and skills. Similarly, parliamentary approval is needed for governments to dismiss the leadership of the Irish Fiscal Advisory Council, Spain's AIREF and the United Kingdom OBR.

33. Several IFIs within Adherents allow for non-nationals to serve as council members, thus increasing the pool of qualified candidates in small countries and reducing 'group think'. This is the case for the Irish Fiscal Advisory Council, the Portuguese Public Finance Council and the Swedish Fiscal Policy Council.

34. In line with Principle 2.3, it is standard practice in nearly all IFIs within Adherents for leadership term lengths and the number of eligible reappointments to be codified in legislation (Figure 5.4). An exception is the Korean National Assembly Budget Office (NABO), where the practice is for the chief to resign every two years when there is a change of National Assembly Speaker. A majority of leaders have terms that do not coincide with the electoral cycle to ensure that governments cannot put in place their favoured choice for the duration of their office. In Canada, term lengths at the PBO were reformed to bring it in line with the Recommendation. There are also clearly defined criteria for the dismissal of leaders in 60% of IFIs within Adherents.

35. Leaders in 89% of IFIs within Adherents are remunerated (Principle 2.4). Those with a fiscal council model are more likely to have council members that are part time. Some have a mix of part-time and full-time council members. Those with part-time council members tend to be in smaller European Union member states or have a larger number of council members representing a diverse range of institutions and interest (for example, the

Austrian Fiscal Advisory Council (FISK for “Fiskalrat”), Belgian High Council of Finance (HFC) and Danish Economic Councils, which all have ten or more part-time council members). Council members in Sweden and Ireland, which draw their members mainly from academia, are also part time. In the case of France a position as a council member might be best described as honorary: the eleven council positions are part time and not remunerated.

Figure 5.4. Strengths of leadership arrangements



Source: OECD IFI Database (2021).

36. The majority of the IFIs within Adherents have full control over the hiring process for staff, which are selected through open competition based on merit and technical competence (Principle 2.5 and Principle 2.6). However, some IFIs have staff provided by other bodies such as the National Bank, Ministry of Finance, and Court of Auditors. In several cases, regulations covering public sector employees may limit administrative independence. In Korea, senior staff (above the level of division chiefs) are appointed and dismissed by the Speaker of the National Assembly, whereas other staff are appointed and dismissed by the NABO’s Chief.

5.3. Mandate

Principle 3.1. The mandate of IFIs should be clearly defined in higher-level legislation, including the general types of reports and analysis they are to produce, who may request reports and analysis, and, if appropriate, associated timelines for their release.

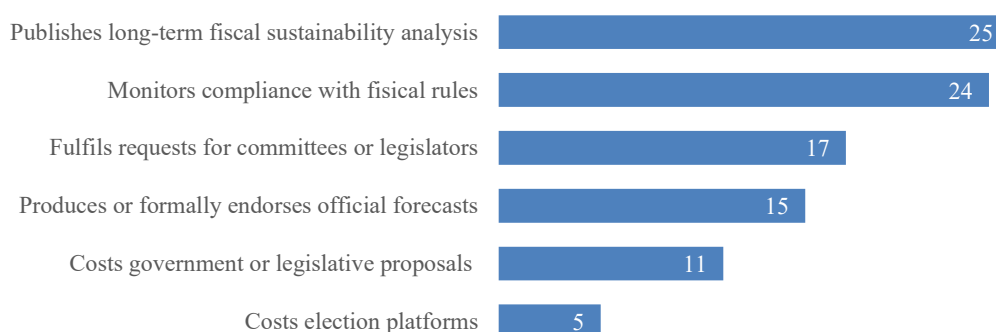
Principle 3.2. IFIs should have the scope to produce reports and analysis at their own initiative, provided that these are consistent with their mandate. Similarly, they should have the autonomy to determine their own work programme within the bounds of their mandate.

Principle 3.3. Clear links to the budget process should be established within the mandate. Typical tasks carried out by IFIs might include (but are not limited to): economic and fiscal projections (with a short- to medium-term horizon, or long-term scenarios); baseline projections (assuming unchanged policies); analysis of the

executive's budget proposals; monitoring compliance with fiscal rules or official targets; costing of major legislative proposals; and analytical studies on selected issues.

37. IFIs within Adherents have diverse mandates, but a set of core functions are common across many. Mandates include responsibility for macroeconomic and fiscal forecasting, monitoring compliance with fiscal rules, policy costing, long-term fiscal sustainability analysis, and supporting the legislature by fulfilling requests (Figure 5.5).

Figure 5.5. Core IFI functions within Adherents (number of Adherents)



Source: OECD IFI Database (2021).

38. Some legislation goes as far as to prescribe specific reports that IFIs are required to produce. These range in number from one required report in Sweden to around 50 in Spain (including 11 different types of analytical reports for central, regional, and local entities, as well as four annual corporate governance reports).

39. Almost all IFIs within Adherents, have the ability to set their own work programmes within the bounds of their mandates and to undertake analysis at their own initiative. This is a key aspect of operational independence and allows IFIs to undertake special analysis that they deem important to the public debate. A recent example of this is how IFIs undertook analysis of the economic effects of COVID-19, mainly at their own initiative (OECD, 2020^[1]).

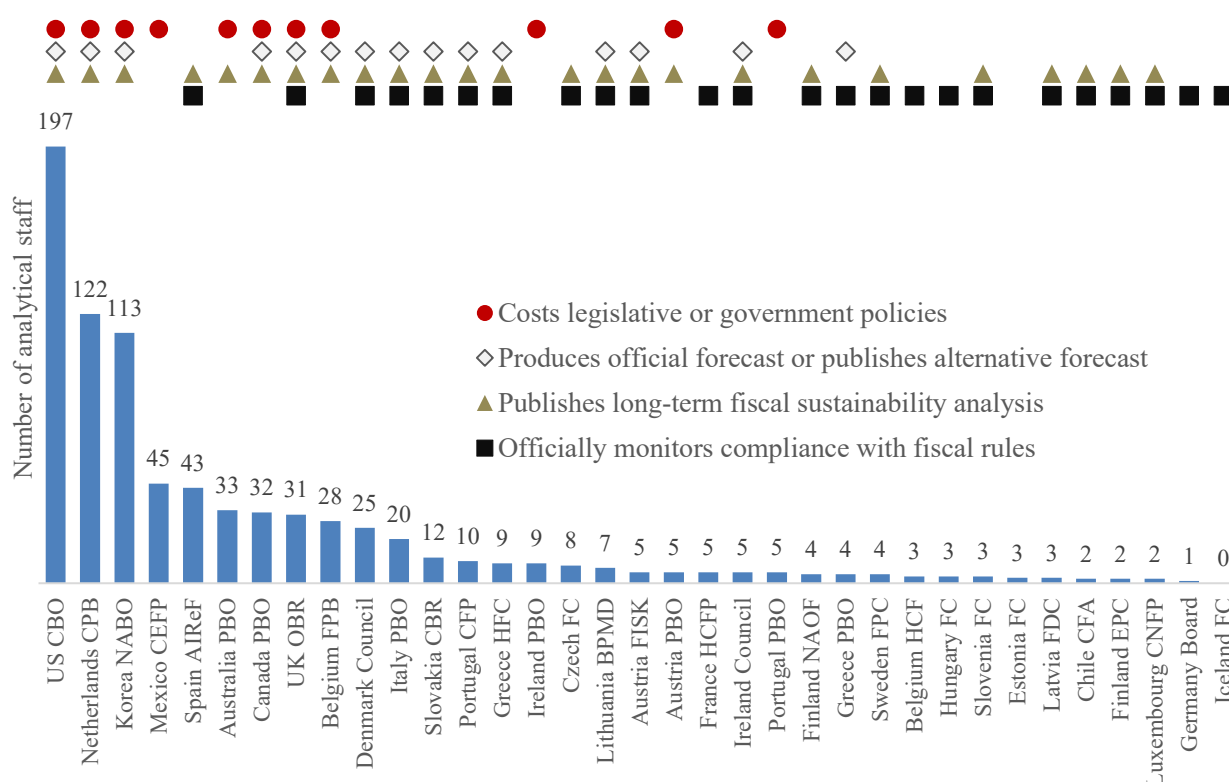
5.4. Resources

Principle 4.1. The resources allocated to IFIs must be commensurate with their mandate in order for them to fulfil it in a credible manner. This includes the resources for remuneration of all staff and, where applicable, council members. The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies, such as audit offices, in order to ensure their independence. Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.

40. A definitive statement on whether resources for IFIs within Adherents are sufficient is difficult. Some IFI's are able to accomplish a lot with a little, by virtue of one or two very experienced staff that came prepared with models built at other institutions. Others have struggled to recruit experienced insiders and require considerable upfront investments to build capacity. Comparing resources across peers to evaluate sufficiency is complicated,

as mandated tasks and their associate tasks vary widely. For example, a costing mandate is among the more resource intensive functions and most IFIs with such a role are at the top end of the distribution of staffing (Figure 5.6). However, even among IFIs with a costing mandate, the legislatures for which they fulfil such requests vary widely in the number of elected representatives and the degree of the legislature’s control over policy formation. Comparisons are further complicated by differences in country-specific wages and price levels. In some Adherents, the IFI also receives considerable support on administration, information technology, and facilities from other institutions, such as the Estonian Fiscal Council that sits within the central bank.

Figure 5.6. Analytical staff and functions of IFIs within Adherents

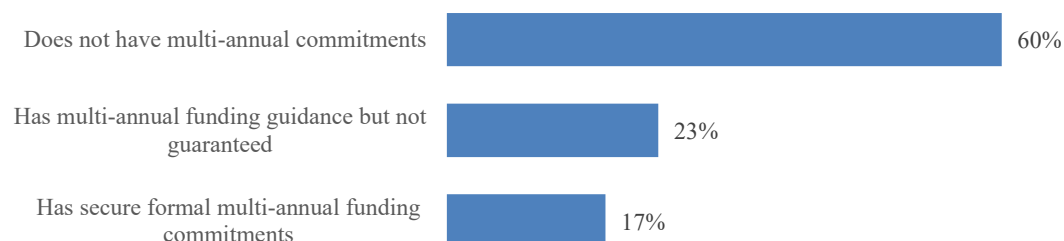


Source: OECD IFI Database (2021).

41. Surveys of EU IFIs carried out by the European Commission over 2016 to 2018 showed that around 80-85% of respondents that are also Adherents with IFIs perceived their budgets to be “just right” or “comfortable” (European Commission, 2019[12]).

42. The security of resources is also a key concern for IFIs within Adherents. There is a risk that an IFI’s resources could be reduced if a government takes issue with how an IFI carries out its mandate. Budget arrangements for IFIs are generally not as strong as for Supreme Audit Institutions. Just over half of national IFIs within Adherents in the OECD database (2021) currently have protection in the form of a separate budget line. A minority of IFIs within Adherents (40%) have multi-annual funding commitments in the form of either planning guidance or secure commitments, which can help insulate them from political pressure. Given the majority do not have any form of multi-annual commitment, work remains to implement this principle (Figure 5.7).

Figure 5.7. Multi-annual commitments to IFI budgets



Source: OECD IFI Database (2021).

Box 5.1. Protections for the budget of the Australian Commonwealth PBO and the United Kingdom OBR

When the Australian PBO was established, the government committed to provide a fixed level of funding for its first four years to protect it from political pressure. It also has a separate budget line.

The OBR's budget is separately identified within the Treasury's budget and published. The OBR can submit an additional Memorandum to Parliament alongside that of the Treasury in order to "protect the independence of the OBR and ensure transparency in the resources that are provided to the OBR". Finally, in practice, the OBR's budget is typically set out three or four years in advance (including 'indicative settlements for later years'). This is an important and very unusual protection for an arms-length body in the United Kingdom.

Source: (von Trapp, Lienert and Wehner, 2016^[7]) and (OECD, 2020^[13]).

5.5. Relationship with the legislature

Principle 5.1. Legislatures perform critical accountability functions in country budget processes and the budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work. Regardless whether an independent fiscal institution is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature. These may include (but are not limited to): (1) submission of IFI reports to parliament in time to contribute to relevant legislative debate; (2) appearance of IFI leadership or senior staff before the budget committee (or equivalent) to provide responses to parliamentary questions; (3) parliamentary scrutiny of the IFI budget; and (4) a role for parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals.

Principle 5.2. The role of the IFI vis-à-vis parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation. Preferably, the IFI should consider requests from committees and sub-committees rather than individual members or political parties. This is particularly relevant for those IFIs established under the jurisdiction of the legislature.

43. Roughly half of IFIs within Adherents directly support the legislature in budget analysis. For the most part, this function is found in PBOs (Australia, Austria, Canada, Greece, Ireland, Italy, Korea, Mexico and the US), although the Netherlands Bureau for Economic Policy Analysis (CPB) also supports parliament. Support may include providing comprehensive analysis of the government's budget proposals, supporting parliamentary committee inquiries or undertaking confidential budget analysis for parliamentary groups and individual parliamentarians (for example, in Australia).

44. Most IFIs within Adherents send their key analytical reports to the legislature, except the Belgian Federal Planning Bureau, the Estonian Fiscal Council, the Finnish Economic Policy Council and the German Independent Advisory Board to the Stability Council. In Greece, the Hellenic Fiscal Council sends an Annual Activity Report to the legislature, while analytical reports are sent to the Ministry of Finance. Similarly, all but the Belgian HCF and the German Independent Advisory Board to the Stability Council participate in parliamentary hearings, although members of the Advisory Board have sometimes participated in an individual capacity.

Box 5.2. Building a strong relationship with parliamentary stakeholders – Spain's AIReF

The Independent Authority for Spanish Fiscal Responsibility, or AIReF as it is known in Spanish, is an example of an IFI that has been successful in building a strong relationship with parliamentary stakeholders. The government that created AIReF had an absolute majority, and did not seek cross-party support for the establishment of the institution. As such, AIReF did not start out with backing from all political parties – 184 Deputies voted against the Law that created AIReF, and 134 Deputies abstained.

Initially, the Budget Committee and others showed little interest in hearing evidence from AIReF. But AIReF's first President raised awareness of AIReF by meeting individually with parties to explain AIReF's role and its independence. AIReF also held information sessions for MPs at its premises and actively sought to increase the number of hearings before Parliament (Congress of Deputies and Senate).

As a result, even political stakeholders that disagreed with AIReF's establishment now recognise the quality of its work and come to it for information. Hearings with AIReF's President are a regular feature of the parliamentary budget calendar and its analysis is regularly mentioned by parliamentarians and parliamentary staff.

Source: (OECD, 2017^[14])

5.6. Access to information

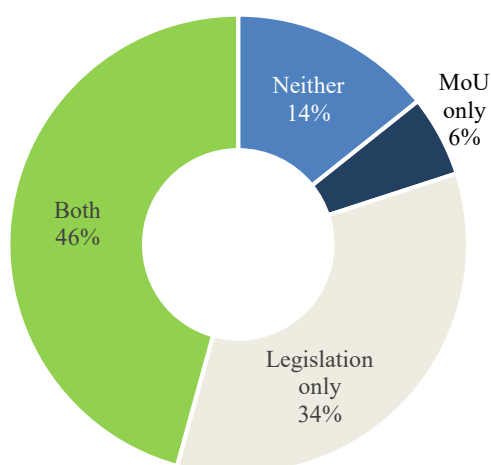
Principle 6.1. There is often asymmetry of information between the government and the IFI – no matter how well an IFI is resourced. This creates a special duty to guarantee in legislation – and if necessary to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals. Information should be provided at no cost or, if appropriate, sufficient resources should be provided in the IFI budget to cover analysis obtained through government actuarial services.

Principle 6.2. Any restrictions on access to government information should also be clearly defined in legislation. Appropriate safeguards may be put in place as regards protection of privacy (for example, taxpayer confidentiality) and of sensitive information in the areas of national defence and security.

45. Timely access to relevant and reliable information is critical to the work of IFIs and sets them apart from think tanks and private sector institutions that provide similar analysis. Information that is out of date, insufficiently detailed or incomplete can hinder an IFI in fulfilling its functions and responsibilities and make its assessments less useful (OECD, 2020[8]).

46. In line with the Recommendation, three quarters of IFIs within Adherents have access to information underpinned by legislation, and 46% support the legislation with an MoU (Figure 5.8). An MoU can help to manage expectations by establishing mutually agreeable processes for information requests and responses, including indicative timeframes for responses, a resolution for when requests are unfulfilled, and provisions for the treatment of confidential data.

Figure 5.8. Formal underpinning of access to information across IFIs within Adherents



Source: OECD IFI Database (2021).

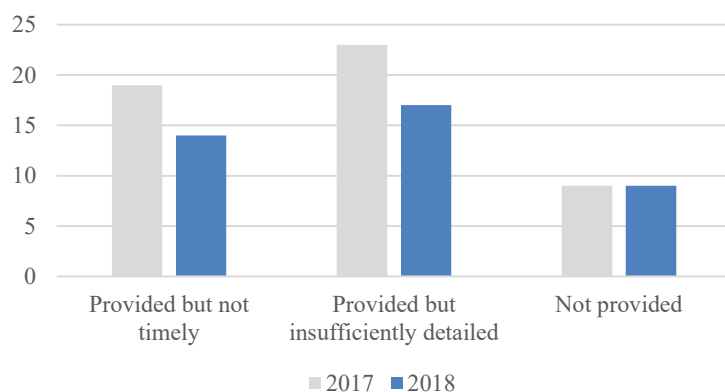
47. Among the IFIs within Adherents with neither legislated information access nor MoUs, there may be other arrangements that facilitate access. For example, the information access of the Austrian Fiscal Advisory Council is facilitated by their membership and their secretariat, which is part of the Oesterreichische Nationalbank and has extensive access to fiscal and economic information. In older IFIs like the Danish Economic Council and the Netherlands CPB, a culture of sharing information has been well established over time and government bodies are usually very willing to provide information. In Germany, the Independent Advisory Board receives information from the Stability Council, but it has no legislated right to information.⁶

48. Despite this, access to information is the area of the Recommendation where IFIs within Adherents have tended to experience the most difficulty, although access has been improving significantly over time. For example, the number of IFIs in the 2021 OECD IFI

⁶ This clarification was not included in the version approved by the SBO due to an error.

Database with legislated access to information or an MoU has increased. Further, surveys conducted by the European Commission of EU IFIs also showed significant improvement in two measures of information access (timeliness and detail) from 2017 to 2018 (Figure 5.9).

Figure 5.9. IFI access to information issues in the EU



Source: European Commission.

5.7. Transparency

Principle 7.1. Given that promoting transparency in public finances is a key goal of IFIs, they have a special duty to act as transparently as possible. Full transparency in their work and operations provides the greatest protection of IFI independence and allows them to build credibility with the public.

Principle 7.2. IFI reports and analysis (including a full account of the underlying data and methodology) should be published and made freely available to all. As noted in 5.1, all IFI reports and analysis should be sent to parliament in time for legislative debate and the leadership of the IFI should be given the opportunity to testify before parliamentary committees.

Principle 7.3. The release dates of major reports and analysis should be formally established, especially in order to co-ordinate them with the release of relevant government reports and analysis.

Principle 7.4. IFIs should release their reports and analysis, on matters relating to their core on-going mandate on economic and fiscal issues, in their own name.

49. All IFIs within Adherents make reports available to the public online (Principle 7.2) and nearly all include their key assumptions and data sources, delivering on important metrics of operational transparency (Principle 7.1). IFIs within Adherents also lead on transparency by example, with the majority that have in-house modelling capacity making detailed descriptions of their methodologies available to the public. The remaining describe their methodologies in broad terms, but do not provide detailed technical information.

50. All IFIs within Adherents have routine release dates of key reports (Principle 7.3); however, many are contingent on the timing of the budget cycle.

51. All IFIs within Adherents release reports in their own name (Principle 7.4). However stakeholders for those IFIs located in another institution sometimes do not

distinguish between the two. For example, the OECD's recent review of the Lithuanian Budget Policy Monitoring Department, which is located in Lithuania's National Audit Office, found that even the media who cover fiscal affairs did not always distinguish the IFI's work from the work of its host institution (OECD, 2019^[15]).

5.8. Communications

Principle 8.1. IFIs should develop effective communication channels from the outset, especially with the media, civil society, and other stakeholders. Given that the influence of IFIs in fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters.

52. An effective communications strategy is important for disseminating an IFI's work and ensuring that it has an impact. Influential IFIs within Adherents report that it is especially important to develop an effective relationship with the media. Specialist stakeholders may engage with an IFI's reports directly, but the broader public is most likely to access an IFI's work through media summaries of its reports. Media interest is also important in generating interest among elected representatives.

53. IFIs within Adherents typically publish press releases and hold press conferences around the launch of key pieces of work. All maintain web presences to facilitate access to their work and almost all have some form of social media account. Half of IFIs among Adherents engage in social media under their institution's branding, reporting that Twitter is a particularly useful channel to attract the attention of journalists.

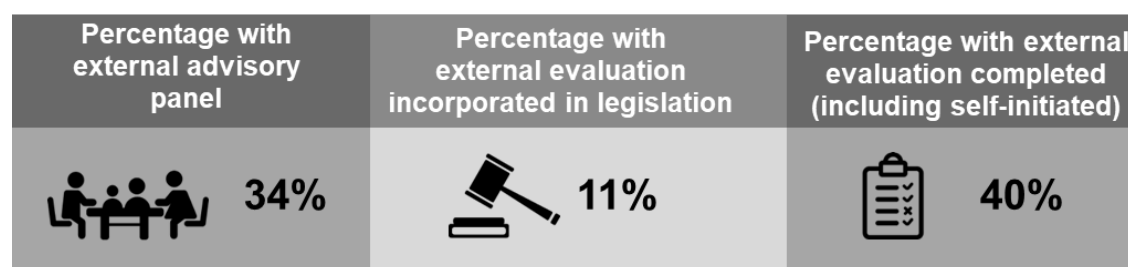
54. In addition to formal press releases and press conferences, IFIs may speak with journalists to provide background and ensure that their work is understood. As an example of good practice, communications officers in the US CBO have developed relationships with editors of well-respected newspapers and regularly speak with journalists on background, answering their questions or putting them in touch with analysts to ensure that they accurately portray the findings of CBO reports. Smaller IFIs do not typically have the resources for communications staff and so leadership is more likely to take on the communications role.

5.9. External evaluation

9.1. IFIs should develop a mechanism for external evaluation of their work – to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country.

55. To safeguard their analytical and operational independence, IFIs must develop their own processes to hold themselves accountable for the quality of their work and their effectiveness in delivering their mandate. Most IFIs (80%) have some form of external scrutiny of their work, whether an advisory panel, occasional peer review of specific papers, or an independent external evaluation by outside experts. External evaluation is a key process to secure an IFI's credibility and accountability. Fewer than half of IFIs within Adherents have undergone an independent external review (Figure 5.10). However, many plan such reviews in the coming years.

Figure 5.10. Use of external advisory panels and evaluation



Source: OECD IFI Database (2021).

56. The Netherlands CPB has the longest experience with external review. Every five years, the work of the CPB is evaluated by academic peers on scientific value and by clients on policy relevance. Nearly all academics brought in for the scientific review are foreign, which enhances objectivity.

57. Some IFIs undertook their own self-assessments against the Recommendation in their early years (for example, the Slovak Council for Budget Responsibility (Council for Budget Responsibility, 2013[15]) and the Latvian Fiscal Discipline Council (Fiscal Discipline Council, 2016[16])). Also, the Recommendation was used to inform external peer reviews of the Irish Fiscal Advisory Council (Junong, Begg and Tutty, 2012[18]), the United Kingdom Office for Budget Responsibility (OBR) (Page, 2014[18]), and the Australian PBO (Anderson and Watt, 2017[20]). An earlier review of the Australian PBO undertaken by the Australian National Audit Office and a second review of the OBR by HM Treasury (HM Treasury, 2015[20]) also drew on the Recommendation. Others have used the Recommendation as part of debates and consultations on setting up a new IFI (for example, in New Zealand) or strengthening an existing institution (for example, in Canada and Chile).

58. Many institutions are choosing to undergo an independent evaluation led by the OECD (Box 5.3). The information gathered in OECD reviews has supported work to develop benchmarks in functional areas for more targeted future reviews, such as benchmarks on long-term sustainability analysis (Shaw, 2017[21]).

59. Another important resource for around a third of IFIs within Adherents are external advisory panels, which allow for a range of experts to provide input on the IFI's research, work programme and institutional arrangements. For example, the US CBO has a long-standing advisory panels of experts (Box 5.4).

Box 5.3. External Evaluation

The OECD has undertaken in-depth IFI reviews, which include assessments against the Recommendation for national IFIs in Spain (2017), Portugal (2019), Lithuania (2019), Slovak Republic (2020), the United Kingdom (2020), Ireland (2021), Finland (2021), and Latvia (2021) and for subnational IFIs in Victoria, Australia (2019) and Scotland, United Kingdom (2019). The reviews draw on concrete examples of good practices from other IFIs and make recommendations to promote good performance and long-run viability.

While most IFIs undertake external reviews at their own initiative, the Australian PBO, Canadian PBO, the United Kingdom OBR, and both the PBO and Fiscal Council in Greece have requirements for external evaluation in their legislation. Others have taken the initiative to commit to external reviews, such as Ireland's Fiscal Advisory Council (every four years). The Netherlands CPB makes use of peer review.

Source: Authors

Box 5.4. The United States CBO's use of external advisory panels

Throughout its more than four-decade history, the US CBO has benefitted from a panel of economic advisors. The panel comprises 20 to 25 members that serve two-year terms. The experts are widely respected and come from a range of economics, financial, and budget-related backgrounds. While many have positions in academia, representatives from the business world and private-sector economics forecasting firms have also been included.

The advisors typically meet with CBO staff twice a year for reviews of preliminary economic projections. Panel members sometimes present results of their own research, and they provide critical outside feedback to the CBO. The discussions are confidential and informal to allow for a free flow of opinions to help interpret recent data and determine a well-reasoned forecast of future activity for the US economy. CBO staff also occasionally consult with the advisors at other points during the year.

In addition, over the past decade, the CBO has used a panel of health advisors. This second group of around 20 experts reflects a variety of backgrounds, areas of expertise, and experience in health policy and the health care sector. The CBO hosts occasional meetings of its health advisers, and solicits their views directly between meetings. Through those interactions, CBO analyses benefit from gaining an understanding of recent research and developments in health care delivery and financing in the US.

Source: (OECD, 2019^[22])

6. Summary and conclusions

60. The Recommendation has been widely disseminated through OECD bodies including the PBO Working Party, the SBO, and the PGC. The Recommendation has also been disseminated in individual work with Adherents, other networks of IFIs, and partner international organisations.

61. The Recommendation has also been disseminated to non-Members in the thematic and regional networks of the SBO. They have shown growing interest in aligning with the Recommendation. It is proposed that the SBO continue dissemination efforts to promote adherence to the Recommendation.

62. An overview of the state of implementation of the Recommendation's 22 Principles is provided in the Appendix. Overall, the Recommendation has proven to be relevant and has been applied widely across Adherents. Moreover, several Adherents have reformed their IFIs to be more in line with the Recommendation. Adherents that established an IFI after the Recommendation was adopted designed the institution to align with the Recommendation. Where an Adherent's legislation does not clearly implement the Recommendation, IFIs themselves have implemented it through their internal rules and norms.

63. Some aspects of the Recommendation have not been applied as fully and rigorously by all Adherents with IFIs, for example, some IFIs have struggled with access to information and (principle 6.1) or have been unable to secure support for external evaluation (principle 9.1). Nevertheless, Adherents have continued to improve their alignment with the Recommendation in both of these areas (Appendix). Therefore, there is no need to revise the Recommendation at this time.

64. More work is needed to build evidence to more fully assess principles in relation to effectiveness of communications (principle 8.1) and what constitutes sufficient resources in relation to mandate (principle 4.1). This is being done through the OECD's IFI reviews and other analytical work. Such work also contributes to identifying emerging principles that could be embodied in the Recommendation in the future to help ensure it remains a modern and influential OECD standard. Therefore, it is proposed that the SBO supports further OECD IFI reviews and reports to the Council again in five years.

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Appendix: Overview of implementation

Principles	Overview of implementation	Notes
1. LOCAL OWNERSHIP		
1.1 Broad national ownership, commitment, and consensus across the political spectrum. Models from abroad should not be artificially copied or imposed.	●	Several Adherents indicated that European Union or requirements rather than local considerations were drivers of changes to an existing institution or establishment of a new institution. Nevertheless, these institutions have demonstrated strong local ownership.
1.2 Local needs and the local institutional environment should determine options for the role and structure of the IFI.	●	
2. INDEPENDENCE AND NON-PARTISANSHIP		
2.1 Does not present its analysis from a political perspective; strives to demonstrate objectivity and professional excellence, and serves all parties. IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship.	●	All IFIs within Adherents produce independent non-partisan analysis and IFIs that provide normative advice do so under strict limitations. No IFIs have a role in policy-making.
2.2 The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit.	●	
2.3 Term lengths and number of terms that the leadership of the IFI may serve should be clearly specified in legislation along with dismissal criteria and process. The leadership's term should optimally be independent of the electoral cycle	●	Nearly all IFIs in Adherents have clearly defined term lengths for leadership. The majority have leadership cycles that differ from the electoral cycle. Canada recently extended its term length to 7 years to be better aligned with the Recommendation.
2.4 The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict-of-interest standards should be applied.	●	Most leadership positions are remunerated for their role. Around 40% of IFIs within Adherents have chairs that are part-time positions, but nearly all with part-time chairs have a full-time head of secretariat.
2.5 The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.	●	In a small minority of cases, staff is provided by another institution (e.g. central bank or supreme audit institution), although the IFI may still have elements of control over staffing.
2.6 Staff should be selected through open competition based on merit and technical competence, without reference to political affiliation, in line with civil service conditions.	●	
3. MANDATE		
3.1 The mandate should be defined in legislation, including types of reports and analysis they are to produce, who may request them and timelines for release.	●	Standard practice to define functions in legislation. For EU Member States, in particular, major reports and timelines are also typically defined to meet requirements of the European semester.
3.2 IFIs should have the scope to produce reports and analysis at their own initiative and autonomy to determine their own work programme within their mandate.	●	
3.3. Clear links to the budget process should be established within the mandate.	●	
4. RESOURCES		
4.1 The resources allocated to IFIs must be commensurate with their mandate. The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies. Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.	●	Only half of IFIs in Adherents have funding provided for in a separate budget line. A quarter have multiannual funding commitments, including Australia, Iceland, Ireland, and the United Kingdom, among others.
5. RELATIONSHIP WITH THE LEGISLATURE		

5.1 Mechanisms should be put in place to encourage appropriate accountability to the legislature. The budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work.	●	All but two submit reports and participate in committee hearings. Parliaments play a role in the appointment and dismissal process for over two-thirds of IFIs within Adherents. Apart from cases of exceptional circumstances, the budget calendar allows sufficient time to carry out analysis necessary for parliament work.
5.2 The role of the IFI vis-a-vis the parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation.	●	Most legislation clearly indicates if the IFI is to support particular committees, and whether they are to fulfil requests from individual parliamentarians.
6. ACCESS TO INFORMATION		
6.1 IFI should have full access to all relevant information in a timely manner.	●	Most have formal access to information through legislation or an MoU. Some still report inadequate access.
6.2 Any restrictions on access to government information should be clearly defined in legislation.	Not known	Insufficient evidence base. The OECD is accumulating evidence to assess in the future.
7. TRANSPARENCY		
7.1 IFI should act as transparently as possible, including full transparency in their work and operations.	●	
7.2 IFI reports and analysis (including underlying data and methodology) should be published, made freely available to all and sent to parliament.	●	Almost all IFIs in Adherents provide information on the underlying methodology of their analysis, albeit with a range of detail.
7.3 The release dates of major reports and analysis should be formally established, especially in order to coordinate them with the release of relevant government reports and analysis.	●	
7.4 IFIs should release their reports and analysis, on matters relating to their core mandate on economic and fiscal issues, in their own name.	●	The few IFIs which sit in another institution (e.g. the supreme audit institution) have occasionally reported that stakeholders may be confused as to the publishing institution.
8. COMMUNICATIONS		
8.1 IFIs should develop effective communication channels from the outset.	Not known	All IFIs in Adherents publish their reports online. However, there is insufficient evidence to broadly evaluate the effectiveness of communication channels with the media, civil society, and other stakeholders at this time. Evidence is being built up in OECD reviews of IFIs.
9. EXTERNAL EVALUATION		
9.1 IFIs should develop a mechanism for external evaluation of their work.	●	A small number of IFIs in Adherents have legislated requirements for external evaluation. These include the Australian PBO, Canadian PBO, the United Kingdom OBR, and both the PBO and Fiscal Council in Greece. Others have taken the initiative to commit to external reviews, in some cases regularly (such as Ireland's Fiscal Advisory Council every four years). Others such as the Netherlands CPB make use of peer review. While this brings the number closer to half, there is still room for improvement. The OECD has performed external reviews for Spain (2017), Portugal (2018), Lithuania (2019), Slovak Republic (2020), the United Kingdom (2020), Ireland (2021), Finland (2021), and Latvia (2021). The OECD also undertook reviews for two subnational IFIs in Victoria, Australia (2019) and Scotland, United Kingdom (2019).