



Recommendation of the Council on Principles for Independent Fiscal Institutions



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Background Information

The Recommendation on Principles for Independent Fiscal Institutions (IFIs) (hereafter “the Recommendation”) was adopted by the OECD Council on 13 February 2014 on the proposal of the Public Governance Committee (PGC). The Recommendation aims to assist Adherents to design effective IFIs that are viable over the long run in their mandate to provide authoritative and non-partisan analysis of public finances. In May 2021, the Council agreed to transfer the responsibility for the Recommendation from the PGC to the Committee of Senior Budget Officials (SBO).

The need for a standard on independent fiscal institutions

IFIs provide independent, non-partisan analysis of governments’ fiscal policies and assessments of their implications for public finance sustainability. This in turn promotes transparency, more informed public debate, and government accountability for fiscal policy choices.

The Recommendation came at a critical time, when many countries were establishing IFIs following the Global Financial Crisis. Based on the experience of the relatively few older and well-established IFIs in countries such as Belgium, the Netherlands, and the United States, 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 Global 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.

Today over three quarters of Adherents have an IFI, although institutions vary widely with regard to their mandate and resources.

Process for developing the Recommendation

The Recommendation was the result of over two years of intensive discussion within the Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions (including a special a High-level Reference Group of heads and deputy heads of IFIs).

Scope of the Recommendation

The Recommendation is the first of its kind and provides concrete guidance to policymakers on issues to consider in the design and governance of IFIs. It covers good practices in nine areas: local ownership; independence and non-partisanship; mandate; resources; relationship with the legislature; access to information; transparency; communications; and external evaluation.

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, it 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.

For further information please consult: <https://www.oecd.org/gov/budgeting/parliamentary-budget-officials/>.

Contact information: OECDsBOInfo@oecd.org.

Implementation

2022 Report to Council

The 2022 Report to Council presents progress made by Adherents in implementing the Recommendation and conclusions on its dissemination and continued relevance. The Report was prepared using the new [OECD IFI Survey and OECD IFI Database](#) (2021). OECD IFI reviews, case studies and related research reports also informed the Report.

The Report underscores that the Recommendation has proven to be relevant and is widely applied across Adherents. Several Adherents have introduced reforms to be more in line with the Recommendation and the Recommendation has been used in the design of new institutions. Positive progress has been made in particular on implementation of principles on access to information and external evaluation. Nevertheless, more work is needed to build a strong evidence base to assess implementation of principles on effectiveness of communications, and on what constitutes sufficient resources in relation to mandate. This will feature in the next Report to Council in five years' time. The SBO will continue to support further OECD IFI reviews.

The next reporting to Council is scheduled to take place in 2027.

The published version of the 2022 Report is available at this [link](#).

IFI Reviews

The OECD has conducted 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 IFIs at the subnational level of government within Adherents in the [State of Victoria](#) (Australia) (2019) and [Scotland](#) (United Kingdom) (2019). These have supported dissemination to Adherents and across the broader Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions. The findings of these reviews are often reported in the national media and are discussed at the annual meetings of the Working Party.

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

NOTING the growth of independent fiscal institutions within Member countries and the diversity of existing institutions;

HAVING AGREED that, for the purpose of the present Recommendation, independent fiscal institutions are publicly funded, independent bodies under the statutory authority of the executive or the legislature which provide non-partisan oversight and analysis of, and in some cases advice on, fiscal policy and performance, and that these institutions have a forward-looking *ex ante* diagnostic task;

RECOGNISING that independent fiscal institutions have the potential to enhance fiscal discipline, promote greater budget transparency and accountability and raise the quality of public debate on fiscal policy, while recognising also that alternative institutional arrangements may serve some countries equally well;

RECOGNISING that budget transparency is a key element of good governance and that the OECD has played a leading role in the international community in promoting budget transparency through the OECD Best Practices for Budget Transparency (OECD, 2002);

On the proposal of the Public Governance Committee;

I. 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.

II. INVITES Members and the Secretary-General to disseminate this Recommendation.

III. INVITES non-Members who have chosen to establish or are considering establishing an independent fiscal institution to take account of and to adhere to this Recommendation.

IV. INVITES relevant international organisations to take account of this Recommendation and to collaborate with the OECD to exchange good practices and data on independent fiscal institutions.

V. INSTRUCTS the Public Governance Committee to monitor the implementation of this Recommendation and to report thereon to the Council no later than three years following its adoption and regularly thereafter.

ANNEX

PRINCIPLES FOR INDEPENDENT FISCAL INSTITUTIONS (IFIs)

The twenty-two *Principles for Independent Fiscal Institutions* (fiscal councils and independent parliamentary budget offices) proposed below are grouped under nine broad headings: (1) local ownership; (2) independence and non-partisanship; (3) mandate; (4) resources; (5) relationship with the legislature; (6) access to information; (7) transparency; (8) communication; and (9) external evaluation.

1. Local ownership

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.

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 countries¹. 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.

2. Independence and non-partisanship

2.1. Non-partisanship² 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.

2.2. The leadership³ 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.

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.

2.4. The position of head of the IFI should be a remunerated and preferably full-time position⁴. 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.

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

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) service⁵.

3. Mandate

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.

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.

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 issues⁶.

4. Resources

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.

5. Relationship with the legislature

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.

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.

6. Access to information

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.

6.2. Any restrictions on access to government information should also be clearly defined in legislation. Appropriate safeguards may be put in place⁷ as regards protection of privacy (for example, taxpayer confidentiality) and of sensitive information in the areas of national defence and security.

7. Transparency

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.

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 debate⁸ and the leadership of the IFI should be given the opportunity to testify before parliamentary committees.

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 analysis⁹.

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.

8. Communications

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.

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.

- ¹ Several countries (e.g. Ireland, Portugal, and Sweden) allow for non-nationals to serve as council members, thus increasing the pool of qualified candidates and reducing the risk of “groupthink”. As such, this design choice may also serve to bolster independence.
- ² Non-partisanship should not be confused with bi-partisanship. Whereas bi-partisanship suggests a balance between political parties, non-partisanship necessitates an absence of political influence.
- ³ The title may differ – director, president, or chair – depending on its design. The institution may be under individual or collective (council) leadership.
- ⁴ There are exceptional cases in which a part-time position may be considered sufficient, for example if the IFI has a strictly defined and limited work programme or if another institution provides complementary functions which impact on the workload of the IFI. In Sweden, the Fiscal Policy Council can use the macro-fiscal forecasts prepared by another well-established independent agency, the National Institute of Economic Research.
- ⁵ Given the small size of the majority of IFIs, staff may be provided with career mobility within the broader civil service. However, care should be taken to avoid conflict of interest.
- ⁶ Other functions are carried out by well-established IFIs, such as costing of election platforms by the Netherlands Bureau for Economic Policy Analysis, or programme evaluation by the Korean National Assembly Budget Office.
- ⁷ For example, security clearance for IFI staff.
- ⁸ There may be cases where an IFI provides confidential estimates as part of the legislative process. For example, the U.S. Congressional Budget Office provides estimates early in the legislative process – kept confidential only until the legislative proposal becomes public – in order to help craft legislative proposals.
- ⁹ Care must be taken to avoid the perception that the timing of the release of the IFI reports favours the government or the opposition parties.

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- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.
- **International Agreements** are negotiated and concluded within the framework of the Organisation. They are legally binding on the Parties.
- **Arrangement, Understanding and Others:** several other types of substantive legal instruments have been developed within the OECD framework over time, such as the Arrangement on Officially Supported Export Credits, the International Understanding on Maritime Transport Principles and the Development Assistance Committee (DAC) Recommendations.