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Discussion of:
**“Independence safeguards:
how do national EU IFIs fare?”**
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*The views expressed in this presentation are my own and they do not necessarily represent those of the UPB.

My main takeaways from the paper

- There is broad adherence to most independence safeguards for IFIs as set out in the Two-pack but....
- ...this could be the result of the general nature of safeguards embedded in legislation
- *De facto* adherence could differ from *de iure* one => Need for external evaluations/regular monitoring
- Member States need to engage towards new EGR requirements, especially on stability of resources, timeliness of obtaining information and regular external evaluations
- An interesting technical point: design choices of composite indices have considerable influence on institutional rankings => need to complement them with qualitative assessment (Box very informative)

IFI independence is a multidimensional concept

Table 1 Indices and components

Independence index (max. 20)	Proficiency index (max. 10)
<p>Statutory guarantees (2) Separate legal entity/autonomous body^{a,c} Independence recognised by legislation^{a,b,d}</p> <p>Operational autonomy (6) Own initiative analysis^a Own work program^{a,b} Information collection powers^{a,b} Right to select own staff^{a,b} Safeguards on IFI budget^{a,b,d} Secure source of income^{a,d}</p> <p>Leadership autonomy (6) Full-time commitment^a Remunerated position^a Incompatibility rules at the appointment stage^c Extension of incompatibility rules to relatives^c Rules preventing conflicts of interest^c Cooling-off period for posts in government or related agencies^c</p> <p>Membership safeguards (4) Non-concurrence with electoral cycle^{a,b} Staggered appointments^c Limited renewals^c Strict rules of dismissal^{a,b}</p> <p>Non-political composition (2) IFI members appointed by other than government or parliament^{c,d} Exclusion of policymakers as IFI members^a</p>	<p>Professional composition (3) Inclusion of external stakeholders^c Inclusion of independent public agencies^{c,d} Inclusion of research and advisory bodies^{c,d}</p> <p>Knowledge (4) Legal requirement for professional expertise^a Legal requirement for qualifications^a Possibility of non-citizenship^d Legal option to seek external advice^c</p> <p>Transparency (3) Periodical publications^{a,b} Key publications addressed to public^a Legal requirement on external audit^a</p>

Maximum number of scores in brackets. Items marked with ^amatch OECD Principles of Independent Fiscal Institutions (2014); items also covered by ^bvon Trapp and Nicol (2018); ^cINDIREG Project (Irion and Ledger 2013); ^dIMF Fiscal Council Dataset (see Debrun and Kinda 2014: 11)

Source: Daniel Belling, A new dataset on the political independence of fiscal monitoring institutions, *European Political Science* (2020) 19:122–139.

Highlight on one point stressed in the Conclusions

- Conclusions stress that Commission EGR proposal was somewhat unbalanced as regards EU IFIs
- It targeted a major expansion of the IFI's tasks but no instruments for *de facto* implementation of independence safeguards
- Council rejected the idea of entrusting IFIs with these tasks, inter alia on the ground of their *de facto* heterogeneity
- **Issue for discussion:** If Commission had included in the proposal also instruments for *de facto* implementation reducing IFI heterogeneity over time, would the Council have agreed to a major expansion of their tasks?

Another possible explanation: From deficit bias to IFIs' low-impact bias?

- Politically independent fiscal councils are meant to be a device to reduce the deficit bias: as such, could their impact be subject to a similar bias?
- Governments could have an *ex-ante* incentive to self-impose independent IFIs (e.g. as a favourable signal to financial markets) but *ex-post* this is not optimal anymore from executives' point of view and thus they might limit IFIs' impact, notably through a narrow mandate
- Thus, there could be even a trade-off between independence and impact as executives could compensate higher IFIs political independence with limitations on other important aspects that make IFI (directly or indirectly) relevant

Some evidence of a potential trade-off?

	Human resources	Access to information	Public disclosure	Comply or explain	Tasks
Independence=0	7,6	3,8	4,8	1	2,8
Independence=1	8,5	5,4	4,0	1,2	2,6
Independence=2	11,8	6,0	4,6	1,4	2,3
Independence=3	12,0	7,5	6,0	2,3	2,0

A more straightforward evidence of a trade-off from EGR negotiations?

European Commission proposal – 26.04.2023

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

- a) producing the annual and multiannual macroeconomic **and budgetary** forecasts **underlying the government's medium-term planning** or endorsing those used by the budgetary authorities;
- b) **producing debt sustainability assessments underlying the government's medium-term planning or endorsing those provided by the budgetary authorities;**
- c) **producing assessments on the impacts of policies on fiscal sustainability and sustainable and inclusive growth or endorsing those provided by the budgetary authorities;**
- d) monitoring compliance with country-specific numerical fiscal rules in accordance with Article 6;
- e) **monitoring compliance with the Union fiscal framework** in accordance with Regulations [XXX preventive arm of the SGP] and [XXX corrective arm of the SGP];
- f) **conducting, on a regular basis, reviews of the national budgetary framework**, in order to assess the consistency, coherence and effectiveness of the framework, **including mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government;**
- g) participate in regular hearings and discussions at the national Parliament.

Council of the EU agreement – 20.12.2023

Without prejudice to the tasks and functions attributed in accordance with Regulation 473/2013 for Member States whose currency is the euro, all Member States shall ensure that the following tasks are undertaken by one of the institutions referred to in paragraph 1:

- a) producing, assessing or endorsing annual and multiannual macroeconomic forecasts;
- b) monitoring compliance with country-specific numerical fiscal rules **unless performed by other bodies** in accordance with Article 6;
- c) **undertaking tasks** in accordance with relevant articles of the Regulation [XXX preventive arm of the SGP] and of Regulation [XXX corrective arm of the SGP];
- d) assessing the consistency, coherence and effectiveness of the national budgetary framework;
- e) **upon invitation**, participate in regular hearings and discussions at the national Parliament.

*One potential remedy:
reinforce one of the rationales for IFI set-up*

- Another important rationale for establishing IFIs: reducing the information asymmetry between the executive and the legislative bodies, and in general between the political institutions and the public
- Could legislative bodies or the public be levers to reinforce/protect IFIs relevance/impact?

Again, some evidence from the EGR negotiations?

European Commission proposal – 26.04.2023

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

- a) producing the annual and multiannual macroeconomic and budgetary forecasts underlying the government's medium-term planning or endorsing those used by the budgetary authorities;
- b) producing debt sustainability assessments underlying the government's medium-term planning or endorsing those provided by the budgetary authorities;
- c) producing assessments on the impacts of policies on fiscal sustainability and sustainable and inclusive growth or endorsing those provided by the budgetary authorities;
- d) monitoring compliance with country-specific numerical fiscal rules in accordance with Article 6;
- e) monitoring compliance with the Union fiscal framework in accordance with Regulations [XXX preventive arm of the SGP] and [XXX corrective arm of the SGP];
- f) conducting, on a regular basis, reviews of the national budgetary framework, in order to assess the consistency, coherence and effectiveness of the framework, including mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government;
- g) participate in regular hearings and discussions at the national Parliament.

European Parliament proposal – 14.12.2023

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

- a) producing the annual and multiannual macroeconomic and budgetary forecasts underlying the government's medium-term planning **or supporting or, where applicable according to national rules, endorsing the Evolution of emended article 8.4 of Directive 2011/85/EU planning** by the budgetary authorities;
- b) producing debt sustainability assessments underlying the government's medium-term planning by the budgetary authorities **or supporting or, where applicable according to national rules, endorsing the assessment**;
- c) producing assessments on the impacts of policies, **including reform and investment commitments under the national medium term fiscal-structural plans**, on fiscal sustainability and sustainable and inclusive growth by the budgetary authorities **or supporting or, where applicable according to national rules, endorsing**;
- d) monitoring compliance with country-specific numerical fiscal rules in accordance with Article 6;
- e) monitoring compliance with the Union fiscal framework in accordance with Regulations [XXX preventive arm of the SGP] and [XXX corrective arm of the SGP];
- f) conducting, on a regular basis, reviews of the national budgetary framework, in order to assess, **among others**, the consistency, coherence and effectiveness of the framework, including mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government;
- g) participate in regular hearings and discussions at the national Parliament **and be available to provide technical analysis and advice to the national Parliament upon request**.

Thank you