Background Submission to Committee for Finance, Northern Ireland Assembly

19 May 2021
1. **Creation of the Irish Fiscal Advisory Council**

The Irish Fiscal Advisory Council was established as part of wider reforms of Ireland’s budgetary architecture. It was set up on an administrative basis in July 2011 and was formally established as a statutory body in December 2012 under the **Fiscal Responsibility Act**. The Act established the Irish Fiscal Advisory Council as a statutory body and legislated for the implementation of national and EU fiscal rules.

The introduction of the Act was part of a wider agenda of budgetary reform, benchmarked under the Programme for Government 2011 and the EU/IMF Programme of Financial Support for Ireland.

While the EU/IMF programme provided some of the impetus for the establishment of the Council, there were domestic drivers also. The aftermath of the global financial crisis inspired a domestic debate about fiscal councils as a method to improve domestic fiscal governance. In his report for Ireland’s Joint Committee on Finance and the Public Service, Lane (2010) argued that the key to insulating the fiscal process is to find institutional devices that assist governments in maintaining an appropriate fiscal stance.\(^1\) International organisations like the OECD and the IMF also recommended independent fiscal authorities as a useful innovation.

The Council was set up as part of the new EU framework for fiscal surveillance that appeared after the euro-crisis. The Council was part of an international trend: Independent fiscal institutions, fiscal councils or “fiscal watchdogs” emerged in a number of European countries. Yet similar bodies have existed for a long time in countries such as the Netherlands and the United States.

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2. Mandate

The Council is an independent statutory body.

Its mandate is to:

- endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department of Finance on which the Budget and Stability Programme Update are based;
- assess the official forecasts produced by the Department of Finance;
- assess government compliance with the Budgetary Rule;
- assess whether the Government’s fiscal stance set out in each Budget and Stability Programme Update (SPU) is conducive to prudent economic and budgetary management, including with reference to the provisions of the Stability and Growth Pact.
3. **Composition**

The Irish Fiscal Advisory Council is made up of a five-person Council that operate on a part-time basis. The Council’s Chairperson is Mr Sebastian Barnes (Organisation for Economic Co-operation and Development). Other Council members are Prof. Michael McMahon (Professor of Macroeconomics at the University of Oxford and Senior Research Fellow of St Hugh’s College), Ms Dawn Holland (Visiting Fellow, National Institute of Economic and Social Research), Dr Adele Bergin (Economic and Social Research Institute), and Mr Alessandro Giustiniani.

Council members are appointed by the Minister for Finance based on a process managed by the Public Appointments Service. By law, Council members should have an appropriate background in economic or fiscal policy.

The Council is supported by a six-person Secretariat. This consists of Dr Eddie Casey (Head of Secretariat and Chief Economist), four economists and an Administrator.

4. **Budget**

The Council is a public body, with the terms of its funding set out in the Fiscal Responsibility Act. The Council’s budget is paid directly out of the Central Fund. This arrangement protects the Council’s independence and guarantees multi-annual stability of funding.

The Council’s budget was originally capped in 2013 at a maximum of €800,000 per annum, with this ceiling adjusted each year by inflation as measured using the Harmonised Index of Consumer Prices (HICP).

5. **Output**

The main publication of the Irish Fiscal Advisory Council (the Fiscal Council) is the biannual Fiscal Assessment Report (FAR). The Fiscal Council also publishes a Pre-Budget Statement each year. More recently, it has published its first Long-term Sustainability Report, which looks at how the public finances would be expected to evolve over the long term (to 2050). It also publishes a number of Analytical Notes and Working Papers as well as Accounts and other Corporate Governance Reports.
The Council submits its main publications, its Fiscal Assessment Reports, to the Minister for Finance and within ten days releases them publicly. The Minister traditionally provides a formal response to the report after its release.

6. Interactions with the Oireachtas

The Council regularly appears before the Oireachtas to discuss its publications and to account for its functions. These engagements typically take place three times each year with the Committee on Budgetary Oversight and the meetings are timed to follow the publication of the Council’s Fiscal Assessment Reports and its Pre-Budget Statement.

Transcripts of the engagements with Committees are available on the Council’s website at https://www.fiscalcouncil.ie/oireachtas-committee/.