

Independence safeguards: how do national EU IFIs fare?

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** The views expressed in this presentation do not necessarily reflect those of the European Commission or the European Fiscal Board.*

- ❖ I. Independence: concept and dimensions
- ❖ II. Description of our empirical approach
- ❖ III. Findings: existing and newly adopted safeguards
- ❖ IV. Discussion and policy conclusions

I. Independence: concept and dimensions

- ❖ Since 2013, EU law requires **euro area countries to have an IFI**
- ❖ Latest reform of EU fiscal framework **extends requirement** to all EU Member States
- ❖ What sets IFIs apart from conventional advisors of governments/rules is **independence**: free from the influence of the executive and legislative branch of government
- ❖ IFIs do not serve a given government but the **common interest**
- ❖ Independence is an **intuitive concept**, but difficult to pin down in practice

I. Independence: concept and dimensions

- ❖ Before EU law established legal requirements, fiscal councils achieved independence through **conventions**, not via explicit provisions
- ❖ First EU attempt to codify the essential elements of independence: 2013 **two-pack regulation for the euro area**
- ❖ **OECD principles** in 2014: 22 wide-ranging and more granular recommendations
- ❖ **Network of EU IFIs** in 2016: set of minimum standards
- ❖ EGR 2024: **revised Directive** extends safeguards

II. Description of our empirical approach

- ❖ Institutional coverage of our analysis: 31 IFIs in 26 Member States
- ❖ Secondary sources: already existing IFI databases (Commission, IMF, OECD – constraints and comparability), Commission's 2017 Fiscal Compact transposition reports
- ❖ Primary sources: EFB Secretariat IFI survey (designed to address the remaining information gaps), IFI webpages

III. Our findings about the existing EU safeguards

- The existing IFI safeguards are legally binding in the euro area from May 2013 (in fact, a very similar set was already part of the intergovernmental Fiscal Compact)
- Regulations are directly binding, but the safeguards (or more broadly the IFI-relevant provisions) de facto triggered the adoption/amendments of those domestic laws that govern the national IFI(s)

Important caveat:

- Analysis is not meant to verify legal compliance

List of the existing safeguards:

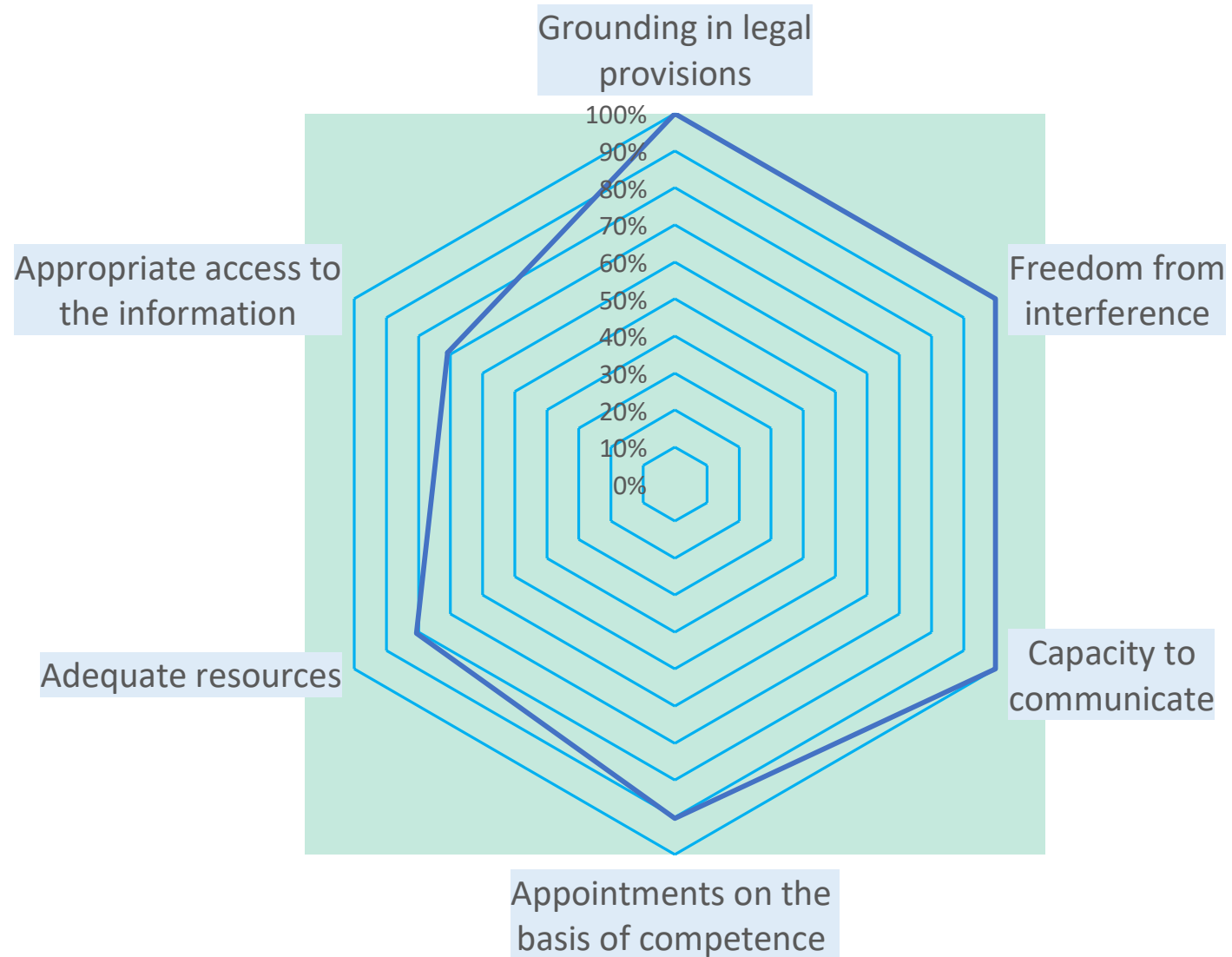
- (i) a statutory regime grounded in national laws, regulations or binding administrative provisions;
- (ii) not taking instructions from the budgetary authorities of the Member State concerned or from any other public or private body;
- (iii) the capacity to communicate publicly in a timely manner;
- (iv) procedures for nominating members on the basis of their experience and competence;
- (v) adequate resources and appropriate access to information to carry out their mandate.

Interpretation of safeguards

- Differences in the nature of the safeguards (some can be assessed in terms of legal or practical aspects, while others cannot not objectively be evaluated (,freedom from interference’) and is more call on integrity of members.
- As safeguards are formulated as broad or general principles, important aspects are not clarified or covered at all (e.g. for nomination and appointment procedures, the minimum levels of experiences are not clarified and the chairperson’s full-time/part-time dimension is not covered)

III. Our findings about the existing EU and newly adopted safeguards

Share of EU IFIs assessed to meet the two-pack's independence safeguards



III. Our findings about the newly adopted EU safeguards

- New requirements as part of the amended Budgetary Frameworks Directive – transposition deadline: 31 December 2025 for all EU Member States

Additional caveat for this part of the analysis:

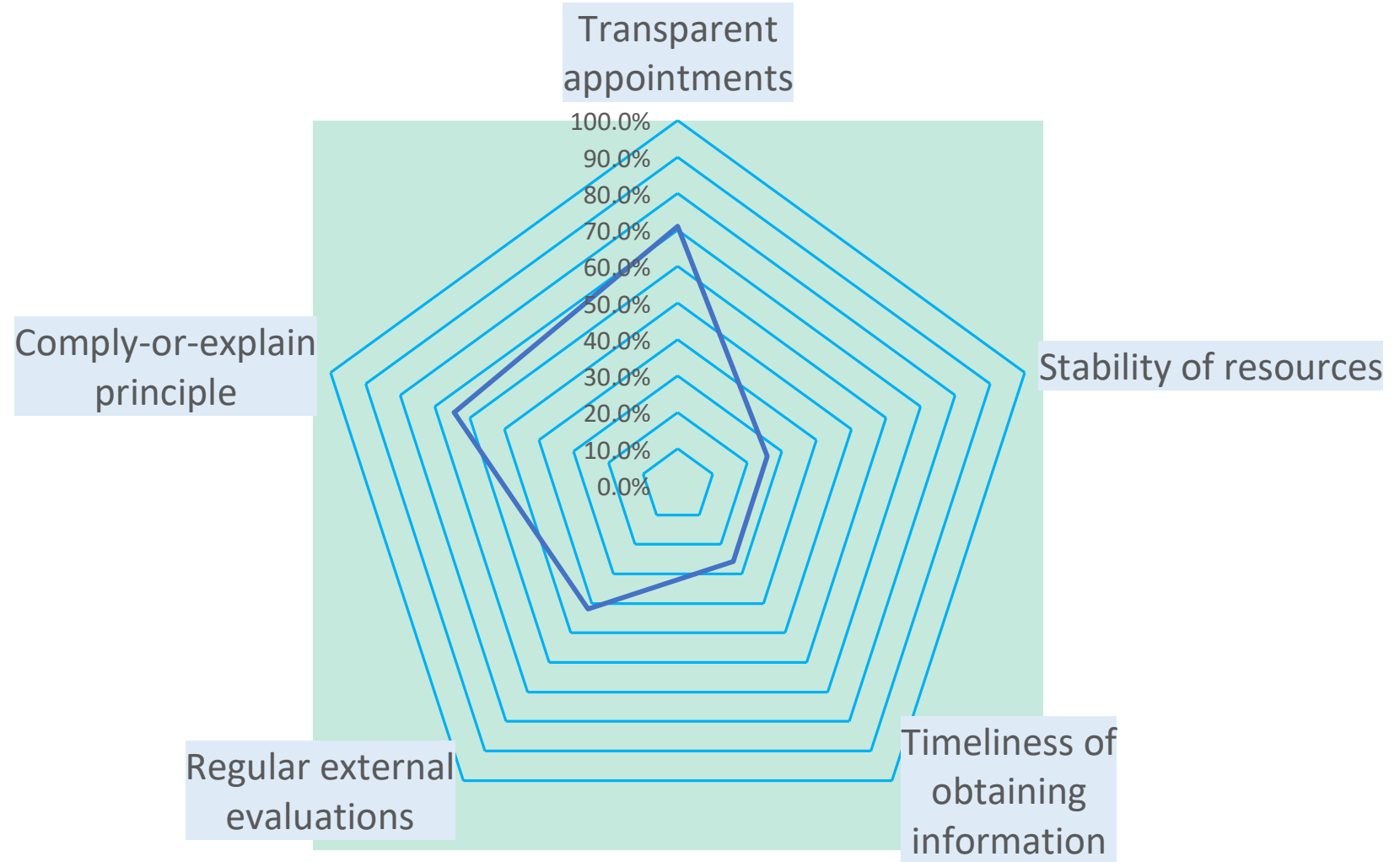
- For operative purposes, an interpretation had to be provided for the new requirements (not meant in any way to pre-judge the eventual interpretation of the Commission)

List of newly adopted specifications/safeguards

- (i) the nomination and appointment of the IFIs leadership must be based on *transparent procedures*;
- (ii) the *stability* of resources needs to be ensured;
- (iii) the *timeliness* of fulfilling IFIs' information requests should be secured.
- (iv) regular external evaluations
- (v) comply-or-explain principle covering all EU-mandated IFI reports

III. Our findings about the existing EU and newly adopted safeguards

Share of EU IFIs assessed to meet the newly adopted independence safeguards



IV. Discussion and policy conclusions

- ECA audit report (2019) pointed to lacklustre enforcement efforts by the Commission (no precedent for infringement action so far)
- In light of our findings, the Commission initial (April 2023) reform proposal for IFIs assigned new important tasks without asking for effective institutional reinforcements
- Our findings also show that a significant set of transposition measures will need to be designed and adopted by most Member States in the next 18-20 months
- It calls for a more proactive enforcement approach (e.g. via the use of compliance promoting tools)

Thank you for your attention!

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