

Independence safeguards: how do national EU IFIs fare?

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Abstract

The non-partisan nature and adequate endowments of independent fiscal institutions (IFIs) are widely seen as pre-requisites for their effectiveness. In this spirit, the 2011-2013 reform of the EU fiscal framework laid down for the first time a set of general principles of independence for euro-area institutions, which were recently extended to the EU as a whole and slightly strengthened. This paper takes stock of the degree of adherence to the existing safeguards across the EU's IFIs, and their starting position vis-à-vis the newly adopted ones. In spite of the very general nature of the safeguards, we find some issues and argue that extensive IFI-related legislative steps will be needed at the national level to transpose the amended Budgetary Frameworks Directive. Our findings call for a more pro-active stance towards ensuring full implementation of all the safeguards coupled with a potentially more stringent enforcement approach.

Key words: Independent fiscal institutions, fiscal councils, European Union, independence safeguards, fiscal policy.

JEL codes: E62, H61, H68.

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1. Introduction

In the last ten years, independent fiscal institutions (IFIs) have become an integral part of national fiscal governance frameworks. To date, governments of around 50 mostly advanced economies rely on technical bodies, run by non-elected experts, who are mandated to offer a non-partisan assessment of fiscal policy.¹ In the EU, at the time of writing all Member States have established or have publicly announced the establishment of an IFI.² For euro area countries, the establishment of an IFI has been an obligation under EU law since 2013³, when the Union decided to strengthen its fiscal surveillance framework in light of the weaknesses revealed by the fallout of the global financial and economic crisis. The most recent reform of the EU's fiscal framework extends the legal obligation to set up an IFI to all EU Member States.

The *raison d'être* of IFIs is linked to the complexity and political nature of fiscal policy making. In essence, IFIs are meant to reduce the information asymmetry between politicians and voters with the ultimate aim to contain the bias towards running deficits and, by extension, to accumulate growing levels of government debt without necessarily increasing government investment (Larch and Thygesen, 2020). The channel through which IFIs seek to achieve their aim is straightforward, at least in theory: Independent information about budgetary policies increases transparency and accountability of decision makers and ultimately aligns policy decisions with voters' preferences.

Whether and to what extent IFIs meet their objective very much depends on how independent they are. While it is difficult to conclusively define independence, both theoretical and empirical work carried out in the past ten years highlight a number of attributes fiscal councils are expected to have, as a minimum, to be considered independent and/or effective. They typically pertain to legal and operational dimensions that are meant to safeguard an arms-length relationship with national budgetary authorities and allow an IFI to carry out an expert and evidence-based assessment of fiscal policy making.

This paper offers a detailed and comprehensive discussion of such independence safeguards with a focus on EU Member States. The benchmark of our analysis are the broad principles codified in the EU's secondary legislation mentioned above. The legal requirement to establish an IFI in euro area countries – and since this year in all EU countries – is coupled with specific, albeit general indications of how they should look like to ensure “a high degree of functional autonomy and accountability”.⁴ We first review those broad-based principles set out in EU law against the insights and recommendations of the relevant literature. After that, we assess to what extent EU IFIs satisfy the independence safeguards highlighting possible shortcomings as well as positive examples. It needs to be stressed from the outset that our assessment does not verify compliance in the legal sense. We

¹ The IMF manages a dedicated database covering IFIs in all member countries: <https://www.imf.org/en/Data/Fiscal/fiscal-council-dataset>. As similar database for IFIs in EU Member States is maintained by the European Commission: https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/fiscal-governance-database_en#independent-fiscal-institutions

² By the end of 2023, 26 EU Member States had at least one entity carrying out functions typically associated with IFIs. Following the last parliamentary elections in October last year, the new Polish government announced its intention to also establish an IFI.

³ Article 5, Regulation (EU) 473/2013

⁴ Article 2, Regulation (EU) 473/2013

rather check how actual arrangements compare to the substance of the independence safeguards. We conclude with a brief discussion of possible policy implications.

2. The emergence of IFI independence safeguards

Although fairly new in most EU Member States, IFIs are part of a broader and more consolidated family of institutions characteristic of many if not most modern democracies: they are a specific type of independent agency, that is, public entities mandated to pursue specifically defined regulatory or advisory roles shielded from both the direct reach of the executive and legislative branch of government.⁵ Prominent examples of independent agencies are central banks, competition authorities or agencies in charge of financial supervision or regulation. Independent agencies with a purely advisory function may be less prominent but still pervasive, especially independent scientific councils that inject evidence-based considerations in the formulation of government policies.

Most, although not all, fiscal councils in the EU have a purely advisory mandate. Their tasks are embedded in the annual budgetary process and chiefly consist in offering an assessment of key inputs such as macroeconomic forecasts underpinning the governments' budget or the effect of discretionary measures enacted by governments. To be clear, throughout the ages and in all parts of the world rulers and governments have always relied on advisors including on questions of how to best raise taxes and debt. What obviously distinguishes today's IFIs is their independence, that is, the capacity to provide objective analysis and assessment publicly and free from political influence or the influence of specific interest groups.

But what exactly makes an IFI independent and, ultimately, effective? We may all have an intuitive understanding of what an independent advisory body should or should not look like, but pinning the concept down in practice is less obvious. One evident difficulty is that different countries have different institutional histories with more or less experience or sympathy for independent agencies. By way of example, a few EU Member States such as Belgium, Denmark, Germany, the Netherlands, Austria, and Sweden had well-established entities carrying out tasks typically assigned to IFIs well before the global financial crisis exposed gaps in national fiscal frameworks. They turned out to be fairly effective although they sometimes lacked, and in some cases still lack, administrative and institutional autonomy vis-à-vis government bodies.

In other Member States, by contrast, such entities were completely absent or early attempts to create independent advisory bodies, for instance as part of national Parliaments before EU law set out formal requirements fell short of what today is considered an IFI. In consequence, independence safeguards that may support an effective IFI in one country may not be sufficient in another: there is no one-size-fits-all template for IFIs.

This is a particularly important insight, especially in the EU context. The fiscal dislocations caused by the post-2007 global financial and economic crisis in some Member States, confronted EU decision

⁵ For a very comprehensive and detailed discussion of independent agencies and their history see Tucker (2018).

makers with a tricky dilemma. On the one hand the crisis plainly underscored the urgent need to strengthen national fiscal frameworks including IFIs, on the other it was also clear that national specificities could not be ignored lest the new IFIs are rejected as foreign bodies imposed from above. A practical answer to this predicament was eventually found in 2013 when, as part of the so-called two-pack reform of the EU fiscal framework, the EU (i) required euro area Member States “to have in place independent bodies for monitoring compliance” with specific dimensions of national and EU fiscal rules; and (ii) outlined five broad principles of independence or basic independence safeguards to be met by the independent bodies. Quoting from the relevant piece of EU legislation,⁶ independent bodies are defined as

“[...] bodies that are structurally independent or bodies endowed with functional autonomy vis-à-vis the budgetary authorities of the Member State, and which are underpinned by national legal provisions ensuring a high degree of functional autonomy and accountability, including:

- (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; [...]

The so-called economic governance review (EGR)⁷ - the latest legislative reform of the EU’s fiscal framework agreed in 2024 – largely confirmed these broad-based principles. The few differences consist in very surgical insertions of new adjectives while leaving the very general nature of the principles untouched. Specifically, compared to previous EU legislation (i) nomination procedures should be ‘transparent’; (ii) resources available to IFIs should not only be ‘adequate’ but also ‘stable’; and (iii) access to information should not only be ‘appropriate’ but also ‘timely’. The more far-reaching innovations for IFIs are three-fold. First, IFIs are expected to be subject to a regular external evaluation by independent evaluators. Secondly, the requirement to have an IFI in place and the broad-based principles of independence now apply to all EU Member States, as opposed to euro area countries only. Thirdly, the reform introduces the comply-or-explain principle whereby governments need to publicly justify deviations from the opinions issued by an IFI.

The codification of broad-based principles of independence in EU law, starting in 2013, went along with a growing interest among academic economists and international institutions. Drawing on both

⁶ Article 2, Regulation (EU) 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficits of the Member States of the euro area.

⁷ The economic governance review was a formal initiative launched by the European Commission back in 2020, followed by a concrete legislative reform proposal by the European Commission in April 2023 and ending with a substantial revision of key elements of the EU’s fiscal framework in May 2024, notably Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies; Regulation 1467/97 on speeding up and clarifying the implementation of the Excessive Deficit Procedure; and Directive 2011/85 on requirements for budgetary frameworks of the Member States.

economic models and empirical evidence, the aim was to establish or corroborate more specific determinants of effective IFIs beyond the broad-based principles of independence on which everyone would agree while offering little practical guidance.

A first comprehensive initiative was launched by the OECD who in 2014 published dedicated Principles for Independent Fiscal Institutions (OECD, 2014). Without going into details, those principles – 22 in total – fully encompass the broad-based principles codified in EU law but are also more comprehensive. By way of example, the OECD principles of 2014 already include the idea of an external evaluation of IFIs, which the EU only formalised with the economic governance review in 2024. However, what differentiates the OECD principles the most is a much higher degree of granularity. They provide fairly detailed, at times almost operational indications on key questions such as how the leadership of an IFI should be selected, for how long, how the mandate of an IFI should look like, how relationships with the legislator should be organised and much more. Of particular note is the notion presented under the heading ‘independence and non-partisanship’. The relevant paragraph states that:

“A truly non-partisan body [...] 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.” (OECD, 2014).

The last part of this statement, which effectively cautions against normative tasks for IFIs, is motivated by the general nature of policy making, including economic policy making: Any form of decision making with direct political implications will inevitably attract the attention of interests - large and small - that stand to benefit or suffer from the decision. Hence, independence and normative policy making responsibilities are difficult to pair.

The OECD’s recommendation on independence and non-partisanship also touches upon a second, possibly less obvious, but still highly relevant issue, namely the issue of perception. It underscores the crucial insight whereby independence is more than institutional firewalls aimed at keeping external influence at bay. It also very much depends on the IFIs’ capacity to assess whether their advice or decisions support or undermine the perception of keeping an arms-length relationship to all parties.

Following the footsteps of the OECD, in 2016 the Network of EU fiscal institutions adopted its own and more EU specific catalogue of what they dubbed minimum standards (Network of EU IFIs, 2016). Unlike the OECD principles of 2014, which were issued as general recommendations to anyone interested in the subject, the initiative of the EU IFIs was directly linked to the legislative upgrade of the EU’s fiscal framework in 2013, which introduced the obligation for euro area countries to establish IFIs. Its objective was twofold. First, it aimed to put more flesh on the bones of the broad-based principles legislated by the EU. Second, and this is the crucial difference vis-à-vis the OECD initiative, it called for a system safeguarding and enforcing the minimum standards with a regular reporting by the European Commission and, if necessary, the adoption of recommendations by the Council.

The Network of EU IFIs reiterated its call for a clearer definition of minimum standards and an effective enforcement in 2017 when the European Commission tried to strengthen EU economic governance. However, the Commission’s proposal was fairly contained. It essentially aimed to extend

existing requirements for euro area countries to all EU Member States while leaving the nature of the broad principles and their enforcement unchanged. In the end, even this more modest upgrade did not come to pass; neither the Council of the European Union nor the European Parliament were willing to formally discuss the Commission's reform package.

Overall, the follow-up to the EU IFIs call for an effective monitoring and enforcement of independence safeguards has been limited. The relevant Commission services do prepare more or less regular reports on the evolution of the EU's landscape of IFIs, but no dedicated assessment of whether and how the legislated principles of independence are effectively implemented across Member States. This outcome is suboptimal but not surprising; it reflects both formal requirements and political incentives of the players involved. From a legal perspective, the adoption of an EU regulation, such as the one requiring euro area countries to have an IFI and setting out the broad-based principles of independence, produces immediate effects across all Member States concerned, and the Commission is not obliged to continuously and actively police implementation. Effective implementation and enforcement are largely expected to take place via interested parties who may signal possible infringements. In the case at hand, the obvious interested parties would be the IFIs themselves. However, we are aware of only one case of an IFI reaching out to the European Commission about a possible issue with the implementation of the broad-based principles of independence.⁸ This could mean two things: either the principles of independence are sufficiently complied with or national IFIs are concerned about the consequences of 'snitching on' their national authorities.

Formal review clauses - by now a standard element of most pieces of EU legislation as part of the Better Regulation initiative - also offer an opportunity to assess implementation although at a low frequency of typically four to five years. The last such review of the EU regulation 473/2013 informed the economic governance review. The respective Commission document did not highlight any issues. In fact, while the Commission document did not refer to an in-depth assessment of IFIs in the EU the overall conclusion on the matter contained the following general statement: "the establishment of independent fiscal institutions in all but one Member State should be viewed as a key institutional development. Indeed, while they differ in terms of scope, competences and experience, together they are playing an increasingly important role in fiscal discussions at national and EU levels."⁹

The European Court of Auditors drew less sanguine conclusions in 2019. It argued that on some dimensions the EU's broad-based principles of independence of IFIs fell short of international standards. It also noted that the Commission had not yet completed a compliance assessment and encouraged the Commission to regularly collect information about the functioning of national frameworks – of which IFIs are an integral part of - and to carry out a regular and structured assessment (European Court of Auditors, 2019).

Overall, legally binding but broad-based principles aimed to ensure the independence of national fiscal institutions in euro area countries have been around for more than 10 years. Different views exist about whether those principles are detailed enough or are effectively implemented across all

⁸ For details, see the public [minutes of Eurostat's standard EDP dialogue visit to the Slovak Republic](#) (25-26 June 2019).

⁹ https://economy-finance.ec.europa.eu/document/download/90074c4d-6bcd-4ee1-be53-ceb17c6bc548_en?filename=swd_2020_210_en.pdf

countries. The most recent reform of EU's fiscal framework, apart from extending the requirement to have an IFI to all Member States would not seem to make major inroads on both fronts.

3. Assessment of the existing IFI safeguards

The previous section, *inter alia*, presented the set of independence safeguards included in the two-pack regulation (Regulation (EU) 473/2013) binding for the euro area and served as orientation points for countries outside the euro area. Given the absence of such an analysis in the public domain, this section will aim at a first comprehensive evaluation of where EU IFIs stand vis-à-vis existing EU legislation. First, the methodological approach will be set out with a description of the primary and secondary data sources underpinning our analysis. Subsequently, we go through all the legally enshrined dimensions of independence, also by attempting to map the degree of adherence of EU IFIs to these standards. Our account will focus in particular on euro-area entities for which the two-pack is directly applicable. The new elements and specifications taken up in the ongoing economic governance reform will be looked at in detail in the next chapter.

3.1. Methodological approach and description of data sources

Our empirical investigation is primarily based on the existing IFI databases maintained by international organisations: the IFI partition of the European Commission's [Fiscal Governance Database \(FGD\)](#), the IMF's [Fiscal Council Dataset](#), and the OECD's [IFI database](#). These datasets contain information on various aspects, ranging from the mandate of independent entities through all kinds of institutional and administrative features, to even covering reporting patterns and the relationship with domestic counterparts active in the fiscal policy domain (most notably, government, legislature, media outlets). In this study, we only use one particular segment of the available information, which describe the independence safeguards. The Commission's and OECD's datasets are based on a dedicated questionnaire, while the IMF relies on a host of secondary sources, including legal documents, IFI websites and relevant reports. The databases are regularly updated: the frequency is annual for the Commission's FGD, while more occasional for the other two institutions (between three and five years).¹⁰

All three datasets undergo internal and external review and verification processes before their publication. Nonetheless, there are some limitations to the available information that should be borne in mind when interpreting our results reported below. First, the databases typically contain information on written legal provisions that are in force, but not necessarily about their actual practice. For instance, they report on whether the principle of freedom from interference is formally laid down in national legislations, typically by banning the leadership of national IFIs from seeking and taking instructions from any other body in performing their mandate. At the same time, some of the IFIs benefitting from such provisions could *de facto* still struggle with undue political pressure or actually take instructions from other entities. Second, linked to the cut-off dates of the current versions of these databases, some of the reported answers might not fully reflect very recent changes. Specifically, at the time of writing, answers in the Commission's and IMF's datasets refer to end-2021, while the OECD's database was last updated with the year 2020. Naturally, the

¹⁰ For detailed technical descriptions of the latter two datasets, see IMF (2022) and OECD (2021), respectively.

Commission's underlying questionnaire is the one most closely adapted to EU legal requirements, so the FGD was the primary basis for our work, while the other two datasets were predominantly used to complement the information with further details and additional aspects.

In total, our analysis encompasses 31 IFIs in 26 Member States (the exception is Poland¹¹), as these are the institutions that are officially mandated to fulfil at least one task stemming from EU legislation (for a detailed list of EU IFIs with some essential characteristics, see the overview table in Annex 1). The EU-mandated functions are either the monitoring of compliance with domestic numerical rules or the independent production or endorsement of the macroeconomic forecasts underpinning fiscal planning, or both. In most EU countries, these two tasks are carried out by the same institution, whereas in five Member States (Belgium, Luxembourg, the Netherlands, Austria and Slovenia, all in the euro area) two entities fulfil these functions: a fiscal council and a forecasting institution. In the following section, where we narrow down our analysis to the single currency area, the presented logic leads us to 25 IFIs in 20 euro area countries: two bodies from each of the five countries with an independent forecaster, and one fiscal council each in the remaining 15 countries.

In this context, it is worth noting that there are differences among the databases in their institutional coverage, most notably, non-OECD EU Member States are not covered by the OECD database (Bulgaria, Croatia, Cyprus, Malta, Romania). Importantly, all three include at least one IFI from 26 EU Member States, but the 'pure' forecasting institutions in the EU (namely, the Austrian WIFO, the Luxembourgish STATEC, and the Slovenian IMAD, supplying independently the macroeconomic scenarios for national fiscal plans) are only covered by the Commission's database.

For the sake of completeness, there are special arrangements in three euro-area Member States to fulfil the two-pack requirement on independent production or endorsement of the macroeconomic forecasts. In Germany and Slovakia, the independent endorsement function was assigned to expert committees: the Joint Economic Forecast project group and the Macroeconomic Forecasting Committee, respectively. In Finland, the official macroeconomic forecasts are produced independently within the Ministry of Finance through a special safeguard mechanism.¹² However, given the lack of permanent institutional structures and/or autonomous institutional profiles, these entities could not be included in the current analysis (none of the international databases covers them). On a related note, there are a number of additional publicly funded institutions in EU countries that deal with fiscal policy issues, such as the parliamentary budget offices in Austria, Ireland, Greece and Portugal or the Finnish Economic Policy Council. However, as these entities are not legally entrusted to carry out tasks laid down in EU legislation and, hence, the supranational requirements do not apply, they are not covered in this paper.

¹¹ Until May 2024, the legal requirement of the 2011-2013 economic governance reforms to establish an IFI did not apply to the Member States outside the euro area. However, they either already had an independent entity in place carrying out relevant tasks (Denmark, Hungary and Sweden) or they decided to create a fully-fledged IFI on a voluntary basis (Bulgaria, Czechia, Romania). Poland was a notable exception. The government referred to the reports of the Polish Supreme Audit Office IFIs as independent inputs to the monitoring of domestic numerical rules. It is worth noting that similar *ex post* reports on budgetary execution and/or on the final accounts have been produced in many other Member States by audit institutions for decades, linked to their long-established role in national budgetary processes.

¹² For further details on these arrangements, see the overview on EU IFIs' role in macroeconomic forecasting in EFB (2022).

Beyond relying on databases of international organisations, in certain cases, we gathered information from the official webpages of the national IFIs as they typically describe their institutional arrangements and the applicable legal provisions and documents. As an additional source of information, in early 2017, the Commission published country-specific transposition reports on compliance with the requirements of the intergovernmental Fiscal Compact.¹³ These reports are available for the 22 Member States that were initially bound by the provisions of the Fiscal Compact and contain the Commission's assessments of the independent monitoring bodies vis-à-vis a set of safeguards very similar to those laid down in the two-pack.¹⁴

Finally, in order to address the remaining information gaps in the above listed secondary sources, a dedicated IFI survey was conducted by the EFB Secretariat in early 2024. The survey was distributed to the 31 institutions in 26 Member States as listed in Annex 1. The questionnaire comprises several thematic blocks and covers those specific elements of the two-pack defined independence safeguards that are not covered by the existing IFI databases. In addition, it includes questions about the new safeguard elements agreed in the economic governance reform process. The blocks are: (i) nomination and appointment procedures; (ii) funding arrangements; (iii) access to information; (iv) comply-or-explain arrangements. At the end, IFIs were also asked to provide an overall evaluation about their *de jure* (as supported by national legal provisions) and *de facto* (as perceived by the IFIs themselves) independence.

3.2. Stocktaking of progress made by EU IFIs

As explained in Section 2, since May 2013 there are legal requirements taking the form of broad principles for safeguarding a 'high degree of functional autonomy and accountability' for all euro-area IFIs also serving as reference points for the non euro-area IFIs covered. This sub-section will go through the safeguards item-by-item, and attempt to position all 31 IFIs, based on the secondary and primary sources explained in the methodological part. Before doing that, one important qualification is in order. Not all the safeguards lend themselves to an objective assessment of implementation. Although crucial for an IFI's actual independence, the principle of not taking instructions from budgetary authorities or other bodies (element (ii) in Section 2) cannot be verified in any meaningful way. It constitutes a call on the moral integrity of the IFI's leadership or governing body, a specific example of the more fundamental principle underpinning the ultimate progress of institutions.

Since the five safeguards are formulated as general principles, without granularity, any implementation gap could potentially point to serious issues. In other words, the broad principles can, by design, accommodate very heterogeneous national practices, thus only glaring examples of digression can be captured as problem cases. In Table 1, we summarize the overall picture for euro-area IFIs for which the safeguards have a binding effect. However, in the following paragraphs we will also comments on the situation of non euro-area IFIs. When the nature of the safeguard makes it relevant (i.e. for nominations, resources, information access), we also discuss the potential further specifications of these broad principles that could have made the provisions more forceful and

¹³ It is the fiscal chapter of the intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union signed in 2012, aimed at reinforcing fiscal discipline in the EU.

¹⁴ See European Commission (2017). At the time of the Commission's assessment in 2017, the Fiscal Compact provisions were binding for 22 Member States, i.e. for the 19 euro-area Member States plus, on a voluntary basis for Bulgaria, Denmark and Romania. Currently, there are 23 contracting parties, as the Fiscal Compact provisions became automatically binding for Croatia when it accessed to the euro area on 1 January 2023.

definitive. At the end of the section, Box 1 collects a number of good examples on how Member States operationalised some of the general principles.

The first independence dimension emphasises the official codification of the institution in a ‘statutory regime grounded in national laws, regulations or binding administrative provisions’. The usual solution of euro-area Member States was to regulate their IFI by ordinary law (16 entities), but for 7 IFIs the grounding provisions were adopted at constitutional or other high level requiring more than a simple majority. In case of two traditional institutions (AT-WIFO and NL-Council of State), the type of legal act was at lower level (Parliamentary decision and government decree, respectively). A similar picture emerges outside the euro area: besides the dominant pattern of ordinary grounding laws, we can find IFIs established by the country’s constitution (Hungary) and by a government decree (Sweden) as well.

The second safeguard emphasises the principle whereby IFIs are not to take instructions from the budgetary authorities or from any other public or private body. This is meant to ringfence the IFI from political interference or other partisan pressure. Such a safeguard has typically been laid down at the time of the establishment of the IFI. However, for two euro-area entities this has been stipulated only later, in 2018. For the Croatian IFI, this has been part of a comprehensive reform of the national fiscal framework in view of the country’s euro accession. For the Belgian High Council of Finance, the legal reform followed up on the Commission’s critical assessment of the country’s Fiscal Compact transposition¹⁵: One of the conditions set for achieving full compliance was to strengthen the functional autonomy of the High Council of Finance. In the case of Finland, the non-interference guarantee is legally enshrined in the National Audit Office, i.e. the host institution of the IFI. All non euro-area IFIs benefit from a similar legal provision against political interferences. While everyone will agree with the principle of independence, it is not really clear how it is to be enforced in practice except, maybe, by the perceived personal integrity of the IFI leadership.

The next item aims to ensure the IFIs’ capacity to communicate publicly in a timely manner. All euro-area IFIs report to be able to communicate at any time. The IFIs’ mandated opinions and reports as well as analytical documents (e.g. background studies, briefing papers, methodological notes) are all available of the respective standalone websites (or the dedicated subsite of the host institution in case of embedded and some attached bodies). In a similar vein, no constraints on their communication activities were reported by non euro-area IFIs.¹⁶

Table 1: Assessment table for euro-area IFIs on independence safeguards

| Independence requirement | Overall assessment | Comment | Source |
|---|--|---|---|
| <i>Establishment through national legal provisions</i> | There are formal written grounding provisions for <u>all</u> euro-area IFIs. | The provisions are most often laid down in ordinary legislation. | Commission’s FGD (where relevant, cross-checked with OECD database) |
| <i>Not taking instructions from any other body</i> | This safeguard is legally enshrined for <u>all</u> euro-area IFIs. | This principle should ensure the IFIs’ freedom from interference (i.e. any undue political pressure). | Fiscal Compact transposition assessment reports |

¹⁵ European Commission (2017).

¹⁶ There is only one IFI among the 31 entities, which beyond the official national language(s) does not have an English version of its webpage: the Bulgarian Fiscal Council.

| | | | |
|---|---|--|---|
| | | | and Commission's FGD |
| Capacity to communicate publicly in a timely manner | All euro-area IFIs are reported to be free to communicate at any time. | All of the institutions have its own website, or in case of attached/embedded IFIs, a dedicated sub-site at the website of the host entities. | Commission's FGD |
| Nomination and appointment on the basis of experience and competence | There are formal provisions on experience and competence requirements for most of euro-area IFIs, with the exception of three traditional forecasting institution. | The requirements for decision-makers are typically stipulated directly; the <i>ex officio</i> members are required to possess the relevant experience and competence when obtaining their primary appointment. | Commission's FGD (where relevant, cross-checked with OECD's database and the Fiscal Compact transposition assessment reports) |
| Adequate resources to carry out the mandate and... | Around four-fifths of IFIs stated adequate resources, while around one-fifth registered the need for more resources. | The grouping is based on a self-assessment of IFIs about the adequacy of their budgets. | Commission's FGD (cross-checked with the IMF's dataset). |
| ...appropriate access to the information to carry out the mandate | Around four-fifths of IFIs appropriate access to information, while around one-fifth reported about de facto limitations and constraints. | The grouping is based on a self-assessment of IFIs about the appropriates of information flows. | Commission's FGD (cross-checked with the survey of the EFB Secretariat and the OECD database) |

Source: Own compilation based on the data resources listed in the last column.

The fourth element requires that the nomination and appointment of (decision-making) members is based on experience and competence. In the large majority of cases, expertise in fields relevant to the mandate is directly required by law for all voting members of the EU IFIs. For the few IFIs, where there are *ex officio* members (e.g. French High Council for Public Finance), the merit-based requirements are ensured via other laws governing these decision-making members' primary affiliations (e.g. the set of eligibility criteria for appointing senior officials of the supreme audit institution). At the same time, there are no formal rules for the selection procedures for three traditional forecasting institution (AT-WIFO, LU-STATEC, NL-CPB), all established before the 2011-2013 six-pack, two-pack economic governance reforms.

At the same time, given the lack of further specification in EU law, there are considerable variations across countries in terms of level of years of experience and academic degree required. Several national legislations have set minimum periods of relevant professional experiences for IFI leaderships, typically 10 years (e.g. the Czech, Irish and Slovenian fiscal councils), but there are examples for shorter and longer durations (e.g. 5, 8 and 15 years for the Slovakian, the Croatian, and the Greek IFI, respectively). The same group of countries generally laid down a condition for the minimum educational attainment of eligible candidates, often choosing a master's degree in a relevant field. Moreover, no supranational provision exists concerning the transparency of the nomination and appointment procedures.¹⁷ Finally, there are also no specifications for other

¹⁷ On a related note, it is worth recalling that the institutional responsibility for selecting members of national IFIs varies across EU countries. There are essentially three groups of broadly similar sizes in the euro area in terms of the dominant player in the nomination and appointment procedures: (i) the executive branch; (ii) the

important aspects of the leadership arrangement, such as granting a full-time or part-time position for the chairperson. One can certainly find a positive association between the breadth of the mandate and the employment status of the chairperson; nevertheless, there are EU IFIs with part-time presidents (such as the Austrian, Irish and Latvian fiscal councils) that exhibit broadly similar level of responsibilities and analytical output than other IFIs with full-time chairs.¹⁸

The fifth dimension is about ‘adequate resources’ and ‘appropriate access to information’. Resources encompass both budgetary means and support staff¹⁹, to enable IFIs to carry out their mandate at appropriate standards and in a timely fashion. Funding arrangements are legally specified in national provisions for all euro-area IFIs, either through a separate line in the annual budget bill, or an earmarked appropriation within the budget of the host institution. Nevertheless, when euro-area IFIs are asked to assess the adequacy of their annual endowment, only one-third of IFIs assessed their resources as comfortable and one-fifth (namely, AT-WIFO, BE-HCF, and the fiscal councils in Cyprus, Germany and Ireland) even labelled them as non-adequate when responding to the Commission’s questionnaire. Outside the single currency area, only the Romanian IFI reported inadequate resources.

Out of the five euro-area IFIs that have signalled resource problems in the Commission’s FGD survey, those covered in the IMF dataset (i.e. BE-HCF, and the Cypriot and German councils) were assessed similarly by IMF experts. Concretely, either their staffing arrangements were not deemed to be commensurate to the tasks performed, or they lack any safeguards or any form of protection for their budgets. Interestingly, the assessment on the adequacy of resources does not appear to depend on whether the IFI is a distinct financial entity in the budgetary process (‘has its own budget line’) or whether it receives its funding indirectly, i.e. from an envelope appropriated to its host organisation. In fact, euro-area IFIs financed through the national central banks (Estonia, Slovakia) or through the supreme audit offices (Finland, Lithuania) typically report about proper resource endowment. It is also of note that the formulation of this safeguard does not stipulate any guarantees on the stability of the resources, which is also illustrated by the fact that around one-third of the EU IFIs enjoy some form of multiannual funding scheme.

Access to information is formally provided for through broad legal clauses to most of euro-area IFIs. In a few countries (e.g. Germany, Finland), the right to access information is granted to the host institution and the national IFI is understood to benefit from it. Despite these explicit legal provisions, often supplemented by detailed memoranda of understanding with the main data owners, around one-fifth of euro-area IFIs report about access to information problems (the IFIs Cyprus, France, Greece, Spain, and Slovenia). This issue appears to be even more prevalent outside the euro area, as half of the altogether 6 IFIs (the Bulgarian, Czech, and Romanian fiscal councils) signal difficulties in obtaining the necessary information. As was the case with the previous safeguards, no further specification was defined in the two-pack, most notably there are no legal deadlines by which public institutions must respond to the IFIs’ information request. Consequently, there are only a handful of

legislature; (iii) a range of stakeholders, such as the central banks, national audit offices, chambers of commerce and research institutes.

¹⁸ Based on the experiences of OECD countries and case studies, Caldera et al. (2024) argues that having at least one full-time position from the leadership fosters IFIs operational independence.

¹⁹ For some IFIs, a numerical ceiling is defined in national law for the number of staff undertaking the technical work, ranging from fewer than 6 (Cyprus and Slovenia) to 20 in Greece and ‘30 to 40’ in Italy.

countries where such a deadline was stipulated in national law (e.g. Spain, Latvia) or laid down in memorandum of understandings (e.g. Lithuania, Luxembourg); these latter were concluded to spell out the practical modalities for information flows.

Overall, for most independence safeguards set out in the two-pack in 2013, there is broad adherence across EU IFIs. Nevertheless, a non-negligible number of euro-area IFIs report about *de facto* problems with their resource allocations and their access to information rights. Given that these requirements have been in force for about a decade or so, these concerns inevitably raise the question of effective enforcement of the standards, potentially also through infringement procedures.

Box 1. Good practices in codifying and implementing the independence safeguards

The two-pack Regulation 473/2013 formulates independence safeguards as general principles rather than offering specific guidance on how to set up the administrative structures of the national fiscal councils. This box selectively collects a number of good examples for around half of the safeguards where national provisions go well beyond the ‘minimum standards’ laid out in EU law. It is largely based on the 14 IFI portraits contained in past Annual Reports of the EFB and should not be seen as an attempt to exhaustively map all IFIs with identical or similarly strong arrangements.

Starting with nomination and appointment procedures, when the IFI leadership is constituted as a college of experts, its reputation and autonomy are enhanced if the recruitment decisions are distributed to multiple entities. This is the case in France, where the members of the High Council of Public Finances are appointed by six different authorities. A similar example is offered by the Austrian Fiscal Advisory Council, where the large board of 15 members is partially selected through inclusive structures, in tune with the strong corporatist and social partnership traditions of the country. The involvement of employers’ and employees’ organisations as well as regional stakeholders in the appointment procedures ensure a wider representation of social and economic interests on the IFI’s board. Another potential tool to increase the non-partisan stature of an IFI is to appoint distinguished foreign experts to the leadership. The Portuguese law explicitly allows for such a composition, and since the first Board of the Public Finance Council was elected in 2012, the Vice-President and one non-executive member have always been foreign citizens. IFIs in smaller countries could particularly benefit from this possibility as they are often confronted with the challenge of a limited local pool of qualified public finance professionals.

Concerning resource adequacy, a robust protection mechanism could be secured if the IFI funding is granted by another autonomous entity, and not directly by the central government budget. One of the good examples is Slovakia, where the institutionally standalone Council for Budgetary Responsibility is set to negotiate its annual budget with the country’s central bank. This appropriation is subsequently reimbursed by the Ministry of Finance in the amount determined by the central bank; thereby the government has no discretion over the IFI’s financing scheme. A different type of protection was established by Finnish authorities, who recently introduced a multi-annual financing envelope for the IFI unit embedded in the supreme audit office.

Finally, the broad access to information rights laid down in national legislation could usefully be operationalised through written accords or Memorandum of Understandings. These agreements typically include provisions for both the regular transmission of standard data series and the

procedural rules governing *ad hoc* information requests. The Italian Parliamentary Budget Office has perhaps the most far-reaching domestic framework to this end, as it has concluded cooperation agreements with several public entities, most notably with the Ministry of Economy and Finance, the national statistical office, and the tax authority to obtain macroeconomic and budgetary data. Another way of reinforcing access to information is to define follow-up actions in case of non-compliance. The Portuguese IFI included a ‘naming and shaming’ procedure in its statutes, whereby the cases of public bodies not conforming with the submitted information requests will be unveiled in the IFI’s webpage (so far, it was applied – eventually successfully – only once by the Public Finance Council). Creating a public list of rejected/partially fulfilled information requests could provide a promising avenue for increasing the public pressure for fiscal transparency.

4. Assessment of the newly adopted IFI safeguards

The recently concluded economic governance review contained a moderate reform of the provisions pertaining to IFIs as part of the amendments to the 2011/85 Budgetary Frameworks Directive²⁰. There is a revamped set of independence safeguards that builds on the broad principles laid down in the two-pack and adds some new legal elements. These will be binding in its entirety for all 27 EU Member States. Most of the adopted changes imply some specifications – mostly through adding new adjectives to the existing safeguards – to half of the existing IFI independence dimensions, typically for those that proved to be more problematic over the last decade. Concretely, it was additionally specified that (i) the nomination and appointment of the IFIs leadership must be based on *transparent procedures*; (ii) the *stability* of resources needs to be ensured; and (iii) the timeliness of fulfilling IFIs’ information requests should be secured. As new dimensions on the list of EU-mandated safeguards, the requirement for conducting regular external evaluations and the comply-or-explain principle covering all EU-mandated IFI reports have been introduced.

The revised directive sets a deadline of 31 December 2025 for Member States to transpose the above-mentioned provisions into national law. Given that amended Directive is set to come into effect in May 2024, Member States will have more than 18 months to carry out the necessary legal changes. This challenge will slightly be more demanding for the non-euro area countries as the existing independence safeguards laid down initially in the two-pack will become legally binding, rather than orientation points. This section will attempt to clarify the starting point for the forthcoming legal harmonisation process by taking stock of the extent with which the prevalent national IFI-relevant legislations and practices already in conformity with the reinforced safeguard provisions (our findings are summarised in Table 2).

In terms of information sources, the newly adopted elements are typically only partially, if at all, covered in the existing IFI databases. Thus, in this part of the analysis, we primarily rely on our dedicated survey that has been completed by all 31 EU IFIs (explained in the prevision section). For some elements, we had to make a pragmatic decision on how to interpret the new requirements. For instance, as regards timely access to information, we attest the existence of established deadlines for responding to IFIs’ requests, set out either in legislation or in a written agreement. Our

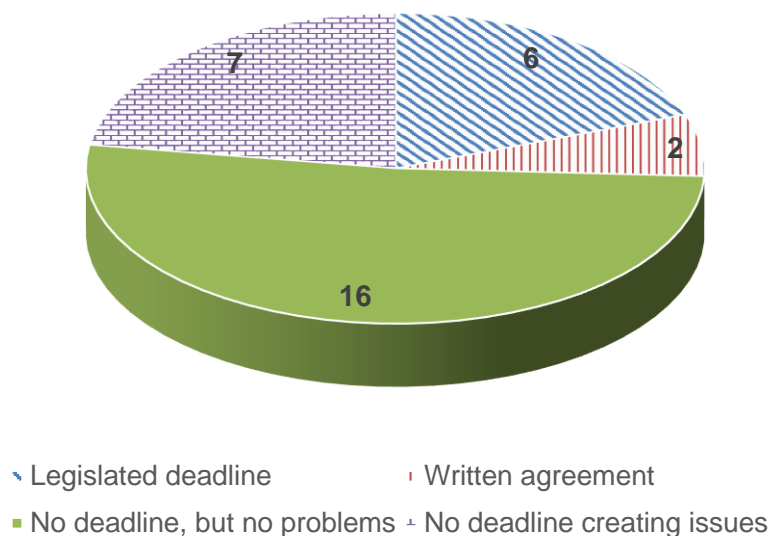
²⁰ The analysis is based on the ‘general approach’ version of the amended Budgetary Frameworks Directive as adopted by the Council on 21 December 2023.

operationalisation decisions are not meant in any way to pre-judge the interpretation of the Commission, when at some point beyond 2025, it will conduct its official compliance assessment on how Member States have had transposed the new standards.

The first of the newly adopted specifications introduces the requirement to follow transparent procedures in the selection of IFI leaderships. In the survey of the EFB Secretariat roughly two-thirds of EU IFIs reported that their national provisions already ensure some degree of transparency. The typical solution is the obligation to launch an open call for applications for chairmanship and/or board member positions. In terms of frequency, this is followed by the requirement to hold public hearings in front of parliamentary committees for the nominated candidates before their appointment. In addition, several IFIs (e.g. Irish Fiscal Advisory Council, the Slovakian Council for Budget Responsibility) had filled their latest leadership vacancies through open calls for application, although they were not obliged to do so.

As we have shown in the previous section, several EU IFIs had for long reservations about the adequacy of their resource endowment. A newly adopted specification expects Member States to ensure that their IFIs' financing is *stable*. We interpreted the new stability condition as a mechanism to exclude a substantial and targeted reduction of the IFIs budget from one year to another (i.e. a larger cut than for other publicly funded bodies). Less than a third of EU IFIs enjoy currently some form of explicit legal protection over the stability of their appropriations, via, inter alia, an annual indexation mechanism (e.g. Ireland, Malta), a multiannual financing envelope (e.g. Finland, Latvia), or a secured financing line via the host institution (e.g. fiscal councils of Austria and Estonia). Moreover, an additional one-fourth of EU IFIs assessed their financing as stable linked to established practice or national conventions. Hence, the budgets of the remaining close to half of EU IFIs is not protected in any way even from a potentially sizeable nominal cut.

The third targeted specification concerns the timeliness of complying with the IFIs' information requests. In our survey, this new condition was operationalised as whether a clear deadline exists by which the concerned state institutions must answer to the queries of independent entities. Only 8 IFIs reported the existence of such deadline, typically laid down in national law (see Graph 1 for details). Although around half of the EU IFIs stated that the absence of a specific deadline did not create issues, close to one-fourth identified the lack of a pre-set deadline as the source of receiving information too late on some occasions.

Graph 1: The frequency of an established deadline for information requests (number of IFIs)

Source: Survey of the EFB secretariat

The newly adopted obligation for IFIs to be subject to regular external evaluations helps to increase institutional independence through creating a permanent accountability tool. For the large majority of Member States, there is no such requirement in their national legislation as also demonstrated by the relatively few reviews published over recent decade or so.²¹ Even for some of the IFIs for which this requirement was laid down – either stipulated specifically for the IFI or as general requirement for certain public entities, including the IFI – the first evaluation report does not appear to be publically available (e.g. Bulgaria, Greece). On a positive note, a few IFIs have already committed to undergo periodically external reviews (the fiscal councils of Ireland, Slovakia and Spain), despite the absence of a specific legal provision.

Table 2: Assessment of EU IFIs' starting position for the new requirements

| Independence requirement | Overall assessment of the state-of-play | Comment | Source |
|--|---|---|--|
| Transparent nomination and appointment procedures | There are legal transparency provisions for around two-thirds of EU IFIs . | For the majority of the existing cases, the provisions stipulate open call for applications for leadership positions. | Survey of the EFB Secretariat (where relevant, cross-checked with OECD database) |
| Stability of resources | Guarantees on the stability of funding are legislated for less than one-third of EU IFIs . | The stability is ensured, most notably, via automatic indexation mechanism or multi-year financing envelope. | Survey of the EFB Secretariat (where relevant, cross-checked with IMF database) |
| Timeliness of obtaining information | A specific deadline by which public institutions must respond to IFIs' information request is laid down in one-fourth of EU IFIs . | If exist, such deadlines are mostly established by law, Memorandum of Understandings are more rarely used. | Survey of the EFB Secretariat |

²¹ Most of these institutional evaluations were prepared by [OECD-led review teams](#), and to a large extent financed by the Commission's Technical Support Instrument.

| | | | |
|---|--|--|---|
| Regular external evaluations | Less than one-fourth of EU IFIs are subject to regular external evaluations according to their national legislations. | The provisions on evaluations are either elements of the general requirements for public entities, including the IFI, or specifically established for the IFI. | Survey of the EFB Secretariat (cross-checked with the Commission's FGD) |
| Comply-or-explain principle covering all EU-mandated tasks | Around two-third of EU countries have some sort of comply-or-explain arrangements in place. | The existing comply-or-explain provisions typically only cover the monitoring reports on the domestic structural budget balance rules. | Survey of the EFB Secretariat (cross-checked with the Fiscal Compact transposition assessment reports). |

Source: Own compilation based on the data resources listed in the last column.

The final addition to the independence provisions is a quite extensive comply-or-explain scheme. This compels the governments to follow the IFIs' assessments in relation to all the tasks listed in the Directive, 'or alternatively explain why they are not following them. The explanation shall be public and be presented two months from the issuance of such assessments'. As argued by Horvath (2018), such a mechanism could provide a sound framework for a regular and visible dialogue on pertinent fiscal policy issues, thereby increasing the effectiveness of national IFIs. One of the legacies of the intergovernmental Fiscal Compact is that the contracting parties had to introduce a comply-or-explain arrangement for their IFIs back in 2012-13. However, the Fiscal Compact's requirement covered only a few targeted reports strictly linked to the independent monitoring of the domestic structural budget balance rule, therefore most of these countries adopted this principle with a narrow coverage. Moreover, in terms of practice, the survey-based analysis of the EFB (2023) generally reported a non-systematic approach by governments in unveiling the official responses, while the quality of the explanations was typically perceived by IFIs as varying or of little value. This implies that for most of EU countries where the comply-or-explain has already been introduced, there will still be a need to substantially broaden its coverage and design appropriate procedural rules to ensure the timeliness of the official responses.

Overall, in case of virtually all of the recently introduced elements, there is a need for adjustment in the design and set-up of the large majority of IFIs, which is not a surprising finding in itself. However, it is important to stress that these new legal considerations are well-known concepts, as illustrated by the fact that practically all of them have been part of the 2014 OECD principles for independent fiscal institutions and the initial 2016 Network of EU IFIs position paper. This corroborates the view that following the 2011-2013 economic governance reforms many countries set up their IFIs or adjusted existing ones strictly along the lines of the principles-based safeguards, and did not really attempt to go beyond them by incorporating additional good practices. In other words, Member States exploited the scope offered by the broad EU provisions when devising their national fiscal framework, as demonstrated by the varying ambitions, beyond the minimum requirements, in the design of the national IFIs.

5. Implementation and enforcement of IFI safeguards

The previous two sections take stock of the state-of-play with both the existing independence safeguards laid down in supranational legislation and the recently agreed future ones. There is no standard or commonly accepted way of measuring the IFIs' independence, but there were some

efforts to operationalise the concept through composite indices. It seems to be warranted to broadly juxtapose our results with these exercises and with the perception of the IFIs themselves.

The most prominent attempt to measure the independence of IFIs is the OECD's independence index, which is based on the OECD's IFI database described in a previous section. This index consists of 4 main pillars: (i) leadership independence; (ii) legal and financial independence; (iii) operational independence; and (iv) access to information and transparency (all pillars have equal weight in the computations, see von Trapp and Nicol (2018) for details). Under these pillars, it uses 16 different variables and is considerably more granular than the two-pack framework.

The 2018 OECD index covered only 19 out of the 31 EU IFIs under review in the present study.²² Overall, the OECD found that most EU IFIs exhibit a high level of independence, with the majority receiving an independence score of 75% or more. In terms of variations across the 4 pillars, EU IFIs consistently score very highly in relation to leadership independence, while they score lowest in legal and financial independence chiefly on account of the lack of predictable financing schemes free from governmental interference.²³

In terms of institutional models, the average OECD independence index for IFIs hosted by audit institutions came out considerably worse than the scores of standalone fiscal councils or parliamentary budget offices. This is largely due to the financial and operational independence dimensions, more precisely the constraints stemming from their embedded set-up. In fact, the IFI-related literature has traditionally pointed to a risk of incompatibility of hosting an essentially forward-looking IFI in a naturally backward-looking audit institution.²⁴

A simple comparison of these findings with other independence indices constructed by academics (Franek, 2015; Belling, 2020) reveals that design choices have a considerable influence on institutional ranking. Most notably, the methodology applied by Belling (2020) assigns great importance to protect IFIs from political meddling and appointments, while constraints on operational autonomy imposed by other administrative bodies are less of a concern. This leads to contrarian findings compared to the OECD: IFIs nested in state audit offices or in other autonomous technocratic public agencies come out as having a higher independence index than fiscal councils or parliamentary budget offices.

Our survey covered the national IFIs' own perception about their independence. Specifically, they were asked, first, to assess their legally enshrined (*de jure*) independence based on the written national provisions; and subsequently their actual (*de facto*) independence based on recent experiences and practice. Overall, IFIs rated their independence as relatively robust from both

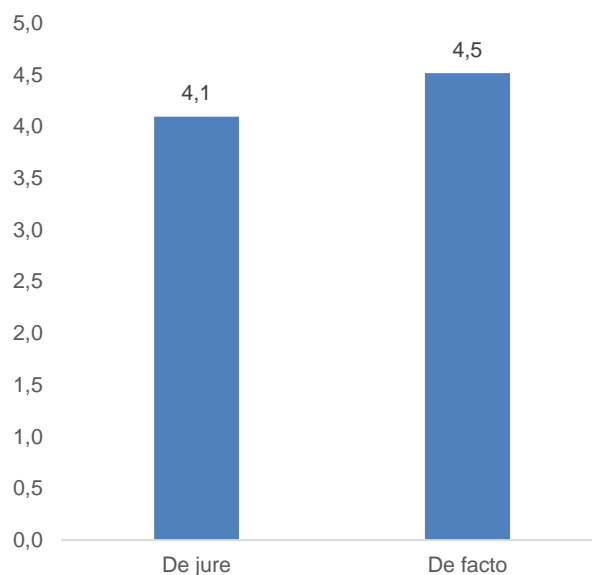
²² In addition to the fiscal councils of the 5 non-OECD EU Member States (Bulgaria, Croatia, Cyprus, Malta, Romania), the index did not cover the second IFIs from the same country (i.e. typically the forecasting institutions were left out from the 5 Member States with two IFIs). Moreover, the 2018 OECD index is not available for the Czech IFI (linked to its relatively recent establishment) and for the Lithuanian IFI (at the time of data collection Lithuania was not an OECD member).

²³ For the sake of completeness, the European Commission computes and annually updates its own IFI index, the [Scope Index of Fiscal Institutions](#) (and its country-specific variation). However, it only measures the breadth of the mandate actually performed by national IFIs, so it could not be interpreted as a proxy for their independence.

²⁴ See e.g. Kopits (2016).

perspectives with averages of over 4 (when 5 was given as the best score, see Graph 2). Remarkably, virtually all IFIs assigned the same or a (typically by one grade) higher value to their *de facto* independence. Only three IFIs assessed their *de facto* position higher by two notches: the Belgian Federal Planning Bureau, the Danish Economic Councils, and the Swedish Fiscal Policy Council. Of note, all three are traditional home-grown IFIs, and have been established before the 2011-2013 EU economic governance reforms. A potential explanation for this pattern is that ‘older’ EU IFIs may benefit from greater independence than the reading of the respective legal provisions suggests.

Graph 2: IFIs’ average rating of their own independence (on a scale of 1 to 5)



Notes: De jure: legally enshrined independence based on the written national provisions; De facto: observable independence based on recent experiences and practice. The median answers for de jure and de facto independence are 4 and 5, respectively.

Source: Survey of the EFB secretariat

Our survey included a follow-up question for institutions (20 out of 31) that signalled some sort of issue either with their *de jure* or *de facto* independence in relation to the most promising way for further strengthening their independence. Three quarters of the concerned IFIs assessed that legal changes would be needed to upgrade IFI independence, chiefly at the national rather than at the EU level. This latter choice was likely influenced by the fact that IFIs filled out our questionnaire right after the Council’s political agreement on the economic governance reforms, which could have been interpreted as closing the argument on EU legislative amendments for the foreseeable future. However, a quarter of the IFIs identified more stringent enforcement of existing provisions by the EU institutions as the most appropriate avenue to reinforce the autonomy of independent bodies. This is arguably linked to our finding presented earlier that a non-negligible number of the IFIs reported to experience problems with their resource allocations and access to information; elements that are formally enshrined for euro-area IFIs.

Based on EU Treaties, the Commission could launch legal action – the so-called infringement procedure – against a Member State that fails to implement EU law. According to the Commission’s

public registry on the infringement procedures²⁵, however, there is no record of any formal enforcement action in relation to the two-pack regulation defining the independence safeguards. More broadly on fiscal framework issues as stipulated in the Budgetary Frameworks Directive 2011/85, the Commission opened 17 infringement procedures following the expiry of the end-2013 transposition deadline. However, all these infringements were of the non-communication variety, as the national administrations failed to duly notify their implementing measures by the deadline (and these were all closed in the subsequent years). As to substantive non-conformity issues, the European Court of Auditors (2019) report pointed out how the Commission preferred the use the so-called Pilot mechanism²⁶ to resolve transposition gaps, thus avoiding formal infringement proceedings, if possible.

In fact, starting in 2016, the Commission launched EU Pilots against virtually all EU Member States in successive rounds. Based on the above-mentioned public registry, no subsequent infringement was opened by the Commission by the time of writing this paper. In this context, it is worth recalling that the Network of EU IFIs (2019) proposed a systematic EU level monitoring process, in order to verify periodically that Member States are effectively complying with the independence safeguards. According to the network's proposal, the Commission could be tasked with this regular monitoring role, which could be supplemented by an appropriate peer review mechanism.

6. Summary and conclusions

Shortly after the establishment of new national IFIs in the EU a decade ago, the debate has re-started on the minimum set of administrative and institutional requirements safeguarding effective independence. The discussion has recently intensified with the economic governance review process, and the subsequent legislative negotiations prompted by the Commission's April 2023 reform proposals, aimed at, inter alia, reinforcing the mandate and set-up of national independent bodies.

Our main contribution to the literature is a systematic stocktaking of how EU IFIs fare vis-à-vis the existing safeguards laid down in 2013, and a comprehensive snapshot about the initial position vis-à-vis the newly adopted additional elements (the amended Budgetary Frameworks Directive is scheduled to come into effect in May 2024). The new elements are in general of an incremental nature: the Commission motivated this approach by the aim to preserve the balance between national ownership and spreading best practices (Axioglou et al. 2023).

While moving into the right direction, and with few exceptions, the recently adopted changes do not alter the high degree of generality of existing safeguards. This is not to say that, ideally, EU law should fully codify the advice of international organisations and academics on the desirable features for IFIs. Indeed, not every desirable characteristic can or should be translated into a detailed requirements under EU law (e.g. imposing specific elements for the interaction with the legislature, or the modalities for the funding mechanism). Moreover, both global and European experience

²⁵ The [searchable database](#) is available at the Commission's website.

²⁶ The EU Pilot is a mechanism for informal dialogue between the Commission and the Member State on issues concerning the conformity of national legislation with EU law or the correct application of EU law, at an early stage, with the objective of finding a resolution to non-compliance questions at a technical level.

shows that IFIs can operate successfully under very different administrative and institutional set-ups. In other words, formal safeguards are neither a sufficient nor a necessary condition for effective independence. At the same time, experience also suggests that unless an IFI has built its reputation and de facto independence over a longer period of time, EU initiatives are crucial to overcome the inherent resistance of national governments to create or strengthen entities whose main aim is to keep a critical eye on what they are doing.

Our data and survey-based analysis point to a broad adherence to the already existing principles of independence in the EU, in line with the findings of other independence gauges in the literature. This being said, a number of qualifications are in order. First, to an important extent broad adherence is the direct result of the broad and very general nature of the independence safeguards embedded in EU law. For instance, because of the rule-of-law principle prevailing in all EU Member States it would be very unlikely to find a national IFI that is not grounded in national law, regulations or binding administrative provisions. Also, the pivotal safeguard whereby IFI's should not take instructions from the budgetary authorities of the Member State concerned or from any other public or private body is a call on the integrity of the IFI's leadership rather than an attempt to ensure enforcement in practice. Second, and in spite of the very general nature of the legislative safeguards, not everyone is reported to be secured on the ground, in particular as regards the adequacy of resources and of information access. Third, broad adherence goes along with a significant diversity across IFIs in terms of size and scope. Finally, there is no regular monitoring of the independence safeguards, and enforcement remains difficult in practice.

From this perspective, and in hindsight, the Commission's initial reform proposal of April 2023 may look somewhat unbalanced. It targeted a major expansion of the IFIs' tasks while not offering avenues towards a better implementation of independence safeguards. In the end, the Council rejected the idea of entrusting EU IFIs with a series of new tasks *inter alia* on the ground of their heterogeneity in terms of size and capacity. An alternative course of action could be to first strengthen and level the IFI's playing field across countries before expanding their task. Such an approach would be grounded in best practice highlighted in earlier annual reports of the EFB.²⁷

In relation to the newly adopted independence elements coming into force in May 2024, the picture is naturally more mixed. Virtually all Member States, and especially those outside the euro area will have to take measures by the end of 2025. Experience with the transposition of the six- and two-pack reform suggests that more stringent enforcement actions by the Commission may be warranted. This view is also corroborated by several national IFIs in our survey and statements of the Network of EU IFIs. In addition, as underscored by the European Court of Auditors (2019) report, the entire process could benefit from a more proactive stance on the part of the Commission.

It could be done by, *inter alia*, deploying some of the 'compliance promoting tools' in the coming period, such as implementation guidelines, explanatory documents, the involvement of expert groups and workshops, to help Member States to overcome the challenges of an appropriate and timely transposition. This is all the more important as some of the adopted additional specifications (e.g. on the transparency of appointment procedures, or timeliness of access to information requests) may require some further clarifications as to what will be needed to pass the new bars.

²⁷ For a detailed argumentation of this approach, see EFB (2022).

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Annex 1: List of EU IFIs carrying out EU mandated tasks

| MS | Name (if relevant, commonly used abbreviation) | Established /reorganised (¹) | Administrative set-up (²) |
|-----------|--|--|---|
| AT | Fiscal Advisory Council | 1970/2013 | Attached to the national central bank |
| | Austrian Institute of Economic Research (WIFO) | 1927 | Standalone |
| BE | Federal Planning Bureau | 1959/1970 | Standalone |
| | Public Sector Borrowing Requirement Section | 1990/2006 | Embedded in the High Council of Finance |
| BG | Fiscal Council | 2015 | Standalone |
| CY | Fiscal Council | 2014 | Standalone |
| CZ | Fiscal Council | 2017 | Standalone |
| DE | Independent Fiscal Advisory Council | 2013 | Attached to the Stability Council |
| DK | Economic Councils | 1962 | Standalone |
| EE | Fiscal Council | 2014 | Attached to the national central bank |
| EL | Hellenic Fiscal Council | 2015 | Standalone |
| ES | Independent Authority for Fiscal Responsibility (AIReF) | 2013 | Standalone |
| FI | Fiscal Policy Monitoring and Audit Unit | 2013 | Embedded in the National Audit Office |
| FR | High Council for Public Finance | 2012 | Attached to the National Audit Office |
| HR | Fiscal Policy Commission | 2013/2018 | Standalone |
| HU | Fiscal Council | 2009/2011 | Standalone |
| IE | Fiscal Advisory Council | 2011 | Standalone |
| IT | Parliamentary Budget Office | 2012 | Attached to the Parliament |
| LT | Budget Policy Monitoring Department | 2014 | Embedded in the National Audit Office |
| LU | National Institute of Statistics and Economic Studies (STATEC) | 2011 | Standalone |
| | National Council for Public Finance | 2014 | Standalone |
| LV | Fiscal Discipline Council | 2013 | Standalone |
| MT | Fiscal Advisory Council | 2014 | Standalone |
| NL | Advisory Division of the Council of State | 2013 | Embedded in the Council of State |
| | Netherlands Bureau for Economic Policy Analysis (CPB) | 1945 | Attached to the Ministry of Economic Affairs |
| PT | Public Finance Council | 2012 | Standalone |
| RO | Fiscal Council | 2010 | Attached to the Romanian Academy of Sciences |
| SE | Fiscal Policy Council | 2007 | Standalone |
| SI | Fiscal Council | 2015 | Standalone |
| | Institute of Macroeconomic Analysis and Development (IMAD) | 1991 | Standalone |
| SK | Council for Budget Responsibility | 2012 | Standalone |

Notes: (1) date of establishment or significant institutional reform, it may differ from the timing of effective start. (2) 'attached' means that the IFI has financial and administrative links with a host institution; 'embedded' signifies that the IFI is an organisational unit of a host institution. It should be noted that some of the standalone institutions (e.g. the Bulgarian and the Hungarian fiscal councils) also receive administrative support from existing public bodies.