

Discussion on OECD's *‘More than words. How independent fiscal institutions can support green budgets’*

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* *The views expressed in this discussion are solely mine and do not necessarily reflect the official position of the European Fiscal Board.*

- ❑ Provides a thorough **state-of-play on greening the budgets and the role of IFIs** in OECD countries with six enlightening case studies
- ❑ Groups the potential **IFI activities into two categories** and describes them:
 - 1) could be done on the basis of existing arrangements
 - 2) would require revisions on the mandate and additional resources
- ❑ Enumerates the **practical and analytical challenges** of launching green workstreams by IFIs
- ❑ Concludes that, despite of the various legal and resource constraints, since **green budgeting practices are set to increasingly become ordinary** practice, **IFIs are well-positioned to respond**
- ❑ Angle of my discussion: **focusing on EU IFIs** and looking at how such new responsibilities **could fit in the existing architecture**

Snapshot of the EU IFIs universe as of early 2022

- ❑ **31 IFIs in 26 countries** (with the exception of Poland) are legally tasked to carry out functions stipulated in EU law
- ❑ There are **some common features** in the set-up and mandate, especially within the euro area, and there is a commendable trend of **peer learning**, but there are **significant differences** in terms of administrative arrangements, scope of the mandate, resources, etc.
- ❑ IFIs are increasingly playing a **useful role** in the fiscal arena, but there are important **challenges with their current assignment**
 - Average staff in non-forecasting EU IFIs is 9, and the median is only 5 (there are 7 IFIs with a staff of 3 or less)
 - Less than half of the euro area IFIs that are independent endorsers are producing their own numerical macro forecasts
 - Only a few have substantial experiences with policy costings or dedicated fiscal risk reports, and around half with sustainability analysis (most relevant for green workstreams)

Extending the scope of activities by going green?

- ❑ Even the relatively most straightforward task (verifying compliance with green disclosure and reporting requirements) could **turn out to be tricky** if goes beyond a simple box-ticking exercise
- ❑ Recent developments provide **mixed signals** as to the possibilities to broaden the tasks
 - Freed to a large extent from their standard tasks, most IFIs were agile in responding to the eruption of the pandemic, launching new type of publications and analytical works thereby increasing transparency
 - A small number of EU IFIs were involved officially in the drawing up to the national Recovery and Resilience Plans (typically in relation to the macroeconomic impacts)
- ❑ The ongoing EU **economic governance review** may result in extending the **breadth of IFIs' mandatory tasks** (e.g. endorsement of budgetary forecasts, preparation of regular long-term sustainability assessments) – such potential new responsibilities coupled with the green-related analytical projects raise the **risk of overburdening IFIs**