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TECHNICAL MANUAL

FISCAL COUNCIL DATASET: THE 2021 UPDATE

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Prepared By

*Hamid R. Davoodi, Paul Elger, Alexandra Fotiou, Daniel Garcia-Macia, Andresa Lagerborg,
W. Raphael Lam, and Sharanya Pillai*

Fiscal Affairs Department

International Monetary Fund

REMARKS AND DISCLAIMER

This technical document provides a summary of the 2021 update of IMF Fiscal Council dataset. The dataset covers 51 fiscal institutions identified as operational fiscal councils as of end 2021. The 2021 dataset updates the previous versions published in 2014 and 2016 (Debrun, Zhang, and Lledó 2017). It covers different aspects of the fiscal councils, including (i) general information; (ii) remit; (iii) tasks and instruments; (iv) operational independence and accountability; and (v) resources and staffing. These variables are often coded in binary terms. The dataset focuses on the de jure arrangements and not to what degree those arrangements have been adhered to in practice.

The dataset is available at <https://www.imf.org/en/Data/Fiscal/fiscal-council-dataset>. The dataset benefits from the inputs and comments by country teams in IMF and national authorities, and the guidance of Paulo Medas in the Fiscal Affairs Department. Sharanya Pillai and Joni Mayfield provided valuable research and administrative support. This is an ongoing project and we welcome comments on the data, including suggestions to enhance coverage. The authors are solely responsible for its contents. The information does not represent the views of IMF or IMF Executive Board.

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Previous datasets:

Debrun, Xavier, Xiaoxiao Zhang, and Victor Lledó. 2017. "The Fiscal Council Dataset: A Primer to the 2016 Vintage", Fiscal Affairs Department, International Monetary Fund, Washington, D.C.

Debrun, Xavier and Tidiane Kinda, 2014, "Strengthening Post-Crisis Fiscal Credibility—Fiscal Councils on the Rise. A New Dataset," IMF Working Paper No 14/58, Washington, DC: International Monetary Fund; also in *Fiscal Studies*, 2017, vol. 38, 667-700.

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Acronyms and Abbreviations

BBR	Budget balance rule
CG	Central government
DR	Debt rule
ER	Expenditure rule
EU	European Union
FRL	Fiscal responsibility law
GG	General government
IFI / FC	Independent Fiscal Institution / Fiscal Council
OECD	Organisation of Economic Cooperation and Development
MTFF	Medium-term fiscal framework
RR	Revenue rule

I. Introduction

Fiscal councils often play an important role in promoting sound fiscal policy. They are often non-partisan, technical bodies entrusted with a public finance watchdog role ([Beetsma and others 2018](#), [Davoodi and others 2022](#)), which are established to strengthen credibility of fiscal policies. They perform one or several key functions: (i) contribute to the use of unbiased macroeconomic and budgetary forecasts in budget preparation, (ii) facilitate the implementation of fiscal policy rules, (iii) cost new policy initiatives, and (iv) identify sensible fiscal policy options, and possibly, formulate recommendations ([IMF 2013](#)).¹

Since the mid-2000s, a growing number of countries have introduced fiscal councils. Along with the increasing adoption of fiscal rules, fiscal councils often carry a mandate to monitor and enforce the implementation of fiscal rules. Fiscal councils come in many different institutional forms. They differ, for instance, with respect to their remit. Some fiscal councils have broader remit, including preparing macroeconomic and fiscal forecasts, and long-term projections on debt. Others conduct public assessment of government fiscal plans and evaluate the quality of government macroeconomic and fiscal forecasts. Fiscal councils also differ in size, with the total number of staff ranging from 3 to more than 200 (full-time equivalent). The degree of de-facto operational independence and media impact varies significantly across fiscal councils.

The 2021 Update Fiscal Council dataset reflects the latest developments (including those observed during the COVID-19 pandemic), broadens the country coverage, and enhances the data quality. Previously missing information about existing institutions was added and refinements on several variables were made. The updated dataset on fiscal councils includes general information such as the official name of the council, the date of establishment or major reforms, the remit of the councils, the key tasks and instruments to influence fiscal policy, institutional characteristics such as operational independence, and human resources.

The update indicates that fiscal councils are becoming a more widespread feature across the IMF membership over the last decade, including several emerging markets and developing economies. Relative to the last update in 2016, 12 additional fiscal councils were included. As of end 2021, there were about 50 fiscal councils across the world, more than triple since the global financial crisis, on the back of reforms aimed at restoring the credibility and sustainability of fiscal policies.

Although most fiscal councils do not have a direct role in setting policy instruments, they can influence the fiscal policy outcomes through three main channels. First, they can foster transparency and accountability over the political cycle and discourage opportunistic shifts in fiscal policy (e.g., pre-electoral spending spree). Second, some fiscal councils conduct independent analysis and forecasts, raising the public awareness about the consequences of government policies, and therefore raise the reputational cost of imprudent fiscal policies or commitments. Moreover, a fiscal council provides direct inputs to the budget process—e.g., forecasts or assessments of structural

¹ In the fiscal council dataset, fiscal council is defined as a permanent agency with a statutory or executive mandate to assess publicly and independently from partisan influence government's fiscal policies, plans and performance against macroeconomic objectives related to the long-term sustainability of public finances, short-medium-term macroeconomic stability, and other official objectives ([IMF 2013](#)).

positions—thereby providing sound technical expertise to prevent the government from circumventing fiscal rules. During the pandemic, many fiscal councils have played an active role. They provide positive analysis on budget and macroeconomic forecasts, monitor the activation of escape clauses, conduct the costing of COVID-19 measures, and strengthen the transparency on the reporting of emergency measures.

This updated database has benefitted from an extensive consultation process with country authorities and fiscal council staff through IMF Executive Director Offices, and IMF country desk economists whose support was greatly appreciated. To the extent possible, the data were verified along entries in the OECD database on independent fiscal institutions ([OECD IFI database 2019](#), and version 2 in 2021).

The note is structured as follows. Section II provides the key features and dimensions covered in the dataset. Section III outlines the updates and revisions in the current vintage. Section IV contains useful links to fiscal councils across countries and other published databases.

II. The Key Features of the Fiscal Council Dataset

The dataset reflects the great diversity of frameworks and practices observed among fiscal councils. Fiscal councils are the product of complex and country-specific political and economic considerations. The objectives, mandates and institutional forms of fiscal councils are highly heterogeneous. The dataset encompasses a broad range of institutional characteristics with a focus on capturing the impact of these features on the budgetary process and in identifying good international practices.

The dataset captures all active fiscal councils as of end-2021. To be included in the dataset, fiscal institutions must fulfill the following conditions: (i) align with the IMF definition of fiscal council specified above, (ii) be consistent with the main OECD Principles for Independent Fiscal Institutions (von Trapp, Lienert, and Wehner, 2016), and (iii) be functional and visible institutions, such as maintaining a regularly updated website or other forms of public communication. While the dataset is cross-sectional by nature, the dates of establishment and of major reforms are included.

Other earlier initiatives include the European Union (EU) Commission's database of independent fiscal institutions covering only European Union members in 2013, OECD Independent Fiscal Institutions Database covering OECD economies in 2019 and 2021, and the IMF previous datasets on fiscal council in 2016 (Debrun, Zhang, Lledó 2017).

The dataset captures all active fiscal councils at end-2021. It reflects the great diversity of frameworks and practices observed among fiscal councils. The 2021 Update of IMF Fiscal Council dataset is divided into the following five sections covering different aspects of fiscal councils, with many variables in binary terms (0-1):

I. General Information: This section provides an overall description of the institutions, including their names, regions, year of establishment, year of major amendment to their mandate, tasks or governance, and the government level of their coverage.

II. Remit: This section reflects key elements of the mandate, such as positive and normative assessment of fiscal policy, macroeconomic or fiscal forecast preparation and assessment, analysis of long-term fiscal sustainability, and monitoring compliance with fiscal rules. Ideally, the mandate of the fiscal councils should be clearly defined in higher-level legislation and aim at fostering a meaningful public debate on fiscal policy based on objective facts and independent analysis.

III. Task and Instruments: This section provides indicators on councils' ability to communicate to the public and relevant stakeholders, including whether the institutions produce freely accessible publications. A judgment on their media impact is also provided. In addition, information is provided on the instruments available for the fiscal councils to directly interact with participants in the budget process. These include the use of its forecasts and policy recommendations for budget preparation, the obligation for governments to explain deviations from these forecasts and recommendations, and whether the fiscal council is able to meet regularly with decision makers.

IV. Independence and Accountability: Non-partisanship and independence are critical elements of successful fiscal councils and essential attributes to distinguish fiscal councils from government

appointed ad-hoc bi-partisan or multi-partisan advisory bodies. This section includes various aspects of the council's legal and operational independence, including whether the financial resources made available to the institution are safeguarded and commensurate to its tasks, whether the governing members of councils are selected based on technical competence, and whether access to government information is guaranteed in the legislation.

V. Resources: This section primarily focuses on the personnel of the fiscal councils, including the composition, term, body of appointment/dismissal of their governing members and the overall size of the councils.

VI. The role of fiscal councils during the pandemic: Several additions were introduced relative to the 2016 dataset to reflect the role and tasks performed by fiscal councils during the pandemic. Key categories include: (i) providing timely analysis of economic and budgetary impact; (ii) monitoring the activation of escape clauses or suspension of fiscal rules; (iii) costing of COVID-19-related measures; (iv) promoting transparency for emergency procedures during COVID-19. The classification is broadly similar to those in [OECD \(2020\)](#).

III. The 2021 Update: Sources, Coverage, and Definition of Variables

A. PROCESS: SOURCES AND REVIEW

The main data sources for the 2021 update of the fiscal council database were the relevant legal documents, which generally contain provisions specifying the councils' remit, tasks and main operational features; the fiscal councils' official websites and annual reports; and IMF country papers. Data for OECD members as well as countries in the European Union also benefited from the background country reports used in OECD Principles for Independent Fiscal Institutions (von Trapp, Lienert and Wehner 2016), the 2019 and 2021 OECD IFI databases to ensure consistency across datasets (OECD 2019), and the European Union (EU) Commission's database of independent fiscal institutions. The dataset benefitted from the review process internally and by the authorities. IMF country teams provided inputs and comments to the database. National authorities provided comments in the review process.

B. COUNTRY COVERAGE

The 2021 update covers 51 institutions. Relative to the 2016 dataset, the following institutions were included in the database:

- Fiscal Responsibility Council in The Bahamas;
- Independent Fiscal Institution in Brazil;
- Fiscal Council in Bulgaria;
- Consejo Fiscal Independiente in Costa Rica;
- Fiscal Policy Commission in Croatia;
- The Czech Fiscal Council In Czech Republic;
- Fiscal Responsibility Oversight Committee in Grenada;
- Fiscal Council in Iceland;
- Fiscal Council in Panama;
- Fiscal Council in Slovenia;
- National Assembly Financial and Budgetary Committee in Vietnam.
- Consejo Fiscal Asesor in Uruguay

Major updates of fiscal councils in Chile were reflected in the database.

C. DEFINITION OF VARIABLES

The definition of the variables in the dataset are listed below (variable names are denoted in blue)

Remit

- **Positive analysis**: The fiscal council performs positive analyses (Yes: 1, No: 0).
- **Normative analysis or recommendations**: The council performs normative analysis or provides recommendations (Yes: 1, No: 0).
- **Forecasts preparation/assessment**: The council is mandated to produce or assess macroeconomic forecasts used for budgetary projections (Yes: 1, No: 0).
- **Long-term sustainability**: The council evaluates long-term sustainability issues (Yes: 1, No: 0).

- **Consistency with objectives:** The council provides assessment of government budgetary and fiscal performance in relation to fiscal objectives and strategic priorities. Referred in previous vintages as "Optimality". (Yes: 1, No: 0).
- **Costing of measures:** The council is mandated to provide quantification of either short-term or long-term effects, or both, of measures and reforms affecting public finances (Yes: 1, No: 0).
- **Monitoring of fiscal rules:** The council is mandated to monitor compliance with numerical fiscal rules (Yes: 1, No: 0).
- **Fiscal policy coordination:** The council is mandated to coordinate fiscal policy across government levels in an effort to help reduce the "common pool" problems (Yes: 1, No: 0).

Task and Instruments

- **Public reports:** The council prepares public reports on its activities (Yes: 1, No: 0).
- **High media impact:** This variable reflects an IMF staff assessment based on the number of publications, media references to these reports, and in the case of EU members, the authorities' own assessment reflected in the Fiscal Institutions Database (Yes: 1, No: 0).
- **Forecast used in budget:** The forecasts produced by the council is adopted in the budget process (Yes: 1, No: 0).
- **Binding forecasts:** The council provides binding forecasts for the budget (Yes: 1, No: 0).
- **Comply or explain:** Legal or constitutional obligation to use the forecasts of the fiscal council, or the freedom of the government to use its own forecasts with the obligation to justify deviations from the forecasts of the fiscal council publicly (Yes: 1, No: 0).
- **Formal consultation or hearings:** Formal obligation of the government to consult and/or of the parliament to audition the fiscal council during the budget process (Yes: 1, No: 0).
- **Can stall the budget process:** The council has the legal mandate to veto the budget proposal or stall the budget process (Yes: 1, No: 0).

Independence and Accountability

- **Legal independence:** The council's independence from political interference is guaranteed by law or treaty (Yes: 1, No: 0).
- **Operational independence:** even if a council does not benefit from legal safeguards of independence from politics, it might very well operate (and be generally perceived) as an independent body because its analysis reflects its expertise and the council does not face political interference.
- **Safeguards on budget:** Safeguards on the council's budget are deemed to exist if the budget is (i) set by the central bank, (ii) part of the overall budget of the legislative branch (i.e. protected from executive decisions), (iii) guaranteed by budget appropriations with a separate line item in the budget, or (iv) subject to any other guarantee commonly granted to independent institutions, such as regulators (Yes: 1, No: 0).
- **Own staff commensurate to tasks:** Assessment of the ability to fulfill the tasks specified in the mandate qualitatively and quantitatively (Yes: 1, No: 0).
- **Access to information:** The fiscal council is guaranteed in legislation to have full access to all relevant information in a timely manner (Yes: 1, No: 0).

Resources

- **Composition, appointment, and term of high-level staff:** Various variables indicate whether or not (Yes: 1, No: 0) the high level staff of the council includes (i) noncitizens, (ii) academics, (iii) policy

experts, and (iv) civil servants. Three variables also indicate whether or not (Yes: 1, No: 0) the council high-level staff is selected and dismissed by (i) the government, (ii) the parliament, or other institutions (head of state or other independent institution). An additional variable captures the length of council members' terms (in years).

- **Size of the council:** Number of technical and administrative staff; number of management and high-level staff.

The role of fiscal councils during the pandemic

- **Provide timely analysis of economic and budgetary impact:** The fiscal councils conducted an analysis on the impact of the pandemic on the budget or on the economy (Yes: 1; No: 0).
- **Monitoring the activation of escape clauses or suspension of fiscal rules:** The fiscal councils provided opinions on the government proposal to activate the escape clauses or suspend the rules to the public (Yes: 1; No: 0).
- **Costing of COVID-19-related measures:** The fiscal councils provided estimates on the fiscal cost of emergency fiscal support measures in response to the pandemic (Yes: 1; No: 0).
- **Promoting transparency for emergency procedures during COVID-19:** The fiscal councils provided opinions or reports on the emergency fiscal support measures during COVID-19, including the government liquidity or equity support that does not have immediate direct budgetary impact (Yes: 1; No: 0).

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