

# INDEPENDENT FISCAL INSTITUTIONS: A COMPARATIVE ANALYSIS\*

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## Abstract

The sovereign debt crisis and the new legal framework of European economic governance have forced most of the EU Countries to adopt stricter fiscal rules. In order to support budget decisions and fiscal policy choices on a strictly technical level, Independent Fiscal Institutions have often been set up in Europe.

The present study aims to develop a comparative analysis of Independent Fiscal Institutions in order to better understand the role given to these public bodies in different countries.

The effectiveness of so-called "fiscal watchdogs" depends on their independence and the reputation they are able to build. They are or become strong if their creation follows the path of the country's constitutional traditions and there is compatibility with the specific political context.

Taking into particular consideration some experiences (mostly European), the paper discusses the connections between introducing an Independent Fiscal Institution and reinforcing the activities of public policy evaluation, especially in Parliaments. The development of a culture of evaluation could in fact better ensure the accountability of Government, allowing legislative Assemblies to perform a more efficient oversight on all public policies, among which the most important is considered the fiscal one.

**Keywords:** Constitution, comparative law, Independent Fiscal Institution, legislative oversight, evaluation, public policies, fiscal rules, balanced budget rule, European economic governance, Fiscal Compact.

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## 1. Instituting *Fiscal Watchdogs* in Europe

The deep international financial crisis, which rapidly transformed into the crisis of sovereign debt in the Eurozone, has forced many states to undertake urgent structural reforms in order to reduce their budget deficits, re-launch their respective national economies, and sustain growth.

This complex situation constitutes an important challenge for the European Union as well. It is perhaps the most difficult crisis faced since the introduction of the Euro and its consequences may also put in danger the future of the EU. The issue is not only regaining trust in the Euro in the international markets, it is also preventing the risks linked to possible defaults of some of the EU countries and the contagion that could affect other states.

The ineffectiveness of surveillance mechanisms on the deficit and public debt of EU member states (mechanisms that were established in the Pact of Stability and Growth) became more evident starting with 2010 when, above all, the shadow of the Greek crisis started dangerously to be cast across other countries in the Eurozone. This made the creation of specific instruments for stabilization necessary (bringing at last to the “European Mechanism of Stability”, provided for in 2012, thanks to a modification of the Lisbon Treaty). In addition, a progressive reinforcement of common economic governance was needed, and therefore a cycle of coordination of economic policies for EU countries was instituted, namely the “European semester”. In March 2011 the Euro Plus Pact was adopted, and thus countries of the Eurozone and some other countries of the Union assumed a further obligation to ‘translate’ into their Constitutions or their laws the rules of the Pact of Stability and Growth giving them a “sufficiently strong binding and durable nature”.

In November 2011, the new juridical framework of reference for European economic governance was further perfected, through a legislative package made up of five regulations and one directive in the economic and financial area, the so-called “six-pack”. With the intention of preventing the repetition of destabilizing crises of national debt, the legislation related to the Pact of Stability and Growth was in part modified. Some criteria and objectives that Member States must observe in drafting their public budgets were specified and a new mechanism for sanctions (more effective with regard to the states that violate stability rules) was introduced.

The strong ‘political’ framework that was subsequently called upon to better support the complex architecture of European economic governance is the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), signed on March 2, 2012 in Brussels by the countries of the European Union – with the exception of the United Kingdom and the Czech Republic. The treaty came into effect on January 1, 2013; it has an inter-governmental nature and therefore it does not fall into the body of EU law even though in the preamble it is made a mention of the commitment on the part of the states signing the document to incorporate as soon as possible its provisions “into the Treaty on which the European Union is founded”. The expression ‘Fiscal Compact’ echoes the words of the Governor of the Central European Bank, Mario Draghi (who in turn was significantly inspired by the language of

Alexander Hamilton). 'Fiscal Compact' is used to evoke the 'budget pact' with which the Contracting Countries committed "to strengthen the economic pillar of the economic and monetary union", to work, while respecting a series of rules, toward consolidating the legislation on the national budget and to strengthen the coordination of economic policies.

With the goal of safeguarding overall stability, what is considered of vital importance is "to maintain sound and sustainable public finances and to prevent a general government deficit becoming excessive". To reach such goals, the treaty binds the countries that signed it to adopt specific measures; among these, the one that stands out for its importance is the one related to the introduction of the "balanced budget rule" in national legal systems through provisions preferably of a constitutional nature (a formula subject to interpretation especially on the part of the French *Conseil Constitutionnel*, in August 2012).

Thinking about further regulatory intervention of European institutions, in the preamble to the treaty there is mention of the proposals presented to the European Commission on November 23, 2011, the so-called "two-pack" (that, at the moment, are awaiting definitive approval) with which even more rigorous rules for the prevention of excessive deficit and the financial stability of countries in the Eurozone are established.

From all of the initiatives taken to reinforce European economic governance, what emerges clearly is the strategic importance of the role assigned to fiscal rules; that is to say, the numerical rules of the budget for containing the deficit bias and the so-called 'moral hazard' of the states.

What emerges, in an equally clear manner, however, is awareness of the fact that such rules function effectively only when there are consequences that are not observed, even if sometimes these consequences are only at a level of the Government's reputation. Therefore, more attention must be paid to the theme of monitoring and evaluation of budget planning documents.

On this last point, it would be useful to point out that the regulation of the so-called six-pack (2011/85/EU), concerning the definition of national budget frameworks, is aimed specifically at defining standards that the Member States must observe in drafting their budgets and in working on statistics related to public accounts. The goal is to make possible a more homogeneous control on the observance of European rules and the full effectiveness of surveillance procedures introduced to ensure quality and solidity of national fiscal policies.

With an eye to the achievement of such goals, in the regulation just mentioned (that incorporates recommendations presented at the European Council in October 2010, by the so-called Task Forces chaired by Herman Van Rompuy), the introduction in individual countries of "independent bodies or bodies endowed with functional autonomy vis-à-vis the fiscal authorities of the Member States" is considered desirable. Such organisms have the task of performing "reliable and independent analysis" on the respect of the numeric budget rules (an activity that is completely different, in

contents and method, from controlling financial management, which is the domain of other institutions) and on the progress of flow of public finance.

According to European institutions, unreliable and imprecise macroeconomic and budgetary forecasts are in fact likely to significantly compromise the effectiveness of national financial planning and overall budget process. Such a consideration is reiterated in one of the two regulation proposals of the so-called “two pack” (COM (2011) 821): Member States are invited, once again, to evaluate the opportunity of providing an “independent fiscal council” competent to monitor the application of the budget rules.

The solutions proposed at the European level to improve national budget performance coincide, in large part, with those that were suggested some time ago by scholars (prevalently economists), who often underscored how uncertainty about the state of public finance, their lack of transparency and the vagueness of the macroeconomic forecast on which state budget is founded, depend in part on the limited or inefficient use of techniques and tools for evaluation applied to budget policies. Thus the deficit bias is perhaps likely to be reduced thanks to the introduction of something similar to a golden rule and a debt brake. But it appears very suitable to accompany the introduction of more stringent budget rules with the institution of organisms expressly charged with verifying that they are respected, and ascertaining that the overall macroeconomic objectives are effectively achieved (Debrun, Gerard and Harris, 2012).

In light of such considerations, it is possible to better evaluate the varied contents of some legislative reforms approved in recent years by several EU Countries – even if they don’t always belong to the Eurozone – both for more clearly defining medium and long-term economic objectives, as well as for making national budget procedures more streamlined and functional (EC, 2012). Many countries tried, first of all, to show their serious commitment to implementing rigorous policies of control of public accounts. In designing mechanisms that are sometimes quite complex, growing attention to the need to insure maximum transparency in public budgets may be noticed, also with the goal of increasing the country’s credibility and the hope of a better rating on the part of the financial market rating agencies.

Some European countries have thus instituted independent subjects called upon to support budget decisions and fiscal policy choices on a strictly technical level. This is consonant with the goal of breaking with the traditional monopoly on information that is largely held by the executive in this area of activity.

In recent years, the debate on the role of the so-called Fiscal Watchdogs (also called Independent Fiscal Watchdogs, Fiscal Councils, Fiscal Policy Councils, to recall only a few among the several definitions proposed) developed rapidly, spreading beyond the area of economic and public accounting studies, to which, up to that point, it had been limited.

In addition to renewed interest of the EU institutions and the scientific community of our continent in these figures existing outside Europe, independent fiscal organisms have been the subject of attention for important international organizations (among which the International Monetary Fund).

Despite many efforts to classify things, there is still relative uncertainty about falling into one single category the heterogeneous experiences found in various legal systems. The goal of the present work is to verify if, by using the method of comparative analysis, it is possible to explore and better shed light on the independent fiscal institutions (hereinafter IFI), identifying a model which would allow a better understanding of the nature of fiscal watchdogs and calculate the effectiveness of their role.

It is imperative from the beginning to underscore that the performance of tasks assigned to such organisms risks producing decidedly modest results, if their creation is not at the same time accompanied by the reinforcement of instruments for knowledge, evaluation and control of the flow of public finance, producing all the necessary information and putting them at the disposal, above all, of the legislative power. It is principally the latter (more and more substantially marginalized in the budget decisional process) that needs to adopt instruments able to reinforce Government accountability, allowing a more effective oversight on the overall public policies, among which the budget decisions now predominate, in terms of weight and importance.

On the subject of public finance, reinforcing public policy evaluation through the institution of an IFI could perhaps contribute to correcting that natural political ‘near-sightedness’ that for electoral reasons, often induces whichever majority is in power to make excessively optimistic estimations for the various components of the budget, thus allowing choices based on macroeconomic foundations that are not sufficiently solid.

The institution of a fiscal watchdog is not aimed at ‘depoliticizing’ some aspects of economic policy, by delegating various choices to organisms different from the representative ones. Rather, it tries to reinforce the legitimacy of the budgetary process, containing the temptation of the Government to abandon itself to creative maneuvers – which are harder to resist exactly when the financial rules are made too rigid – and by better guaranteeing both transparency and democratic control of decisions related to public accounts. A goal, the latter, that (as will be better demonstrated in the second part of this study) requires particularly attentive institutional planning.

To efficiently perform its role, staving off the risk of a ‘crisis of rejection’ on the part of the representative Assemblies, the fiscal watchdog must in fact follow the path of historical-judicial traditions of the country in which it is called to operate, inserting itself constructively in the dialectic that characterizes the concrete dynamics of the institutional and political system.

## **2. About a model of independent Fiscal Institution**

The first problem that must be faced, in the study of fiscal watchdogs, strictly regards definitions.

In reflections made by economists, the generic term Fiscal Council is frequently used to indicate an “institution, funded by but independent of government, which provides public advice on fiscal issues” (Wren-Lewis, 2012). In some countries, independent monitoring organisms and those that evaluate fiscal policies are present in the representative Assemblies (or don’t depend on either the Parliament or the executive branch for their functioning).

The Organization for Economic Co-operation and Development (OECD) has dedicated growing interest to the topic of fiscal watchdogs – parallel to the spread of such bodies in the organization’s Member Countries – and has proposed a wider definition, on the basis of which “a publicly funded entity staffed by non-elected professionals mandated to provide non-partisan oversight of fiscal performance and/or advice and guidance on key aspects of fiscal policy” would fall into the category of IFI (OECD, 2012; Hagemann, 2010).

The proposal of the European Commission refers to the notion worked upon by OECD: the IFIs would be “nonpartisan public bodies, other than the central bank, government or parliament that prepare macroeconomic forecasts for the budget, monitor fiscal performance and/or advise the government on fiscal policy matters” (European Commission, 2009). Such institutions, principally financed with public funds, must be functionally independent, with regard to the national budget authorities. Also the Courts of Auditors and auditing institutions throughout the Anglo-Saxon world are likely to satisfy such a definition, but only in the case that their activity extends beyond the mere accounting or management control, including one of any of the activities previously mentioned.

If there is no semantic homogeneousness, there is instead a general consensus about the activity that the independent organisms examined in this study are called to perform and on the juridical protection and good practices that can better insure their indispensable autonomy, guaranteeing transparency of the macroeconomic forecasts and the validity of the assessments of financial aspects of public policies (Kopits, 2011).

The task of an independent fiscal institution (whose limits should be defined preferably by a specific law) is of an essentially advisory nature, for knowledge and monitoring, to assure, through the preparation and spread of analytic reports, the circulation of correct information about the choices of the Government’s economic policy. It is not, on the other hand, a task for controlling financial management or budget certification; that role remains the domain of the Courts of Auditors or of the Independent Audit Institutions.

The great variety of activities carried out by IFIs consist essentially of performing – on their own initiative or upon request from Government, legislative Assembly, parliamentary commission etc. – studies and analyses on questions relating to specific policies or programs with an effect on the budget. This consists, moreover, of preparing medium and long-term macroeconomic forecasts, on which the budget authorities can make their own decisions. The IFIs must ascertain (and this is what makes them different from statistical offices, whose independence has been the subject of EU attention, through regulation (EC) no. 223/2009) the achievement of budget goals and monitor the respect of fiscal rules, which is to say the rules that – according to the definition given by the European Commission – are aimed at introducing permanent binding limits of a numeric nature on the policies of public finance (European Commission, 2009). The IFIs can moreover prepare estimates on revenues and expenditures resulting from legislative initiatives and on the effects of the financial maneuvers,

just as they can proffer recommendations on the topic of deficit and public spending and, more generally, related to the effects on the budget of any public policy designed or created.

The IFIs' activities are essentially aimed at reinforcing accountability and stimulating fiscal responsibility of Governments, as well as consolidating the 'power of the purse' of representative Assemblies. For this reason, the more natural choice seems to be that of providing for a strict link between the fiscal watchdog and the Parliament, configuring this body according to the model of Parliamentary or Legislative Budget Offices. Endowed with functional autonomy and not to be confused with other offices existing in the majority of Parliaments that support decisions in the area of public finance – such as budget services or budget units – the Parliamentary Budget Offices are 'agencies' of the representative Assemblies (who define their composition, tasks and budget) in whose service their activity takes place.

It is instead more appropriate to use the expression Fiscal Council when the independent organism is not found in the parliamentary area, but rather in the Government area or if it appears to be without a structural tie to any institution, placing its advisory activity at the service both of the legislative Assemblies and the Executive.

The variety in the institutional area of reference does not seem to automatically affect the independence or the fundamental tasks accorded to the organisms in question. The effective functional autonomy of the IFIs depends rather on the elimination of any political interference, in the sense that such bodies must not 'take instructions' and their activity must be marked by an absolute non-partisanship. As has been opportunely observed, "nonpartisanship is much different than bipartisan: the former connotes lack of political affiliation; the latter connotes affiliation with both (or all) political parties". An independent fiscal institution, thus, "would not present its analysis from a political perspective at all" (Anderson, 2012).

The organisms being examined, which are absolutely without a representative nature or decisional powers, can consolidate their own concrete autonomy over time and assure a follow-up to their recommendations, conducting a constructive dialogue with all the institutional subjects and with society, only if their analyses and evaluations have strong credibility, which in turn derives from the 'legitimization of knowledge' and from a solid reputation. Great attention must be paid thus to the method of choosing the members of an independent fiscal institution. They must be selected rigorously on the basis of merit and technical ability, be without any political affiliation, possess appropriate legal and economic knowledge, on the subject of public finance and budget process. The mandate should preferably be completely free from the electoral cycle and its tenure in any case sufficiently long to reduce sensitivity of the components to the 'sirens' of politics.

Another indispensable condition that insures functional independence of the IFIs obviously is the adequacy of financial and organizational means available. The independent organism, whose leadership may be individual or collective, must have sufficient resources for the functioning and autonomy in recruiting adequate support

staff, which in turn must be made up of people who possess great technical ability and who are without political affiliation.

Because the ultimate goal of the IFIs is that of promoting transparency in public budgets, on behalf of the 'taxpayer', no less accessibility must therefore be expected from such bodies, useful also for reinforcing the credibility of their work. This means making the reports about the activity performed, the analyses done, the information about methodologies and data on which these items are based, immediately available to citizens, to society and to the media. The success of an independent fiscal institution, expressed by the ability to influence and positively correct the budget policy, does not in fact depend on an inexistent coercive force (since it does not have a regulatory power, nor a role that may be likened to that of a judge), but from the general recognition of authority and objectivity of its analysis, which can thus positively stimulate the political debate, inform and sensitize public opinion, attracting attention on the Government's main choices in economic policy.

### **3. The experience of 'Old' Fiscal Watchdogs**

The group of organisms that, in the light of the criteria examined here, may be considered to adhere to the model of IFI (that has entered in the European debate with force), forms a very varied panorama, with a large variety of different experiences.

The institution today generally considered "the world's oldest fiscal watchdog" is the Netherlands Bureau for Economic Policy Analysis (better known by the acronym CPB that still refers to its original name of *Centraal Planbureau*). This organism started working in the Netherlands in 1945 – and was formalized by a law two years later – to perform research on public policies, of its own initiative or upon request of the Government, the Parliament, the trade unions and employer federations. The institution of the CBP, immediately after the Second World War, in a political context strongly marked by the 'pillarization' of society, responded to the need for identifying a technical body where a joint strategy, able to enhance the economic recovery, could be worked out.

This body, aimed at contributing to the economic decision-making process of politicians and policymakers, had a very broad mandate, having been entrusted with elaborating forecasts (used also by the Government in preparing the annual budget) for the short, medium and long-term, related to the main macroeconomic aggregates, to conduct analysis on the dynamics of finance of the state, and to perform research and evaluations on the subject of public policies. Special importance was taken on by the unusual task of the CPB to analyze, in a politically neutral way, the economic sustainability and the effects on the budget of proposals contained in the programs of the parties and the coalitions participating in the elections. Over time, such an instrument proved to be very useful for making political groups more responsible (Bos and Teulings, 2012).

The CPB is a branch of the civil service within the Ministry of Economic Affairs (by which it is mostly financed) and its director is appointed by the Government. Over the years, this institution managed in any case to consolidate an unquestionable in-

dependence, thanks to the credibility and rigor of its numerous analyses (developed by a staff of more than one hundred experts, on the subject of economics and public policy), which are fully covered by the media and the political debate.

However, in Belgium (another small democracy, marked by strong religious and linguistic cleavages), there has been in operation since 1836 the organism with the requirements for being deemed the “dean” among the fiscal watchdogs we could consider of ‘first generation’ (even if its mandate appears decidedly more limited with respect to that of the Dutch CPB). This is the Conseil Supérieur des Finances, an advisory body on the matter of finance and budget, chaired by the Minister of Finance, whose administrative structure supports it. Its members (chosen by the Government, Parliament, Belgian National Bank, the Executive of Communities and Regions) are experts at a high level, who analyze problems of an economic nature on their own initiative or upon request from the Ministry of the Treasury or the Ministry of Finance. The Council, whose activity has been the subject of numerous reforms over the years, has progressively become the principal technical body for defining budget goals, negotiating and coordinating among the various levels of government on the topic of public finance. It can formulate proposals for modifying existing legislation or introducing reforms on the subject of economic policy (Bogaert *et al.*, 2006).

After the transformation of Belgium in a federal state, the need was felt for introducing another organism to further improve the quality and transparency of the principal economic forecasts, also with the goal of preparing the budget. Thus, in 1994 the *Bureau Fédéral du Plan* (BFP) was created, which also had the nature of a fiscal watchdog, but with a more accentuated independence from the executive. Under the umbrella of the *Institut des Comptes Nationaux*, the BFP is actually the result of subsequent transformations of the original *Bureau de programmation économique*, instituted in 1959 to work out 5-year economic plans; in 1970 this body became the *Bureau du plan*, at the beginning competent for planning and economic decentralization. The original goal was gradually substituted by that of evaluating the principal public policies and of carrying out surveys and forecasts related to the Belgian and international economic situation (Coene and Langenus, 2011).

On the European scene, another body of technical analysis, but also of discussion about different economic interests, is the *Økonomiske Råd* (OR) created in Denmark, in 1962, to monitor the economy of the country and analyze its long-term dynamics (an organism that in 2007 was flanked by the *Miljøøkonomiske Råd*, on the subject of environmental policy). Its seventeen members, proposed by trade unions and employer organizations, by the Central Bank and by the Government, are nominated by the Minister of Economic Affairs.

The OR, chaired by four experts, generally from the academic world (the so-called “Wise Men”, formally chosen by the Government and assisted by an adequate staff) prepares two reports every year, on a vast range of questions of an economic nature. The analyses performed are related to the main public policies (among which the budget has ended up assuming the greatest importance) and have always received

widespread attention in the country; the recommendations adopted have often been implemented by the Executive.

The term “Wise Men” is also used to talk about members of the *Sachverständigenrat* (SVR), an ‘academic body’ created in Germany in 1963, with the task of “assisting all authorities responsible for economic policy as well as the general public in forming a sound opinion” on economic issues. The “*Fünf Wirtschaftsweisen*”, expert economists appointed by the federal President based on a proposal made by the Government, provide advice to policy makers on economic policy issues and evaluate national macroeconomic developments. The Council produces an annual report in addition to Special Reports (and, since 2005, also Occasional Reports on themes chosen by the Executive), whose contents have by now become an important reference point in the political debate on economic questions, ending up influencing some important decisions of the Government. When it intends to take a distance from the indications of the Council, the latter is then held to publicly motivate the reasons of its choice (Kovács and Csuka, 2012).

The SVR has consolidated the autonomy of its advisory activities and has earned a solid reputation, thanks to the independence, transparency and breadth of the analyses performed on the national economic situation and in other areas of particular importance. On this point, it should be remembered that the interesting proposal of a European Redemption Pact (the subject of special attention during negotiations between the European Parliament and the Council, concerning the “two-pack”), was elaborated in November 2011 precisely by the SVR, which thus gave a significant contribution to the wide and complex debate on the possible exit strategies from the crisis of sovereign debt in Europe (SVR, 2011); mediation that was even more important, precisely because the political position of Germany, in this phase, represents an obstacle in the path towards the possible creation of Eurobonds.

The most successful experience among the ‘first generation’ fiscal watchdogs is not found on the European Continent, but on the other side of the Atlantic. In the United States of America, in 1974, in a context marked by strong confrontation between the President and the Congress exactly on the subject of the budget, the Congressional Budget and Impoundment Control Act was approved. This important law, with the intention of incisively reinforcing the Congress’ power of control in the budget procedure, instituted a Committee on the Budget at the House of Representatives and the Senate and created the Congressional Budget Office (CBO), with the task of lending assistance to the legislative branch on the subject of public finance (Lee, 2008).

The director of the CBO is appointed for a four-year, renewable term by the Speaker of the House of Representatives and the President of the Senate, after considering recommendations from the Budget Committee of both Houses. The CBO, in whose office about 250 people work (mostly economists and public policy experts), performs economic analysis that supports the budget process, analyzing the budget presented by the President and working out long-term forecasts, estimates of costs of bills and resolutions approved by the Congressional Committees, verifies their coherence with

the goals of public finance. The CBO moreover performs an intense work of program analysis and evaluation on public policies related to the federal budget.

Every year the CBO performs many studies, research and analyses on economic themes and budget issues, furnishing Congress with solid technical expertise, in order to estimate costs of political decisions and evaluate the effectiveness of federal programs.

It is worth remembering that the organizational model chosen for the CBO takes up the positive experience of the Legislative Analyst's Office, the nonpartisan fiscal and policy advisor of the California State Legislature, introduced in 1941 to "ascertain facts and make recommendations concerning the state budget, with a view to reducing the cost of the state government and securing greater efficiency and economy" (Hill, 2003).

Created as a 'staff arm' of the Congress toward the Executive branch – so much so as to be openly called the Congressional Watchdog – the CBO became one of the principal guarantors of budget integrity and of rational financial planning (Joyce, 2011); it has constantly increased in popularity and reputation in terms of public opinion, thanks to the effective spread of its independent, nonpartisan, timely analysis (to which even the Supreme Court refers).

Since 1982, the CBO also attaches to its annual report for the Congressional Budget Committee a specific reference volume dedicated to the analysis of the reduction in federal public debt, in which the alternative strategies for containing the deficit are discussed and specific options on the subject of revenues and expenditures are mentioned. This analysis of the difficult choices linked to budget policy is well known and several times used by members of Congress, the media and society for developing proposals for reducing public deficit and informing public opinion (CBO, 1990).

In the light of this, while the Dutch CPB ended up being considered the most important experience among Fiscal Councils, it is not surprising that, in the recent and lively debate about the role of fiscal watchdogs, the American CBO is held to be the gold standard of Parliamentary Budget Offices.

Considered together, the organisms that have been discussed up to this point do not derive from the concrete application of a definite model (whose difficult elaboration, on the part of scholars and European institutions, was in fact done only in the past decade). The independence of 'first generation' fiscal watchdogs and their ability to resist political interference, the capillary spread of their analyses and the solid reputation acquired over the years are the result of a constant and sometimes accidental 'learning by doing'; a process which appears difficult to repeat with the same results in political and institutional contexts other than those that produced it.

This fact may perhaps help us to explain the choice made recently by some European countries that gave up creating new organism with the role of monitoring of budget policy and dynamics of public debt, and which preferred assigning this task to already existing institutions.

This is what happened in Austria, a country where, since 1970, the *Staatsschuldenuusschuss* (whose members are in part appointed by the Government and in part cho-

sen by the *Wirtschaftskammer Österreich* and the *Arbeiterkammer*), performed advisory activities linked to public debt. Starting with 2002, this institution has been conducting its analyses also on the subject of budget policy and public finance.

#### 4. 'Second Generation' European Fiscal Watchdogs

Starting with a limited number of relatively heterogeneous experiences, developed in different moments during the post-war period of the last century, in the last few years a 'new generation' of organisms has emerged; even if different in various aspects, they concretely perform the same function or present common elements.

Without trying to be exhaustive, we can here recall, for example, the creation, in 2007, of the *Finanspolitiska Rådet* in Sweden (which is formally a Government office, even if endowed with substantial autonomy) or, in 2009, of the Hungarian *Költségvetési Tanács* and the Slovenia *Fiskalni Svet*, independent institutions whose members are elected by the Parliament in the first case, and appointed by the Government in the second.

In the United Kingdom, in 2010, the Office for Budget Responsibility was introduced; its problematic evolution shall be later traced shortly. The OBR is an independent governmental office, which is however held accountable with regard to the Parliament. Again in 2010, both in Greece and Spain were instituted, respectively, a parliamentary budget office and an *Oficina Presupuestaria de las Cortes Generales*. In 2011, in Portugal, it was created the *Conselho das Finanças Públicas* and in Ireland the *Fiscal Advisory Council*, structurally autonomous from the budget authorities, even if their members are nominated by the Government. For the Romanian *Consiliul Fiscal* and the Slovakian *Rada pre rozpočtovú zodpovednosť*, once again in 2011, they opted for the choice of their members on the part of the Parliament.

The structure of the Parliamentary Budget Office, created in Italy at the end of 2012, through an 'entrenched' law, is clearly inspired by the U.S. model. The law contains "provisions for the implementation of the principle of balanced budget, in accordance with art. 81, sixth paragraph of the Constitution". With the aim of better guaranteeing transparency in the budget and allowing for more incisive analysis towards the equilibrium of public finance, it had already been proposed, in the past, to reinforce the existing parliamentary structures (through the creation of a single, unified budget service, common to both Houses) or to institute an independent authority, at the Presidency of the Republic (Salvemini and Virno, 2006; Cabras, 2012). In the end, they opted for a parliamentary budget office, instituted at the Italian Houses, with a rather extended mandate to exercise "in full autonomy and with independence of judgment and evaluation". The collegial direction of this organism belongs to a Council of three members – one of whom performs the role of President – "appointed upon agreement between the Presidents of the Senate of the Republic and of the Chamber of Deputies" and chosen from a list of ten names indicated by the parliamentary commissions with competence on the matter of public finance (two-thirds majority is required).

Again in 2012, France instead made an atypical choice – with respect to the development trend of fiscal watchdogs – by instituting a *Haut Conseil des Finances Publiques*, through an organic law related to “à la programmation et à la gouvernance des finances publiques” (subject of attention for the *Conseil Constitutionnel*). This independent organism, located at the offices of the *Cour des comptes*, is made up of eleven members, of which six are experts “dans le domaine des prévisions macroéconomiques et des finances publiques” (four chosen by the Parliament, one by the president of the *Conseil économique, social et environnemental*, to which is added the general director of the *Institut national de la statistique et des études économiques*). The other five members are instead judges from the *Cours des comptes*, among whom its *premier Président*, who chooses the other judicial members and chairs the Council.

It is worth observing at the end of this rapid *excursus* that in Germany, where in 2009 the constitutional reform on the *Schuldenbremse* was approved, the legislation of the *Sachverständigenrat* was not later modified to better respond to the characteristics of the IFI model which was taken up, as we will see, by the EU. This constitutional reform provided instead for introducing a *Stabilitätsrat*, composed of the federal Minister of the Economy and Finance and the Ministers of Finance from the *Länder*. Because of the strong political nature of the said body, it is impossible to link it to the category of fiscal councils. The *Stabilitätsrat* (that also acquired the tasks of the *Finanzplanungsrat*, no longer in existence) has mainly to monitor the economic situation of the Federation and the *Länder*. If the Bund or a Land risks running a financial emergency, it must propose the necessary corrective measures. This is thus an intergovernmental instrument of cooperation, a place in which to develop, in a structured way, the negotiations between the various territorial levels, on the programs for surpassing financial difficulties.

As has been recently pointed out in a study by the European Commission (European Commission, 2013), in Germany various organisms are present who work in conditions of relative autonomy and with positive results, in the area of budget policies. In various ways and measures, the Government takes into account their forecasts, analyses and evaluations, for the management of public finance.

With respect to the ‘veterans’, the new fiscal watchdogs mentioned in this research (that has taken into account also some atypical choices and exceptions) seem to have overall the indispensable prerequisites for guaranteeing independence, autonomy of judgment, transparency and effective communication of their work. Their tasks correspond to the core function of a fiscal watchdog: perform advisory, evaluation and forecasting activities related to the national economic situation, verify the sustainability of budget policy and the levels of debt of all public authorities, including territorial autonomies. In particular, they must verify the quality of economic forecasts used for preparing the budgetary laws and monitor the respect of the fiscal rules, evaluating to what measure the goals of economic and fiscal policy were reached, as defined by the Government and approved by the Parliament.

At this point of the analysis, it is important to add that some dynamics connected to the evolution of the new European economic governance are sure to impact on all

the IFIs that already exist in Europe and on those that in the future might be created. It must be remembered that art. 3, paragraph 2 of the Fiscal Compact establishes the obligation for Contracting Parties to institute, at national level, a mechanism of correction which has to function automatically “in the event of significant observed deviations from the medium-term objective or the adjustment path towards it”, “on the basis of common principles to be proposed by the European Commission”, and in the respect of “prerogatives of national Parliaments”. Such principles must moreover regard “the role and independence of the institutions responsible at national level for monitoring compliance” with the rule of budgetary equilibrium established in the Treaty and (as underscored by the French *Conseil constitutionnel*, in August 2012) “sur le mécanisme de correction déclenché automatiquement”.

On June 20, 2012, the European Commission adopted the “Common principles on national fiscal correction mechanism” (COM/2012/342): the Contracting Countries of the TSCG must now identify (if possible by law) “monitoring institutions”, that is to say, independent bodies or bodies with functional autonomy, charged with furnishing “public assessments” over “the occurrence of circumstances warranting the activation of the correction mechanism”, monitoring its correct application. National authorities “shall be obliged to comply with, or alternatively explain publicly why they are not following the assessments of these bodies”.

We have to observe that, in the countries of the EU, up until today, new IFIs have been instituted through ordinary laws or through laws characterized by entrenched procedures (with the exception of Sweden in which they chose a sub-legislative source); only in very few cases their introduction was provided for by the constitutional laws approved to give effect, at national level, to the new fiscal rules of the TSCG.

It is likely that in the future, several national norms concerning such organisms will have to be modified (if they were instituted before the approval of this treaty), to define better the new tasks that, at the moment, have been done only with regards to the Italian Parliamentary Budget Office and the French *Haut Conseil des Finances Publiques*.

### **5. Independent Fiscal Institutions and democratic accountability**

In the first part of this study we underscored how the spread of the economic crisis of sovereign debt has forced European Countries to accept medium-term goals, introducing more rigorous fiscal rules and creating IFIs to make stronger and more credible their programs of economic recovery.

Even if the analysis focuses on European countries, we must make mention of the fact that the recession phases of the economic cycle have pushed even some states that are not members of the EU towards choices in some measure analogous, creating fiscal watchdogs charged with monitoring the progress of public debt and improving governance in the budget process. To cite only a few examples, which unhappily cannot be investigated in our limited study, this has happened in Canada, Australia, Japan, Mexico, Chile, Korea, Serbia and in Bosnia-Herzegovina (countries in which

we find systems of government with parliamentary, presidential or semi-presidential architecture).

For some scholars, the progressive spread of the IFIs demonstrates the will to repeat, in the area of public finance, the experience of Independent Monetary Authorities, instituted in the attempt to depoliticize and reinforce credibility of monetary policy. In this analysis it seems possible to hear the echo of a necessarily 'soft' version of that model of Independent Fiscal Authorities (or agencies), proposed by economists who were inspired by the experience of the central banks (Wyplosz, 2005; Debrun, 2011). This model however has never found concrete application at state level, in that it contemplated the substantial delegation of the power of assuming very important decision on the subject of budget to an independent national agency.

In a democratic state, the decisions of public finance, given their decidedly political contents (that impact on sensitive areas, such as those of fiscal imposition and social rights), must in fact remain the strict competence of representative institutions. The IFIs cannot be planned as a technocratic response to the contemporary crisis of political representation, and, to the contrary, it is very suitable that the activity performed by such organisms become instrumental to functions performed by legislative Assemblies.

It must then be considered that the effects of the synergy between the centrality of the Executive in the budget process and the still marginal role of national Parliaments in the dialectic of European economic governance (a worry that art. 13 of the Fiscal Compact tries to exorcise) risk, if not adequately compensated, provoking the shift of the 'power of the purse' from the legislative Assemblies to 'unknown subjects'.

It is exactly the fiscal watchdog that can represent an answer to the growing demand for financial expertise, necessary to the Parliament for more efficiently monitoring the Executive's work, which could reinforce both the decision-making capacity of the former and the accountability of the latter, in the complex balance of power of the democratic State.

One configuration of the IFI inspired by the Parliamentary Budget Office seems to best satisfy the needs we have just mentioned. This could explain the spread of this model outside the United States, where it was created. A way for re-balancing the relationships among the institutions competent on the subject of budget, even in the absence of the confidence relationship between the Legislative and Executive, which exists in the parliamentary systems. The PBOs have been inserted well even in non-presidential forms of government and moreover, in some countries, the model has been held to be more consonant with the logic of the parliamentary system.

Outside the Eurozone, in the UK, which was the cradle of the latter, the introduction of the fiscal watchdog happened through a compromise solution: the independent fiscal organism was located at the HM Treasury (Ministry of Economy and Finance), however providing for its accountability even with regard to the House of Commons.

One of the first decisions made by the coalition between the conservative party and the liberal democrats, after the political elections of 2010, was the creation of an

office *ad interim*, the Office for Budget Responsibility (OBR), subsequently formalized, in 2011, through the Budget Responsibility and National Audit Act. The complex composition of this “non-departmental body” provides for a Budget Responsibility Committee, made up of three members appointed by the Chancellor of the Exchequer, with the consent of the Treasury Select Committee of the House of Commons (Office for Budget Responsibility, 2011).

The tasks of the OBR, which first belonged to the Treasury, are to “examine and report the sustainability of the public finance” and to produce “fiscal and economic forecasts”. The law establishes that the said organism have “complete discretion in the performance of [its] duty”, to be carried out “objectively, transparently and impartially”. To avoid involving this organism too much in the political debate and thereby risk a threat to its independence, the OBR received a relatively narrow mandate, fruit for some (Wren-Lewis, 2011) of a deliberate choice and of the political pressure of the Executive, afraid of possible criticism on its political decisions. Differently from other fiscal watchdogs, especially those of the first generation, the OBR must in fact limit its activity to only “fiscal analysis”, without taking into consideration other policies that might have effects on the budget or the power to express “normative commentary on the particular merits of government policies”.

Not even the choice made by other countries to establish stricter ties between the Parliament and the independent fiscal institution seems to offer however safe protection to the latter, from the interference of the Executive. The moment has perhaps not yet arrived to express a definitive judgment on the more recently created fiscal watchdogs. Their work will be able to be better evaluated only in coming years.

Despite this, in some countries, strong tension has already manifested itself between the Government and the independent fiscal institutions. This is what happened, for example, in Greece, where the head of the parliamentary budget office resigned in 2011, right after the publication of the first quarterly report. The contents were in fact the subject of heavy criticism on the part of the Minister of Finance, who in fact accused the organism of lacking the “expertise, experience and accountability” necessary “to prepare, cross-check and publish reports about the status and outlook of macroeconomic and fiscal figures” (EUBusiness, 2011).

In Hungary, after only two years of activity, following the heavy criticism about the lack of transparency and excessive optimism of the budget forecasts of the Government, in 2011 a reform of the Fiscal Council was approved, taking away from the Parliament the choice of the members of that organism and downsizing the tasks that had been assigned to it (Calmfors, 2011). It should be said however that such a reform was largely connected to the negative attitude on the part of the Orbán Government with regard to all the independent institutions and the system of checks and balances (significantly in parallel with the reasons of the choice made by President Hugo Chávez in 2000 to terminate the brief experience of the Congressional Budget Office, instituted in Venezuela only three years earlier).

Outside of the European Union, the Parliamentary Budget Office created in Canada in 2008 saw its budget significantly reduced, after the publication of some critical

reports on the cost of the national effort in Afghanistan and on the consistency of the economic and fiscal forecasts of the Government (Page, 2010).

The considerations made up to now suggest therefore a certain caution in holding fiscal watchdogs (however they are organized) as effective silver bullets, capable of containing risks linked to excessive public debt. The role that such organisms can realistically play is that of promptly informing the national institutions and citizens, about the deterioration of the budget's balance, accelerating (hopefully) the making of decisions capable to avoid serious consequences.

## **6. Independent Fiscal Institutions and evaluation of public policies**

As has been observed, the work of fiscal watchdogs constitutes a sort of vaccine, useful for strengthening the organism and helping it to deal with possible relapses, choosing in a conscious way remedies that are aimed at guaranteeing a speedy recovery. Taking up in some measure this curious metaphor, it should be underscored that IFIs, while contributing to a reinforcement of democratic control and governmental accountability, also represent a stimulus to development or reinforcement of a culture of evaluation and performance control, which constitutes a very important condition for a vital and healthy system of public finance.

The main tasks of an independent fiscal institution (a body without any jurisdictional powers) are in fact both that of broadening the public debate on economic choices of the Government – providing an independent evaluation on the relationship between goals set and results achieved – and that of offering knowledge and technical support, useful for the budget authorities to make responsible decisions in the increasingly complex field of economic policy.

The success of some first generation fiscal watchdogs seems to reside precisely in the breadth of the work they do, coherent with the *ex-ante* and *ex-post* evaluation of a wide range of public policies with effects on the budget (this is particularly true with reference to the United States, the Netherlands, Denmark, Belgium and, in some measure, also for Sweden).

These organisms often developed in contexts where attention to the allocation of financial resources available has been progressively flanked by attention to the concrete verification of the achievement of public policy goals connected to the budget and by attention to their efficiency, effectiveness and ability to obtain the results forecasted.

This is, in large measure, achieved thanks to the increasing spread of an approach to the management of public administration known as 'policy analysis' and 'program evaluation', which consists of a variety of analytical and dialectical methods to produce and work important information for public decisions and for resolving problems of collective interest (Baudu, 2011). In this perspective, evaluating public policies means technically estimating the efficiency of public intervention, quantifying its effects through performance indicators and appreciating its congruity with respect to the goals set.

The analysis and the evaluation of public policies are based on a multidisciplinary methodological approach, originally developed in the U.S. and in the U.K., where it is fully consolidated. The gradual and precise identification of its contribution to public decision procedures has favored its spread to numerous other Anglo-Saxon countries. The growing attention dedicated to policy analysis and evaluation has brought about a review of how tasks are performed at various institutions. This culture has extended from public administration to Parliament and, in reference to the subject of the present study, IFIs are not indifferent to this aspect either.

In European states not of an Anglo-Saxon tradition, the techniques related to public analysis and program evaluation have up to now spread only through great effort and mainly at the level of public administration, inspiring the activity of rationalization of public spending undertaken, for example, in France with the *Révision générale des politiques publiques* in 2007 (which continued with the *Modernisation de l'action publique* in 2012) and in Italy, with the *spending review* started in 2011.

In the majority of Anglo-American countries, the evaluation of public policy constitutes a significant part of the work done by the Parliament, as it falls under the Legislative oversight that has the goal of keeping the Government accountable. This activity of analysis and control is not directed at ascertaining the formal regularity of public work, but is aimed at evaluating if the juridical and financial means chosen allow for achieving the goals set, trying moreover to understand how the policies were actually performed and what effects they produced.

Thus configured, the activity under examination in parliamentary systems does not end up being directly aimed at calling into question the political responsibility of the Government. As has been observed, precisely in reference to the contents of the activity of *évaluation des politiques publiques* of the Parliament as provided for by art. 24 of the French Constitution, modified subsequently in the broad constitutional reform in 2008, this activity must essentially favor the development of a permanent and consolidated flow of information useful for legislators and citizens (Avril, 2011).

In the French V Republic, despite the institutionalization of public policy evaluation – to which special attention was paid both in the report of the so-called “*Comité Balladur*” of 2008 and in the so-called *Rapport Camdessus* of 2010 – a concrete commitment of the representative Assemblies has however up until then not followed: that to explore completely and in-depth the potential and the frontiers of this new activity (considered poor in political advantages, as the many absences of members of Parliament attests, in the sessions that are dedicated to it).

It is in any case true that Parliaments are not the best places for study and research. To appraise the function of public policies evaluation, it is therefore necessary to provide for the creation or reinforcement of specialized structures, aimed at furnishing the Assemblies with the necessary knowledge needed for efficient performance of this activity, especially on the subject of public finance.

## 7. The contribution of the Supreme Audit Institutions

Having taken into consideration the Assemblies' need for having at their disposal technical support, able to give systematic order and coherence to the flow of information about public accounts, coming from many sources, it would be better to illuminate an aspect that until now has been left relatively in the shadows, in the debate on fiscal watchdogs: the contribution that the Supreme Audit Institutions are able to offer Parliaments in evaluating public policies implemented by the Government. Nor can we ignore the fact that, when they perform monitoring and advisory activities on the subject of budget and fiscal policy, the Supreme Audit Institutions can largely be grouped under the same definition of independent fiscal institutions, proposed by the European Commission.

The majority of the Supreme Audit Institutions, that is of the organs whose job is to control public accounts, are organized according to the model of the Court of Auditors (*Cour des comptes*), created by Napoleon in France and prevalent in Continental Europe or following the Anglo-American one, based on the figure of the Comptroller (or Auditor General), common above all in common law countries.

The core of the functions attributed to the Courts of Auditors, while in the extreme variety of existing experiences, ends up being the audit of the regularity of public accounts of the state and the certification of the budget. In addition to controlling the legitimacy, as time went on, this was flanked by the analysis of 'good financial management', which was aimed not only at ascertaining the juridical correctness of the work being examined, but also to evaluate the effectiveness of the results, the efficiency of the State action and the good use of public funding. This evolution of the Courts of Auditors is particularly evident, for example, in the reforms of the Italian *Corte dei Conti* and of the French *Cour des comptes*, over the last decade; their function of assistance to the Government was reinforced, with emphasis also on the service to the Parliament in the area of public finance. In the French case, the already mentioned Constitutional Revision of 2008, in the new art. 47-2 expressly provided the assistance of the *Cour des comptes* "*dans le controle de l'action du gouvernement*" and "*dans l'évaluations des politiques publiques*".

The kind of verification done in the performance audit is customary in countries with an Anglo-Saxon tradition: almost half the activity of the Supreme Audit Institutions is dedicated to performance audits. The other half is spent performing normal management audits. What differentiates the organisms without a jurisdictional nature from those that work on the model of the Courts of Auditors is the continuity of the relationships with legislative Assemblies, which entrust to them the function of watchdog over public funds.

The most useful experience that illustrates this aspect would appear to be, once again, that of United States of America, where the evolution of the CBO cannot be fully understood if we do not take into consideration the role played by another important independent and non-partisan federal Agency, the Government Accountability Office (GAO), which works also at the service of the Congress.

Instituted in 1921 with tasks of controlling public finance, the GAO is headed by the Comptroller General, who is appointed for fifteen years by the President, on the advice and consent of the Senate. What is most important, for the purposes of this study, is the fact that the GAO, over the years, has broadened the contents of its service to Congress, thanks to a series of reforms that widened its functions, from the original task of financial auditing to that of analysis and evaluation of public policies (justifying thus the change, in 2004, of the original denomination of General Accounting Office). Thanks to a staff of thousands of experts, including economists, budget analysts, management, public policy and information technology specialists, the GAO controls and evaluates governmental programs and the functioning of public services, by furnishing opinions and advising on the action of the Executive branch and by working on concrete proposals, on its own initiative and upon request of the Congressional committee (especially those most strictly connected with the Congressional oversight on Executive power, such as the House Committee on Government Reform and the Senate Committee on Government Affairs, traditionally moved by a bi-partisan spirit).

The wide range of research and evaluation tasks attributed to the GAO allows it, *de facto*, to place under examination every aspect of federal public works and, for this reason, is considered the most active Congressional watchdog (and the “U.S. taxpayers’ best friend”). From 2007 to 2012, a good 80% of the GAO’s recommendations were adopted and the activity of this body saved 105 dollars for every dollar invested in running the Agency (GAO, 2013).

It should be underscored that the evolution of the GAO’s responsibilities has gradually incorporated a perspective of policy analysis and program evaluation (General Accounting Office, 2001), which has influenced the organization of the work and the development of the activities of the same Congressional Budget Office. Thanks to the supervision activity of two good watchdogs, the flow of public finance is by now subject to a continuous series of crosschecks, just like the myriad of studies and reports of the two organisms enriches the political debate and allows public opinion to be better informed about budget issues.

Analogous considerations could be proposed in reference to the experience of the UK, where the compromise solution that brought about the configuration of the Office for Budget Responsibility can be better understood in the light of the overall role played by the Parliament, in monitoring the flow of public finance. For some aspects, the ‘Westminster model’ seems paradoxically to offer representative Assemblies a more limited space for carrying out a control function, with respect to what is achieved in U.S.A. (especially for the different characteristics of the two political systems). It is however true that in the UK, the oversight of the legislative power on the subject of the budget has always been more intense and Government accountability is assured by the tight relationship between the National Audit Office (NAO) and the Public Accounts Committee (PAC).

It should be remembered that going back to the reforms undertaken by William Gladstone to reinforce control on public expenses, in 1862 the Public Accounts Com-

mittee (PAC) was created at the House of Commons; it was followed, five years later, by the introduction of the Comptroller and Auditor General (C&AG), who had the task of referring to the PAC about the outcomes of the financial audits (Public Accounts Committee, 2007).

The C&G is appointed by the Queen (on the basis of a motion of the Lower House, moved by the Prime Minister, after agreement with the Chairman of the PAC) and its mandate, originally without temporal limits, was set at 10 years with the Budget Responsibility and National Audit Act of 2011. In 1983, the support structure of the C&GA was the object of an important reorganization, with the creation of the *National Audit Office*, formed by almost a thousand specialists, mostly public policy analysts and economists.

The traditional financial audit of central government accounts is the responsibility of this organism, but it also has the duty of doing performance audits (in conformity with the inspiring principles of the reforms for containing public spending, promoted by Margaret Thatcher).

It is possible to find similar control that does not go into the merit of policies, in the so-called Value for Money Reports (VFMs), in which the Government's policies and programs are evaluated on the basis of their "economy, efficiency and effectiveness" (in British political language, called the three 'E's).

The themes and policies are chosen in accordance with the PAC, which is the commissioner body of the NAO and the direct beneficiary of the VFM analyses. The Committee (chaired traditionally by a member of the opposition, made up of backbenchers and animated by a bipartisan spirit), over time has established a strong reputation for autonomy, even by virtue of the fact that its reports, sent on to the House of Commons, often contain evaluations that are critical of the Government's actions (Dunleavy *et al.*, 2009).

The interaction between the NAO and the PAC, in the performance audits, has been quite positive up to now, in that these relationships receive a lot of publicity and 90% of the recommendations are concretely adopted by the Government. As we have already seen with its corresponding American counterpart, even the NAO performs its watchdog role in an effective way on behalf of the representative Assembly and the taxpayers, "helping the nation spend wisely" and allowing for an effective savings of public funds (estimated at 11 pounds for every pound invested in its functioning).

The analysis conducted up to now on the evolution of the Supreme Audit Institutions, in the US and the UK (whose importance justifies the special attention received, in this short study), allows for better evaluating the opportunity of introducing or reinforcing performance controls on the subject of public finance, even at the Courts of Auditors existing in continental Europe, making the relationship of such organisms with their respective Parliaments more structured.

It is precisely the French V Republic that seems to have undertaken a path of functional specialization of the *Cour des comptes*, through reforms begun during the past decade and that culminated, as we have recalled previously, in attributing to this or-

ganism the task of assisting Parliament in the *évaluation des politiques publiques* (Waline, Desrousseaux and Pellé, 2009).

It is for us significant the same choice of locating the new independent fiscal institution at the supreme accounting jurisdiction. But – we remember – the *Haut Conseil des Finances Publiques* is not a jurisdictional organ. While it is in part composed of judges, it has to perform an activity of examining public accounts based on the application of criteria and methodologies different from those used by the accounting judges. The *Haut Conseil des Finances Publiques* was moreover given a mandate limited to advising on the macroeconomic forecasts on which only the projects of “*lois de programmation des finances publiques*”, of “*lois de finances*” and of “*lois de financement de la sécurité sociale*” are founded. It would be desirable in any case that in future the competence of this organism be suitably broadened to the whole of public policies with an effect on the budget.

The fear of a possible overlapping in the functions of an IFI with those constitutionally guaranteed to the Court of Auditors was instead expressed in Italy, precisely by the accounting judge, which underscored that “it is impossible to replace with any fiscal authority” the monitoring and evaluation activity (even in the macroeconomic sphere). The Italian *Corte dei Conti* then favorably accepted the legislator’s choice to institute a Parliamentary budget office at the two Houses, considering that the analyses performed by such an independent organism can furnish elements sometimes useful even for the activity of control that is their responsibility (Corte dei Conti, 2012).

## **8. Brief conclusion and proposal**

In conclusion, it is worth remembering that, in the light of what has been observed in our short comparative analysis, the new rules of European economic governance leaves substantial freedom up to each state in identifying an independent body to perform the tasks associated with monitoring the dynamics of national public accounts.

The choice to reinforce the advisory role of Supreme Audit Institutions appears perhaps to be the most problematic, from a technical point of view, in that it implies reviewing the working methods for the accounting judiciary bodies. Perhaps the way in which recruitment of their members is made must change, in order to create, within the Courts of Auditors, units or sections specialized in a control that is quite different from the traditional one. Moreover, the fact should not be overlooked that allowing the Courts of Auditors to perform widespread evaluations on the contents and the effects of public action, in some countries could exist a risk of involving such institutions in contingent political controversies, undermining the credibility of the auditing jurisdiction.

With respect to the solutions mentioned here, the institution of Fiscal Councils and Parliamentary Budget Offices represents, in our opinion, the preferable choice, which would perhaps allow for better developing that fertile contamination between juridical, economic and even social competencies that normally accompanies the development and consolidation of the culture of policy evaluation and efficiency control. The

IFIs must therefore be endowed with the financial and (it is even more importantly) human resources, suitable to start up this type of multidisciplinary contamination, which would not seem to have been adequately explored up to now by the technical structures supporting the Parliament or the Government's activity, in many countries.

It would also be positive to create a network between the IFIs of the EU countries (hopefully all-inclusive and not only limited to the countries today adhering to the Fiscal Compact), in the wake of, for example, the wide experience of the INTOSAI, the international organization that brings together the Supreme Audit Institutions. This would stimulate the convergence of institutional and operational frameworks, contributing to the dissemination and sharing of common experiences and good practices, useful for increasing competence, image and influence of the IFIs in their respective countries.

In an age marked by the crisis in political participation and the growing alienation with regard to the institutions, a common mission of the fiscal watchdogs is that of informing citizens and raising awareness in public opinion, increasing the political cost of improper decisions made by the Government and forcing policymakers to become more attentive to the repercussions of their decisions on the budget.

In these years of economic crisis, it is a need that has been sharply felt. But it also marked the birth of the liberal state, as art. 15 of the *Déclaration des droits de l'homme et du citoyen* of 1789 points out, where it is solemnly declared that "society has the right to require of every public agent an account of his administration". To such a right corresponds a precise obligation of all public institutions; the function of fiscal watchdogs derives from this. They hold the key to the Government's black box and thus are able to give access to the information that can allow for better use of public resources, involving citizens more directly in the decisions related to the budget.

Independent fiscal institutions, as we have seen, constitute a rather recent phenomenon in the institutional panorama of the contemporary democratic state, but the important need that they can satisfy was effectively well pointed out already in 1822, when James Madison pragmatically wrote: "people who mean to be their own governors must arm themselves with the power which knowledge gives".

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