IN-DEPTH ANALYSIS

The role of national fiscal bodies
State of play - January 2020

This briefing provides an overview of the advisory role played by independent national fiscal bodies in the preparations of the budgets of the EU Member States. The briefing is updated regularly.

The objective of the analysis is twofold:

1) to give an overview of the set-up and functioning of these independent fiscal bodies based on the most recent assessments by the European Commission.

2) to give an overview of the extent to which the latest Stability or Convergence Programmes and the Draft Budgetary Plans contain information about the involvement of independent national fiscal bodies in the preparation of these programmes/plans.

Summary of the findings

Set-up of the national frameworks

The latest available information indicates that the **implementation of the EU legal framework** relating to independent fiscal bodies is overall well advanced throughout the EU. **All but one signature Member States of the Treaty on Stability, Cooperation and Governance (TSCG) have one or several operational independent fiscal bodies in place,** the exception being Poland (consequently Poland has no member in the EU network on independent fiscal institutions). It seems that these bodies are also operationally independent in the countries where they are formally attached to the government (Belgium, Luxembourg, Slovakia, Slovenia, the Netherlands and Finland).

The latest available information by the European Commission (COM) on the set-up of the national frameworks of independent fiscal bodies is notably included in the European Semester country reports of February 2019. These reports shows that notably three countries have made progress on the set-up: (1) The autonomy of the High Council of Finance of **Belgium** has been reinforced; (2) in **Germany**, legislation ensuring that macroeconomic forecast underlying the budgetary projections of the government came into effect in the second half of 2018; (3) in the **Czech Republic**, the independent fiscal institution became operational (despite the fact that the country is - until it joins the euro - not bound by the Fiscal Compact); (4) In **Sweden**, revised rules further strengthening the mandate of the independent Fiscal Policy Council to

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monitor fiscal rules and evaluate the official macro-forecasts came into force in 2019 and (5) in **Croatia**, the new Fiscal Responsibility Act is aimed mainly at reinforcing the set-up and mandate of the independent fiscal body; there were delays in the appoinmtent of the chairperson.

Recently, the European Court of Auditors published a report which analyses whether the EU requirements for national budgetary frameworks are adequate and well implemented. It focuses on the EU fiscal rules and the assessments of compliance carried out by independent national fiscal bodies, the COM and the European Fiscal Board (see Box 1). It does not provide an assessment of the legal and operational capacities of the independent fiscal bodies and of their assessments of the macro-economic forecast of their respective governments.

A country-specific screening (please see the annex of this briefing for details) shows that **the use of independent forecasts** in the preparations of the **2020 Draft Budgetary Plans** (DBPs) was as follows:

- All euro area Member States have operationally **independent fiscal bodies in place** producing or endorsing the macro-forecasts used by the governments in the DBP.
- In **six euro area countries**, the forecasts were **produced** by the independant bodies: Belgium, Netherlands, Luxembourg, Austria, Slovenia and Finland. The DBPs of alle these countries used the most recent forecasts prepared by the respective independent body, so that all euro area Member States complied now with EU Regulation 473/2013.
- In **12 euro area countries**, the forecasts were **endorsed** by the independent bodies: Germany, Estonia, Ireland, Greece, Spain, France, Cyprus, Latvia, Lithuania, Malta, Portugal and Slovakia. Within this group of countries, the endorsements were often accompanied by some critical comments on the forecasts, notably in Portugal, Latvia, Estonia, Ireland, France and Greece.

Box 1: Recent report by European Court of Auditors on EU fiscal governance

The European Courrt of Auditors published in December 2019 a report entitled "EU requirements for national budgetary frameworks: need to further strengthen them and to better monitor their application on EU fiscal governance" which focuses to a large extent on the assessments of compliance with EU fiscal rules carried out by national independent fiscal bodies, the European Fiscal Board and the COM. The report identifies a risk of divergence between the COM's and the Independent Fiscal Institutions' assessments, which could reduce the effectiveness of the EU fiscal framework. According to the report, a major reason is that that the COM makes "*extensive use of its margin of discretion when assessing compliance with the EU fiscal rules (i.e. compliance with the adjustment path towards the MTO)*". The report also assesses that the effectiveness of the European Fiscal Board is limited by its current institutional set-up and notes that the COM can ignore its advice without providing appropriate explanation. It recommends that the COM reviews EU requirements for national budgetary frameworks, enhances its assessments of how Member States implement these requirements, improves cooperation with Independent Fiscal Institutions and strengthens the European Fiscal Board. The COM accepts all but one recommendations: it does not accept the recommendation to strengthen the European Fiscal Board, since it considers that it is analytical and functional independent. Furthermore, while accepting the recommendation to take into account international standards and best practices, it notes inter alia "*some of the principles/features promoted by the IMF and OECD are sometimes very granular or operational as those are meant to be used as detailed guidance, as opposed to legally binding requirements.*"

The use of independent forecasts in the preparations of the **2019 Stability Programmes** (SP):

- For the first time, all euro area Member States have used macro-economic forecasts prepared or endorsed by independent fiscal bodies, now also Germany, where one year before the independent body was not yet in place. However, as for the preparation/endorsement of the forecasts underlying the 2020 DBP, the bodies preparing/endorsing the macro-economic forecasts of the 2019 SP, were formally attached to the government in Belgium, Luxembourg, Slovakia, Slovenia, the Netherlands and Finland. In Finland, the body was (and still is) even located in the Ministry of Finance.[1]

- In **six eurea area countries**, the forecasts were **produced** by the independant bodies: Belgium, Netherlands, Luxembourg, Austria, Slovenia and Finland. The Commission 2019 country report on Luxembourg and the 2019 SP of Luxembourg mentions **some problems**: On Luxembourg, one independent fiscal body (National Council of Public Finances) issued recommendations on the macroeconomic scenario underlying the budgetary projections, which were however rejected by the Finance Ministry as it argued that the macroeconomic projections are developed by the other independent body (STATEC) and was therefore not in the area of competence of the National Council of Public Finances.[2]
- In **12 euro area countries** the forecasts were **endorsed** by the independent bodies: Germany, Estonia, Ireland, Italy, Spain, France, Cyprus, Latvia, Lithuania, Malta, Portugal and Slovakia. Within this group of countries, the endorsements were often accompanied by some critical comments on the forecasts, notably in Spain, Portugal, Estonia and Greece.

The use of independent forecasts in the preparations of the **2019 Convergence Programmes** (CP):

- Poland is the only EU Member State that has **not established** and does not have plans to establish an independent fiscal body.
- The UK is the only non-euro area Member State whose independent body has **produced** the macro-economic forecast used in its CP.
- In no single non-euro area Member State, the CP is entirely based on macroeconomic and budgetary forecasts which have been, in accordance with EU Directive 2011/85, *"compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. (...)"*. However, the Swedish CP contains some forecast comparisons with the COM. Also, the Bulgarian CP contains at least "*assumptions about key indicators of the external environment provided by the International Monetary Fund, the World Bank, the European Commission and the Ministry of Finance of the Republic of Bulgaria, as of March 2019*". Furthermore, the 2019 CP of Poland informs that Poland has enacted (in 2018) a law which stipulates that the draft budget needs to include the macroeconomic scenario and its comparison with the most recent forecasts of the European Commission and other independent institutions and that the *"the provisions of the amending Act entered into force on 31 July 2018 and were applied to the draft Budget Act for 2019."* The CP does however not include such comparisons.
- Concerning Croatia, the 2019 country report and COM assessment of the CP inform that mandate and set-up of the independent body has been strengthened in 2019, but that the appointment of the new chairperson was delayed so that "the Fiscal Polciy Commission continues to work under the old legal provisions."

A further result of the screening (as presented in the overleaf annex) is that **Austria**, **Belgium**, **Luxembourg**, the **Netherlands**, **Slovenia** and **Slovakia** have several national independent bodies. The main division of tasks for each of these countries is that one body is responsble for producing/endorsing the macro-economic forecast underlying the Stability or Convergence Programme (SCP) or DBP while another body is responsible for the assessment of the national fiscal rules.

For further country specific information, please see the annex overleaf.

[1] In Finland, the only euro area member where the independent body is located in the Ministry of Finance, the head of the department responsible for the forecasting has the final say on the macroeconomic projections and cannot be overruled by the Minister of Finance (Law No 79/2015).

[2] Luxembourg has indeed two independent bodies: The Institute of Statistics and Economic Studies (STATEC), which produces the forecasts used in the Stability Programmes and the Draft Budgetary Plans of Luxembourg, and the National Council of Public Finances, which is responsible for the surveillance of the application of the fiscal rules

Sources used for the country-specific screening

The country specific screening of the role played by national fiscal bodies presented in this document (see annex overleaf) is based on the recent Commission country reports of February 2019, information provided by the Member States themselves in their 2019 Stability or Convergence Programmes (SCP) and 2020 DBP and on the assessments by the Commission of these Member States' programmes.

In those cases where the SCP and DBP do not provide information on whether the macro-economic forecasts have been approved or endorsed by independent bodies (euro area Member States) or compared with the most updated forecasts from the Commission or independent fiscal bodies (non-euro area Member States), the screening in this document is supplemented by any information available on websites of the respective independent bodies.

However, it is worth noting that the below screening of available information does not as such provide substantial information on the **actual effectiveness of a given independent fiscal body**. Such information can only be based on in-depth country specific assessments containing judgemental elements (see e.g. country case studies on the UK and Slovakia published in the 2018 annual report of the European Fiscal Board) or on surveys based on the perceptions of the independent bodies themselves or from other stakeholders.

For other sources on the role and the work of independent fiscal bodies in the EU, see also:

- The 2019 annual report of the European Fiscal board, which carried out some analyses on the role of independen independend fiscal bodies (with indepth comments on Sweden and Spain). It concluded : "*In some Member States, independent fiscal institutions (IFIs) played an important role in strengthening transparency and accountability. Like in previous years, several IFIs intervened in the 2018 assessment cycle to flag downside risks to medium-term economic forecasts (e.g. in France and Italy). In some cases, IFIs took a proactive role in flagging compliance risks in fiscal plans (e.g. in Austria and Belgium). Several IFIs (e.g. in Spain and Slovenia) also criticised an insufficient medium-term orientation in government fiscal policies. Finally, in a number of Member States, IFIs enhanced the transparency of the electoral process by assessing the fiscal impact of political programmes (e.g. in the Netherlands, Latvia and Slovenia).*" It also recommended that "*Defining a set of minimum standards would help to make EU IFIs more effective. EU IFIs have been designed in a number of different ways, which means their mandate, resources, and access to information may vary substantially. While EU and intergovernmental legislation have established a set of guiding principles for designing independent institutions, these were broadly defined to avoid the need for uniform solutions and allow Member States to set up institutions that reflect country-specific characteristics. As a consequence, however, some IFIs remain in a weak position, with limited safeguards to their independence. Establishing and monitoring at the EU level a set of minimum standards could make IFIs more effective while safeguarding their local*"
- The 2018 annual report of the European Fiscal Board which analysed more in-depth the role independent fiscal bodies played in selected Member States in 2017.
- Publications of the EU network of independent fiscal bodies (see e.g. publications of January 2019 on "*Network Statement on the Need to Reinforce and Protect EU independent fiscal bodies*" and "*Good times are not used to build fiscal buffers*").
- COM paper (July 2017) on "Independent Fiscal institutions in the EU Member States: The early years" (László Jankovics and Monika Sherwood, Discussion paper 067)" which looks more into the various aspects of the roles and functions of the independent bodies;
- A Commission database that aims to measure the breadth of tasks discharged by the bodies; it is based on information reported by the bodies themselves. The latest vintage of the index dates from March 2019 and refers to the years 2015-2017 (the first database vintage refers to the year 2013).

See also a screening of the SCP and DBP of the years 2016 and 2017 in a EGOV briefing of April 2018, which includes a summary of the "Fiscal Compact" implementatiion assessments of 2017 by the Commission (these assessments contained also data on resources and access to information by each independent fiscal body).

The current EU legal framework

In accordance with the EU legal framework (Article 121 TFEU and relevant secondary law) for the surveillance of Member States' budgetary policies), Member States of the Euro Area submit annually to the Commission their SP during the spring and their DBP during the autumn, while non-Euro Area Member States only submit their CP during the spring. The aim of the annual submission and assessment of these **Stability or Convergence Programmes (SCP)** and DBP is to ensure a smooth functioning of the EU fiscal framework on the basis of regularly updated data on the national budgetary situations and plans. In order to enhance the reliability of the underlying forecast figures, the EU legal bases require that the macro-economic forecasts used in the SCP and DBP are to be **produced or endorsed** by independent bodies.

There are **four legal bases** stipulating that Member States should have independent fiscal bodies in place:

- EU Directive 2011/85 (part of the "6-pack"), which is applicable to all EU Member States (except the UK), stipulates (Art. 4 of the Directive) that the national "*macroeconomic and budgetary forecasts shall be compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. (...)*". Furthermore, the Directive stipulates (in the recitals and Art. 6) that national budgetary frameworks should be based on fiscal rules and that the effective and timely monitoring of compliance with the rules shall be based on reliable and independent analysis carried out by independent bodies or bodies endowed with functional autonomy vis-à-vis the fiscal authorities of the Member States.
- The amended EU Regulation 1466/97 governing the preventive arm of the Stability and Growth Pact stipulates that the SP (or the CP) shall be based on the most likely macrofiscal scenario or on a more prudent scenario and that the macroeconomic and budgetary forecasts shall be compared with the most updated European Commission forecasts "*and, if appropriate, those of other independent bodies*".
- EU Regulation 473/2013 (part of the "2-pack") stipulates that Euro area Member States (1) should have in place independent bodies which produce or endorse national medium-term fiscal plans and draft budgets as well as their underpinning macroeconomic forecasts and (2) they should indicate whether those fiscal plans were produced or endorsed by independent fiscal bodies or not. In accordance with the same Regulation, the independent bodies shall be endowed with functional autonomy vis-à-vis the budgetary authorities of a Member State.
- The TSCG stipulates the existence of independent fiscal institutions monitoring compliance with national fiscal rules.

Box 2: Potential revisions of the current legal framework on independent bodies in the EU

1. Review of the existing EU legislation on independent bodies

The amended EU Regulation 1466/97 (part of the so-called "6-pack") and EU Regulation 473/2013 (part of the so-called "2-pack") provides for a review (including possible proposals for amendements of the Regulations) by 14/12/2019. The review had to be submitted to the European Parliament and Council. In accordance with Art. 18 of EU Directive 2011/85, the Commission had also to publish by 14 December 2018 a review of the suitability of this Directive. Owing to delays to the confirmation of the newly established Commission, the 'reviews of the six pack' and 'two pack' regulations are now expected to be published in February 2020.

2. Integration of the substance of the "Fiscal Compact" into EU law

On 6 December 2017, the European Commission made a **proposal for a Council Directive in order to integrate the substance of the "Fiscal Compact" of the TSCG into the Union's legal framework; the proposal consolidates national independent bodies as key institutions to promote responsible fiscal policies at the national level**. At the time, the contracting parties of the TSCG agreed to seek integration of the core provisions of the TSCG into Union law at most within five years of the date of its entry into force, i.e. by 1 January 2018. The work on the Commission proposal has not continued in the European Parliament nor the Council. Below is a summary of institutional statements and opinions issued since publication of the COM proposal.

2.1 EU Network of independent fiscal bodies

In a statement of February 2018, the network "*welcomes the fact that the **Commission Proposal introduces new obligations to Member States with respect to national independent fiscal institutions. In particular, according to the Proposal, Member States become obliged to ensure national independent fiscal institutuion's effectively (and not only de iure) meet a set of minimum conditions to be able to effectively perform their tasks**. The conditions spelled out in the Proposal seem mostly adequate but should be complemented with a clearer definition of minimum standards and an effective system for their safeguarding."* The network also requests that *"independent fiscal instituions should also have complete, real-time and stable access to all information relevant for the fulfilment of their mandates, at no cost and in an accessible way. This should be clearly stated in national and EU legislation, and be enforceable(...) The Network is of the view that the Proposal should also envisage a specific and recurrent monitoring process at the EU level to verify periodically that Member States are effectively complying with these obligations. An EU institution with operative capacity should be tasked with this regular monitoring role."*

2.2 Opinion of the ECB

On 1 May 2018, the ECB issued an opinion on the Commission proposal. It welcomed the proposed Directive , but **considered necessary to make several amendments** to it, in order to further strengthen fiscal responsibility in the Member States, simplify the legal framework and ensure more effective implementation and enforcement of fiscal rules at Union and national level. On national independent fiscal bodies, the opinion supported the provisions of the proposed directive, which aim to strengthen the role of independent bodies by assigning them a mandate that goes beyond their existing tasks under Regulation (EU) No 473/2013. Therefore, it suggested that the proposed Directive should rather only expand the tasks attributed to these independent bodies.

Annex: Country-specific screening of national fiscal bodies: Selected information on their set-up and use

MS	2019 Commission (COM) staff assessments: - November 2019 (analyses of the 2020 DBP) - May 2019 (assessments of the 2019 SCP) - February 2019 (2019 European Semester country reports)	Information provided by the Member States in: - 2020 DBP, 2019 SP or CP (and in some cases - when indicated - by the independent bodies themselves)
	EURO AREA MEMBER STATES	
Belgium	**COM analysis of the 2020 DBP** "In Belgium, the National Accounts Institute is responsible for providing the 'economic budget' containing the macroeconomic projections required to prepare the budgets of the federal government and the regions and communities. The National Accounts Institute delegates this task by law to the **Federal Planning Bureau (FPB)**. The Federal Planning Bureau is a well-established institution that is formally attached to the government but positions itself as an independent body. The DBP uses the macroeconomic scenario prepared by the FPB and published in September 2019. The September projections are referred to as 'Draft Budgetary Plan scenario' in Section 2. Therefore, **the macroeconomic scenario underlying the 2019 DBP used the most recently available independently-produced macroeconomic forecasts and appears to be fully in line with Council Directive (EU) No 85/2011** on requirements for budgetary frameworks of the Member States." (p. 3) **COM assessment of the 2019 SP** "**The macroeconomic forecast underlying the SP has been prepared by the Federal Planning Bureau (FPB).** The FPB is a well-established institution **positioning itself as independent, however formally attached to the government. As stipulated in the Law of 21 December 1994, which constitutes the FPB in its current form, the Prime Minister and the Minister of Economic Affairs supervise the institution,** while the federal government provides guidance on the FPB's proceedings. The Belgian Parliament and the Central Economic Council or the National Labour Council have the right to seek an evaluation by the FPB of the federal government's economic, social and environmental policies." (p. 24) **2019 European Semester country report** «**The autonomy of the High Council of Finance (HCF) has recently been reinforced**. The Royal Decree of 23 May 2018 boosted the independence of the Public Sector Borrowing Requirements section of the High Council (HCF-PB), which was appointed as the independent monitoring institution envisaged by the TSCG. The royal decree also provided the section with additional staff and ensured its capacity to communicate freely. The authorities also signed a protocol on the free exchange of information between the National Accounts Institute and the HCF-PB. Progress has also been achieved in formalising the 'comply or explain' principle, whereby the opinion of the HCF-PB would either be followed, or the government would explain why it departed from it. **Budgetary coordination is not sufficiently effective yet**, as the 2013 cooperation agreement has not been fully implemented. As described in the 2018 country report, Belgian federated entities	**2020 DBP** No English version of the DBP is available. However, the French version states the the macroeconomic para-meters, used by the Federal government in its 2020 DBP, have been established by the **Federal Planning Bureau** at the request of the *National Accounts Institute* and published in the framework of the budget report, dated 5 September 2019 («Les prévisions macroéconomiques pour les années 2019 et 2020 ont été établies par le Bureau fédéral du Plan (BFP) à la demande de l'Institut des Comptes nationaux (ICN) et publiées dans le cadre du budget économique du 5 septembre 2019») (p.4). **2019 SP** No English version of the SP is available. However, the French version states that the budgetary forecasts and the objectives of the SP are based on the assessment of the medium-term economic outlook for 2019-2024 period established by the **Federal Planning Bureau** published on 14 February 2019 («...il se base sur lapréfiguration des perspectives économiques à moyen terme pour la période 2019-2024 établies par le Bureau fédéral du Plan et publiée le 14 février 2019.») (p.8) **Comment of EGOV**: Belgium has two independent bodies: The High Council of Finance is inter alia responsible to propose a fiscal trajectory and the Federal Planning Bureau is inter alia responsible for providing objective macro-economic forecasts for the budgetary planning of Belgium.

	and the federal government signed a cooperation agreement in 2013 to ensure effective budget coordination. In contrast with the practice of previous SP, when the Concertation Committee 'took note' of the fiscal trajectory, all levels of government approved the overall fiscal trajectory presented in the 2018 SP and supported the achievement of the fiscal targets by 2020 for all government levels. Although this approval added credibility to the overall trajectory, there was no formal agreement on the annual fiscal targets at each level of government. A lack of agreement on the targets at each level of government may undermine the viability of the overall trajectory towards the medium-term objective. In addition, this prevents the Public sector borrowing requirements section of the High Council of Finance from effectively monitoring compliance with these targets (see High Council of Finance, 2018, pp 13-14). » (p.23).	

Germany	**COM analysis of the 2020 DBP** «According to the Regulation on the Economic Projections of the Federal Government (Vorausschätzungsverordnung) passed by the Ministry of the Economy and Energy in agreement with the Ministry of Finance and effective from July 2018, **the Joint Economic Forecast project group has been named as the independent body in charge of assessing and endorsing the economic projections underlying the DBPs and the SPs** within the meaning of the Law on the Economic Projections (Vorausschätzungsgesetz) codifying the procedure for producing the government's economic forecasts and within the meaning of Regulation (EU) No 473/2013. The Joint Economic Forecast project group comprises the German Institute for Economic research in Berlin (DIW), the IFO institute in Munich, the Instiute for World Economy – Kiel, the Economic Research Insitute in Halle (IWH) and the Economic Research Insitute in Essen (RWI). **The Joint Economic Forecast project goup has endorsed the projection underlying the 2020 DBP** on 17 April 2019 in a statement published on its website (gemeinschaftsdiagnose.de) stating that "The projection of the Federal Government appears plausible against the background of the current information situation. The Joint Economic Forecast project goup supports this projection.» (p. 3) **COM assessment of the 2019 SP** «The macroeconomic scenario underlying the SP is based on the federal government's annual projection of macroeconomic trends published on 30 January 2019. This **forecast has been endorsed by the Joint Economic Forecast project goup** in a statement published on 30 January 2019 on its website (gemeinschaftsdiagnose.de), giving a favourable opinion. According to the Regulation on the Economic Projections of the Federal Government (Vorausschätzungsverordnung) passed by the Ministry of the Economy and Energy in agreement with the Ministry of Finance and effective from July 2018, **the Joint Economic Forecast project group has been named as the independent body in charge of assessing and endorsing the economic projections underlying the DBPs and the SPs** within the meaning of the Law on the Economic Projections (Vorausschätzungsgesetz) codifying the procedure for producing the government's economic forecasts and within the meaning of Regulation (EU) No 473/2013. The Joint Economic Forecast project group comprises the German Institute for Economic research in Berlin (DIW), the IFO institute in Munich, the Instiute for World	**2020 DBP** «The 2020 DBP is based in particular on the following sources and information: (...) Federal government spring projection, of 17 April 2019 which was endorsed by the **Joint Economic Forecast group as an independent body** in accordance with the Forecasting Act (*Vorausschätzungsgesetz*) and the Forecasting Ordinance (*Vorausschätzungsverordnung*)». (p.6) **2019 SP** The 2019 SP does not include information on an independent fiscal body in charge of producing or endrosing macroeconomic forecasts of the government. It states in this regard**:** «The projections of budgetary trends contained in the SP are based on all the information available at the time of publication, especially the federal government's annual projection on macroeconomic trends of 30 January 2019 (...)». (p.5)

	Economy – Kiel, the Economic Research Insitute in Halle (IWH) and the Economic Research Insitute in Essen (RWI). » (p. 14) **2019 European Semester country report** «**For the first time the macroeconomic forecast underlying the budgetary projections is endorsed by an independent body**. In July 2018, the Regulation on the Economic Projections of the Federal Government ('Vorausschätzungsverordnung') came into effect. It names the Joint Economic Forecast Project Group, comprising the five leading German economic research institutes, as the independent body responsible for endorsing the macroeconomic forecast underlying the DBPs. **On 16 October 2018, the Joint Economic Forecast project group gave a favourable opinion endorsing the macroeconomic projections underlying the draft budgetary plan for 2019**. As regards the upper limit on the general government structural deficit of 0.5 % of nominal GDP, the Stability Council's Advisory Board assesses Germany as complying with the rules (in its report of December 2018).» (p.33).	
Estonia	**COM analysis of the 2020 DBP** "**The macroeconomic forecast underlying the DBP** was prepared by the Fiscal Policy Department in the Ministry of Finance of Estonia and **was endorsed by the Fiscal Council** (Eelarvenõukogu), **which is an independent advisory body** attached to the Bank of Estonia. The Council assesses the macroeconomic and fiscal forecasts of the Ministry of Finance and the extent to which the budget rules are followed, in accordance with the requirements of the State Budget Act and European Union law. On 26 September 2019, the Fiscal Council published an opinion on its website on the macroeconomic and fiscal forecasts of the Ministry of Finance. The Fiscal Council's opinion is also summarised in the DBP. The Fiscal Council considers that the Ministry's macroeconomic forecast for 2019 and 2020 is in line with the changes in the Estonian economy and with the assumptions used in the forecast. Nevetheless, the Fiscal Council highlights external global risks that may lead to Estonian economic growth being slower than projected. **The Fiscal Council** also considers that tax revenue forecast is broadly in line with expected economic developments but **notes that expenditure projections are not sufficiently explained**. Coupled with the macroeconomic risks, this could lead, in the Council's opinion, to a weaker fiscal outcome. **The Council moreover notes that the general government fiscal position has been in a structural deficit since 2016, throughout the peak of the economic cycle. The Fiscal Council finds that this is not a suitable fiscal policy and recommends that the government improves the fiscal balance substantially in the years ahead**." (p. 2) **COM assessment of the 2019 SP** "The no-policy-change scenario of the SP is based on the macroeconomic and budgetary forecast prepared by the Fiscal Policy Department of the Ministry of Finance of Estonia. **The Fiscal Council of Estonia (Eelarvenõukogu) is an independent body charged with assessing the macroeconomic and fiscal forecasts of the Ministry of Finance and the extent to which the national budgetary rules are followed.** On 18 April 2019, the Fiscal Council published its opinion on the macroeconomic and fiscal forecast of the Ministry of Finance. Since the forecast	**2020 DBP** The 2020 DBP states that «The Draft 2020 State Budget of the Republic of Estonia is based on the summer forecast of the Ministry of Finance, published on 9 September 2019. » (p. 5). In addition, the DBP contains a summary (p.9-10) of the opinion of the Fiscal Council, which assesses that «The Fiscal Council finds that the summer forecast of the Ministry of Finance is in line with the changes in the Estonian economy and the assumptions used for the forecast» (p.3 of the opinion), «but it also considers though that there is a risk that geopolitical and foreign trade tensions may have more of an effect than assumed, and this could lead to economic growth being slower than forecast, and also slower than the risk scenario of the forecast of the ministry (...)»(p.3 of the opinion) **2019 SP** No English version of the SP is available. The Estonian version states that the national fiscal strategy and SP are based on the spring forecast of 2019 published by the **Finance Ministry on 4 April and have been prepared by analysts of the Fiscal Policy Department.** **The Fiscal Council** published its opinion on the spring 2019 forecast of the Ministry of Finance on its website: «The new macroeconomic forecast for 2019-2023 is similar to other forecasts written this year and takes account of changes in the recent past in the global economy and in the Estonian economy. The only change from the earlier forecast is in the trajectory of the slowdown in growth, as it will slow more sharply than previously expected at the beginning of the period, and more gently in the final years of the forecast horizon.» (p.3)

	underlies also as the no-policy-change scenario of the 2019 SP, the Fiscal Council's opinion can be considered as applicable also with respect to this document. **The Fiscal Council endorsed the macroeconomic forecast of Ministry of Finance, considering it plausible with risks broadly balanced and a suitable basis for preparing the state budget strategy.** The Fiscal Council found that the forecast for tax revenues in the state budget was in line with the macroeconomic projections. **Still, the Council noted that the probability of forecast error was heightened**, as had also been the case in the previous years, since the behavioural response to recent tax changes was difficult to predict (in particular with respect to corporate income tax, personal income tax and excises). (...) **The Council argues that** the current good economic times offer a suitable setting for budgetary consolidation and **the government should take measures (curbing expenditure growth) to achieve the balanced structural position already in 2019**." (p. 14) **2019 European Semester country report** **«Estonia's fiscal framework is based only on the budget balance rule (medium-term fiscal targets) in structural terms.** The exclusive focus on the structural balance rule for general government limits the importance and visibility of other relevant indicators. Most notably, expenditure rules or binding expenditure targets are not used, which reduces the framework's countercyclical properties. Accordingly, the currently relatively rapid growth in public expenditure in 2018 and 2019 is not assessed against any domestic expenditure constraint, such as an expenditure rule, ceiling or target. **To mitigate possible risks, a regular assessment of developments on the expenditure side of the budget would usefully inform the national budgetary process** (such an assessment could for example be done by the Fiscal Council (www.eelarvenoukogu.ee), which is an independent body assessing the macroeconomic and public finance forecasts used for budgetary planning and monitoring compliance with the domestic budgetary rules, as well as budgetary rules in the EU law).» (p. 16).	

Ireland	**COM analysis of the 2020 DBP** " The macroeconomic forecast in Ireland's DBP for 2020 was prepared by the Department of Finance. The procedures underlying the endorsement process have been set out in a Memorandum of Understanding, which was agreed between the Department of Finance and the **Irish Fiscal Advisory Council** that **has the task of assessing and endorsing the macroeconomic forecast**. On 30 September 2019, the Irish Fiscal Advisory Council sent a letter to the Department of Finance on the macroeconomic forecasts of the Department. The DBP states clearly the endorsement. **The Fiscal Council has endorsed the set of macroeconomic projections underpinning the 2020 DBP for 2019 and 2020, as "within the range of appropriate forecasts".** In the endorsement letter, the Fiscal Council stressed that the endorsement decision comes at a time of exceptional uncertainty for the Irish economy. **It underlines that, although the Department of Finance has taken on board a scenario in which the UK leaves the EU without a deal in its forecast, the potential impact from such a scenario could be more severe, especially in the short run**." (p. 2)	**2020 DBP** «The Macroeconomic forecasts contained in this document were produced by the Department of Finance and subsequently **endorsed by the Irish Fiscal Advisory Council on the 30th of September 2019**.» (p.3) **2019 SP** «The macroeconomic forecasts contained in the SP were **endorsed by the Irish Fiscal Advisory Council on 5th April 2019**.» (p.i)

	COM assessment of the 2019 SP "The task of assessing the macroeconomic forecast underpinning the annual budget plans and the SP Programme is assigned to the Irish Fiscal Advisory Council, according to the Fiscal resposnibility Act. **The Irish Fiscal Advisory Council endorsed the set of macroeconomic forecasts underpinning the 2019 SP as being within the range of appropriate projections.** The letter of endorsement was signed on 5 April 2019. " (p. 19) **2019 European Semester country report** «Public debt continues to fall, but remains significant. **As warned by the Irish Fiscal Advisory Council, the improvements in the primary budget balance have stalled since 2015, despite the favourable environment (Irish Fiscal Advisory Council, 2018).** Other metrics, like the interest-to-revenue ratio, at 7.6 % in 2017, highlight that debt remains high by EU standards (see Section 3). Contingent liabilities continued to decline. In Ireland, a major part of the guarantees is towards financial institutions. They fell to 0.5 % of GDP in 2017, from 1.9 % in 2016.» (p.23).	
Greece	**COM analysis of the 2020 DBP** "**The macroeconomic forecast underlying the DBP for 2020 was endorsed by the independent Hellenic Fiscal Council**, which decision is indicated in the DBP as well. The assessment of the macroeconomic scenario was published in the form of a short analytical note on 6 October 2019. The Hellenic Fiscal Council concluded that the Ministry of Finance's growth forecast for 2019 and 2020 is "ambitious and could be realized given that certain conditions are met." In particular**, it was pointed out that the official projections for private consumption and private investments were contingent on a decisive improvements in credit conditions**." (p. 3) **COM assessment of the 2019 SP** "**The macroeconomic forecasts underlying the SP had been endorsed by the Hellenic Fiscal Council (HFC) on 30 April 2019**. The HFC endorsed that the macroeconomic forecast underlying the SP since they were considered within acceptable range in the light of the information currently available. More specifically, as stated in the SP, the HFC concluded that the **GDP growth projections were considered optimistic but achievable under certain conditions. The risks flagged in the HFC's assessment are mainly linked to the challenges faced by the banking sector** and especially the high ratio of non-performing loans, the unfavourable demographic developments and the potential deterioration of the external environment. **The HFC is an independent body established by Law 4270/2014.** Its main responsibilities are (a) the assessment of the macroeconomic forecasts and the fiscal projections underlying the Medium Term Fiscal Strategy, the preliminary draft budget and the final budget; (b) the evaluation of the methodologies and assumptions used to prepare the forecasts and a regular ex post evaluation of past forecast	**2020 DBP** « The macroeconomic forecasts used for this year and next were **endorsed by the Hellenic Fiscal Council (HFC)** as required under article 4(4) of the Regulation.» (p.3) **2019 SP** «The macroeconomic forecasts included in the SP have been **endorsed by the Hellenic Fiscal Council (HFC),** as required under Article 4(4) of Regulation (EU) 473/2013.» (p.2)

	performance; and (c) both ex ante and ex post monitoring of compliance with domestic fiscal rules. The HFC is required to publish semi-annual reports, explaining the conclusions of its assessments on macroeconomic and fiscal forecasts as well as of its opinions in relation to compliance with the numerical fiscal rules. " (pp. 17-18) **2019 European Semester country report** «**Greece has established a rule-based comprehensive fiscal governance framework, in line with the relevant European legislation (Budgetary Frameworks Directive, Two-pack, and Fiscal Compact).** The country introduced a medium-term fiscal strategy and strengthened expenditure procedures and fiscal reporting to safeguard fiscal accountability. A structural budget balance rule was laid down coupled with an automatic correction mechanism and specific sectoral corrective mechanisms (i.e. local government, health care, extra-budgetary funds and State-owned businesses). **The Hellenic Fiscal Council has made major progress in rolling out its activities since it became operational in late 2015**. It has also published its mandatory semi-annual reports on the annual and medium-term fiscal plans and on compliance with domestic numerical rules.» (p.20).	

Spain	COM analysis of the 2020 DBP “**The macroeconomic forecasts underpinning the 2020 DBP have been endorsed by Spain's independent fiscal institution – Autoridad Independiente de Responsabilidad Fiscal (AIReF)** in a report published on AIReF's website on 25 October 2019. AIReF's mandate is broad, thus allowing it to play a relevant role in Spain's budgetary processes. Its mandate includes issuing reports assessing the SP, the DBP, compliance of fiscal policy, including the regions' economic and financial plans, with the domestic numerical fiscal rules, and giving advice on the activation of the correction mechanisms set out in Spain's Organic Law on Budgetary Stability and Financial Sustainability. **AIReF deems the macroeconomic scenario of the DBP and its underlying external assumptions as "feasible" and the growth composition, based on an increasing contribution of domestic demand, as "credible".** The growth forecast for 2020 underpinning the DBP falls within the central part of the confidence interval of AIReF’s macroeconomic projections. In the same report, AIReF considers it "achievable" for Spain to reach a nominal general government deficit of 2.0% of GDP or better, attaching a 44% likelihood to this outcome." (p. 3) COM assessment of the 2019 SP “Overall, the **macroeconomic projections underpinning the SP** are broadly in line with the Commission 2019 spring forecast in 2019-2020 and appear overall plausible for the period 2019-2022. They **were endorsed on 25 of April by Spain's independent fiscal institution (AIReF)** (see section 6). AIReF deems the programme’s macroeconomic scenario as "prudent". (p. 5) and “The macroeconomic projections underpinning the SP were endorsed on 25 of April 2019 by Spain's independent fiscal institution (AIReF). **AIReF considers the government revenue estimates as optimistic and not fully consistent with the prudent macroeconomic forecasts. AIRef also noted that the SP does not include sufficient information on the fiscal risks.** “ (p.25) 2019 European Semester country report «With support from the European Commission, the expenditure reviews, carried out by the Spanish Independent Authority for Fiscal Responsibility (AIReF) in 2018 and approved for 2019, have the potential to lead to improvements in the efficiency and effectiveness of public spending in selected areas. **Some provisions adopted through a Royal Decree in March 2018 further enhanced the functions and the role of the Independent Authority for Fiscal Responsibility (AIReF).** Spain’s fiscal framework can be further strengthened, among other things, by pursuing a more automatic activation of measures to prevent and correct deviations from fiscal targets at the local level and by enhancing the contribution of the domestic spending rule to the sustainability of public spending (see European Commission 2018a, p.28-29, and European Commission 2018c).» (p. 32).	2020 DBP No English version of the DBP is available**.** The Spanish version states that the macroeconomic scenario described in the 2020 DBP is endorsed by the **Independent Fiscal Responsibility Authority (AIReF)** (p.5). In its opinion on the DBP, **AIReF** states that it «considers the Government followed a prudent approach in the preparation of its forecasts by presenting a no-policy-change scenario, consistent with the current situation of an acting government».(p.3) 2019 SP «The 2019-2022 SP Update of the Kingdom of Spain presents a prudent and realistic macroeconomic and fiscal scenario based on conservative assumptions. **The Independent Authority for Fiscal Responsibility (AIReF)** has endorsed the Government's macroeconomic scenario and considers it prudent overall, taking into account the exogenous assumptions and policies defined therein. It has also underlined the progress made in transparency vis-á-vis previous years in response to recommendations on good practices».(p.6).

France	COM analysis of the 2020 DBP	2020 DBP
	«**The High Council of Public Finances, the independent monitoring body attached to the French Court of Auditors, adopted on 23 September an opinion on the macroeconomic forecasts underlying the DBP** as well as on the underlying budgetary strategy. This opinion is attached to the DBP submitted to the National Assembly, and was made public by the High Council of Public Finances on its website on 27 September. **In its opinion, the High Council of Public Finances considers that the macroeconomic scenario underpinning the Draft Budgetary Plan is within reach for 2019 and plausible for 2020 regarding the projections for GDP growth**. The High Council of Public Finances assesses the inflation, employment and salary mass forecasts as coherent with the available information for 2019 and as reasonable for 2020. **The High Council of Public Finances nevertheless flagged the growing uncertainty surrounding the external environment scenario (especially related to the possibility of a Brexit without a deal at that time).** Moreover, the High Council of Public Finances assesses as plausible the public finances scenario» (p. 3)	«The Directorate General of the Treasury prepares macroeconomic forecasts and compiles public finance forecasts. (...) These forecasts were submitted to an independent fiscal body, **the High Council on Public Finances** ("Haut Conseil des finances publiques", HCFP) for its opinion. (...) The HCFP issues an opinion on all of these components. This opinion is attached to the DBP submitted to Parliament, and made public by the HCFP at the same time under the terms of the Constitutional Bylaw. The Constitutional Council has ruled that opinions issued by the HCFP shall be taken into consideration when assessing whether the texts submitted for its review are sincere. » (p.62) **The opinion of the HCFP, states that it «considers that the Government's growth forecast is achievable by 2019 and plausible by 2020**. Furthermore, it stresses that this forecast does not take into account the possibility of a no-deal Brexit and its consequences on French growth. The Council notes that the Government submits an article of the budget bill, which deviates significantly from the trajectory of the 2018 public finance programming law.»
	COM assessment of the 2019 SP	**2019 SP**
	«The **High Council for Public Finances (HCPF), the independent monitoring body attached to the French Court of Auditors, released on 10 April an opinion endorsing the macroeconomic forecasts underlying the SP**. In its opinion, the HCPF considers that the macroeconomic scenario underpinning the SP is realistic regarding the 2019 macroeconomic projections for GDP growth, employment and salary mass, while the inflation projections are plausible. Moreover, the HCFP also flagged that potential growth and output gap estimates, while surrounded by uncertainty, are reasonable and fall within the range of available estimates. Furthermore, the HCPF highlights the need to respect the revised targets in terms of public expenditure reduction, especially in view of the stronger reduction of tax revenues, the upward revision to the debt trajectory and the higher deficits than planned in the DBP.» (p.23) **2019 European Semester country report** «**The French fiscal framework is complemented by expenditure rules and supervised by the independent monitoring institution, the HCPF.** Expenditure rules are in place at the state level and a cap on the growth of healthcare spending facilitates the respect of the social security spending targets. In addition, the public finance programming law provides indicative growth rates for expenditure by local governments. The French Court of Auditors issues reports on the situation and trends in public finances, including on state expenditure compared to the expenditure rules in force and an alert committee is in charge of monitoring the growth of healthcare expenditure. Enforcement is weaker at local government level and certain social security funds are less monitored. Established by the 2012 'Organic Law', the High Council for Public Finances plays a central role in the oversight of the fiscal strategy as it monitors the respect of the numerical fiscal targets and assesses compliance of the budgetary objectives set in the annual budgets with the objectives of the programming laws. Nonetheless, in case the public finance programming law is amended by Parliament, the assessment of the High Council for Public Finances is made against the new objectives set in the	The 2019 SP «provides an update of the French government's growth forecasts and targeted public finances adjustment path for the period 2019-2022. **The High Council** provides Parliament, the Constitutional Council and outside observers with an independent assessment of the Government's forecasts.» (p.65). Furthermore, it states that the HCFP has publicly issued an opinion on the macroeconomic forecasts used in the SP and that this opinion has been attached to the SP which was submitted to the Council of the European Union and the European Commission at the end of April 2019 (p.66). **The opinion of the HCFP** is published on its website and **considers «that the growth, employment and payroll forecasts for 2019, which have been revised downwards since the last budget bill, are realistic**. The inflation forecasts are plausible.» Moreover, it deems «that the Government's estimates of potential growth and output gap for the years 2019 to 2022 are reasonable, as they are within the available estimation range.» One of the HCFP concerns is Brexit implementation which has a major risk upon growth prospects. The HCFP notes that «the Government chose to build a more credible medium term macroeconomic scenario. However, it points out that, due to the revision of the macroeconomic scenario and to the more significant tax reduction in comparison with the previous SP, the current one leads to a significantly lower reduction of actual and structural deficits in 2022 and, as a consequence, of public debt. Therefore, a rigorous respect of public expenditure objectives is even more required. »

	programming law, which is a structural weakness of the French fiscal framework. In case of departure from the targets, it can trigger the correction mechanism. **Finally, the High Council for Public Finances provides endorsement of the macro-economic forecast underlying the budgetary documents**.» (p.32).	

Italy	**COM analysis of the 2020 DBP** «Italy's 2020 DBP is based on the macroeconomic scenario outlined in the update of the Economic and Financial Document of 30 September 2019. The Economic and Financial Document presents a trend scenario, based on the hypothesis of unchanged legislation, and a programme scenario, including the impact of the measures proposed in the DBP. Both macroeconomic scenarios have been prepared by the government. **The Parliamentary Budget Office, Italy's independent fiscal monitoring institution, endorsed both the trend and the programme scenario observing that the estimates were inside the acceptable range given the information currently available**. Compared to the trend scenario, the programme scenario presents a deficit target for 2020 of 2.2% of GDP (compared to 1.4%) and real GDP growth of 0.6% (compared to 0.4%). The endorsement of the trend and programme scenario, mentioned in the DBP, took the form of two letters (dated 23 September and 8 October 2019, respectively) addressed to the Italian Minister of Economy and Finance and publicly available on the Parliamentary Budget Office's website. In its parliamentary hearing on the Economic and Financial Document , **the Parliamentary Budget Office noted that the growth outlook for 2020 was subject to downside risks that might further amplify in the following years**.» (p.2) **COM assessment of the 2019 SP** «In April 2019, **the Parliamentary Budget Office (PBO), validated both the baseline and policy scenario of macroeconomic projections of the SP**. The macroeconomic projections of the SP in the policy scenario are positioned within the bounds of the forecast range considered by the PBO for its assessment. However, the PBO stresses that the projections are subject to sizeable downward risks, both external and domestic, and that the government's projections for investment exceed the PBO panel forecast range by a marked margin. » (pp.25/26) **2019 European Semester country report** There is no mention of the role of independent fiscal bodies in the **country report**.	**2020 DBP** «**The Parliamentary Budget Office (PBO)** endorsed the 2019-2020 macroeconomic forecasts presented in the **Update of the Economic and Financial Document (NADEF) that was approved by the Council of Ministers on 30 September 2019.** The forecast under unchanged legislation of NADEF was formally endorsed by UPB on 23 September 2019, following consultations between UPB and the Treasury. The policy forecast of NADEF was endorsed on 8 October. **UPB deemed the official projections plausible but argued that there are significant downside risks to the forecast and that such risks are particularly relevant on a longer horizon, spanning the 2021-2022 scenario.** The latter, however, is not subject to an official endorsement by the UPB at this stage. The present document confirms the macroeconomic forecast of NADEF. » (p.10). See also PBO website. **2019 SP** The macroeconomic forecast based on unchanged legislation was validated by the **Parliamentary Budgetary Office (PBO)** on 25 March 2019. (p.5). See also PBO website.

Cyprus		
Cyprus	**COM analysis of the 2020 DBP** «**The macroeconomic forecast underpinning the DBP was endorsed by the independent Fiscal Council**, as recalled in the DBP document. The draft 2020 budget document, including the official forecast, was submitted to the Fiscal Council on 23 September 2019. On 30 September 2019, the Council published a press statement announcing the endorsement by concluding that the projections for macroeconomic variables as prepared by the Ministry of Finance was "within acceptable limits". The Council's 2019 autumn report presented a detailed comparative analysis covering risks to the official macroeconomic scenario as well as other fiscal challenges. As regards economic risks, the Council specifically pointed to the deterioration in the external environment, the aftershocks of the Thomas Cook bankruptcy to the tourism sector, the remaining vulnerabilities stemming from the high ratio of public and private debt, as well as the stock of non-performing loans in the banking sector. The report also listed some fiscal risks, such as the overdependence on the 'citizenship for investment' scheme (...) » (p.4) **COM assessment of the 2019 SP** «The macroeconomic forecasts underlying the SP had been submitted to **the independent Fiscal Council** for endorsement. On 15 April 2019, the Council **concluded in a letter to the Minister of Finance that the macroeconomic forecast underlying the SP was deemed to be within acceptable limits, thus endorsing the authorities' macroeconomic forecast**. More specifically, as stated in the SP, the Council concluded that the headline GDP and budget balance figures as forecasted by the Ministry of Finance were considered realistic for the programming period under consideration. The Council's detailed assessment is expected to appear in its 2018 spring report.» (p.21) **2019 European Semester country report** «**A rigorous implementation of the budgetary framework is essential to contain risks of fiscal relaxation.** Currently, the focus is on implementing the secondary legislation of the Fiscal Responsibility and Budget System Law rigorously, in particular not exceeding the expenditure ceilings set in the medium-term budget framework. **Furthermore, in March 2018, the government approved a decision accompanying the Fiscal Responsibility and Budgetary Framework Law to fully transpose the Budgetary Frameworks Directive (EU 2011/85).** The adopted changes clarified the responsibilities for assessing the macroeconomic and budgetary forecasts so as to improve the transparency of public finances**.** **In particular, in its semi-annual reports the Fiscal Council is requested to compare the official macro-fiscal projections with the Commission's most recent forecasts, while the Ministry of Finance is responsible for explaining any significant differences between these projections.** The Fiscal Council's mandate on the ex-post evaluation of the accuracy of the government's macro-fiscal forecasts is set to cover at least four consecutive years.» (pp.26 - 27).	**2020 DBP** «The macroeconomic projections underlying the budgetary outcomes have been endorsed by the Fiscal Council» (p.3). **2019 SP** «The macroeconomic and fiscal forecasts underlying this Programme have been submitted to the **Fiscal Council** for endorsement and the Council concluded that the headline GDP and budget balance figures as forecast by the Ministry of Finance are considered realistic for the programming period under consideration» (p.5).

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<td>Latvia</td>
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COM analysis of the 2020 DBP

«**The macroeconomic forecast underlying the DBP was** prepared by the Ministry of Finance and **endorsed by the Fiscal Discipline Council (FDC) in June 2019**. The endorsement report is published on the FDC's website and acknowledged in the DBP. The FDC is an independent body established with the purpose of monitoring compliance with the Fiscal Discipline Law. It has also been charged with the task of endorsing the macroeconomic forecasts underlying the budgetary plans.

Along with the endorsement, the FDC made several comments, pointing out the risks to the forecast, mainly due to weakening external demand. It also noted inflation risks stemming from the tight labour market and agreed that the current investment cycle was winding down and that, therefore, Latvia should generally expect lower growth rates over the coming years compared to the growth rates it enjoyed in 2017 and 2018. Moreover, in the more recent Fiscal Discipline Surveillance Report from September 2019 the FDC noted that a number of short-term economic indicators had worsened since the adoption of the June opinion on the macroeconomic forecast. » (pp. 2/3)

COM assessment of the 2019 SP

«**The macroeconomic forecast underlying the SP was endorsed by the FDC on 15 February 2019**. The FDC considered the macroeconomic forecasts of the Ministry of Finance to be realistic, while highlighting that the economic conditions remain favourable as the output gap is assessed to be positive. It cautioned the government about the need to pursue fiscal policy that is appropriate in the current economic conditions and that would better prepare the public finances in case of unfavourable economic developments..» (p.18)

2019 European Semester country report

«**The fiscal framework is broadly followed, but expenditure limits are occasionally disregarded in budget implementation.** The budgetary planning is based on the fiscal rules set by the fiscal discipline law and takes into account the allowed deviations for implementing structural reforms. However, applying the national budgetary rules is problematic in two areas. Firstly, the Latvian authorities treat the transitional costs of the tax reform as one-off measures, while they are not recognised as such by the Commission because the adopted measures are deliberate policy actions. Secondly, authorities tend to reallocate expenditure from budgetary positions the fiscal discipline law allows to fluctuate, to expenditure positions fixed through pre-determined limits. **The apparent breaches of the fiscal discipline law requirements are flagged by the independent Fiscal Discipline Council, but this has not yet led to policy change.** Disregarding the expenditure limits has contributed to the recent rapid expenditure growth and undermines principles of fiscal prudence.» (p.19).

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2020 DBP

«Macroeconomic indicators' forecasts are agreed with the Bank of Latvia and Ministry of Economics by signing an agreement protocol, and were approved by the **Fiscal Discipline Council** on June 20, 2019. In the preparation of the forecasts, the MoF consulted experts from the International Monetary Fund and the EC. Framework Law 2019-2022 was developed based on these macroeconomic indicators' forecasts.» (p.5)
The opinion of the **Fiscal Discipline Council** concludes that «broadly, the Council considers the MoF's macroeconomic forecasts to be realistic and endorses them. » (p.3)

2019 SP

«Forecasts of the macroeconomic indicators have been approved by the **Fiscal Discipline Council**, by publishing its opinion on 15 February 2019».(p.16).
The FDC publishes its opinion on its website on the 15th of February 2019, stating «The MoF macroeconomic forecast is largely in line with the forecasts of the European Commission (...), the International Monetary Fund and the Bank of Latvia's (hereafter – BoL)» (p.27) and «**Broadly, the Council considers the MoF's macroeconomic forecasts to be realistic and endorses them**. » (p.30)

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Lithuania		
Lithuania	**COM analysis of the 2020 DBP** «The macroeconomic forecast underlying the DBP for 2020 was prepared by the Ministry of Finance and published on its website on 11 September 2019. **The macroeconomic scenario was reviewed by the National Audit Office of Lithuania which carries out the function of an independent fiscal institution via its Budget Policy Monitoring Department.** **On 19 September, the Budget Policy Monitoring Department issued a positive opinion of the economic scenario and submitted it to the Parliament.** In its opinion the National Audit Office also shared the views of the Ministry of Finance on the main downside risks to the macroeconomic scenario. The opinion was also published on the website of the National Audit Office and the website of the Ministry of Finance. (...).» (pp. 2/3). **COM assessment of the 2019 SP** «On 29 March 2019, **the Independent Fiscal Institution presented its opinion to the Parliament endorsing the economic development scenario underpinning the SP.** The Ministry of Finance had published the economic development scenario on March 21. The Independent Fiscal Institution assessed that the economic scenario was based on the recent available statistical data and did not contradict economic trends» (p.16) **2019 European Semester country report** The section on fiscal frameworks does not mention the role of the Lithuanian independent fiscal body (p. 19).	**2020 DBP** No English version of the DBP is available. The Lithuanian version states that the economic development scenario for 2019-2022 was developed by the Ministry of Finance and approved by the Budget Policy Monitoring Authority (p.3). The **NAO** does not provide information on whether it approved or endorsed the underlying macroeconomic forecasts of the DBP. **2019 SP** The 2019 SP states that the program of the Ministry of Finance for 2018-2022 is evaluated by the Fiscal institution. «The programme presents information on the updated Economic Development Scenario that was published on 21 March 2019 on the website of the Ministry of Finance, medium-term fiscal objectives and the general government fiscal projections.» (p.7) The SP indicates the conclusion of the Fiscal institution of 29 March 2019 on the approval of the EDS «the scenario developed by the Ministry of Finance is determined by selected and named assumptions, it is based on the available statistical data and it does not contradict economic patterns. The Fiscal institution approves the economic development scenario of 2019-2022 which is appropriate for the preparation of the Lithuanian Stability Programme for 2019 and of the budgets belonging to the government sector» (p.8)

Luxembourg	**COM analysis of the 2020 DBP** «**The macroeconomic scenario underlying the DBP, which was submitted on 14 October, is based on ad-hoc projections updated for this particular purpose by the "Direction Etudes, Prévisions et Recherche" of the National Statistical Office, "STATEC"**, which also provides the methodology for the calculation of the output gap. As stated in its Introduction, **the DBP is based on the most recent macroeconomic forecasts independently produced by STATEC**, as tabled to Parliament on 14 October 2019 by the Government, in line with article 6 of Regulation (EU) No 473/2013. **STATEC is an autonomous entity placed under the authority of the Ministry of Economy**. Since 2018, STATEC has been involved in the process of adapting the public national accounts, which are presented in the DBP in accordance with the ESA2010 framework. The updated projections have been published only within the 2020 DBP. STATEC will publish the next forecast update on the forthcoming issue of its biannual forecast exercise, scheduled for December ("Note de Conjoncture, 2-2019" forthcoming). STATEC is also responsible for the preparation of the midterm projections2 in the context of the SP and the National Reform Plan.» (pp. 1/2). **COM assessment of the 2019 SP** «**The macroeconomic forecast underlying the SP has been prepared by the Direction "Etudes, prévisions et recherche" of the national statistical office STATEC**, which also provided the methodology for the calculation of the output gap. **STATEC is an autonomous entity placed under the authority of the Ministry of Economy**. Its mandate and organisation were revised by the law of 10 July 2011, which explicitly highlights STATEC's scientific and administrative independence, its ability to access to appropriate information to carry out its mandate and its capacity to communicate freely. Its director is appointed by the Grand-Duke. **Its statutes contain provisions supporting independence of the institution as a body producing macroeconomic forecasts**.» (p.17) **2019 European Semester country report** «**The mandate of the National Council of Public Finances, Luxembourg's independent fiscal body, was broadened in 2017 to include the expost evaluation of macroeconomic and budgetary forecasts** (on December 15 2017, the budget law for 2018 amended the law of 12 July 2014 on the coordination and governance of public finances**). The first such analysis by the Council was published in June 2018 and was based on 10 to 20 years-worth of forecast data (1996-2016).** The analysis covered projections for real growth, employment and unemployment, inflation and nominal general government balance. In its analysis, the Council identified a pessimistic bias in the projections for the budget balance and employment, leading to upward revisions in the years following their first publication. On an institutional note, the mandate of the members of the Council came to its end in November 2018 and the new composition is currently awaiting approval by Parliament. **The authorities provided their answer to the public finances evaluation formulated by the National Council of**	**2020 DBP** «The present DBP is based on the **most recent macroeconomic forecasts independently produced by STATEC** and it draws upon the fiscal objectives presented in the draft budget 2020 as tabled to Parliament on 14 October 2019 by the Government» (p.1) The NCPF does not provide information on its website about any involvement in the 2020 DBP. **2019 SP** The SP gives information of involvement of the **National Council of Public Finance (CNFP)** as an independent body responsible for monitoring public finances (p.47). It states that «the Government's budgetary projections are based on macroeconomic forecasts independently elaborated by STATEC.» (p.3) However, **the NCPF states on its website that the forecasts of STATEC are used in an incoherent manner and too optimistic compared to international organisations** (pp. 4/5).

	Public Finances. In line with the Memorandum of Understanding concluded in October 2017, the Ministry of Finance provided a public response to the recommendations of the Council's report of June 2018 on the evaluation of public finances. **The public position was in apparent disagreement with the main Council's recommendation on the appropriateness of running budgetary surplusses beyond the Stability and Growth Pact benchmarks, in seek the long-term sustainability of public finances, and it refused the recommendations on the macroeconomic scenario underlying the budgetary projections, as it lays under the responsibility of the STATEC, which is an independent bod**y.» (pp. 21 -22).	

Malta		
	COM analysis of the 2020 DBP «**The macroeconomic projections underlying the DBP have been endorsed by the Malta Fiscal Advisory Council (MFAC), an independent fiscal council established with the Fiscal Responsibility Act**. The endorsement took the form of a letter addressed to the Minister of Finance, published on the Malta Fiscal Advisory Council's website. The Malta Fiscal Advisory Council concludes that the macroeconomic forecast for 2019 and 2020 prepared by the Ministry for Finances 'lies within its endorsable range'.» (p.2). **COM assessment of the 2019 SP** «**The macroeconomic forecast underlying the SP were** prepared by the Ministry of Finance and **endorsed by the MFAC** in a letter of endorsement published on 30 April 2019 on the website of the MFAC. The MFAC considered that macroeconomic forecasts lie within its endorsable range. A detailed assessment is to be published by the MFAC at a later stage. The MFAC evaluates also the fiscal forecasts presented in the SP. However, the assessment was not yet available at the time of writing this report.» (p.16) **2019 European Semester country report** «**The fiscal framework is robust and many fiscal transparency practices are sound.** Public finances have benefited from the strengthening of the fiscal framework due to the Fiscal Responsibility Act in 2014. **A key element has been the creation of Malta's Fiscal Advisory Council, which has been endowed with a broad mandate, and its contribution to the public debate on fiscal developments.** Fiscal reports now cover all general government entities and are published in a frequent and timely manner. Budget documentation provides a medium-term perspective to fiscal planning and clear fiscal policy objectives are embedded in legislation. The government discloses and assesses macroeconomic risks to the fiscal outlook and reports on risks to the government's debt portfolio e.g. in the Stability Programme and the Draft Budgetary Plans submitted to the European Commission. The National Audit Office, the Central Bank and the Treasury Department also report on these risks. These positive elements are also recognised by the International Monetary Fund's Fiscal Transparency Evaluation report for Malta (IMF, 2018) (The report found that Malta meets the standard of good or advanced-level practice on 21 out of 35 principles in the IMF's Fiscal Transparency Code, and basic practice on a further 12 principles). **While strong overall, fiscal transparency could be further improved**. As highlighted by the IMF, currently there is no fiscal report that provides a consolidated view of the performance of the public corporation sector and tax expenditures are not comprehensively reported. No full details are provided on the performance of different budget entities or on the revenue and expenditure of extrabudgetary units and of public investment projects. The discussion of risks to the fiscal forecast presented in various reports currently focusses on risks stemming from the macroeconomic environment. **»** (p.19)	**2020 DBP** «The targets contained in this Plan fulfil the legal requirements established by virtue of the Fiscal Responsibility Act. In addition, **the macroeconomic forecasts underlying this Plan and the 2020 Budget have been endorsed by the Malta Fiscal Advisory Council.**» (p.5) **2019 SP** «In the context of the requirements of the Fiscal Responsibility Act, **this Programme is being submitted to the Malta Fiscal Advisory Council (MFAC) for its endorsement** thus elevating it to the status of Malta's Medium-Term Fiscal Plan. The Medium-Term Fiscal Policy Strategy includes the expenditure priorities and the public investment programme highlighted in this chapter in order to fulfi l the requirements of Article 15(7) of the Act. In the process of its assessment, the Malta Fiscal Advisory Council will carry out a fiscal risk assessment. **Once this is completed, the report of the Malta Fiscal Advisory Council will be considered by Government and will then be submitted to the House of Representatives in conjunction with the Stability Programme.** » (p.5)

Netherlands	**COM analysis of the 2020 DBP** «**The macroeconomic forecast underlying the draft budget for 2020 was produced by the CPB Netherlands Bureau for Economic Policy Analysis (Centraal Planbureau, CPB)**. The government traditionally uses the CPB's macroeconomic forecast to present the budgetary and economic effects of planned measures. This established practice has been formalised in 2013 by virtue of the Law on the Sustainability of Public Finances (Wet houdbare overheidsfinanciën). The revenue measures were endorsed as 'unbiased and reasonable' by the CPB.» (p.2). **COM assessment of the 2019 SP** **The macroeconomic forecast underlying the SP was prepared by the CPB. While the CPB is a government body, it enjoys independence, formally guaranteed by law**. The government traditionally uses the CPB's macroeconomic forecast to present the budgetary and economic effects of planned measures. This established practice has been formalised in 2013 by virtue of the Wet HOF. » (p.16) **2019 European Semester country report** «**The Netherlands has a well-established fiscal framework.** Since the mid-nineties, the Netherlands has been conducting a trend-based fiscal policy with a strong multi-annual focus. The main characteristics of this multi-annual trendbased fiscal framework include: (i) the use of independently derived macroeconomic assumptions; (ii) the use of inflation-adjusted expenditure ceilings for the government's entire term; (iii) the use of automatic stabilisers on the revenue side, and (iv) a well-defined budgetary process for decision-making and clear distribution of responsibilities, including the tasks of independent fiscal institutions, the Bureau for Economic Policy Analysis and the Advisory Division of the Council of State. **The Bureau for Economic Policy Analysis carries out independent macro-economic and fiscal forecasts while the Advisory Division of the Council of State, as fiscal council, is tasked with monitoring compliance with numerical fiscal rules and a normative assessment of government finances.** The commitment to comply with EU fiscal rules is embedded in the legal framework of the Netherlands, in particular via the law on sustainable public finances (*Wet Houdbare Overheidsfinancien).*» (p. 24).	**2020 DBP** «The economic and budgetary forecasts are based on the most recent Macroeconomic Outlook by the **Netherlands Bureau for Economic Policy Analysis (CPB) and the 2020 Budget Memorandum**. » (p.3) **2019 SP** «Unless indicated otherwise, the figures used in this report are based on the most recent projections of **the Netherlands Bureau for Policy Analysis (CPB)**, as published in the Central Economic Plan (CEP) of 21 March 2019.» (p.3) **COMMENTS BY EGOV:** The tasks prescribed by the EU legislation have been entrusted in the Netherlands to two different independent bodies: The Advisory Division of the Council of State and the Bureau for Economic Policy Analysis; the latter has produced the forecasts of the 2018 SP and the 2019 DBP.

Austria		
Austria	**COM analysis of the 2020 DBP** «The **DBP for 2020 submitted by Austria is based on the macroeconomic forecast published by the Austrian Institute of Economic Research (WIFO) on 4 October 2019. WIFO is** a non-profit association under Austrian law, **recognised for high-quality economic research and realistic and unbiased forecasts**. It is a long-standing practice in Austria that the Ministry of Finance bases its fiscal plans on the macroeconomic forecast that WIFO produces four times a year following an established, pre-announced calendar.» (pp.2/3). **COM assessment of the 2019 SP** «**The SP for the period 2018-2023** submitted by Austria states that it constitutes the medium-term fiscal plan required under Article 4(1) of Regulation (EU) 473/2013. It **is based on** the Federal Budgetary Framework Law 2017 to 2020 (BFRG) and the parameters of the Austrian Stability Pact (ÖStP), national accounts data from Statistics Austria (STAT) until 2018, **the medium-term economic forecast by the Austrian Institute of Economic Research (WIFO) of March 2019**, and calculations and assessments by the Federal Ministry of Finance (BMF). **It is a long-standing practice in Austria that the Ministry of Finance bases its fiscal plans on the macroeconomic forecast that WIFO produces four times a year following an established, pre-announced calendar.** The main features of WIFO's forecasts are freely available to the public.» (p.20) **2019 European Semester country report** The is no mention of the role of the Austrian independent fiscal bodies in the **country report**.	**2020 DBP** «This document is drafted in accordance with the „Two Pack Code of Conduct". It is **based on (...) forecasts by the Austrian Institute of Economic Research (WIFO) from October 4th, 2019**. »(p.3) **2019 SP** The SP states that «the updating of the Austrian Stability Programme for the period 2018 to 2023 follows the content and form of the "Code of Conduct". This update is based on data from the following sources (...), the medium-term economic forecast of the **Austrian Institute for Economic Research (WIFO)** of March 2019 and calculations and assessments by the Federal Ministry of Finance (BMF).» (p.4) It also mentions that «the **independent Fiscal Council** has been legally assigned the role of monitoring compliance with EU fiscal requirements». (p.34) «The Fiscal Council confirmed that the WIFO forecasts for GDP growth (real and nominal) used for budget planning were statistically not significantly distorted (...) Overall, the Fiscal Council did not find any significant systematic errors in the BMF's budget forecasts. » (p.24). **COMMENTS BY EGOV:** The screening of the COM and Austrian documents shows that the tasks prescribed by the EU legislation have been entrusted to two different independent bodies: The Fiscal Advisory Council (FAC) and the Austrian Institute for Economic Research (WIFO).

<table>
<tr>
<td rowspan="1">Portugal</td>
<td>

COM analysis of the 2020 DBP

«The macroeconomic forecast underlying Portugal's updated DBP for 2020 has been prepared by the Department of Planning, Strategy, Evaluation and International Relations (Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais, GPEARI) of the Ministry of Finance. **The Public Finance Council (Conselho das Finanças Públicas, CFP) assessed and endorsed the macroeconomic forecast**. The CFP was established through the May 2011 reform of the Budgetary Framework Law (Article 12-I) as an **independent body with a mandate that includes the analysis of government forecasts**. The endorsement by the CFP is attached to the updated DBP and has been available on the institution's website since the submission of the updated DBP. For 2019, the CFP considered that the macroeconomic forecast in the updated DBP appeared to be the most likely as regards GDP growth and the evolution of most of its components. **For 2020, the CFP considered that the assumption in the updated DBP of keeping the same profile for real GDP growth as in 2019 carries downward risks**, given the uncertainty in the international economic outlook and the persistance of trade tensions that have been detrimental to the growth of Portugal's main trading partners, in particular given the vulnerability of the Portuguese economy to external shocks.» (p.2).

COM assessment of the 2019 SP

«**The macroeconomic forecasts underlying the SP were analysed by the Portuguese Public Finance Council (CFP). In its Opinion No 01/2019 of 12 April, attached to the SP, the CFP endorsed the macroeconomic forecasts therein for the period 2019-2020, but not for the period 2021-2023**. Focusing on the period 2019-2020, the CFP pointed to likely downside risks to the government's macroeconomic forecasts, mainly stemming from the external macroeconomic environment. In turn, focusing on the period 2021-2023, the CFP considered that the government's macroeconomic forecasts constituted neither the most likely, nor the most prudent scenario.» (p.26)

2019 European Semester country report

There is no mention of the role of the Portuguese independent fiscal bodies in the **country report**.

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2020 DBP

The updated 2020 DBP includes the opinion (in Portuguese) of the **Public Finance Council's (Conselho das Finanças Públicas, CFP)** on macro-econiomc forecast underlying the udpated DBP (p.54 and following). Whilst the Public Finance Council endorses the underlying macro-economic forecast, it notes that the growth profile for 2020 entails downside risks, given the uncertainty that persists in the international economic outlook and the continuing trade tensions that have been detrimental to the growth of Portugal's main trading partners, allied to the vulnerability of the Portuguese economy to external shocks.

2019 SP

The 2019 SP includes an assesment report of the **Public Finance Council** (p.11 and following). In its conclusion, it states «as a result of the assessment carried out, **the Portuguese Public Finance Council endorses the macroeconomic forecasts underlying the 2019-2020 Stability Programme's draft. However, it does not endorse the forecasts for 2021-2023**, given the significant divergence from the other forecasts and projections considered, both as regards gross domestic product growth and its acceleration path. In PFC's view, based on the available information, such forecasts do not translate into the most likely macroeconomic or a more prudent scenario.» The assessment of the PFC is available on the website as well.

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Slovenia	**COM analysis of the 2020 DBP** «The **macroeconomic scenario underpinning the DBP is the Autumn 2019 Forecast of Economic Trends produced by the Institute of Macroeconomic Analysis and Development (IMAD). IMAD is an independent government office**, whose management is responsible directly to the Prime Minister.» (p.2). **COM assessment of the 2019 SP** «The macroeconomic scenario underpinning the SP is the Spring 2019 Forecast of Economic Trends produced by the Institute of Macroeconomic Analysis and Development (IMAD). The independent status and tasks of IMAD arise from legislation. IMAD produces economic forecasts twice a year (in March and October) to underpin the SP in April and the DBP in autumn.» (p.21) **2019 European Semester country report** «**The Fiscal Council warns of non-compliance with fiscal rules in the years 2018 to 2021.** The Fiscal Council assessed that most fiscal rules were respected in 2017 and that the fiscal policy was appropriate. However, after examining the 2018 stability programme drafted based on unchanged policies, it called on the government to take additional measures to avoid non-compliance with the fiscal rules in the years 2018 to 2021. According to the Fiscal Council, the coalition agreement fails to address adequately long-term risks to fiscal sustainability. The Fiscal Council warned in autumn 2018, and again in January 2019, that, if implemented as agreed, the fiscal policy of the new government would be pro-cyclical (Fiscal Council, 2018b; Fiscal Council, 2019).» (p.16).	**2020 DBP** «**IMAD autumn macroeconomic projections ,which are used in the DBP**, forecasts a decline of economic growth in 2019 to 2.8%. of which the government was informed on 12 September 2019. » (p.10) **2019 SP** «The Framework for the Preparation of Budgets 2020-2022 is a medium term plan of fiscal projections by the Government of the Republic of Slovenia, which is based on the **2019 Spring Forecast of Economic Trends (IMAD, March 2019)** .» (p.3) The Fiscal council states on its website «that after reviewing the proposal for a Decree on the Framework for the Budgeting of the General Government Sector and the draft Stability Program 2019 for the period 2019-2022, concludes that the projected fiscal movements this year deviate from the fiscal rules. » **COMMENTS BY EGOV:** While the COM report under Art. 8 of TSCG (p. 4 - 5) states that the **Fiscal Council** is the independent fiscal body in accordance with the TSCG, the SP and DBP mention that another independent body (the Institute of Macroeconomic Analysis and Development, IMAD) prepared the macro-economic forecasts used in these budgetary plans. It can be concluded that Slovenia has several independent fiscal bodies.

Slovakia	**COM analysis of the 2020 DBP** «**Slovakia's DBP is** based on the macroeconomic forecast **published by the Institute for Financial Policy (IFP) of the Ministry of Finance** in September and **endorsed by the Macroeconomic Forecasting Committee (MFC). According to the statutes, in its deliberations the MFC is independent and free from the government's influence.** The MFC consists of a chairman (the Director of the IFP) and members from eight independent institutions entitled to vote (the Central Bank, the Academy of Science, the Institute of Informatics and Statistics and five commercial banks). There are three other members of the MFC who are in the role of observers without voting rights (the Council for Budgetary Responsibility, the National Statistical Office and one commercial bank). The MFC assesses whether the draft forecast submitted by the IFP is "conservative", "realistic" or "optimistic". The draft forecast is accepted by the MFC if the majority of voting members assesses the forecast as "conservative" or "realistic". **According to the minutes published on the website of the IFP, the macroeconomic forecast underpinning the Draft Budgetary Plan was deemed "realistic" by the four members of the MFC voting at the meeting held on 11 September 2019.**» (p.3). **COM assessment of the 2019 SP** « **The macroeconomic forecast underlying the SP** was published by the Institute for Financial Policy (IFP) of the Ministry of Finance on 4 February 2019 and **was endorsed as realistic by the Macroeconomic Forecasting Committee at its meeting of 30 January 2019**. The Macroeconomic Forecasting Committee was established by the Constitutional Act on Fiscal Responsibility as an advisory body to the Mister of Finance. According to the Committee's statutes, it is independent from the government's influence in its deliberations.» (p.21) **2019 European Semester country report** There is no mention of the role of independent fiscal bodies in the **country report**.	**2020 DBP** No English version of the 2020 DBP is available at the time of publication of this overview. The Slovak language version states that the macroeconomic forecasts underpinning the 2020 DBP have been endorsed by **Macroeconomic Forecasts Committee**. (p.14) **2019 SP** No English version of the 2019 SP is available at the time of publication of this overview. The Slovak language version states that «the macroeconomic forecast underlying the Stability Program 2019 was approved by the **Macroeconomic Forecasts Committee on 4 February 2019**. (p.9) After the meeting of the Macroeconomic Forecasts Committee in September 2019, seven members assessed the medium-term macroeconomic forecast of the Ministry of Finance as realistic, while one member marked it as conservative.» (p.45). Furthermore, the CBR evaluation indicates that the government approved its medium-term macroeconomic forecast of the SP for 2019 – 2022. (p.3) **COMMENTS BY EGOV:** The screening of the COM and Slovak documents shows that the tasks prescribed by the EU legislation have been entrusted to several different independent bodies: The Council for Budget Responsibility (CBR), the Macroeconomic Forecasting Committee (MFC) and the Tax Revenue Forecasting Committee (TRFC).

Finland		
	COM analysis of the 2020 DBP «**The macroeconomic forecast underpinning the budget has been prepared by the Economics department of the Ministry of Finance. Finland is the only euro area Member State that has designated a Ministry of Finance department as the independent forecast producer in the meaning of Regulation 473/2013 of the Two-pack.** The management of the Economics department is separated from the Budget department and, **according to the law adopted in spring 2015, the Economics department is independent in its forecasting activities**. According to the National Audit Office, the forecasts prepared by the Ministry of Finance are at least as reliable as are those of other national or international forecasters. » (p.2). **COM assessment of the 2019 SP** «**The macroeconomic forecast underlying the SP were** prepared by the Ministry of Finance and **endorsed by the MFAC** in a letter of endorsement published on 30 April 2019 on the website of the MFAC. The MFAC considered that macroeconomic forecasts lie within its endorsable range. A detailed assessment is to be published by the MFAC at a later stage. The MFAC evaluates also the fiscal forecasts presented in the SP.» (p.16) **2019 European Semester country report** «**Finland is the only euro area country where the macroeconomic forecast underpinning the budgetary planning is prepared by the Ministry of Finance. The management of the Economics Department and the Budget Department of the Ministry of Finance are separated and the Economics Department is independent in its forecasting activities.** Questions about the realistic and unbiased nature of the Ministry's macroeconomic projections, that were raised in the 2017 stability programme (European Commission, 2018b), have not been present in the last surveillance cycle. However, the particular arrangement for macroeconomic forecasting underpinning the budgetary planning warrants regular surveillance to ensure that the separation and independence of both functions within one institution are preserved.» (p.19).	**2020 DBP** The 2020 DBP does not include information about any involvement of the NAO or any other independent body in the production or endorsement of the underlying macroeconomic projections. It only mentions in this respect: «In accordance with Article 4 of Regulation 473/2013, **the General Government Fiscal Plan is based on independent macroeconomic and fiscal forecasts produced by the Economics Department of the Ministry of Finance**. » (p.1) The NAO states on its website: «According to the NAOF's assessment, the General Government Fiscal Plan corresponds in material respects to the statutory requirements, and the forecast of the Ministry of Finance on which the Plan is based is realistic. The targets in the Plan have been set according to the obligations, but, according to current forecasts, they will not be achieved without additional measures. To ensure compliance with the EU fiscal rules in the coming years, Finland should improve the employment rate. In the General Government Fiscal Plan, the Government has not yet presented any detailed measures for achieving the targets.» **2019 SP** The 2019 SP does not include a reference that the budgetary and macroeconomic forecasts have been approved or produced by the **national Audit Office or any other independent fiscal body.** It mentions only: «The data in the Stability Programme tables are actual data with respect to 2018, while the data for 2019– 2022 are based on the **independent forecast of the Economics Department of the Ministry of Finance**. » (p. 65) The NAO's ex-post assessment "Fiscal policy monitoring assessment of the management of government finances, spring 2019" mentions that the forecast underlying the SP has been prepared independently within the Ministry of Finance (p. 1) and : «For 2019, the Ministry of Finance forecast a 1.7% growth in GDP and a 1.4% growth for 2020. The forecast for each year is close to the median forecast by all the forecasters on the Finnish economy that the NAOF follows. The Ministry's forecast of the deficit of general government finances for 2019–2020 is also close to the median level of all the forecasters followed. On this basis, the forecast by the Ministry of Finance cannot be considered unrealistic in the manner specified in the rules. » (p.5)

NON EURO-AREA MEMBER STATES		
Bulgaria	**COM assessment of 2019 CP** **« The Fiscal Council was not involved in the endorsement or the ex-ante assessment of the macroeconomic scenario underpinning the Programme. .**» (p. 17). **2019 European Semester country report** «**The Bulgarian Fiscal Council has made some progress in rolling out its activities.** Based on its broad mandate, the Council has established a system for releasing its mandatory monitoring reports on the annual and medium-term fiscal plans as well as on budgetary execution and compliance with all the numerical rules laid down in the Public Finance Act. With the recent strengthening of its staff, the analytical underpinning of its reports is expected to improve. Moreover, to bring the domestic fiscal framework into full compliance with the budgetary frameworks directive (Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States), the Fiscal Council's mandate was extended to encompass the regular and comprehensive ex post evaluations of the government's macroeconomic and fiscal forecast.» (p.25).	**2019 CP** «This Convergence Programme is based on the macroeconomic framework for the period 2019–2022 and has been developed using the medium-term macroeconomic model of the Ministry of Finance **with the assumptions about key indicators of the external environment provided by the International Monetary Fund, the European Commission and the Ministry of Finance of the Republic of Bulgaria, as of mid-March 2019**. » (p.7) It also mentions also «At the first stage of the procedure, in April 2019 the Council of Ministers will consider and approve the Medium-Term Budgetary Forecast for the period 2020-2022 and adopt the standards for the state-delegated activities with natural and value indicators in 2020, as well as the motives prepared by the Minister of Finance upon rejection of the reasoned opinion and the recommendations of the Fiscal Council about the spring macroeconomic forecast and/or the Medium-Term Budgetary Forecast for the period 2020-2022. »(p.74)

Czech Republic	COM assessment of 2019 CP	2019 CP
	The COM assessment does not concretely state that the macroeconomic scenario underpinning the 2019 has been endorsed by an independent body. It only states in this regard: «The Committee on Budgetary Forecasts also became operational and, as of July 2018, started assessing the macroeconomic and fiscal forecasts prepared by the government. The Committee's role is to evaluate the robustness of macroeconomic and fiscal forecasts underlying the budgetary process. It has 11 members from the financial sector, the social partners and academia, and some represent institutions that prepare their own economic forecast**.** The Czech authorities notified the Council of the European Union in April 2019 that the Czech Republic is adhering to the Treaty on Stability, Coordination and Governance in the EMU. However, **until it joins the euro area, the country is effectively bound only by the governance section of the treaty. The fiscal core of the treaty, namely the Fiscal Compact, which can be binding for non-euro area Member States only on a voluntary basis, was not subject to such a declaration. The Czech Republic was the last Member State to ratify the treaty, except for the United Kingdom**.» (p. 16). **2019 European Semester country report** «**The independent fiscal institution became operational in early 2018.** The main tasks of the Fiscal Council are the publication of an annual report on long-term sustainability and the evaluation of the fiscal framework. The Committee on Budgetary Forecast, composed of appointees from public and private organisations, also started assessing the macroeconomic and fiscal forecasts prepared by the government. The Parliament ratified the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union in December 2018. The key element of the treaty, the Fiscal Compact, is not binding for non-euro area countries and the government does not intend to adhere to it voluntarily. **Fiscal coordination among the various levels of general government remains low.** A third of the general government expenditure is autonomous and outside the state budget. The Fiscal Responsibility Law of January 2017 introduced a cap of 60 % of the 4-year average of revenues for local governments' debt. The Ministry of Finance will assess the compliance with the new debt management rule in 2019. The Czech Republic has not yet fully transposed Council Directive 2011/85/EU on the requirements for the budgetary framework. The deadline for the transposition was 31 December 2013. In particular, the Legal Act on Management and Control Systems in Public Administration has not been adopted yet.» (p.17).	«The macroeconomic scenario is based on the **Macroeconomic Forecast of the Ministry of Finance published in April 2019**. (p.1) Compliance with the medium-term budgetary objective framework is facilitated by two new institutions – the **Czech Fiscal Council and the Committee on Budgetary Forecasts.** » (p.2) «At its meeting on 15 April 2019, the Committee on Budgetary Forecasts assessed, in accordance with Act No. 23/2017 Coll., the macroeconomic scenario of the Convergence Programme in terms of the probability of its materialisation. **The Committee assessed the macroeconomic forecast as realistic.** Six out of a total of eight present members of the Committee voted for this assessment. »

Denmark	**COM assessment of 2019 CP** **No information in the COM assessment on the inolvement of the independent body (Danish Council DØRS) in the preparation or endorsement of the government forecast. The COM assessment includes however:** **«** The Danish Economic Council (DØRS) acts as fiscal watch dog and monitors adherence to the fiscal rules. If it finds that there is a risk of significant deviation from the legal limit, i.e. a structural deficit of 1.0% of GDP or higher, a corrective mechanism will be triggered, requiring the Finance Minister to resolve the breach of the deficit ceiling. (...) Based on the information provided in the Convergence Programme, the past, planned and forecast fiscal performance in Denmark therefore appears to comply with the requirements of the applicable national numerical fiscal rules..» (p. 16). **2019 European Semester country report** «**The Economic Council is being relocated.** Since 2017, the Economic Council (DØRS) has held the role of national productivity board. The national productivity boards are objective, neutral and independent institutions that investigate productivity challenges, contributing to evidencebased policy making and boosting domestic ownership of structural reforms. **The Council also acts as the fiscal watchdog.** It is being relocated from Copenhagen to Horsens as part of the government's strategy to diversify public employment across the country. A satellite office of six employees will remain in Copenhagen. The move has resulted in a loss of employees. It has also resulted in the postponement of DØRS' biannual reports and the annual report of the productivity board. The new Horsens office opened on 2 January 2019. **The Economic Council's latest fiscal projections expect the government to comply with national fiscal rules in 2018.** Using the Ministry of Finance's own methodology for the structural deficit, The Economic Council (DØRS) projects a larger structural deficit than the Ministry of Finance's projection in 2018. This is primarily due to DØRS using a lower estimate of structural revenues from North Sea oil- and gas exploration than the ministry, as well as a different treatment of tax arrears. At -½ % of GDP, however, the structural deficit remains within the boundaries of the deficit limit as mandated by national law. DØRS also expects that the government will comply with the expenditure ceiling set for 2019 to 2022.» (p.17).	**2019 CP** **The 2019 CP does not include a reference that the underlying macroeconomic forecasts have been approved or produced by an independent fiscal body**. It only mentions: «The assessment of the economic outlook for 2019 and 2020 is based on the forecast in Economic Survey, December 2018. »(p.17) Reference is made to the role of the **Danish Economic Council**: «The Danish Economic Council continually (annually) assesses long-term fiscal sustainability and the medium-term development in the budget balance, and further that the expenditure ceilings are complied with and aligned with the medium-term fiscal objectives.» (p.70) However, the website of the Danish Economic Council does not provide information on whether it approved or endorsed the underlying macroeconomic forecasts of the CP.

Croatia	COM assessment of 2019 CP	2019 CP
	No information in the COM assessment on the inolvement of the independent body in the preparation or endorsement of the government forecast. The COM assessment includes however: «After a long delay, the new Fiscal Responsibility Act was finally adopted in December 2018. It is expected to improve the fiscal framework by **strengthening the status and mandate of the Fiscal Policy Commission and replacing the previous fiscal rules with new ones** that are more in line with the provisions of the Stability and Growth Programme. **Awaiting the appointment of a new chairperson, which is facing challenges, the Fiscal Policy Commission continues to function according to old legal provisions.**» (p. 18). **2019 European Semester country report** «**Long delayed measures aimed at strengthening the fiscal framework are progressing.** In December 2018, the Parliament adopted the Fiscal Responsibility Act while the State Audit Office Act was passed for the second reading in January 2019. **The new Fiscal Responsibility Act is aimed mainly at reinforcing the set-up and mandate of the Fiscal Policy Commission and laying down numerical fiscal rules, including a structural budget balance rule**. The new State Audit Office Act aims to address the low implementation of its instructions and recommendations by introducing sanctioning mechanisms. It also increases the scope of the State Audit Office audits, including the Croatian National Bank. The Budget Act — aimed at specifying the short and mid-term budgetary framework at central and local level — is scheduled for adoption by the government in early 2019.» (p. 24).	No English version of the CP is available on the EC website. **The Croatian version does not include a reference that the underlying macroeconomic forecasts have been approved/produced by an independent fiscal body**, or that they have been compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. It only indicates that procedures have also been prescribed in case the Government of the Republic of Croatia, at the proposal of the Ministry of Finance or the Fiscal Policy Committee, finds significant deviations from the fiscal rules defined by the Act.»(p.48)

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<tr>
<td rowspan="1">Hungary</td>
<td>COM assessment of 2019 CP

«The Fiscal Council has not been involved in the endorsement or assessment of the macroeconomic scenario underpinning the Programme.» (p. 24).

2019 European Semester country report

«The mandate of the Fiscal Council has been extended by recent measures, but its analytical remit remains narrow. In July 2018, the Economic Stability Act was amended, extending the Council's monitoring mandate to cover the domestic nominal and structural budget balance rules. This step means that the Fiscal Council is to check compliance with all national numerical rules, in line with the provisions of the Budgetary Frameworks Directive. Even before this legislative change, in June 2018, the Council had, for the first time, at its own initiative, issued an opinion on the 2017 budgetary execution, which included an ex post assessment of compliance with all domestic rules in force. Although these reforms are steps in the right direction, an imbalance persists between the narrow analytical remit of the Fiscal Council, in particular as regards fiscal issues outside the annual budget-making cycle, and its constitutionally enshrined veto right.» (p.20).</td>
<td>2019 CP

No English version of the CP is available. The Hungarian version does not include a reference that the underlying macroeconomic forecasts have been approved/produced by an independent fiscal body or that they have been compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies.
It only states that «the functions of the Fiscal Council have been expanded to include rules on government balance, including the achievement of the MTO. (p.72)

The website of the Fiscal Council does also not indicate that it approved or endorsed the underlying macroeconomic forecasts of the CP.</td>
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Poland	COM assessment of 2019 CP	2019 CP
	«**Poland is the only EU Member State without an independent fiscal council.** While some functions typically assigned to fiscal councils are performed by several other institutions, this scattered approach may undermine their impact. Tasks usually assigned to fiscal councils include the preparation or endorsement of macroeconomic forecasts and the analysis of the long-term sustainability of public finances. **Currently, the macroeconomic forecasts underpinning the CP are produced by the government without the involvement of independent stakeholders.** Also, there is no independent analysis of the longterm sustainability of public finances. However, external assessments take place in the case of the macroeconomic forecasts underpinning annual budgets. Ex ante this is carried out by the Monetary Policy Council and ex post by the Supreme Audit Office.» (p. 20). **2019 European Semester country report** «**Poland remains the only EU Member State with no fiscal council.** Several analyses show that fiscal councils can improve fiscal governance, especially if combined with fiscal rules. When fiscal councils are properly empowered and staffed, they appear to limit the deficit bias and contribute to better budget processes. Whereas the exact remit of fiscal councils varies between EU Member States, they fulfil an important role when informing the public on the main issues related to fiscal policy. Currently in Poland, some but not all of the functions usually assigned to fiscal councils are executed by several bodies, differing in terms of impact they can make. This scattered approach limits their potential influence on policymakers. Poland is the only EU Member State that has no plans to establish a fiscal council.» (p.23).	«On the other hand, in order to supplement the implementation of Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States, the Public Finance Act was amended. **The amending Act (i.e. the Act of 6 June 2018 amending the Public Finance Act) introduced a definition of a macroeconomic scenario and an obligation to include in the justification attached to the draft Budget Act the information on: the macroeconomic scenario and its comparison with the most recent forecasts of the European Commission and other independent institutions**, measures taken in the case of significant deviations affecting the macroeconomic projections in the four consecutive fiscal years preceding the development of the macroeconomic scenario, a sensitivity analysis related to general government deficit and debt, public debt and the level of expenditure referred to in Article 112aa(1) of the Public Finance Act, with different assumptions concerning the economic growth and interest rates. **The provisions of the amending Act entered into force on 31 July 2018 and were applied to the draft Budget Act for 2019**.» (p. 34)

	COM assessment of 2019 CP	2019 CP
Romania	**No information in the COM assessment on the inolvement of the independent body (Fiscal Council) or that the macro-economic forecasts underling the CP have** been compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. However, it includes: « Similarly to previous years, the authorities derogated from the requirement to sign a statement that the 2018 and 2019 budgets and the accompanying fiscal strategies respect the fiscal rules and principles of fiscal responsibility. **According to the Romania's Fiscal Council, the 2018 budget "is in flagrant contradiction with the fiscal rules set up by the Fuiscal Responsibility Law (FRL)" Similarly, in the 2019 budget "the fiscal rules set by the FRL remain inoperable"** » (pp. 18/19). **2019 European Semester country report** «**As in previous years, the national fiscal framework has not been respected. According to the national Fiscal Council, the 2018 budget is in flagrant contradiction with the fiscal rules set up by the Fiscal Responsibility Law (Fiscal Council 2017).** In particular, the 2018 budget targeted a headline deficit of close to 3 % of GDP, which is inconsistent with the structural deficit rule. The 2018 budget amendment from September broke, among others, rules prohibiting increases: (i) of the nominal headline and primary deficit ceilings during the fiscal year; and (ii) in personnel expenditure and total government expenditure excluding EU funds during the fiscal year. The second 2018 budget amendment, published in November, also broke several national fiscal rules. The draft 2019 budget, approved by the government on 8 February, again broke multiple fiscal rules, including the structural deficit rule (Fiscal Council, 2019). Moreover, as in previous years, the authorities did not send an update of the medium-term fiscal strategy to Parliament by the statutory August deadline, thereby undermining its guiding role. Also, as in previous years, the authorities derogated from the requirement to sign a statement that the 2019 budget and the fiscal strategy respect the fiscal rules and principles of fiscal responsibility.» (pp.24-25).	The 2019 CP **does not mention that an independent body has been involved in the prodcttion or endorsement of the macro-economic forecast underlying the CP**. However, it includes **a comparison with recent forecasts from the COM and the IMF** (p.17 and following). «The 2019 edition of the Convergence Programme is based **on the provisions of the Fiscal and budgetary strategy for 2019-2021 and the updated macroeconomic framework for the period 2018-2022 (the version of Spring 2019)**» (p.4) «The medium-term macroeconomic development scenario presented in this program does not differ significantly from the scenario of the previous version of the Convergence Programme (...).»(p.61) The website of the Fiscal Council does not include an opinion on the 2019 CP.

Sweden	COM assessment of 2019 CP	2019 CP
	«**The Fiscal Policy Council is not involved in the endorsement or assessment of the macroeconomic scenario underpinning the CP.** However, in its 2019 annual report, it noted that while fiscal policy is expected to be in line with the new surplus target of 1/3% of GDP going forward, neither the present target, nor the previous one of 1% of GDP was met based on the measure of the backward-looking 8-year average. The Fiscal Policy Council also called for the government to explain the principles and considerations underlying the proposed level of the expenditure ceiling.» (p. 17). **2019 European Semester country report** «In 2019, revised rules came into force in Sweden to further strengthen its fiscal framework. **The main improvements include the introduction of a new debt anchor and the strengthened mandate of the independent Fiscal Policy Council to monitor fiscal rules and evaluate the official macro-forecasts (European Commission, 2018a).** **Sweden adopted a fiscal framework already in 1997.** In response to the economic crisis in the early 1990s, Sweden introduced a comprehensive fiscal framework, with broad political support, which substantially contributed to its effectiveness. The core elements included the introduction of numerical rules: (i) three-year expenditure ceilings binding for the next two years, (ii) a general government surplus target and (iii) a balanced budget rule at the local level. In 2007 an independent Fiscal Policy Council was set-up to assess whether the government had achieved its fiscal and economic policy objectives, in particular long-term fiscal sustainability and consistency with the surplus target, the expenditure ceiling and the economy's cyclical position.» (p.21).	No English version of the CP is available on the EC website, nevertheless the Swedish Ministry of Finance publishes an English version . **It does not mention that an independent body has been involved in the production or endorsment of the macro-econimic forecast underlying the CP. However, it includes some forecast comparisons with the European Commission** (pp. 78/79). The Swedish version of the CP does not include a reference that the underlying macroeconomic forecasts. It only indicates that Sweden's Convergence Programme for 2019 is based on the **Spring Fiscal Policy Bill for 2019 (Bill 2019/18:100), which was presented by the Government to the Riksdag (Swedish Parliament) on 10 April 2019.** (..) and that the Swedish **Fiscal Policy Council** should be assigned a clearer role in monitoring the fiscal policy framework. (p.7) The website of the **Fiscal Council** does also not indicate that it approved or endorsed the underlying macroeconomic forecasts of the CP.

	COM assessment of 2019 CP	2019 CP
United Kingdom	«**The macroeconomic forecasts underpinning the CP have been prepared by the OBR**, which is also required by the Charter for Budget Responsibility to judge whether the government has a greater than 50 per cent chance of meeting its fiscal targets under current policy. The most recent OBR assessment, included in its March 2019 Economic and Fiscal Outlook, shows that all three of the supplementary fiscal targets are expected to be met.» (p. 20). **2019 European Semester country report** «While the current assessment of compliance with the fiscal targets is favourable, some downside risks could prevent the UK from complying with the fiscal rules in the medium term. **The OBR expects the government to meet all three fiscal targets. While the mid-2020s is beyond its forecast horizon, the OBR judges that meeting the fiscal objective could be challenging.** On the expenditure side, pressures due to an ageing population pose risks. Also the upcoming 'Spending Review' in 2019 could lead to higher medium-term expenditure plans, possibly further calling into question the medium-term fiscal objective of a balanced budget by the mid 2020s. » (p.19).	«The forecasts for the economy and public finances included in the UK's Convergence Programme are prepared by the independent **Office for Budget Responsibility (OBR)**. Information on the OBR's mandate is set out in Chapter 4. The forecasts set out in the Convergence Programme are from the OBR's March 2019 Economic and fiscal outlook, which was published alongside Spring Statement 2019»(p.3)

Sources: Own screening of the 2019 SCP, the 2020 DBP, the COM assessments of the 2019 SCP, the COM analyses of the 2020 DBP, the COM country reports under the 2019 European Semester and the individual websites of the independent bodies (see consolidated weblinks on EU network and German independent body websites).

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