

Hellenic Fiscal Council External Review

Building on Strengths for the Future of Fiscal
Monitoring

Technical Support Instrument

Supporting reforms in 27 Member States



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Cover photo credit: David Tip, “A view of a city from a high point of view”. Monastiraki - Athens, Greece.
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List of acronyms

ASEP	Supreme Council for Civil Personnel Selection
BoG	Bank of Greece
DSA	Debt Sustainability Analysis
ELSTAT	Hellenic Statistical Authority
ETAD	Hellenic Public Properties Company
HFISC	Hellenic Fiscal Council
IAM	Integrated Assessment Model
IAPR	Authority for Public Revenue
IFI	Independent Fiscal Institution
MoU	Memorandum of Understanding
MTFSP	Medium-Term Fiscal-Structural Plan
OECD	Organisation for Economic Co-operation and Development
PDMA	Public Debt Management Agency
RTRP	Recovery, Transformation and Resilience Plan
TCFD	Task Force on Climate-related Financial Disclosures
TSI	Technical Support Instrument

Executive Summary

This report presents the results of an external evaluation of the Hellenic Fiscal Council (HFISC). The evaluation focuses in particular on assessing HFISC against the OECD (2014) principles for Independent Fiscal Institutions (IFIs) and making recommendations for improvements. The review team aims to support HFISC in advancing its strategy for the coming years and thus to strengthen the institution's important role of monitoring and advocating sound fiscal policies in Greece.

The evaluation was carried out under Pillar 3 of the project “REFORM/2023/OP/0010: Strengthening the capacity of IFIs”. The project aims to provide IFIs with strategic, institutional and operational support in response to the evolving European fiscal rules and the increasing impact of climate change, and to be better prepared to face intense economic shocks, such as COVID-19 or the war in Ukraine. The review was funded by the European Union, via the Technical Support Instrument (TSI), in cooperation with the Reform and Investment Task Force SG REFORM) of the European Commission.

The strategic agenda for HFISC that we propose, considers improvements in three areas:

- the internal organization;
- the fiscal monitoring function, and
- adaptations to new developments and to the context in which HFISC operates.

Strengthening the internal organization

HFISC complies with most OECD principles and yet it can improve in certain areas, mainly concerning its internal organization. This is confirmed by an assessment of the institutional organization. HFISC scores quite well on most of the OECD principles, such as local ownership, independence and its relationship with the legislature. Moreover, HFISC has a broad mandate compared to other IFIs. In terms of SIFI score it ranks second, only after Austria. However, HFISC can improve on the delivery of this broad mandate and that requires a stronger internal organization. In addition, to further strengthen its voice in the public policy debate, improvements to its communications policies could be effective.

An important impediment is that HFISC currently operates within a rather rigid working environment in terms of personnel and remuneration. This has several causes. First, the current institutional structure makes it difficult for HFISC to hire new employees. In addition, HFISC currently faces difficulties in retaining its staff. This shows that improvements to the appeal of HFISC as an employer need to be considered. In addition, HFISC has a new task since July 2023, i.e. to evaluate the impact of political parties' electoral platforms (election costings)¹, which requires highly-qualified staff.

The internal organization is based on a workplan that mainly focuses on regular publications, such as opinions on fiscal policy and macroeconomic forecasts and semi-annual reports, which are required by law. The workplan is less focused on research and development, for example on improving economic models, developing methodologies for policy

¹ More precisely, it is tasked with the costing of policies on request of political parties, not necessarily limited to elections. Hereafter we will use the term election costing.

costings or deepening the assessments of fiscal and macroeconomic policies. This type of research and maintenance of tools and models is necessary for the execution of the mandate.

HFISC could also further enhance its communication policies. HFISC is currently in the process of enhancing its communication strategy. This is bearing some fruit already, as reflected by the increased media attention regarding its most recent publications on the budgetary plans of the Greek government. There is, however, room for a more strategic approach with respect to communication, which will be supported by the current TSI.

The following recommendations aim to improve HFISC's internal organization

- **Recommendation 1: invest in recruitment and human resources policies.** Investing in recruitment activities is necessary to enhance the resources of HFISC. HFISC should continue its hiring campaigns, aiming to hire high-quality and preferably permanent staff through the existing framework. In addition, the legal framework should allow for flexibility in attracting specialized personnel from the public or private sector. Permanent or other types of contracts (via the Supreme Council for Civil Personnel Selection (ASEP) or other arrangements) providing discretion to HFISC as is the case for Public Debt Management Agency (PDMA), Hellenic Statistical Authority (ELSTAT) and other independent authorities, would improve HFISC's labor market position and hiring options. Moreover, new arrangements should provide possibilities for higher remuneration of existing and new personnel linked with goal setting and performance evaluation (as is the case in other independent authorities). Given the Council's recent mandate to conduct policy costings of election platforms, it is imperative to recruit specialized professionals with relevant expertise in the field (see rec 8).
- **Recommendation 2: prioritize activities and secure a clear organization of tasks.** Develop a work plan that includes a set of priorities guiding the organization's 'change'. The existing workplan should be enhanced so as to incorporate technical improvements in modelling, priority research topics, and new areas of collaboration. The work plan should be developed in such a way that both the board and staff support it. To improve accountability, a key issue would be the allocation of specific research or administrative responsibilities to individual employees within the work plan. More specifically, each staff member should be assigned clear roles and deliverables, including targets and performance indicators. The workplan should be published on the HFISC website to clearly communicate the organization's priorities.
- **Recommendation 3: develop a communication strategy.** To further enhance its communications, HFISC should consider attracting dedicated communication staff in order to develop and implement a well-considered communication strategy (based on the strategy developed with help of the TSI). Such a strategy consists of several elements, including: the communication goals, the audience it wants to reach and through which communications channels, the timing of its flagship reports, who will be participating in which communication channel, as well as certain rules for communication. Organising a feedback loop by periodically (every 2 or 3 years) surveying stakeholders on their assessment of both the form and content of HFISC products and the use of communication channels, could improve HFISC's communication. Recently, HFISC hired a part-time communications advisor. This has already resulted in a large step forward in terms of professionalising communications. Achieving further improvements will require additional budgetary resources to finance more communication staff.

- **Recommendation 4: install a supervisory board to organize checks and balances and secure and signal the independence of HFISC.** The legal framework does not oblige HFISC to install a supervisory board. However, such an oversight board could (and for other IFIs has proven to) be an effective instrument to help protecting the institution's independence. A supervisory board can play a role in commissioning specific reviews in case of (political) discussion with respect to certain aspects of HFISC products.²

Enhancing the fiscal monitoring function

The assessment of HFISC's fiscal monitoring function shows that the models HFISC currently uses to assess the budgetary and macroeconomic forecasts have their limitations. They lack the capacity to make projections for GDP components and for the medium term. In addition, to be able to better scrutinize fiscal policy, HFISC could profit from a model that is able to make budgetary projections.

HFISC could publish more economic analyses of current topics. Many IFIs, including the assessed benchmark IFIs, perform economic analyses on current economic themes. HFISC has done this a couple of times, for example in the wake of the COVID-19 crisis or regarding the sensitivity of the interest rates path for debt, and should do so more often. Such analyses will help HFISC to gain knowledge of different economic topics and are often well received by policy makers and the wider public.

HFISC should start doing policy costings to gain experience. HFISC already has the mandate to perform policy costing of election platforms but has currently no experience at all in this field. Therefore, it needs training and/or consulting in order to gain some experience with performing policy costings. To achieve this, we propose a step-by-step approach. When HFISC's policy costing capabilities are more advanced and the required resources (experienced staff) are secured, it can take on large scale policy costing exercises (e.g. costing of election platforms), given the reputational risks.

The information position of HFISC should be improved, in order to enhance its assessment capabilities, especially when it comes to policy costings. To be able to assess the policy costings of the Ministry of Finance, HFISC needs additional information from the ministry. Also, the Independent Revenue Authority possesses information on government revenues that would help to assess budgetary policy and to perform policy costings.

Enhancing the fiscal monitoring function

- **Recommendation 5: enhance macroeconomic and fiscal modelling.** HFISC needs to improve its toolkit by further developing a workhorse macro-econometric model for the assessment of the macro forecasts and a (separate) fiscal model that is able to communicate with the macro-econometric model, in order to strengthen the assessment of the fiscal forecast. The foundation for such a macro model should be built as part of this TSI. Cooperation with Greek and foreign institutes is advisable, as they already possess a lot of relevant expertise in this respect. For example, PDMA in Greece has relevant expertise with respect to fiscal model building and the Parliamentary Budget

² An example is OBR's Review of the March 2024 Forecast for Departmental Expenditure Limits which assessed the OBR forecasting errors for these limits. The review reported to the OBR oversight committee.

Office (PBO) has some relevant expertise with respect to macroeconomic analysis, as has the Central Bank.

- **Recommendation 6: enhance the availability of data through clear agreements with ministries and other relevant organizations.** There is scope to improve the information provision from the Ministry of Finance to HFISC. HFISC and the ministry should extend their Memorandum of Understanding (MoU) to also cover the exchange of explanatory notes³ containing the assumptions that the ministry makes to cost the major policy measures in the budget. HFISC can then develop a set of criteria to assess these policy costings during the preparation of the annual budget, and include these assessments as part of its endorsement of the fiscal forecast (see Recommendation 8). In addition, an MoU between HFISC and the Independent Revenue Authority should be agreed upon, governing the timing and flow of information. HFISC's mandate includes a legal right to demand information from government bodies, so legal action is a possibility as a last resort.
- **Recommendation 7: to fulfil its new mandate with respect to costing of election platforms, the Ministry of Finance should provide additional budget to enable HFISC to attract qualified staff for this task.** The introduction in 2023 of HFISC's new task of costing election platforms was not accompanied by an increase in budget, which has been stable (and hence decreased in real terms) since 2014. However, policy costings and costing of election platforms in particular require additional resources. An additional budget for this task, if needed through changes in HFISC's legal basis is crucial.
- **Recommendation 8: HFISC should start doing policy costings to gain experience and should attract staff to do so.** Policy costings should be approached in a step-by-step fashion, learning from other IFIs that already perform policy costings. A good way to start is to assess the policy costings that the Ministry of Finance makes for new government policy measures. A second step would then be to make independent policy costings of measures that the government is planning to introduce. A last step could be to undertake costing of election platforms. It is advisable to first build up multiple years of experience with policy costings of government policies. Given HFISC's current capabilities (number and competence of staff), additional staff is needed to perform policy costings. A realistic timeframe for building the capacity to do a full-fledged costing of election platforms is probably at least around 5-6 years, assuming there is sufficient staff (which currently is not the case). Given that the next elections are scheduled for 2027 and may take place even sooner in case of early elections, starting to build this capacity now is urgent.

Adapting to new developments

This evaluation identified new developments that HFISC needs to adapt to, the most important one being the new EU fiscal framework. The new EU fiscal framework changes the way IFIs need to assess the budgetary policies of national governments. Within this framework there is a central role for debt sustainability analyses with certain features. Currently, HFISC does not have such a Debt Sustainability Analysis (DSA) model. Therefore, an important

³ A recent example of such explanatory notes for the UK of can be found at : https://assets.publishing.service.gov.uk/media/6721d2c54da1c0d41942a8d2/Policy_Costing_Document_-_Autumn_Budget_2024.pdf

improvement to work on would be to develop a DSA model that is aligned with the requirements of the new fiscal framework.

In addition, the increased incidence of climate-related risks and the new Directive on budgetary frameworks require IFIs to enhance their knowledge of the fiscal impact of such risks.⁴ In the coming years it will become increasingly important for IFIs to be able to assess climate-related risks. The incidence of these risks is expected to increase, and these risks can negatively impact government finances. There will be costs associated with dealing with more regular extreme weather events, for example related to more frequent flooding and wildfires. Against this background, HFISC should develop knowledge on how to assess these risks.

Moreover, although HFISC already cooperates well with different organizations, there are further opportunities in this regard. Currently there is little cooperation between the PBO and HFISC. Such cooperation could be fruitful since both organizations have an interest in assessing public finances and thus could share knowledge in this area. Given the limited capacity of HFISC and the overlap in activities with the PBO (assessment of fiscal forecasts and fiscal situation), it is advisable to strengthen the ties with this organization, possibly via an MoU.

The following recommendations aim to improve HFISC's adaptation to new developments:

- **Recommendation 9: build a DSA model that complies with the EU framework.** HFISC needs to build a DSA model that is aligned with the EU fiscal framework and thus can assess compliance of the Ministry of Finance with the EU framework. To support deliberations between Greece and the EC on setting the medium-term fiscal-structural plans, HFISC will need to develop a system of priority spending “tagging” that maps government spending to EU priority areas. Based on this mapping exercise, HFISC could develop an indicator that tracks and scores priority investments over time and interactive dashboards that highlight the different priority areas and exactly where the investment is going, filtering and specific expenditures or projects. This could be complemented by expenditure evaluations, particularly those devoted to the Recovery, Transformation and Resilience Plan (RTRP). As the MTP for Greece will run for a number of years, there is time to build this capacity over the coming years.
- **Recommendation 10: start developing technical approaches and models that assess both the direct and indirect fiscal impacts of climate-related risks.** To this end, HFISC could make use of Integrated Assessment Models (IAMs) to estimate the “climate value at risk” (climate VaR) for different sectors of the economy. This involves quantifying the potential loss in economic value under various climate change scenarios to understand how they will impact future public finances. Alternatively, a modified debt sustainability analysis (DSA) is possible, integrating climate risks into a DSA framework. This is done by the IMF. Third, adopting and applying the standards from the Task Force on Climate-related Financial Disclosures (TCFD) to government financial statements could help HFISC to enhance the transparency and understanding of climate-related risks to fiscal sustainability. This would involve detailed reporting and analysis of how climate change could affect public finances, including potential impacts on government revenue and expenditures related to climate policies. As part of the TSI, HFISC will be

⁴ See: <https://data.consilium.europa.eu/doc/document/ST-6920-2024-INIT/en/pdf> “Article 9 (iii) d: [...]To the extent possible, the assessment shall take into account the macrofiscal risks from climate change and its environmental and distributional impacts”

supported in developing climate risk models. As for the DSA, there is time to build up this capacity in the coming years.

- **Recommendation 11: intensify cooperation with other organizations, especially with the PBO.** Given that both institutions are doing research in the same (scientific) field and seeing the limited resources, HFISC could benefit from enhanced technical cooperation with PBO.

Priorities in following these recommendations

Some of these recommendations require more urgent action than others. Undertaking new legal initiatives, in order to successfully respond to the enhanced tasks of the new framework, and investing in recruitment and human resources policies are a top priority (rec.1). A prioritization of activities and securing a clear organization of tasks (rec.2) are imperative. The budget should be increased to be able to fulfill the additional task of election costings (rec.7). The same goes for our recommendation (rec. 8) to start practicing with the assessment and then execution of policy costings as soon as possible, given that elections are only two years away (at the latest).

Introduction

This review of the Hellenic Fiscal Council (HFISC) is part of a Technical Support Instrument (TSI) project, financed by the EU. The international standards for Independent Fiscal Institutions (IFIs) are used as a benchmark for reviewing HFISC in order to identify areas for strategic improvement of the institution. Some of these improvements can probably be delivered as part of the same TSI project. This TSI project supports several IFIs in four areas: 1) economic modelling, 2) debt sustainability analysis, 3) overall strategy and 4) communication strategy. HFISC has opted to be part of all four pillars of the TSI.

This review is based on the OECD principles for independent fiscal institutions (IFIs).⁵ Based on these principles, the review investigates the mandate, independence, resources and transparency of HFISC. In addition, it examines the relationship with the legislator, local ownership, access to information, and HFISC's communication strategy.

In addition, the review evaluates the fiscal monitoring function of HFISC. In this regard, it assesses the economic models used by HFISC, its publications, media presence and impact in general. It also compares HFISC with four other IFIs as part of a benchmarking exercise.

The review makes recommendations to enhance the strategy of HFISC. It does so on the basis of the assessments made in this review. These recommendations can be seen as a basis for a strategic agenda to further improve HFISC's role as an advocate of sound fiscal policies within Greece.

⁵ https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/02/designing-effective-independent-fiscal-institutions_24809b30/33a06095-en.pdf

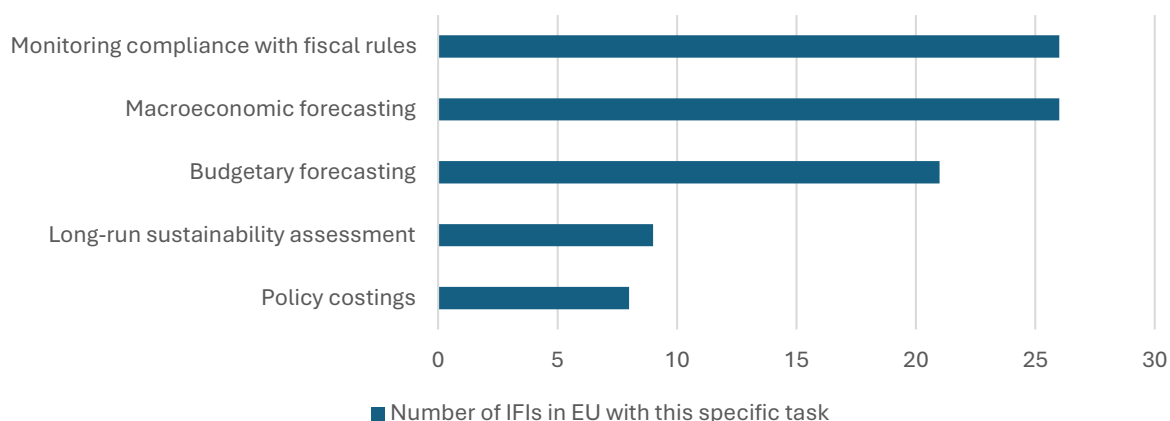
Chapter 1. The role of fiscal councils

IFIs are publicly funded, independent bodies, which provide non-partisan oversight and analysis of fiscal policy and performance. Their goal is to promote sound and sustainable public finances, without having direct policymaking authority. They perform this task through evaluating macroeconomic and budgetary forecasts and assessing budgetary plans and fiscal performance, and through the costing of government measures (IMF 2013). Euro area Member States were required to have national IFIs as part of the EU's economic governance reforms in 2013 (the Two-Pack Regulation: 473/2013/EU). With the coming into force of the amended national budgetary framework Directive in the spring of 2024 (Directive 85/2011/EU as amended by 1265/2024), all EU Member States now need to have an IFI fulfilling certain independence criteria and performing certain compulsory tasks. The preventive arm Regulation of the Stability and Growth Pact (Regulation 1466/1997/EU as replaced by 1263/2024) also contains some provisions on the role of IFIs in the fiscal framework at the EU level.

IFIs influence fiscal policies in favour of long-term fiscal stability through their analytical and advocacy capacities. Through their assessment of fiscal policies IFIs help foster transparency and promote fiscal stability. Thereby they raise the reputational cost for governments of undesirable policies and broken commitments. Through this watchdog function, they can significantly influence fiscal policy and address fiscal issues such as the tendency of governments to deviate from optimal fiscal paths, leading to excessive debt accumulation or procyclical fiscal policies.

Fiscal councils have a considerable diversity of institutional forms and need to prove their effectiveness in practice. IFIs can be attached to the legislative branch or the executive branch or be stand-alone entities. The influence that IFIs will eventually have on policy making can only be proven in practice. As IFIs themselves do not have any policy-making powers, the way they operate mainly determines their level of influence. A strong institutional basis is certainly supportive, but other factors are at least as important, most notably the quality and timing of their assessments. A recent study on the independence of IFIs finds that countries characterized by a higher quality of governance and general trust are less inclined to codify the operations of IFIs, while countries with weaker institutions go for a stronger legal structure (see Larch et al. 2024). This underlines that the formal, legal status of an IFI does not say everything about its independence in practice.

Fiscal councils often have multiple mandates. Almost all IFIs assess public finances, which is the core of their watchdog function. They review governments' budget proposals and provide ex-post assessments of fiscal performance against government targets or objectives. IFIs are often tasked with monitoring the compliance of fiscal rules and assessing macroeconomic and budget forecasts. The latter helps to reduce the deficit bias in government budgets. Some IFIs prepare the macroeconomic projections to be used in the budget, while others make an assessment or provide an endorsement of the macroeconomic and budget assumptions in the government's projections. Moreover, IFIs are sometimes tasked with estimating the fiscal impact of policy measures. The costing of policy proposals can be self-initiated by the councils or required by parliamentary requests to provide comparative estimates against government proposals. In the EU, all IFIs have the legal tasks to monitor compliance with fiscal rules and to at least assess macroeconomic forecasts. Most have the mandate to assess budgetary forecasts, but only a few are tasked with assessing long-term sustainability of government finances and policy costings (see Figure 1).

Figure 1: The different tasks of EU IFIs

Source: Axioglou et al. (2022)⁶

Research shows that the existence of IFIs is associated with better compliance with fiscal rules and a reduction of fiscal deficits (World Bank 2024). A requirement is that IFIs are well-designed. A recent study (2022) by the EU Network of independent fiscal institutions, cochaired by HFISC, finds indications that particular institutional characteristics of IFIs such as adequate resources, a high level of independence and the breadth of IFIs' tasks are related to better compliance with fiscal rules. In addition, IFIs with significant influence in producing or assessing macroeconomic forecasts are associated with better budgetary results (Beetsma et al. 2023). Moreover, IFIs can play a crucial role in monitoring adherence to numerical fiscal rules and enhancing the transparency of the budgetary process, which in turn diminishes the risk of sovereign defaults (Capraru, Georgescu, and Sprincean 2022). Finally, in the EU, collaboration between EU IFIs, such as through the Network of EU IFIs, enables the adoption of best practices through the sharing of experiences (Beetsma, 2023).

The expansion of IFIs in Europe is driven by EU legislative efforts to enhance fiscal governance. Following the financial crisis, there was a drive to strengthen the budgetary processes of the EU Member States. To this end, the European Council adopted Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, as part of the so-called Six Pack. This directive mandates effective and timely monitoring of compliance with fiscal rules by independent entities. The 'Two-Pack' Regulation adopted in 2013 requires Member States to establish independent bodies to monitor compliance with national fiscal rules and to base their national medium-term fiscal plans and draft budgets on macroeconomic forecasts that are either produced or endorsed by independent bodies. In the context of the review of the EU economic governance framework, the amendment to the previous EU Directive (introduced by Directive 2024/1265) enhances the IFIs' role in shaping and monitoring fiscal policies. The Directive introduces specific provisions aiming at ensuring the IFIs' independence and a common set of tasks that IFIs must undertake. These tasks include: 1) producing, assessing or endorsing annual and multiannual macroeconomic forecasts, 2) monitoring compliance with country-specific numerical fiscal rules, 3) assessing the consistency, coherence and effectiveness of the national budgetary framework and 4) upon invitation, participate in regular hearings and discussions at the national Parliament (see the Directive⁷).

⁶ https://economy-finance.ec.europa.eu/system/files/2023-06/dp186_en_reviewing%20national%20frameworks.pdf

⁷ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401265

Chapter 2. Context and rationale

HFISC is responsible for assessing budgetary policies and uses multiple instruments to do so, including the endorsement of budgetary and macroeconomic projections. HFISC's role should be seen within the specific Greek institutional context. Looking forward, HFISC and other institutions need to adapt their operations to the new EU fiscal framework.

2.1 Overview HFISC

In Greece, HFISC is the IFI responsible for assessing and monitoring the government budgetary policies. HFISC was established in 2015 in response to an EU regulation requiring all euro area Member States to establish independent bodies to monitor compliance with fiscal rules and to produce or assess macroeconomic forecasts. The organization is of medium size compared to other IFIs within the EU, with a staff of around 15 people and an annual budget of circa 1 million euro.

To assess and monitor budgetary policies, HFISC was given a broad range of tasks. HFISC was given the mandate to endorse the macroeconomic projections and budgetary plans of the Ministry of Finance as well as to monitor their compliance with national fiscal rules. The assessments of HFISC take the form of opinions, in which HFISC explains whether or not it endorses these plans or projections. In addition, HFISC has the mandate to assess the methodology used by the Ministry to make budgetary and macroeconomic projections.

In addition to these opinions, HFISC publishes a twice-yearly report on the macroeconomic and fiscal developments as well as several other publications. These reports provide an overview of the macroeconomic and fiscal developments of the Greek economy and include a chapter that monitors the budgetary policy. HFISC also publishes notes on current economic topics and academic background papers. Examples are the informative note that HFISC published in the wake of the COVID-19 crisis on the increased uncertainty of the economic situation and thus of the macroeconomic and fiscal forecasts. A recent academic paper focuses on improvements in government debt arithmetic.

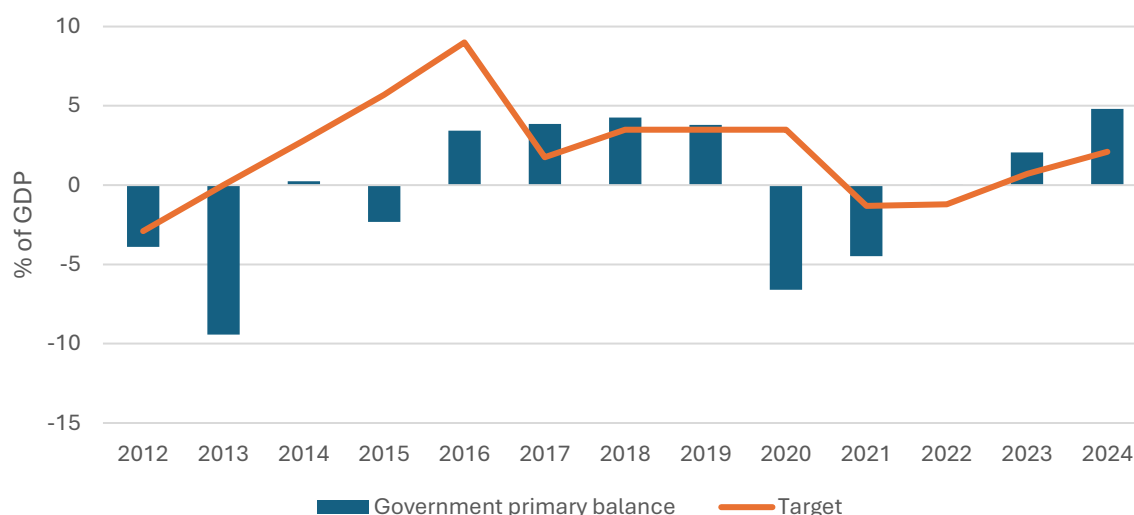
In order to assess the macroeconomic forecasts, HFISC applies several macroeconomic models. These models use different forecast techniques to make a forecast of expected economic growth in the year ahead. Together these models provide HFISC with a range of expectations that are used to assess the projections made by the Greek Ministry of Finance.

The role of HFISC as an independent fiscal institution is stipulated in the national law 4270/2014. The budget of HFISC and the appointment of its board members are endorsed by Parliament. To explain its take on the economic and budgetary stance of the Greek economy, the president of HFISC appears before Parliament upon relevant request.

2.2 Current economic landscape

Following the Greek debt crisis, improving the management of public finances was an integral part of the reforms implemented by the Greek government. As part of the international support programs, budgetary targets were increased and the government managed to create primary surpluses in most years between 2014 and the COVID-19 crisis (see figure 2). As in most other countries, the headline government budget balance turned negative during the crisis, as tax income plummeted due to the economic downturn while government stimulus measures were necessary to keep the economy afloat and protect jobs and social security. With respect to the institutional position of HFISC, it is relevant to note that the Greek government was under enhanced surveillance of the European Commission (EC) until August 2022. This implies that the EC closely monitored whether the Greek government stayed within budgetary targets set in the context of European fiscal rules. As a result, the “fiscal watchdog” role of HFISC was less demanding until 2022.

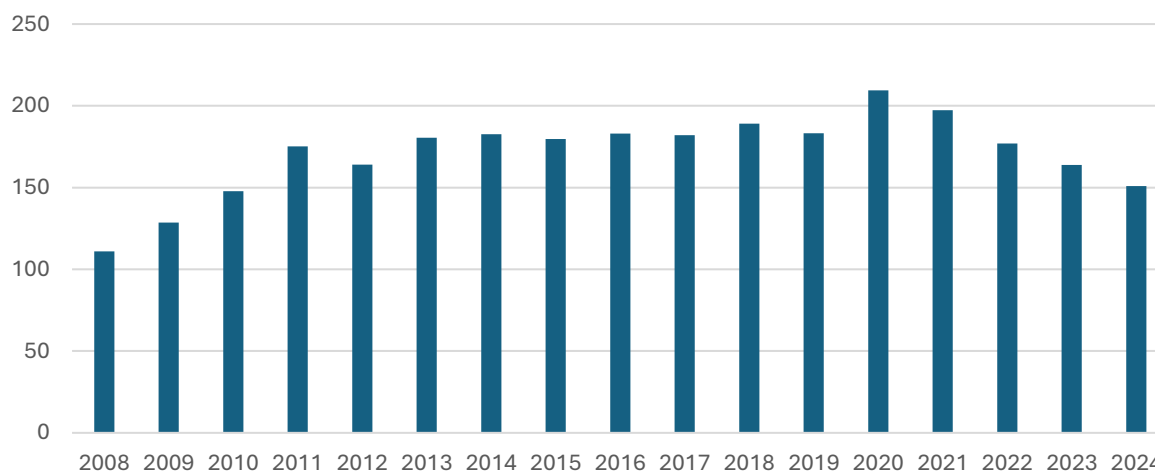
Figure 2: Since 2017 the government budget has been aligned with its target, except during COVID-19



Source: [ECB](#), [European Court of Auditors](#), [Hellenic Fiscal Council](#), [European Commission](#)

As a result of these economic and budgetary developments, the Greek government’s debt ratio has been on a downward path in recent years (see Figure 3). The debt has a favourable maturity profile of less than EUR 10 billion per year until 2032⁸, with official sector loans playing a dominant role. Because of the large share of official creditors, Greece enjoys favourable servicing terms too. Another mitigating factor contributing to the low servicing costs is the Public Debt Management Agency’s success in cushioning Greek debt from interest rate volatility by securing fixed rates for the portfolio. Against this background, one can expect a further reduction in the debt to GDP ratio, especially if the Greek economy manages to maintain its current robust GDP growth. At the same time, the large current debt underlines the importance of a solid governance framework for public finances, including a well-functioning fiscal council.

⁸ <https://library.fes.de/pdf-files/bueros/athen/21215.pdf>

Figure 3: Government debt has been on a downward path in recent years

Source: Eurostat

The COVID-19 pandemic has been a test for government finances and thus for fiscal councils worldwide, a test which saw HFISC perform well. In a recent study, the IMF (2022) investigated the reaction of IFIs during the pandemic. It concludes that many fiscal councils reacted quickly, providing independent information to policymakers and the public. Over three quarters of fiscal councils, including HFISC, provided a swift analysis of the economic or budgetary impact of the pandemic. In 2020, HFISC published a short report that analysed two adverse scenarios relative to the baseline scenario produced by the ministry of Finance. These two scenarios were based on macroeconomic models of HFISC and highlighted the increased risk to the Greek economy and its government finances. In addition, the note signalled that the economy was moving away significantly from its expected economic growth rate. The publication was received by the media with much interest.

Looking ahead, the global economy's outlook is dominated by uncertainties and risks, which underlines the importance of IFIs as monitors of sound fiscal policies. Geopolitical tensions in Ukraine and the Middle East in particular threaten global stability and economic conditions, influencing energy prices, trade flows and investment climates. In addition, the election of a new president in the US could fuel trade-related tensions. Given its open economy, such risks will have negative consequences for Greece if they materialize. This underlines the importance of sound budgetary policies and a strong role for HFISC as an advocate of such policies.

In addition, increased climate-related risks and the practice of green budgeting will require additional capabilities of IFIs. In Europe, the incidence and costs of climate-related risks are accelerating⁹. In response to the increased importance of such risks and in order to better understand the environmental impact of spending choices, many OECD members already introduced "green budgeting". This refers to the use of budgetary policy-making tools to better understand climate and environmental objectives, and ensure that public budgets are aligned with them. IFIs need to adapt to these developments and acquire knowledge of best practices, so that they will have the capacity to also scrutinize government budgets in this regard.

Other fiscal risks include contingent liabilities for the government and risks related to an aging population. These contingent liabilities result from pending legal cases against public entities, most notably the litigation cases against the Hellenic Public Properties Company (ETAD). Furthermore, the persistent underperformance of the workout of some securitised Non-Performing Loans could gradually increase the risk of some state guarantees being called in an

⁹ See: <https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related>

adverse scenario (see European Commission 2024). Political pressure to increase pensions is another risk (see IMF 2024). Especially given the aging population, long-term sustainability requires prudent pension policies to secure fiscal sustainability. Current institutional landscape

HFISC's role should be seen within a broader institutional context. Its role is related to that of several other Greek institutions, including the Ministry of Finance, the Hellenic Statistical Authority (ELSTAT), the Parliamentary Budget Office (PBO), the Public Debt Management Agency (PDMA), and the Bank of Greece (BoG). As part of this review, we engaged with most of these organizations to gain a deeper understanding of the institutional landscape in which HFISC operates, its relationships with these entities, and potential ways to enhance its operational efficiency. Below, we summarize the interactions between HFISC and these organizations.

The Ministry of Finance

HFISC's work depends on information provided by the Ministry of Finance. This is typical for many EU fiscal councils. The Ministry produces the government's macroeconomic projections, which serve as the foundation for budgetary forecasts. These projections are shared with HFISC for evaluation, resulting in their endorsement or rejection. For this assessment, HFISC currently relies significantly on supporting information also being supplied by the Ministry. The Ministry of Finance monitors and publishes monthly budget revenue and expenditure data. It also manages information on anticipated changes in expenditures across various line ministries resulting from policy adjustments. These policy changes are part of the annual budget process, during which the Minister of Finance negotiates with other ministry heads about the financial limits available for policy alterations. This negotiation process can continue until just before the new budget plan is submitted to Parliament, often leaving HFISC with limited time to review the (draft) budget. Despite these time constraints, the working relationship between HFISC and the Ministry of Finance is good. The Ministry demonstrates a willingness to provide HFISC with the information it requires.

ELSTAT

ELSTAT is responsible for producing official statistics that cover all the fields of activity of the Greek public and private sector. Thereby, ELSTAT provides data that underpin the policymaking processes of the government. In doing so, ELSTAT is clearly aware of the importance of its independence. Policy changes after the Greek economic crisis strongly reduced political influence on ELSTAT. The organization is clearly keen to protect its independence and to build a sound reputation. Although this report does not review the way in which ELSTAT operates, it is our impression that it is a well-organized institution. This is illustrated by its coordinating role in EU statistical fora.

With respect to its interactions with HFISC, it is relevant that ELSTAT provides economic and financial data to HFISC on which the council builds its economic models. ELSTAT provides data through its website so that all interested parties, including HFISC, can use them at the same time. HFISC has no additional access to statistical information as sometimes is the case in other countries, where initial estimates of economic projections can be based on preliminary data, for example. Cooperation between HFISC and ELSTAT is very good. They have signed a Memorandum of Understanding resulting in regular contact between the two organizations.

The Parliamentary Budget Office

The PBO supports Parliament in an advisory role.¹⁰ The PBO does so by supporting the work of two committees of Parliament (the Special Standing Committee on the Accounts and the

¹⁰ The PBO is seen as an IFI according to Greek law, but from an EU perspective, HFISC is the only IFI. This is because only HFISC is officially performing IFI tasks stemming from EU legislation (and fulfilling certain independence criteria).

General Balance Sheet of the State and Control of the Execution of the State Budget, as well as the Standing Committee on Economic Affairs). This support pertains to monitoring the implementation of the State Budget, overseeing the application of fiscal policies and reforms enacted by the Hellenic Parliament, analysing and evaluating the budget data, revenue and expenditure forecasts, as well as the sustainability of long-term fiscal indicators.

Currently, there is little cooperation between the PBO and HFISC. Based on different mandates, both organizations often carry out research and analyses within the same area of macroeconomic and budgetary variables. Currently, however, there is little cooperation between PBO and HFISC. The enhancement of technical cooperation within an MoU framework with PBO could be beneficial and part of HFISC's strategic plan.

The Public Debt Management Agency

The Public Debt Management Agency (PDMA) is responsible for the financing of the Greek government, the servicing of the outstanding debt and for optimizing the structure of the debt. PDMA also manages the cash reserves of the Greek government. In doing so, it takes into account the financing needs of Greece as well as the prevailing international economic conditions. Currently, there is no official cooperation between HFISC and PDMA. Given that PDMA uses a simple DSA model for its work and that HFISC is in the process of developing a model enriched with climate, aging and other DSA variables, a cooperation might produce fruitful insights into this technical instrument and the sensitivity of its results for both institutions.

The Bank of Greece

The Bank of Greece is part of the euro area monetary system and in that capacity responsible for monetary policy. In addition, the Bank of Greece is responsible for supervising the Greek financial system. The central bank is a well-established institution that makes projections regarding the Greek economy and the government budget. Hence, it has experience and information that could broaden HFISC's technical perspective. Currently, there is little cooperation between the central bank and HFISC, which means that there is room for improvement.

The Independent Authority for Public Revenue

The responsibility of the Independent Authority for Public Revenue (IAPR) is to determine, certify and collect tax, customs and other public revenues.

The authority was established in 2017 in line with the international standards regarding tax administration autonomy. The organizational and operational framework of IAPR includes, among others, the following powers:

- determination, assessment and collection of tax and customs revenue;
- identification of tax evasion or fraud, smuggling, illegal trade and imputation of undisclosed income;
- providing e-services to citizens, businesses and public sector bodies, with a view to facilitating transactions, simplifying processes and achieving tax fairness.

For HFISC, tax revenues and other relevant data are very significant. Currently, there is little cooperation between both organizations. An MoU defining specific issues of interest and clear procedures between the two independent authorities would be necessary, especially regarding the mandate of the costing of parties' electoral platforms. Lack of such a cooperation could be decisive in the successful implementation of the above HFISC task.

2.3 The new EU fiscal framework

The introduction of the new EU fiscal framework means an important change in how HFISC will operate in the coming period. Distinctive elements of this new framework are 1) that it is based on a country-specific debt sustainability analysis (DSA) and 2) that there is only a single target with which governments need to comply, in the form of a net expenditure path over a four-to-seven-year period.

The expenditure path needs to meet several requirements. First, for countries with a debt level above 60 percent of GDP it is set to ensure that by the end of the adjustment period (assuming that there are no further budgetary measures) the projected government debt is on a plausibly downward path, or stays at prudent levels (below 60 percent of GDP, Regulation (EU) 2024/1263). “Plausibly downward” means that there is at least a 70 percent probability that debt will decline, based on a stochastic DSA. The stochastic element is included to secure that this downward trajectory can be expected under predefined adverse conditions regarding interest rates, GDP and the primary fiscal balance (see Bruegel 2024). These conditions can be seen as a “DSA requirement” for budgetary policy. Second, the net expenditure path must ensure that whenever the budget deficit is larger than 3 percent of GDP, it is reduced below 3 percent by the end of the adjustment period of either four or seven years¹¹. This condition can be seen as the “deficit requirement”.¹²

To define this expenditure path, the EC will provide Member States (with debt above 60 percent or a deficit of more than 3 percent) with a reference expenditure path. This path is based on the EU DSA methodology and fulfils the additional requirements mentioned above. Furthermore, EU members must present medium-term fiscal-structural plans (MTFSPs). In these plans, countries must outline their commitments in terms of fiscal policy, economic reforms and public investments over the next four or five years. Since 2024, these MTFSPs have replaced the Reform, stability and convergence programs.

The new EU fiscal framework also stipulates the role of IFIs in the budgetary process. The reformed framework amends the preventive arm and corrective arm to encourage Member States to give IFIs a role in the European Semester. The preventive arm (Articles 11, 15(3) and 23 of Regulation (EU) 2024/1263) requires Member States to have IFIs provide an opinion on the macroeconomic forecast and the macroeconomic assumptions underpinning the net expenditure path in their MTPs after 2032, provided that the IFI has sufficient capacity to do so.¹³ It also suggests (but does not require) that IFIs should assess budgetary outturn data for progress against the net expenditure path and assess factors underlying any deviation. The corrective arm (Article 3(5) of Council Regulation (EC) No 1467/97) suggests but does not require that Member States ask their IFI to produce a nonbinding report on the sufficiency of the fiscal consolidation measures taken.

¹¹ The required annual improvement in the structural primary balance is at least 0.4 percent of GDP when the adjustment period is four years, and at least 0.25 percent of GDP when it is seven years.

¹² For countries with either public debt in excess of 60 percent of GDP or a deficit of more than 3 percent of GDP, there are additional requirements. See for example Bruegel 2024 for more information on these requirements.

¹³ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401263

2.4 Main findings

The role of HFISC as a fiscal watchdog is a relatively recent development. Until 2022, the European Commission oversaw the scrutiny of government finances, particularly within the framework of enhanced surveillance. Consequently, HFISC has had limited opportunity to establish a reputation in this capacity.

HFISC has demonstrated its ability to effectively respond to economic challenges by addressing critical issues through working papers and analyses. These papers have explored topics such as the uncertainty in debt calculations, the importance of accurate economic modeling, the heightened economic uncertainties posed by crises like COVID-19, and the associated budgetary risks. This responsiveness is a vital attribute, enabling policymakers to be well-equipped to make informed decisions that support economic stability and resilience and at the same time familiarize the general public with the above decisions.

HFISC cooperates well with other institutions but could further strengthen its ties with some of them. There is significant potential for further collaboration, particularly with the PBO, as both organizations share an interest in public finances and could benefit from shared knowledge in this area. Strengthening ties with IAPR is important for improving data availability for HFISC, especially in order to fulfil the mandate of costing electoral platforms. Additionally, engaging with the central bank could prove valuable in refining HFISC's economic models.

Looking forward, an important challenge for HFISC is to adapt its role to the new EU fiscal framework. For HFISC, the new framework means a changing and possibly more prominent role within the budgetary process as well as the need to develop or adapt its analytical toolkit. HFISC has already provided an opinion on the macroeconomic forecast included in the 2025-28 MTP, which follows naturally from the macroeconomic assessments it makes. To what extent HFISC will take on additional responsibilities as part of the transposition of the new framework into the national legal framework, has yet to be decided. Currently, the Greek Ministry of Finance is addressing the requirements of the new EU framework and has formed a working group tasked with proposing the necessary adjustments to related laws and institutional roles. This working group, comprising around forty representatives from key entities such as HFISC, PDMA and others, aims to deliver its proposals by spring 2025. Irrespective of the exact role that it will be given, HFISC will need to develop capacity to understand and assess elements of the new approach. For example, because the new framework introduces a risk-based approach to monitoring the long-term fiscal sustainability of EU Member States through a stochastic DSA, HFISC will need to understand and possibly replicate the DSA model. This will require additional capacity, which is a challenge given the already limited capacity of the organization.¹⁴ As a member of the working group, HFISC has made several proposals to enhance its effectiveness and to align with the upcoming changes. These include proposals to establish additional departments for technical analysis, to gain more flexibility in how personnel can be hired compared to the standard framework, and to increase the salary of HFISC personnel.

As is the case with other IFIs, HFISC should consider adapting its toolkit to climate-related risk and environmental policies. Various methods can be employed to assess these risks, including value-at-risk models, integrating such risks into debt sustainability analysis (DSA) models, and adopting standards from the Task Force on Climate-related Financial Disclosures (TCFD) for government financial statements. Additionally, HFISC could enhance its expertise in green budgeting to better evaluate government finances.

¹⁴ Based on contacts with other IFIs we find that the new fiscal framework will require additional capacity. For larger IFIs this can probably be achieved through some reallocation of tasks, while for smaller IFIs it will be a challenge.

Chapter 3. Methodology

This review of HFISC's strategy is based on the OECD principles for IFIs. Using these nine principles, both the resources and the performance of HFISC are assessed. The assessment is based on interviews, (internal) HFISC documents, economic literature and different data sources.

3.1 Framework for analysis

To review HFISC's strategy, we use the OECD principles for independent fiscal authorities. These principles are well-established and address all elements of the functioning of an IFI. Therefore, and given that HFISC has not yet been fully evaluated in its capacity as an IFI¹⁵, they are a good starting point to evaluate the HFISC strategy.

The OECD (2014) Principles for Independent Fiscal Institutions are a cornerstone for assessing IFI, including this assessment. The principles promote independence, transparency and accountability. Recently, the status of these principles has been elevated as the OECD Council formally recommends them.¹⁶

Requirements for IFI independence and resources have also been reaffirmed in the reform of the EU's economic governance framework. The EU Council Directive (2011/85/EU) includes requirements (Chapter V article 8a), which state that IFIs¹⁷:

1. Shall not take instructions from the budgetary authorities of the Member State concerned or from any other public or private body;
2. Shall have the capacity to communicate publicly about their assessments and opinions in a timely manner;
3. Shall have adequate and stable resources to carry out their tasks in an effective manner, including any type of analysis within their tasks;
4. Shall have adequate and timely access to the information needed to fulfil their tasks;
5. Shall be subject to regular external evaluations by independent evaluators.

Since these requirements are in essence also part of the OECD principles, we use these principles as our main evaluation criteria in this review. These OECD principles can be summarized as follows:

- 1) Local ownership.** Local ownership is crucial for an IFI to be effective. It is manifested by commitment and consensus across the political spectrum with regard to the IFI. The IFI's design would typically depend on local needs and the institutional environment. The basic characteristics of an IFI, including specific protections, should be informed by the country's legal framework, political system, and culture. In addition, international authorities may provide valuable support and protection.
- 2) Independence and non-partisanship.** An IFI analysis should be done in the absence of political influence and should not have a specific political perspective. It should be

¹⁵ Both HFISC and PBO have been reviewed though not clearly evaluated by the Court of Audit (2022).

¹⁶ <https://legalinstruments.oecd.org/public/doc/301/301.en.pdf>

¹⁷ Amended by Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States. To a large extent these contain the criteria already included in the Two-Pack Regulation from 2013 covering euro area MSs.

presented objectively and be based on professional excellence. IFIs should have the autonomy and the resources to produce reports and analyses at their own initiative, as well as the autonomy to determine their work program. The leadership of an IFI should be selected on the basis of merit and competence. Term length, number of terms, and criteria and a procedure for dismissal should be specified in legislation. The leadership should be free in hiring and dismissing staff. Staff should be selected through open competition based on merit and technical competence and without reference to political affiliation. Conditions of employment should be similar to those of the civil (or parliamentary) service.

- 3) **Mandate.** The mandate of IFIs should be clearly defined in higher-level legislation, including: 1) the general types of reports and analysis they are to produce, 2) who may request reports and analyses, and, 3) associated timelines for their release. Clear links to the budget process should be established within the mandate. Typical tasks carried out by IFIs might include: production, assessment and/or endorsement of macroeconomic and fiscal projections, policy and election costings (analysis of policy proposals), monitoring compliance with fiscal rules, costing of legislative proposals and analytical studies on selected issues.
- 4) **Resources.** The resources allocated to IFIs must be commensurate with their mandate in order for them to fulfil it in a credible manner. This includes ensuring sufficient staff with the necessary expertise in economics, public finance and other relevant fields, along with the necessary administrative staff to support them. This includes the resources for remuneration of all staff and, where applicable, council members. The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies, such as audit offices, in order to ensure their independence. Multiannual funding commitments may further enhance IFIs' independence and provide additional protection from political pressure.
- 5) **Relationship with the legislature.** Legislatures perform critical accountability functions in country budget processes and the budgetary calendar should allow sufficient time for the IFI to carry out analyses necessary for parliamentary work. Regardless whether an independent fiscal institution is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature. These may include (but are not limited to): (1) submission of IFI reports to Parliament in time to contribute to relevant legislative debate; (2) appearance of IFI leadership or senior staff before the budget committee (or equivalent) to provide responses to parliamentary questions; (3) parliamentary scrutiny of the IFI budget; and (4) a role for Parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals.
- 6) **Access to information.** There is often asymmetry of information between the government and the IFI, no matter how well an IFI is resourced. This creates a special duty to guarantee in legislation that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals. Information should be provided at no cost. Any restrictions on access to government information should also be clearly defined in legislation. Clear and detailed memorandums of understanding and exchange protocols should be established to ensure smooth information flows, automated where possible, and cooperation between IFIs and governmental bodies.
- 7) **Transparency.** The OECD principles for IFIs place a strong emphasis on transparency, highlighting that transparency in operations and methodologies is essential for building credibility and trust in their work. Given that promoting transparency in public finances is a key goal of IFIs, they have a special duty to act as transparently as possible. Full transparency in their work and operations provides the greatest protection of IFIs' independence and

allows them to build credibility with the public. IFI reports and analyses (including a full account of the underlying data and methodology) should be published and made freely available to all.

- 8) **Communication.** The OECD guidelines emphasize the importance of effective communication strategies for IFIs to fulfil their mandates and influence fiscal policy. IFIs should develop effective communication channels from the outset, especially with the media, civil society and other stakeholders. Given that the influence of IFIs on fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters. Furthermore, IFIs should be able to proactively engage with the media using their own voice, with their own website and social media platforms, free from bureaucratic or political constraints.
- 9) **External evaluation.** IFIs should develop a mechanism for external evaluation of their work, to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country.

3.2 Research method

To gather information on the functioning of HFISC, we used different sources of information.

First of all, we spoke to representatives of HFISC at different levels of the organization, including the Board, management and different members of staff. We did so in person in Athens during two visits (in June and August). In total we spoke with four Board members and five members of staff, including management.

Second, we analysed several documents published on the website or provided to us by HFISC. These include the opinions of HFISC about macroeconomic and fiscal forecasts as well as compliance with fiscal rules, HFISC's most recent Spring and Autumn reports, an occasional note and working papers. The latter were used specifically to review HFISC's current models. We also analysed several internal documents provided by HFISC, relating to HFISC's internal organisation. They included the workplan and information about the resources of HFISC.

Third, we conducted interviews with representatives of several organizations that are relevant to HFISC. We spoke with the Ministry of Finance, the Parliamentary Budget Office, ELSTAT and the Public Debt Management Agency.

Fourth, we used relevant economic literature and data as background information, as well as to compare HFISC to other IFIs. This included literature on the performance of IFIs in general and especially in Europe, data on the mandates of IFIs and official documents related to European legislation.

Chapter 4. Institutional assessment

HFISC complies with most of the OECD criteria for IFIs and is clearly improving its visibility in the public debate. At the same time, improvements are certainly possible, especially when it comes to attracting staff, further enhancements in economic modelling and strengthening the internal organization.

4.1 Ownership

Ownership implies that HFISC has a well-defined role within the national context and others recognize the value of the Council as an independent fiscal institution. Hence the role of HFISC should fit the (needs of the) national institutional environment. At the same time, its strength can be enhanced through (international) cooperation with other institutions.

HFISC was established in 2015 at a time when Greece was feeling the consequences of an economic crisis. The crisis was largely the result of the accumulation of too much debt by the Greek government. Although HFISC was established as a result of EU legislation (as many IFIs were), there was clear consensus in Greece that an independent fiscal institution could play a valuable role in helping to keep government finances in check.

The model of HFISC reflects the support for an independent authority and is in principle well-tailored to the institutional setting in Greece. The role of HFISC is firmly vested in the law, thus providing a good basis for the Council as an independent assessor of Greek public finance. In addition, since HFISC endorses the macroeconomic forecasts and assesses budgetary plans of the Ministry of Finance, its role is well integrated in the government's budgetary cycle.

HFISC has invested in its relationship with other institutions, nationally and internationally. HFISC has built up good working relationships with related institutions within Greece, including the Ministry of Finance and the Hellenic Statistical Office, as well as good informal ties with PDME and the PBO. This offers HFISC valuable channels for the exchange of information, both through official and informal channels. HFISC is also a member of the network of EU independent fiscal institutions and participates actively in the working groups, conferences and other EU IFI and OECD events. This contributes to exchanging information and ideas on best practices with other, sometimes more experienced IFIs as well as sharing scientific knowledge and tools.

At the same time, HFISC is a relatively young organization that has had little time to build a reputation for itself. Although HFISC was established in 2015, its role as an institution that scrutinizes the government budget has been modest for most of the years since then, because the Greek government was under enhanced surveillance of the European Commission (EC) between 2010 and 2022. During this period, the EC performed this scrutinizing role vis-à-vis the Greek Ministry of Finance and as a result, the role of HFISC was somewhat overshadowed. HFISC only has had a couple of years in which it operated as a stand-alone IFI responsible for the assessment of compliance with the (EU) fiscal framework. That is a short period to build a reputation. In recent years, the Greek economy has performed quite well and the government finances were compliant with fiscal rules. Therefore, HFISC did not need to make critical interventions regarding the conducted fiscal policy. This has limited HFISC's possibilities to show its teeth as a fiscal watchdog. Nevertheless, the reports and opinions were generally well received, as evidenced by the assessment of their impact in the media.

Main findings

On the one hand, HFISC is well embedded within the local institutional setting. Its positioning is well-tailored to the budgetary process, and relevant institutions agree on the role that HFISC could play within this budgetary process, based on the conversations that the evaluation team had with these institutions. In addition, given the fresh memories of an economic crisis, there is fertile ground for building a strong reputation among the broader public.

At the same time, HFISC has to build a stronger reputation as the institution that scrutinizes the Greek government's fiscal policies. Although there is consensus among related institutions that there is a valuable role to play for an independent fiscal council in Greece, there is room of improvement in HFISC's contribution in the fiscal debate. HFISC would have to build a strong reputation as an independent centre of technical excellence with respect to macroeconomic, fiscal projections, debt sustainability analysis and policy costing of electoral platforms.

4.2 The mandate of HFISC

HFISC endorses macroeconomic and budgetary forecasts made by the Ministry of Finance and assesses compliance with fiscal rules. HFISC does so by delivering an opinion on macroeconomic forecasts and budgetary plans of the Ministry of Finance. Most of them are delivered on a yearly basis according to the Greek budgetary cycle; see Table 1 below for an overview. HFISC has a clear mandate to make these assessments, as it is stipulated in the law that HFISC has the task to do so. In most cases, the law specifically refers to a particular assessment.

HFISC monitors compliance with fiscal rules incorporated into the national public finance management framework in order to achieve the medium-term public finance objective. In this regard, HFISC is responsible for the assessments of the budgetary objectives of the current year or the years covered by the Medium-Term Fiscal Plan and the State Budget, including the analysis of debt sustainability. HFISC is tasked in particular with signalling significant deviations from or progress towards the medium-term objectives and analysing the reasons for these deviations.

HFISC is also tasked with assessing the macroeconomic and fiscal forecasts of several types of budgetary plans. More in particular, HFISC assesses the macroeconomic and fiscal forecasts of the Stability Program, Medium-Term Fiscal Plan, and the preliminary, draft and final State Budget. In order to perform these assessments, HFISC has entered into an MoU with the Ministry of Finance.

All of these assessments take the form of an opinion that is published on the HFISC website. These opinions are short notes of about six pages that explain how HFISC has assessed the forecasts of the Ministry of Finance. Where relevant, they also include an official (non-)endorsement of either the forecasts or compliance with fiscal rules.

Table 1: An overview of opinions by HFISC

Task	Law	Performance
Opinion on the Macroeconomic Forecasts of the Stability Program	Yes, referring to HFISC's EU related responsibilities	Yes, yearly
Opinion on macroeconomic and fiscal forecasts and assessment of compliance with the fiscal rules of the Medium-Term Fiscal Plan	Yes, law specifically refers to the MTFP	Yes, yearly
Opinion on the macroeconomic forecasts and assessment of compliance with the fiscal rules of the Preliminary Draft Budget	Yes, law specifically refers to the Draft Budget	Yes, yearly
Opinion on the macroeconomic forecasts of the Draft Budgetary Plan	Yes, law specifically refers to the Draft Budgetary Plan	Yes, yearly
Opinion on the macroeconomic and fiscal forecasts, and compliance with the fiscal rules of the State Budget	Yes, law specifically refers to the State Budget	Partly, yearly, no DSA
Opinion on the macroeconomic and fiscal forecasts of any Supplementary State Budget	Yes, law specifically refers to the Supplementary State Budget	Yes, when applicable

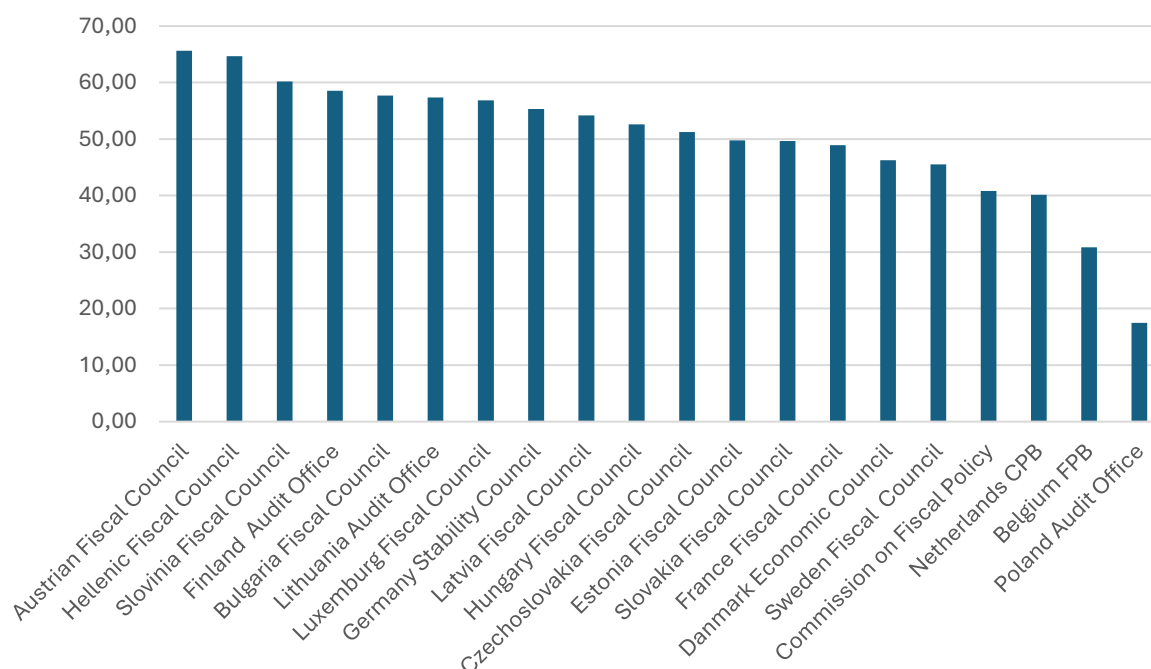
Source: SEO Amsterdam Economics

HFISC also publishes a twice-yearly report on the macroeconomic and fiscal stance of the Greek economy, in spring and autumn. These publications are mandated by law. In particular, they aim to thoroughly analyse macroeconomic developments along with budgetary policy, fiscal stance and compliance with the European fiscal rules.

HFISC is legally responsible for evaluating the methodology and assumptions of the Ministry of Finance's models for the macroeconomic and fiscal forecasts. If HFISC finds that the process of drawing up the macroeconomic forecasts has significant shortcomings, the Ministry should explain the rationale behind it and/or implement changes. Up until now, however, HFISC has not detected significant shortcomings leading to inconsistent projections. Projections are compatible with those of the EU and other international organizations.

Recently, HFISC has received the mandate to perform policy costings of elections platforms. In a recent amendment to the Law of 4270/2014 (Amendment of 29/7/2023), HFISC is tasked with the evaluation and costing of election manifestos of political parties upon request: "Evaluations and quantifications of the fiscal impact expected from the proposals included in the programs of political parties and party coalitions, upon their request. The evaluations and quantifications should be reviewed in accordance with the model, procedure, and methodology defined by HFISC. The submission of the request referred to in the second sentence is made following a decision by the competent body of each political party." Since the law has come into effect relatively recently, such costings have not yet been undertaken.

In addition to the tasks mentioned above, HFISC has a mandate to publish reports concerning macroeconomic forecasts or fiscal policy on its own initiative. There are some examples of these types of publications, such as the working paper series that HFISC publishes. These papers are of a more academic nature, for example explaining HFISC's macro-econometric models. Another example is a short note on the increased uncertainty that HFISC published in the wake of the COVID-19 crisis. The note provided several possible scenarios for the Greek economy and its public finances that could result from the COVID-19 crisis. A more recent publication focuses on the caveats in the way debt sustainability paths are calculated, including the endogeneity among the various variables that should be taken into account.

Figure 4: The strong mandate of HFISC is reflected in a high SIFI score

Source: European Commission, Fiscal Governance Database

All in all, HFISC has quite a broad set of official tasks. This is also reflected in the co-called SIFI score of HFISC. The SIFI score is a metric aiming to measure the breadth of tasks covered by an IFI. HFISC scores very high compared to other EU IFIs. It ranks second after the Austrian IFI, as can be seen in Figure 4 above.¹⁸

Main findings

Benchmarking HFISC's mandate against the OECD's principles for IFIs, the mandate of HFISC is in accordance with these principles. Its mandate is clearly stated in higher-level legislation, HFISC has scope to produce reports and analyses based on its own initiative, and clear links are established to the budget process within the legislation. The strong mandate of HFISC is also reflected in a high SIFI score, with HFISC ranking second only to Austria.

In practice, HFISC fulfils its mandate to assess the government's macroeconomic and fiscal forecasts and compliance with fiscal rules through a number of publications. Forecasts are assessed in opinions at different moments throughout the year: the macroeconomic and fiscal forecast in the Stability Program (April/May), the Draft Budgetary Plan (October), the Preliminary Draft Budget (October), the State Budget (November) and, when available, the Medium-Term Fiscal Strategy Framework. In addition, HFISC fulfils its legal task by publishing opinions if Supplementary Budgets are emerging and finally twice a year through the semi-annual reports on the macroeconomic and fiscal stance of the Greek economy.

The MoU with the Ministry of Finance is working well in terms of macroeconomic forecasting. However, in practice the agreed timeline for the fiscal forecast of "one week before budget submission to Parliament" is rarely met, mainly due to last-minute budgetary revisions. As a result, HFISC typically has only a few days to assess the fiscal forecast for the budget.

¹⁸ The SIFI index is calculated only for 'core IFIs', based on information reported by these institutions themselves. Six separate groupings of tasks constitute the SIFI index: (1) monitoring of compliance with fiscal rules; (2) macroeconomic forecasting; (3) budgetary forecasting and policy costing; (4) sustainability assessment; (5) promotion of fiscal transparency; and (6) normative recommendations on fiscal policy. See: https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/fiscal-governance-database_en.

The legal mandate to carry out an evaluation of the assumed methodology and assumptions underpinning the macroeconomic projections every four years has not been fulfilled. To gain a good understanding of the methodology that the Ministry of Finances uses and thus to better position itself as the assessor of the macroeconomic projections made by the government, it would be helpful to do such an evaluation. To be productive, however, HFISC would need to make sure it has the capacity to make such an evaluation. This would require an improvement in the human capital of its current staff through education and training, attracting specialized professionals or collaborating with specialized consultants or experts.

The mandate to evaluate and perform costings of election platforms is relatively new, and HFISC has yet to undertake this task. At this moment, only five Independent Fiscal Institutions (IFIs) within the OECD Working Party engage in this practice. The CPB Netherlands Bureau for Economic Policy Analysis has conducted electoral platform evaluations since 1986. More recently, the Federal Planning Bureau of Belgium (2019) and the Fiscal Council of Slovenia (2018) have adopted similar approaches (OECD, 2023). Currently, HFISC lacks experience in policy costing, a responsibility that so far has rested with the Ministry of Finance. Transitioning from having no experience in policy costing to performing election costing is a significant challenge. Election costings are highly politically charged, and are very time pressured as the window for the election costing exercise is usually short. Therefore, these costings require robust procedures and extensive expertise to withstand scrutiny from various political stakeholders. Failure to meet the highest standards could severely damage HFISC's reputation. It is advisable to start with building experience in making policy costings before doing election costing (see also the recommendation below). To this aim, HFISC could seek technical assistance from other IFIs in the EU IFIs network and/or international institutions with relevant expertise.

Improvements to deliver on the basis of HFISC's mandate are mainly in the execution of certain tasks. Important limiting factors concern the current modelling capabilities of HFISC and, to some degree, access to information on actuals on the revenue side. The next chapter focuses further on these issues in the context of the execution of the fiscal monitoring function.

4.3 Independence and non-partisanship

HFISC's independence is clearly outlined in its legal mandate. More in particular, it is laid down in the Law of 28 June 2014 (Law 4270/2014), where Article 2 stipulates that "The President, the members of the Management Board and the staff of the Public Board, shall not receive instructions from any governmental body or other public or private organization, in the performance of their duties" and that "The President and the members of the Council shall enjoy personal and operational independence." In addition, the appointment of the Board of Directors, the Council's highest decision-making body, is clearly stipulated in law (article 4). This board consists of the president and four members. The president is a full-time position, other members of the board who are not full-time employees are not precluded from holding a teaching or research staff position.

The selection procedure of the Board of Directors is based on an open competition. There is an open call published on the open governmental drive called "Diavgia" inviting candidates to apply. A committee composed of the Minister of Finance, the Governor of the Bank of Greece and the President of the Court of Auditors is responsible for the selection process and draws up a list of the most suitable candidates, based on predefined and objective criteria.¹⁹ After the first selection is made, the Permanent Committee on Economic Affairs of the Parliament invites the

¹⁹ This list of candidates is published in the Official Journal of the European Communities too.

nominated Chair and Board members to a hearing. This committee then forwards its decision to the Cabinet for final approval. The Board of Directors is appointed for a five-year term, which is not renewable. The President's remuneration is stipulated to be equal to the remuneration of the Secretary General of the Ministry and that of the members of the Board of Directors is equal to seventy percent (70%) thereof.

Members of the Board are required to be “persons of recognized standing, scientific training and professional experience in areas related to the responsibilities of the Board” (article 5).

The article disqualifies a person “who is or has been a member of the Hellenic Parliament, the European Parliament, the Government or the executive organs of a political party to be appointed Chairman or member of the Board of Directors. Exceptionally, up to two members of the Board of Directors may be appointed by persons who have held one of the above positions if, at the time of their appointment, four years have elapsed since they lost any of the above positions.”

The legal framework does not oblige HFISC to install a Supervisory Board. Such an oversight board could (and for other IFIs has proven to) be an effective instrument to organize checks and balances and to protect the institution’s independence. Such an oversight board can perform several functions. For example, it could serve as a point of contact for HFISC staff in case of integrity issues. Finally, it can play a role in commissioning specific reviews in case of (political) discussion with respect to certain aspects of HFISC products.

Main findings

Given the safeguards for the appointment of HFISC leadership, the legal basis guaranteeing the independence of HFISC’s Board of Directors is compliant with the OECD’s principles for IFIs. These principles stipulate that leadership selection should be based on merit without reference to political affiliation, term lengths are clearly specified (maximum term of five years), the chairperson is a full-time function which is remunerated at the level of a secretary general, and leadership is selected via an open competition.

In recent years, HFISC has endorsed the macroeconomic and fiscal forecasts of the Ministry of Finance. The endorsements were accompanied by risk assessments but not substantially qualified, even though in some cases (e.g. Opinion on the 2024 annual state budget) the macroeconomic forecast by the ministry was near the upper limit of the range indicated by HFISC models. Some additional substantiation of the given judgement would improve the robustness of these endorsements.

HFISC is not under political pressure. HFISC operates independently, and the Board of Directors does not experience political pressure with regard to the timing or content of its publications. HFISC sees this as a sign that the Greek government respects its independence. Various interviewees mentioned that HFISC is not yet fully recognized as an authoritative voice in the public policy domain, which might partially explain the absence of political pressure to alter the content or timing of its publications. This might emerge as a challenge if HFISC would succeed in building a stronger reputation in the coming years, especially with respect to policy costings of the elections platforms.

4.4 Resources

The basis for HFISC’s resources is laid down in the legal framework (Law 4270/2014). In particular, it is mentioned that: “A maximum of twenty (20) staff posts shall be created for the staffing of the Public Council, of which nine (9) shall be specialist posts. (...) Scientific staff should have a postgraduate degree in one or more of the following fields: econometrics, macroeconomics, public policy, finance, institutions or political economy. (...). The Supervisor

shall be drawn from the specialized scientific staff, shall be of recognized competence and shall have at least 10 years' experience in areas relevant to the responsibilities of the Council or shall have outstanding research qualifications in those areas.” The law also states that the Council's budget is funded from the State Budget to cover the salaries of the members of the Governing Board and staff and their operating expenses.

As is the case for other independent bodies in Greece, there is a multiannual commitment for the HFISC budget. The budget itself, however, is set in a bill put forward by the Ministry of Finance and decided upon on a yearly basis. Until now there have not been cuts in the HFISC budget, which in any case is not exhausted by a large margin (see below).

HFISC employs fewer staff than its budget allows. As shown in Table 2, the number of staff has never been above 15, which is five below the maximum allowed. It dropped to 13 at the beginning of 2024 and recently even further. Currently, there are many vacancies, at least seven when compared to the legal mandate of 20 positions. As a result, the administrative support department currently has four employees (excluding the head) and the research department has only five employees (excluding the head) and an external part-time research expert. With such limited resources, current staff conveys the message that they cannot adequately perform the duties of the institution. According to representatives of HFISC employees, remuneration is a major concern compared to other public financial management institutions in Greece. This may contribute to high staff turnover, hindering knowledge building of staff. They also argue for a better work planning within the departments to improve quality and efficiency.

Table 2: Budget and FTE over the years

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Budget (in 1000 EUR)	1.100	1.100	1.100	1.100	1.100	990	1100	1100	1100
Number of staff	none	11	13	12	15	15	15	15	13

The purchasing power of the HFISC budget has decreased by about 20 percent over the past eight years. This is the result of a constant nominal budget in combination with increases in (labour) cost inflation of around 20 percent (see annex on inflation). So far, HFISC has never fully used its budget. In this respect, the lower value of the budget has not acted as a constraint. However, this reduction in funding is not conducive to the further development of HFISC, especially when it comes to attracting more and highly specialized staff.

At the same time, the legal framework makes it difficult to attract staff. It takes a lot of time (allegedly more than two years) because staff has to be hired via ASEP²⁰, the central hiring procedure of the Greek government. Short-term contracts are an alternative, but the possibilities are limited. Given the legal status of HFISC, this is currently only legally allowed for part timers with limited duties and for short-time experts. HFISC has applied through ASEP twice in the last two years and recently three positions have been assigned. Another option is to apply for scientific staff in the context of the mobility process for public services, which is a quicker way to attract employees from other public institutions. Although it is a quicker way to attract employees, in most cases it does not result in the hiring of highly specialized scientific staff. HFISC participated in all mobility rounds in the last few years, but without success.

The law requires that HFISC publishes its estimated operating expenses on its website. This could be achieved by publishing this information in HFISC's annual reports, for example. However, since 2021 the annual reports have not been published on the HFISC website.

²⁰ <https://gr.linkedin.com/company/asep-official>

With respect to the workplan of HFISC, the organization is free to determine how it uses its resources to produce the required macroeconomic and fiscal assessments. To do so, HFISC makes a yearly workplan. This plan consists of a list of publications, their planned publishing date and some activities related to these publications, such as presentations for the meetings with the Ministry of Finance. In that sense, the workplan contains the activities for the “running” of the organization, whereby the output is more or less the same over the years. The work plan thus supports the continuous execution of HFISC’s core functions. The “changes”, including items such as modelling improvements, research topics with special attention and new topics for working papers, are not specified. In addition, the line of activities to prepare for the new task of costing of policies is not specified. The workplan does not specify a clear division of labour among staff regarding these outputs, nor are there any clear targets and performance indices.

Main findings

HFISC is substantially understaffed. Currently, staff consists of 13 employees while the legal mandate and the budget allow for 20. As a result, current staff is fully occupied with preparing regular publications. This leaves limited capacity to improve the quality of work (e.g. macroeconomic modelling) and to prepare for new tasks, such as policy costings. In turn, this adversely affects the work environment, with the risk that more employees will leave.

An investment in recruitment activities is necessary to enhance the resources of HFISC. HFISC should continue its hiring campaigns, aiming to attract high-quality and preferably permanent staff through the existing framework. In addition, the legal framework should allow for flexibility in attracting specialized personnel from the public or private sector. Permanent or other types of contracts (via ASEP or other arrangements) providing discretion to HFISC as is the case for PDMA, ELSTAT and other independent authorities, would improve HFISC’s labour market position and hiring options. Moreover, new arrangements should provide possibilities for higher remuneration of existing and new personnel linked with goal-setting and performance evaluation (as is the case at other independent authorities). Given the Council’s recent mandate to conduct policy costings of election platforms, it is imperative to recruit specialized professionals with relevant expertise in this field.

In addition, HFISC should explore the possibility of adapting its legal framework in order to be able to hire directly, without passing through ASEP. Attracting highly qualified personnel with specialized expertise in the Institution’s field is difficult under this framework. Some institutions that are comparable with HFISC, such as PDMA and ELSTAT, have been granted the possibility to hire directly. Providing this possibility to HFISC as well, would help the organization to attract staff more quickly. Given HFISC’s recent mandate to conduct costings of political parties’ election platforms, it is imperative to recruit specialized professionals with relevant expertise in this field. This underlines the need for effective hiring practices to ensure the rapid selection of personnel that is qualified for this task. For an adaption of its legal framework, HFISC needs the support of the Ministry of Finance.

HFISC should explore the possibility to increase remuneration of its personnel. The current level of remuneration might be too low to attract highly qualified staff, given that it was mentioned as one of reasons why several people left HFISC in the past couple of years. Increasing wages and benefits can help to create a positive work environment that encourages professional growth and to attract new employees. We understand that other independent organizations in Greece have this possibility. Since this would require an adaptation of the legal framework, HFISC would need the support of the Ministry of Finance for such a measure.

To fulfil its new mandate with regard to costing of election platforms, the Ministry of Finance will need to provide additional budget to enable HFISC to attract more staff for this task. The introduction in 2023 of HFISC’s new task of costing election platforms was not accompanied by an increase in budget, which has been stable (and hence decreased in real terms) since 2014.

However, policy costings, and especially costing of election platforms, require additional resources. The ministry should provide additional budget for this task, if needed through changes in HFISC's legal basis. In addition, the lack of compensation for inflation has reduced the real value of HFISC's budget by about 20 percent over the past eight years, which is another reason to increase the budget. Moreover, the new EU fiscal framework will enhance the role of IFIs and thus require HFISC to perform additional tasks, which might be difficult to realize within the current budget.

In addition to increasing the number of staff, human resources management should be improved. The work of an IFI is relatively specialized, as it requires a good understanding of both the technical workings of economic models and the functioning of the government. In addition, for an IFI to be influential, the quality of its work is of the utmost importance. Therefore, an IFI needs experienced staff that has worked with the IFI for several years and has developed a good intuition for the role the IFI should play. To ensure that HFISC has such experienced staff, it will need a work environment that is attractive and supports staff in its development. To get there, HFISC needs to enhance its human resources management. The number of staff that has left the organization as well as feedback from current HFISC staff indicates that improvements are possible in this respect. Moreover, upskilling and intensifying the retraining initiatives for the existing workforce could significantly strengthen the Council's human resource capacity.

To effectively deploy its scarce resources and enhance the quality of its scientific work, HFISC should improve its current workplan. HFISC currently operates based on a structured annual workplan with planned activities and routine outputs, including a predefined schedule of publications and related presentations. This work plan ensures the continuous execution of HFISC's core functions, particularly in delivering macroeconomic and fiscal assessments. However, while this approach maintains operational stability, it lacks the inclusion of transformative elements that are essential for organizational growth and adaptation to new tasks. To increase HFISC's effectiveness, the workplan should be enhanced by incorporating such needed improvements, for example with respect to macroeconomic modelling, tools for fiscal forecasting and debt sustainability modelling. These tools are already part of the ongoing TSI (pillars 1 and 2). Additionally, the workplan must explicitly outline the preparatory work required for HFISC's new task of policy costing, ensuring that initiatives in this area are clearly structured and systematically implemented.

4.5 Relationship with the legislator and other institutions

The OECD principles for IFIs state several requirements concerning their relationship with the legislator. According to these principles, appropriate accountability to the legislature involves: 1) submission of IFI reports to Parliament in time to contribute to relevant legislative debate, 2) appearance of IFI leadership or senior staff before the budget committee (or equivalent) to provide responses to parliamentary questions, 3) parliamentary scrutiny of the IFI budget and 4) a role for Parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals. In addition, the role of the IFI vis-à-vis Parliament's budget committee and individual members in terms of requests for analysis should be clearly established in legislation. Moreover, the budgetary calendar should allow sufficient time for the IFI to carry out analyses necessary for parliamentary work.

The relationship between HFISC and the legislator fulfils most requirements set out in the OECD principles. Of these principles, the appearance of leadership in Parliament, its role in leadership appointments, and the role of HFISC vis-à-vis parliamentary committees is

established in legislation. This leaves room for improvement regarding the specification of the timing of HFISC's reports and parliamentary scrutiny of the budget.

Apart from its official relationship with Parliament, HFISC cooperates with several other institutions that are responsible for or affiliated with macroeconomic or budgetary policy.

They are the Ministry of Finance, the Public Debt Management Agency, ELSTAT, the Parliamentary Budget Office (PBO) and the Greek central bank. Based on interviews with several organizations, we conclude that HFISC has invested in good relationships and collaborates well with most of these organizations, most notably the Ministry of Finance and ELSTAT, with which they have an MoU. These close ties are of eminent importance, because the information that these organizations provide is necessary for the well-functioning of HFISC.

Main findings

The relationship of HFISC with the legislator is clearly stipulated in law and is functioning well in practice.

Most of the OECD principles are adhered to in terms of the legal basis that determines the relationship between HFISC and the legislator. In addition, the president of the board is responsible for reporting to Parliament and regularly testifies before the budget/economic committee. A point for improvement could be the timing of certain HFISC reports. Opinions are prepared when budgetary plans are submitted to Parliament (in April for the Stability Program, in October for the Draft Budgetary Plan and Preliminary State Budget, in November for the State Budget etc.) and throughout the year if any supplementary budget is submitted to Parliament. HFISC has, however, freedom with regard to the timing of its spring and autumn reports. The timing of these reports can potentially be aligned with the budgetary process. In that case, some of the analyses required for the opinions could be integrated in these reports, saving time and energy to divert resources to other activities. This could be done in such a way that HFISC also provides some input at the beginning of this yearly process.

In addition, although HFISC works well with several organizations, it could still improve its collaboration with some of them.

Given the limited capacity of HFISC and given the fact that it performs research within the same scientific sphere as the PBO (although based on a different mandate) it is advisable to strengthen the ties with this organization, possibly via an MoU. We understand that HFISC already has informal ties with PDMA, which are used to discuss findings on macroeconomic development, for instance. Such informal ties can probably also help when constructing a DSA (see TSI Pillar II). There is less contact with the central bank. Investing in this could be helpful, as the central bank also has expertise in the area of fiscal policy.

4.6 Access to information

The OECD principles for IFIs state that the asymmetry of information between the government and the IFI creates a special duty to guarantee full and timely access to all relevant information. According to these principles, legislation should secure access to information and this should be reaffirmed in MoUs between the government and the IFI. Any restrictions on access to government information should also be defined in legislation.

Regarding legislation, Greek laws provide HFISC with a legal title to access information.

More in particular, Article 11 of the Law of 28 June 2014 states that HFISC may request any information necessary for the performance of its functions from any public sector body. This applies in particular to those with whom it has a regular exchange of information. This public sector body must provide the Council with relevant information when requested to do so. The refusal, obstruction or delay in providing the information requested or the provision of inaccurate or incomplete information constitutes disciplinary misconduct.

HFISC has established MoUs with the organizations with which it works most closely. They are the Ministry of Finance, the Hellenic Statistical Authority and the Athens University of Economics and Business.

The MoU between the Ministry of Finance and HFISC essentially governs the extent and timing of information flows regarding macroeconomic and fiscal forecasts between both organizations. Important timelines are clearly and explicitly stated in the MoU, as shown by the following examples:

- “The final detailed fiscal forecasts prepared by the Ministry of Finance are provided to the HFISC at least one week before the submission of the budget to Parliament and, in any case, no later than the completion of the relevant consultations with the institutions.”
- “Within the framework of assessing the macroeconomic forecasts on which the Medium-Term Fiscal Structural Plan (MTP) and the draft and final versions of the annual state budget are based, the Hellenic Fiscal Council shall provide its observations within one month from the submission of the necessary data by the Ministry of Finance. This will include reviewing the basic macroeconomic scenario and any alternative scenarios utilized. In practice, HFISC’s opinion is attached to the Medium-Term Plan, the Preliminary State Budget and Stability Program.”

The MoU with ELSTAT mainly governs information flows and cooperation between ELSTAT and HFISC. Honouring its independence and impartial treatment of each customer, ELSTAT publishes its data on specific dates that are known in advance. These data are then available to HFISC and the wider public too. It also supports the Council by ensuring the provision of statistical information on methodological issues related to the compilation of National Accounts and fiscal statistics. When necessary, either ELSTAT or HFISC can organize training sessions for each other’s staff with respect to producing fiscal statistics or public accounting and fiscal rules. HFISC supports ELSTAT by ensuring the provision of information in accordance with the rules and principles that govern the operational independence and public policy confidentiality of the fiscal authorities. According to the MoU, ELSTAT can provide statistical products that contribute to the effective monitoring of the implementation of fiscal rules and the overall fiscal stability.

The MoU with Athens University of Economics and Business (AUEB) covers collaboration on training and education. It states that both organizations agree and commit to organize practical training for AUEB students at HFISC, aiming to provide students with knowledge in public finance and to better prepare them for the job market. Also, AUEB agrees to support HFISC’s Strategy for Developing Fiscal Education in Greece through joint actions involving students, scholars, and professionals.

There is no MoU with the Independent Authority of Public Revenues. According to HFISC, this hampers the flow of (timely) information on tax revenues from the Authority to HFISC. In turn, this complicates HFISC’s assessment of the fiscal forecast, because it does not have access to recent actuals on the revenue side of the budget. In order to fulfil the recent mandate of costing political parties’ election platforms especially, a well-structured MoU with a clear timeline and transparent procedures is necessary.

In practice, HFISC’s information needs are only partially met. HFISC depends for a large part on the information provided by the Ministry of Finance. Regarding the development of the state budget, the ministry provides monthly data about government revenues and expenditures, which provides a good basis for monitoring budgetary developments. When it comes to macroeconomic and budgetary forecasts, the ministry also provides information on the assumptions upon which these forecasts are based. However, it is sometimes less forthcoming with handing over this type of information. In some cases, HFISC has to derive from the projections what underlying assumptions (e.g. elasticities) the ministry has made to estimate

certain effects. When HFISC asks for additional information, the ministry is normally willing to provide it, but in practice it often takes some time. In addition, HFISC also depends on the ministry for information on the state budget for the upcoming year. This includes information about policy changes and their expected impact on expenditures and revenues. A reason why state budget information is provided at a later stage is that budget negotiations often take time and are only concluded just before budgetary deadlines.

HFISC receives the data from ELSTAT at the same time as they are published. Since ELSTAT values its independence and impartial treatment of its customers, it does not provide any other data services to HFISC than the data that it makes available to the wider public. However, ELSTAT does provide HFISC with additional information on how data is compiled and defined if HFISC has any queries in this regard. Since the EU statistical authority Eurostat publishes the data provided by ELSTAT at the same time as ELSTAT itself, HFISC normally uses Eurostat as its data source. Data provided by Eurostat includes ELSTAT data but is richer as it also includes EU data, for example on exchange rates and monetary policy. Since HFISC also uses these EU datasets to for its assessment of macroeconomic and budgetary forecasts and for its economic modelling, Eurostat is its most important source of data.

Looking forward, HFISC should at some point explore ways to do policy costings, as this is part of its mandate. This exploration should include an overview of the data required and the organizations to collaborate with to do these costings. However, possible additional data requirements largely depend on how these costings will be organized.

Moreover, the ambition of HFISC to enhance its economic modelling will potentially lead to additional data requirements. If, for example, HFISC was to model different elements of the state budget in a prospective way, it needs data on tax bases (such as consumption, profits and labour income) that determine tax revenues and government expenditures. This could include more detailed data on wages, different consumption items and social security expenditures etc. Moreover, the ambition to develop a DSA model that is compliant with the EU fiscal framework also requires additional data, for example on interest payments.

Main findings

In legal terms, HFISC's access to information is secured. The safeguards formalized in the Law of June 2014 (and cited above) are broadly compliant with the OECD principles. In addition to this legal basis, MoUs with the Ministry of Finance and ELSTAT further secure a sound basis for access to information. However, due to practical difficulties up until now, especially in view of HFISC's enhanced mandate in the new EU fiscal framework and its task of costing election platforms, updated and/or new MoUs with the Ministry of Finance and/or the other independent authorities (especially the Independent Authority of Public Revenues) are considered a top priority.

With the exception of data on tax revenues, data availability is not a large issue, but improvements are possible. Working relations between the Ministry of Finance and HFISC are good and the ministry is willing to provide the information that HFISC requests. At the same time, the ministry not always provides all relevant information in time. This is largely understandable, as this is partly due to negotiations at the political level, which staff at the ministry cannot influence. However, information about underlying assumptions of macroeconomic projections or about elasticities could be shared at an earlier stage. Therefore, there seems scope for improvement of the information provision by the Ministry of Finance. A way to improve arrangements with the ministry is to specify the type of information that should accompany the macroeconomic and budgetary forecasts that the ministry submits to HFISC. This information will then make it possible for HFISC to better access the forecast or next year's budget. An updated MoU with the Ministry of Finance with a new timeline and clear procedures could provide a solid base for HFISC to effectively fulfil its mandate. Also, when HFISC starts

performing policy costings, additional arrangements will be necessary. Furthermore, HFISC should have access to information on the actuals of tax revenues in order to be able to monitor and scrutinize the forecasts of tax revenues. This probably requires better arrangements with the Independent Authority of Public Revenues.

4.7 Transparency

The OECD principles for IFIs state that IFIs have a duty to act as transparently as possible.

IFI reports and analyses, including a full account of the underlying data and methodology, should be published and freely available to all. Reports should be sent to Parliament in time for the legislative debate and leadership should be given the opportunity to testify before Parliament. Release dates should be formally established, and the reports should be published in the name of the IFI.

HFISC explains the methods and data used in its opinions and twice-yearly reports, but could be more transparent about its models. In the opinions and reports it is clearly stated which data, forecasts and reports are used. The opinions also explain to some degree the considerations that HFISC has taken into account when it endorses a particular forecast and how it qualifies the risks to that forecast. In its reports, HFISC mentions the models it uses to assess the Ministry of Finance's macroeconomic and budgetary forecasts. HFISC, however, does not explain which of the six models it uses results in which forecast. Hence, it is not clear which model is used for a particular forecast. The opinions and twice-yearly reports as well as other reports are published on the HFISC website. In addition, the press is informed through briefings.

Some of the models that HFISC uses are published on the website. This concerns [PM add models]. Some other models are not published. The reason not to do so seems to be that these models are still being developed and therefore not yet fit for publication. HFISC states it is planning to publish them at a later date.

The president of HFISC testifies before Parliament twice a year. This is not based on a formal arrangement, but it has become customary to do so. This helps to enhance the transparency of the organization vis-à-vis the legislator.

In more recent years, HFISC has not published its end-year review. HFISC has compiled end-of-year reports for all years up to now. However, the current Board has chosen not to publish all of them on the website. Annual reports for the period 2017-2020 and 2023 are available on the HFISC website, and the 2024 report is currently being drafted. Annual publication of an end-of-year report helps transparency and accountability of the organization. HFISC could explain better how it tries to deliver on its mandate, which priorities it has set in doing so, in which way it has been successful and in what areas improvement is needed.

Main findings

HFISC is transparent about its opinions and reports, which can be found on its website. In these products, data sources and reports of third parties are clearly referenced. The reports are also published in the name of HFISC.

With respect to the models used by HFISC, transparency could be improved. Two of three models used are currently published on the HFISC website, but one is not. Other IFIs publish working papers with a description of their main economic and fiscal models on their websites, for transparency reasons and to allow the (scientific) community to scrutinize the quality of the instruments they use. HFISC could do the same for all the models it uses.

HFISC should continue publishing its end-of-year reports every year, and enhance the quality by providing a clearer, more comprehensive account of how it fulfils its mandate.

The reports should articulate the Council's strategic priorities, outline the rationale behind those choices, and evaluate progress against them. This includes demonstrating where HFISC has been effective, providing concrete examples of impact, and identifying areas requiring further improvement, along with proposed steps to address them.

4.8 Communication

The OECD guidelines emphasize the importance of effective communication strategies for IFIs to fulfil their mandates and influence fiscal policy. Given that the influence of IFIs on fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering informed constituencies that may then exercise pressure on the government in favour of sound fiscal policies. Guidelines recommend that IFIs make publications accessible, clear and timely to ensure that the information disseminated is useful and impactful. Against this background, we assess HFISC communication practices in this chapter on the institutional assessment, whereas we assess the communication impact in chapter 6 on the fiscal monitoring function.

HFISC is in the process of developing a communication strategy. It has assessed the audiences it would like to target, last year it started to add press releases to its publications and it has strengthened its ties with journalists. This year, HFISC also started with systematically monitoring references in the media to the organisation. HFISC, however, has not yet developed a comprehensive communication strategy. Such a strategy consists of elements such as communication goals, linking products and targeted audiences, a well-defined selection of possible communication instruments and guidelines for a crisis communication mode.

HFISC uses several communications channels, but at the moment also leaves possibilities untouched. Current communication channels consist of its website, press releases, LinkedIn and parliamentary hearings. There are, however, multiple other channels that HFISC might want to explore. These include sharing “lighter content” on its website, such as presentations, short economic notes or a blog, making use of a newsletter to inform its readers of new publications, technical briefings for journalists to provide them with background information, appearances of the president on TV and radio etc. Deciding on what communication channels would best fit HFISC should be part of the development of a communication strategy (see TSI pillar 4).

In terms of capacity, HFISC relies on a part-time external advisor and has no dedicated internal communication staff. Given the organisation’s small size, such a dedicated function is not fundamental to its communication success. It is important, though, that HFISC has access to sources of knowledge on IFI communication. However, when it starts performing policy costings (of election platforms), communication will become more important and additional resources are advisable.

Main findings

Although HFISC has enhanced its communications capabilities, it is important to make further improvements. Effective communication is important to the success of an IFI such as HFISC, as its role is essentially to remind policymakers, stakeholders and the wider public of the importance of sound fiscal policies. Without a strong communication strategy, proper analyses run the risk of being overlooked or misunderstood. Given that HFISC currently does not have a comprehensive communication strategy and that it only uses a limited number of communication channels, further improvement is needed. To enhance its impact, HFISC should

develop a structured and proactive communication approach. This should include a mix of traditional and digital media, targeted outreach to policymakers and the public, and a clear, accessible presentation of findings (possible through short videos) explaining key challenges and trade-offs. Investing in communication staff as well as in the communication expertise of research staff would help to achieve this objective.

4.9 External evaluation

According to the OECD principles, IFIs should develop a mechanism for external evaluation of their work. This may take several forms: review of selected work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country.

HFISC is required by law (Article 12) to arrange an external evaluation of its operations. This article states that an external evaluation of the operation of the Council should be executed every four years. The results of this evaluation should be published and submitted to the Standing Committee of Economic Affairs of Parliament. Also, the amended national budgetary framework Directive requires that IFIs shall be subject to regular external evaluations by independent evaluators.²¹

In 2021, HFISC and the BPO were jointly evaluated by the Greek Court of Auditors. This evaluation emphasized the significant quality of the scientific work despite the shortage of staff and the relative low salaries. In addition, the evaluation noted a substantial overlap of tasks between HFISC and the BPO, especially with respect to assessing the quality of macroeconomic forecasts. The evaluation also referred to a lack of proactive engagement of both organizations with respect to policy costings and underlined the importance to do so, since these costings have the potential to enhance the quality of the budget.

Main findings

It is positive that HFISC is obliged by law to externally evaluate its operations and that an evaluation has taken place in 2021. The current evaluation, done in the context of the TSI, can be seen as a follow-up about 4 years later. Thus, HFISC complies with the legal requirement of an external evaluation every 4 years. Looking ahead, it would be good to continue to periodically arrange such an evaluation and to be transparent about its results.

²¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401265

Chapter 5. Evaluation of the fiscal monitoring function

HFISC currently uses a suitable combination of assessment methods to assess the macroeconomic and fiscal forecasts of the Greek government. There is, however, scope for improvement. A step forward would be to improve the modelling capabilities of HFISC, so that all government forecasts can be scrutinized against HFISC's own modelling outcomes.

5.1 Approach to monitoring

Different approaches can be used to assess and endorse the macroeconomic and budgetary forecast of the Ministry of Finance. IFIs can either:

- compare the government's forecasts against the outcomes of in-house models, developed by the IFIs themselves, to assess the reasonableness of the assumptions,
- compare the government's forecasts to the forecasts of other institutions such as the IMF, central banks and/or the EC, or
- assess the government's assumptions and use their own expert judgment.

As can be seen in Figure 5, all three of these approaches are used by IFIs in different countries.

Figure 5: Most OECD IFIs use in-house models to assess the reasonableness of government assumptions

Comparing government forecasts against in-house models	Comparing government forecasts against third-party forecasts	Auditing the government's assumptions and applying expert judgment
Austria PBO Austria FISK Canada PBO Denmark Council Greece HFC (macro forecast) Greece PBO Ireland Council Italy PBO Korea NABO Lithuania BPMID Mexico CEF Portugal CFP Slovak CBR Spain ARef UK OBR US CBO	Estonia FC Finland EPC Finland NAOF Greece HFC (budget forecast) Ireland PBO Latvia FDC Luxembourg CNFP Portugal PBO Sweden FPC	Czech FC France HCFP Germany Board Hungary FC Iceland FC Slovenia FC

Source: OECD Independent Fiscal Institutions Database (2021) Version 2.0.

HFISC combines methods for its assessment of macroeconomic and budgetary forecasts.

The assessment of macroeconomic forecasts is based on comparing the Ministry of Finance's forecast to forecasts by international organizations (OECD, EC, IMF) and other institutions (BoG). Furthermore, the Council makes its own alternative macroeconomic forecast, based on a suite of forecasting models. This produces a range of forecasts, against which the Ministry of Finance's forecast is benchmarked. These models have some limitations (see also the section below). The assessment of the budgetary forecast also compares Ministry of Finance budgetary forecasts regarding the headline government budget balance and primary balance with forecasts by international organizations (OECD, EC, IMF), but not with in-house models.

HFISC does not produce its own alternative budgetary forecast. HFISC does not have direct access to the government's models and thus cannot assess the assumptions used in these

models. Some IFIs, such as the Belgium High Council of Finance, can fulfil their assessment role largely through auditing the government's assumptions and applying their expert opinion because its secretariat consists of "insiders" of the Ministry of Finance granting council members direct access to government models to undertake their scrutiny work.

HFISC currently does not perform policy costings to assess the budgetary impact of major policies. Policy costings are a central activity of some IFIs. These IFIs have the explicit mandate to scrutinize and (conditionally) endorse the governments' policy costings.²² This is done, amongst others, by OBR and CPB for tax policy measures. During the run-up to budgets, OBR subjects the government's draft costings of tax and spending measures to detailed challenge and scrutiny. The costings that the government ultimately publishes are endorsed as reasonable central estimates. OBR's approach to the costings process, including the roles of the Treasury and other relevant departments, and how it incorporates the impact of policy measures in its forecasts is described in https://obr.uk/docs/dlm_uploads/27814-BriefingPaperNo_6.pdf.

Main findings

HFISC currently uses a suitable combination of assessment methods. The combination of two different approaches – i.e. comparing the government's forecast to both in-house and third-party forecasts – is a serious test.

There is scope for improvement of HFISC's assessment of macroeconomic forecasts. The macroeconomic models of HFISC could be developed further, so that they are able to make more accurate projections for the medium and longer term (see next section).

HFISC's assessment of budgetary forecasts would benefit from model development and targeted policy costings. HFISC does not have its own models to produce a budgetary forecast and it does not have a debt sustainability model to assess the long-term risk surrounding budgetary policies. It has few instruments to assess budgetary risks. A thorough assessment of the government's budget projections should also involve an assessment of the costings of the most significant policies. This would require the agreement of departments on the information they should provide for the IFI to be able to assess policy costings.²³ Targeted policy costings should follow a systematic framework, such as the following criteria used by CPB:²⁴

- Is there information about the size of the cost or revenue? How reliable is this information?
- What are the assumptions based on and are these assumptions reasonable?
- Does the estimate correspond to the outcomes that can be expected based on CPB models?
- Are the behavioural effects reasonable and in accordance with what is common in the literature? If there is no literature, can rules of thumb be derived from information from previous implementation practice policy changes? What are the behavioural effects based on?

²² Another possibility is to produce own policy costings. This is done by CPB for social security and income tax measures, for instance. However, given the limited size of HFISC this is not a realistic option.

²³ Examples that provide information about the cost or tax base, costing behavioural responses to the policy measure, and areas of uncertainty: https://assets.publishing.service.gov.uk/media/6721d2c54da1c0d41942a8d2/Policy_Costing_Document_-_Autumn_Budget_2024.pdf and <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

²⁴ See <https://www.cpb.nl/sites/default/files/omnidownload/CPB-Certificering-budgettaire-ramingen-BP2024-overig-en-Overbruggingswet-box-3.pdf>.

5.2 Modelling capacity

HFISC currently uses a variety of economic models to make macroeconomic projections. These models provide a good basis, but can be developed further. In addition, to strengthen its role as an institution that scrutinizes fiscal policy, HFISC should develop models that provide budgetary forecasts and a debt sustainability assessment.

Description of current models

For the purpose of the macroeconomic forecast assessment, HFISC has developed its own forecasting models. At present, it makes use of three econometric models, each of which studies highly aggregated macroeconomic components (e.g. countrywide GDP without sectoral decomposition). The models have a reduced form and do not have an underlying structural component. The three models are:

- a Dynamic Factor Model,
- a Vector Error Correction Model, and
- a Mixed-Data Sampling (MIDAS) model.

The Dynamic Factors Model explores the option of combining a large set of macroeconomic time series via a factor analysis. Thereby it aims to capture the majority of the dynamics and information from within such a time series without letting the dimensions of the model grow out of proportion. The model is aimed at forecasting one dependent variable, namely real GDP. To do so, it uses lagged GDP and 95 explanatory variables. These are categorized into three bins, namely: “Survey Balances” (i.e. data originating from surveys, such as consumer/producer confidence), “Real Variables” (such as the number of newly built structures or visiting tourists) and “Nominal Variables” (such as interest rates or stock market indices). This model can easily be re-estimated and updated with newly released quarterly data. Although the model is simple to use and captures a large number of variables, it lacks several key features to act as a forecasting tool under various policy scenarios. Despite the large number of series combined via the factor analyses, there are certain economically relevant variables that are possibly underrepresented, such as the influence of fiscal policy.

The Vector Error Correction Model makes use of core economic series to establish long-term relationships in the data-generating process. A core feature of this type of model is that short-term impulses can have lasting, long-term effects. This in contrast to standard VAR models, in which any and all shocks only have temporary effects. The VECM includes a wide variety of series, namely HICP, GDP growth, the 10-year interest rate, energy prices, the capital account and trade indicators. With the release of new quarterly data, the VECM can be re-estimated. As VECMs rely on cointegrating relationships, it is important with each re-estimation to consider whether the new data makes or breaks any new relationships. To test its out-of-sample performance, the authors estimate the VECM with data from Q1 of 2000 until Q4 of 2014 and then make forecasts for the next eight quarters using both model variations. While the paper generates eight quarters worth of out-of-sample, it is also capable of generating longer-term forecasts. The model lacks a structural, economical explanation for why the chosen variables fit together. Although the authors find a cointegration relationship in the data, the model does not explain this relationship based on economic theory. In addition, the model does not include certain policy-relevant variables that capture the effects of, for example, fiscal or monetary policy. As such, it is not capable of generating forecasts in changing policy environments.

The MIDAS approach consists of a singular reduced-form equation, which can be re-estimated and updated at a higher frequency than the outcome variable is measured. It differs from the DFM and the VECM by using data that are measured with mixed frequency and

thus combines monthly data with quarterly data. The primary benefit of this modelling method is that one does not have to align the data frequencies to the lowest common frequency. For instance, if real GDP is the outcome variable and is only available on a quarterly basis, but underlying indicators are measured on a monthly basis, there is no need to transform the monthly measurements into quarterly ones. This means that forecasts for real GDP can be updated at any point in time that one of the explanatory variables is updated. If monthly release is the highest frequency at which the explanatory variables become available, while real GDP is measured quarterly, the MIDAS approach can provide three novel forecasts of real GDP each quarter. The specification of the MIDAS model by HFISC sets real GDP as the outcome variable. Much like the two other models, the MIDAS approach does not have a structural foundation. It is a strictly reduced-form approach. As such, it does not include any economics-based explanation for why the exogenous variables should influence the outcome variable. The approach depends on the choice of hyperparameters, which is difficult to support on the basis of economic thought and theory.

Assessment of current modelling capabilities

Although HFISC has several models capable of forecasting GDP, the current methods require further development and fine-tuning. In particular, the limitations of these models stem from the lack of a structural framework, volatility in the data and the lack of a fiscal component. In their current form, the models lack the ability of making budgetary forecasts.

The current models are all reduced-form models that do not depend on structural macroeconomic parameters, which makes them sensitive to volatility in the underlying data. Extreme events or extreme observations require additional care to ensure that out-of-sample performance is not weighted too heavily by events that are unlikely to occur again. The current models do not clearly account for such volatility and are thus calibrated on the basis of extreme observations.

Because the current models do not depend on structural macroeconomic parameters, they are less capable of making longer term forecasts and cannot make forecasts of the underlying components of GDP. Models that take macroeconomic relationships into account generally perform better at making longer term forecasts than reduced form models. It makes it possible to combine different economic trends. It also introduces concepts such as long-term potential growth and short-term deviations from such growth rates, which inform the predictions of such models. In addition, the reduced form models of HFISC are not capable of predicting the different components of GDP, such as consumption, investment or export. This is a limiting factor, because such predictions help to better understand the expected fiscal stance.

At present, the models do not include fiscal spending as an explicit component in generating GDP forecasts and therefore cannot estimate the effect of public expenditures on GDP forecasts. Fiscal expenditures form a major portion of a country's overall spending and are thus a major component of GDP. In the current models, government spending is not one of the explanatory variables determining GDP. As such, the models are currently not sufficient for generating forecasts conditional on forthcoming fiscal policy plans, since changes in the planning of governmental budgets have no influence on the forecasts generated by the current models.

In addition, HFISC currently does not have a model that makes budgetary forecasts. As the current models do not explicitly model government income (e.g. taxes) and expenditure (e.g. social security), they are not capable of making a budgetary forecast. HFISC has the mandate to monitor compliance with fiscal rules and is therefore expected to make assessments regarding the application of the fiscal rules by the Ministry of Finance. In order to do so in a forward-looking manner, HFISC needs to be able to make projections of the government budget.

In addition, the current models do not yet have the capacity to accurately generate the necessary information for performing debt sustainability analyses. Note that this is not an inherent limitation of reduced form models, and that the explicit inclusion of fiscal policy is possible within the existing forecasting methods. The models in their present form are quite parsimonious and offer ample room for further expansion.

All in all, a different and more advanced type of modelling is required. Looking forward, a model is required that projects GDP components and incorporates at least a government sector. In addition, to extend the projects to four years (and beyond), the model needs more structural components.

5.3 Evaluation of opinions and reports

As part of the evaluation of the fiscal monitoring function, the different publications of HFISC are assessed. They consist of opinions, two flagship reports in spring and autumn, working papers and occasionally other publications.

Opinions

HFISC publishes its assessments of the macroeconomic and budgetary projections of the Ministry of Finance in the form of opinions. These opinions are short notes of about six pages that explain how HFISC has assessed the forecasts of the ministry. They conclude with an official (non) endorsement of either the forecasts or compliance with fiscal rules. HFISC publishes around six opinions per year.

There are improvements possible regarding these opinions. First, the opinions could be more elaborate and transparent regarding HFISC's considerations to endorse the forecasts. HFISC explains why it endorses the forecasts of the ministry, but these explanations could be supported by a more in-depth analysis. An example is that the endorsement could also be based on scrutiny of the costing of the most important policy measures in the budget. Another example is that a sensitivity analysis could be added, showing the impact of macroeconomic or fiscal uncertainty on the assessment of the fiscal rules. Second, the opinions could be clearer on which of HFISC's six econometric models was used to produce HFISC's alternative central macroeconomic forecast.

Spring and autumn reports

In the spring and autumn reports, HFISC provides an overview of the macroeconomic and budgetary stance of the Greek economy. These reports are informative since they give a good overview of a wide range of topics, including macroeconomic developments and forecasts, unemployment, the balance of payments and the financial sector. In addition, these reports provide a thorough overview of the government budget, including the development of public debt and fiscal forecasts.

The spring and autumn reports could be improved upon both with regard to their analytical content and their explanation of how assessments were performed. The current reports are relatively descriptive in nature, showing the outcomes of the assessments of other organizations. These reports provide a good overview of the current macroeconomic and fiscal stance of the Greek economy. If some own analytical content would be added, these reports would offer greater added value relative to what is already available in other reports. HFISC provides some analyses in these reports about fiscal risks and long-term sustainability of public finances, for instance. In addition, these reports could contain a section that explains the methodology used by HFISC to make its assessments of the macroeconomic and budgetary forecasts and

compliance with fiscal rules (or the methodology could be published separately). This is also what is stipulated in legislation.

Working papers and other reports

HFISC publishes working papers and occasionally other reports on its website. One of the purposes of these working papers is that they explain the macroeconomic models that HFISC uses. This is good practice since it provides transparency about the models used. These and other working papers are tailored to an academic audience, given that they are quite technical in nature. In this regard, they serve the purpose of establishing a reputation within the academic community as a centre of expertise in the field of macroeconomics and budgetary policy. The academic quality of the working papers was not evaluated as part of this review. However, if HFISC were to install an independent board (see below), it should be made the responsibility of this board to assess the academic quality of the working papers. HFISC seldom publishes other types of papers. In this regard, the short note on increased uncertainty in the wake of the COVID-19 crisis is an exception.

Conclusions

Some improvements can be made to the existing reports. Both the opinions and the spring and autumn reports could benefit from additional, somewhat more analytic content. Examples are a sensitivity analysis or a more in-depth judgement of changes to particular aspects of fiscal policies. In addition, as part of these publications (or as a separate publication) HFISC could provide a judgement on the policy costings that are made as part of the budgetary plans. The development of economic models by HFISC would, of course, help to provide more analyses in these papers. Moreover, it could be interesting for HFISC to explore the possibility of tweaking the timing of the two flagship reports so that some of the opinions can be integrated.

In addition to the current publications, HFISC should consider to issue short papers on specific economic themes. Such papers could be the result of specific policy costings or assess an economic theme that is relevant to budgetary policy. Many other IFIs produce such papers to inform policy makers and the wider public on specific economic themes. Examples of themes that could be studied include: the pension system, healthcare-related expenditures, long-term sustainability of public finances, climate-related risks²⁵ or the determinants of GDP growth (e.g. international trade, investment, productivity growth).

Since currently not all economic models are published on its website, HFISC should take steps to do so. The most logical step would probably be to issue a working paper about the workings of the MIDAS model, which is the only model currently not published.

5.4 Impact of fiscal monitoring

One way to assess the impact of HFISC's fiscal monitoring function is to analyse its media presence. HFISC uses different instruments to communicate the results of its analyses. The main channels to support media attention are the issuance of press releases when opinions are published, the use of its website and interviews of the president with newspapers.

Based on an OECD assessment in 2021, HFISC's communication achievements rank below the OECD average (OECD 2024). HFISC's communications function is ranked 31st out of the 35 IFIs within the OECD's IFI Communications Index. An important caveat at the time was that HFISC did little to track its influence. Looking at the OECD's broader Fiscal Advocacy Index

²⁵ This would support the amended Directive, which underlines the need to take climate-related fiscal risks into account, see: <https://data.consilium.europa.eu/doc/document/ST-6920-2024-INIT/en/pdf>.

(OECD, 2024), HFISC already scores quite a bit better as it is ranked 17th out of 35 and thus around the OECD average. However, within this index the communication apparatus and communication impact are both assessed to be below average, while independence and analytical focus are above average.

HFISC has recently started to monitor its media impact, which has showed that there is quite some media attention when HFISC publishes its budgetary opinions. The monitoring results show that the publication of HFISC's opinion on the medium-term Fiscal-Structural Plan in September and the publication of HFISC's opinion on the Draft Budgetary Plan in October resulted in quite some media coverage. In September, 90 news articles referred to HFISC and in October even 175. This is a good score in terms of general media coverage.

Another way to assess impact is through interviews with direct stakeholders about the impact of HFISC. To this aim, we interviewed HFISC board members and staff, the Ministry of Finance and several other relevant organizations. The picture that emerges from these interviews is that HFISC does have some impact on policies, but also that its impact has been modest and that there is room for improvement. One reason that HFISC's impact is still relatively modest is that it needs to build a reputation as a fiscal watchdog, given the fact that up until 2022 the EU was scrutinizing the Greek budgetary process. Another reason is that HFISC does not produce its own budgetary forecasts. Such forecasts would enable HFISC to better scrutinize the budgetary projections of the Ministry of Finance.

Main findings

We conclude that HFISC's fiscal monitoring does have some impact, but also that there is room for improvement. HFISC is increasingly referred to in the media, which points to an increased relevance of the institution as a fiscal watchdog. HFISC's assessments of the macroeconomic and budgetary projections of the ministry assure that the reasonableness of the assumptions is tested. In addition, the comparison of the macroeconomic forecasts of the ministry with HFISC's forecasts acts as a test for the models that the ministry uses. However, because HFISC does not have its own fiscal model, the modelling of the fiscal projections by the ministry is less well scrutinized. Improvements can be achieved by further enhancing the analytical content of its assessments of the macroeconomic and fiscal projections, by assessing the most important policies (possibly through policy costings) and by further improvements in its communication strategy.

5.5 Benchmarking of the fiscal monitoring function

Selecting the benchmarking IFIs

As part of this evaluation, HFISC's fiscal monitoring function is benchmarked against other IFIs. To select comparable IFIs, we looked at three criteria: 1) size of the organization in terms of staff, 2) its budget and 3) EU membership. Based on these criteria, four IFIs were selected: Portugal, Italy, Czechia and Slovakia.

Table 3: Selected IFIs for benchmarking HFISC

Country	Greece	Czechia	Italy	Portugal	Slovakia
Name IFI	Hellenic Fiscal Council	Czech Fiscal Council	Parliamentary Budget Office	Portuguese Public Finance Council	Council for Budget Responsibility
Date of establishment	November 2015	January 2018	May 2014	May 2011	July 2012
Staff size: Managers	2	1	1	2	5
Staff size: Economists	9	6.5	19	9	19
Staff size: Total	15	14.5	24	17	27.9
Budgetary appropriation: approved, in EUR per year	1.100.000	(23 775 531 CZK)	6.000.000	2.732.248	3.153.000
Budgetary appropriation: actual in EUR per year	750.000	950.000	4.814.000	1.961.399	2.396.988
Budget approved in EUR for year + 1	1.100.000	(26 286 994 CZK)	6.000.000	2.786.893	3.890.000

Source: EU IFI database

When comparing HFISC with these benchmark IFIs, it falls in between the larger and smaller IFIs. In terms of size, HFISC is most closely comparable to the Czech Fiscal Council and the Portuguese Public Finance Council. All three IFIs have around 15 staff members. The Italian PBO and the Slovakian CBR are somewhat larger. In terms of budget, HFISC is closest to the Czech Fiscal Council, as both organisations have a budget of around a million euros. The budget of the Portuguese and Slovakian IFI are double that in size. The Italian PBO even has a budget of 6 million euros and is thus somewhat larger than the other IFIs, both in terms of staff and budget.

In this benchmarking exercise we compare these IFIs in five dimensions:

- economic models
- approach to assessing macro-budgetary projections
- types of publications
- communications results and
- approach to policy costings.

Table 4: Economic models

	HFISC	CZE FC	ITA PBO	PRT CFP	SVK CBR
Macroeconomic projections	✓	✓	✓	✓	✓
Budgetary projections				✓	✓
Debt sustainability analysis		✓	✓	✓	✓

All benchmark IFIs and HFISC have developed their own macroeconomic model (see Table 4). Approaches to modelling, however, differ between these organisations. The Portuguese and Slovak IFIs have developed their own (structural and DSGE) macroeconomic models that make projections with respect to GDP as well as several of its components, such as public and private consumption, imports and exports and employment. The Czech Fiscal Council has developed a

more general macroeconomic model that is mainly used for long-term macroeconomic projections as a basis for the DSA. The Italian PBO has based its economic model on the macro model of the Italian statistical authority (Istat). A difference between most of these macroeconomic models and the HFISC model is that HFISC makes projections for GDP, but not for its components.

The Portuguese and Slovak IFI have also developed a model for budgetary forecasts. The Portuguese model projects the government's budget balance, structural budget balance and public debt, among other indicators. The Slovak model is part of its macroeconomic model and makes projections of the government balance under different scenarios.

All four benchmark IFIs have developed some kind of debt sustainability model. The Czech CFC publishes a yearly report on the long-term sustainability of public finances. This report is based on the DSA model of CFC and is quite elaborate as it takes into account many factors influencing the debt-to-GDP ratio. The Portuguese PFC also made a debt sustainability analysis (in Dec 2023), for the coming 15 years. The Italian PBO developed a stochastic DSA with a ten-year horizon and the Slovak CBR developed a fiscal limit model that serves to assess the maximum public debt that the government is able to finance.

Approach to assessing macroeconomic and budgetary projects

The benchmark IFIs use different approaches to assess the macroeconomic and budgetary projections of the Ministry of Finance. The Portuguese PFC analyses budgetary projections against its own forecasts. It gives an opinion on the macroeconomic forecasts of the ministry and articulates points that can be improved, even if the projection for GDP is judged plausible. The Czech FC issues an opinion on the macroeconomic and budgetary projections of the Ministry of Finance, based on the expert opinion of the committee and a set of criteria for assessment. Since the Czech FC has no macroeconomic model for the short run, this assessment is not based on a comparison with such a model. The Slovakian council makes its own macroeconomic and budgetary forecasts that serve to evaluate the realism of the Ministry of Finance's forecast. When assessing the forecasts of the ministry the Slovak IFI can make some rather precise comments, showcasing its knowledge of budgetary trends and risks. The Italian PBO issues endorsement letters with respect to macroeconomic projections of the Ministry of Finance. With respect to government finances, the Italian BPO issues a presidential report to Parliament which it presents in the context of a parliamentary hearing.

Types of publications

The reason to look at the types of publications that comparable IFIs present to the public is that it provides a good insight into the analytical work that these IFIs perform. This, in turn, helps to generate ideas and examples for the sort of analyses and publications that HFISC could pursue. In addition, some publications relate to the performance of the IFI itself and could also function as references for HFISC. See Table 5 for an overview.

All benchmark IFIs issue reports assessing the government's budgetary and/or macroeconomic projections, but they differ in several respects. Some reports are short, official letters or opinions that iterate the IFI's endorsement of the macroeconomic or budgetary forecasts and do not contain much analytical information. Other reports are lengthy and contain a lot of economic analyses.

Table 5: Types of publications of benchmark IFIs

	GRC HFC	CZE FC	ITA PBO	PRT CFP	SVK CBR
Assessment reports	✓	✓		✓	✓
Periodic reports	✓	✓	✓	✓	
Presentations, speeches, blogs		✓	✓	✓	✓
Economic analysis	✓	✓	✓	✓	✓
Working papers	✓	✓	✓	✓	✓
Annual work plan		✓	✓	✓	

Most benchmark IFIs also issue periodic reports on macroeconomic or budgetary developments. The Slovak CBR, for example, publishes an assessment of fiscal and macroeconomic developments twice a year. The Portuguese CFP publishes a periodic report on the fiscal outlook based on its own research, while the Czech FC publishes a yearly report on the sustainability of government finances. These types of reports are informative, especially those that provide a solid analytical view of the risks to government finances.

It is interesting to note that all benchmark IFIs publish presentations and speeches or blogs on their websites. These types of publications are easy to digest and therefore have the potential to reach a wider audience. The blog of the Portuguese IFI also provides a platform for its employees to offer their analytical views on specific economic themes, in the form of short reads. The Czech FC publishes the presentations that it gave at various events, making it easier for the audience to see what themes the council thinks are important to address.

All benchmark IFIs publish economic analyses on specific topics on their websites. In addition to mandatory assessments and periodic reports, all benchmark IFIs analyse specific economic topics that are relevant to their budgetary monitoring function. Examples include an analysis of the impact of inflation on the purchasing power of Slovak households or the importance of financial literacy in relation to expected pension income in Portugal. Such specific topics can help to enhance the role of IFIs as they solidify their reputation as an economic thinktank and, given the relevance of these economic topics, increase their visibility in the public policy domain. A requirement is of course that these analyses are solid and impartial, in order to preserve the institution's independence.

All benchmark IFIs publish working papers, which underscores the analytical capacity of these institutions. Working papers serve different functions. They can help to build a good reputation among academic audiences, especially if these papers are a step towards a publication in a refereed journal. In addition, working papers are a means to publish the models an IFI uses, as HFISC does. They can also help to show the rigour with which an IFI addresses a particular economic topic. This is true especially when a working paper is combined with a more policy-oriented paper that addresses a wider audience. An example could be a combination where the working paper provides a background economic model of the housing market, while the policy paper shows the outcomes of different policy measures aimed at the housing market.

Three of the benchmark IFIs publish their annual workplan on their website. A reason to do so, is to be transparent about the activities the IFI is planning to undertake in the year ahead. In addition, the goal of publishing a good workplan at a certain moment each year can help to establish a regular and well-organized process to come to a plan. Since the plan is available for all to see, it needs to be of a certain quality to make a serious impression. Moreover, the

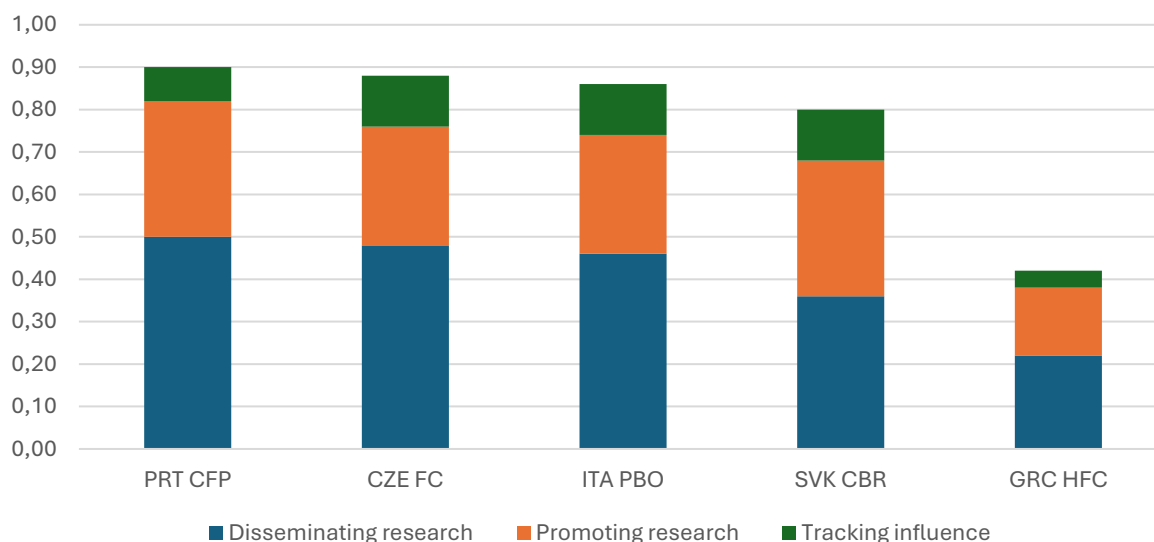
institution itself as well as others can check afterwards whether the IFI was successful in delivering the products it promised in its workplan. In this regard, the publication of the plan can also act as a means to impose a form of self-discipline.

Communication results

For an IFI, visibility is important because its effectiveness depends mostly on persuasion and not so much on legal means to change budgetary policies. Visibility is a result of the quality and quantity of the different products that an IFI produces as well as of the importance of the budgetary items within the national policy debate. Even the best performing IFI will find it more difficult to be visible when discussions within the public domain concentrate on non-fiscal topics, although an IFI can try to set the agenda through its contacts with the media. Hence, the visibility of an IFI does not fully depend on its technical capacity. In addition, visibility is not a goal in itself and an IFI can also be visible for the wrong reasons, such as by misjudging the government's budgetary performance. With these caveats in mind, it is interesting to compare the benchmark IFIs and HFISC in terms of visibility in the media.

In 2021 the OECD compiled a communication index, which can be used as a reference point for benchmarking. This index provides a measure of communication practices across IFIs at the national level. The index considers institutional arrangements in relation to three different aspects of communication - disseminating research, promoting research, and tracking influence. In general, IFIs across the OECD tend to actively disseminate research, scoring an average of 0.34 out of a possible 0.52, and most IFIs work to promote their research, scoring an average of 0.21 out of a possible 0.32. However, IFIs' capacity for tracking influence (e.g. through tracking media and parliamentary mentions or undertaking stakeholder surveys) is relatively less developed. This picture also holds for the four benchmark IFIs, see Figure 6 below. The IFIs from Portugal, Czechia and Italy all score high relative to the OECD average. And although the Slovak IFI's score is somewhat lower, it is still above the OECD average. HFISC's score, however, was somewhat below the OECD average in 2021, signalling room for improvement.

Figure 6: OECD communication index 2021

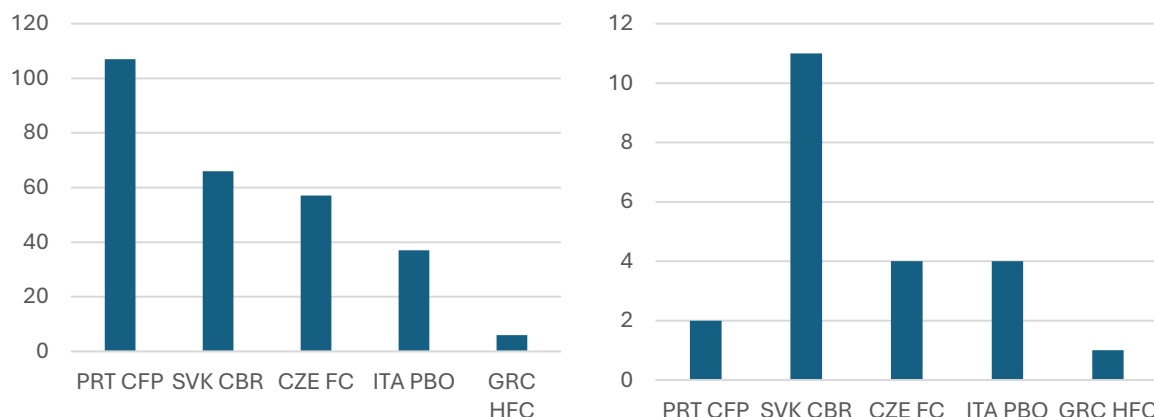


Source: OECD 2021 Independent Fiscal Institutions Database

More recent research into the visibility of IFIs also provides some benchmarks. A 2023 OECD analysis looked at different dimensions of IFI visibility. One of them is the number of news articles in the top-three national online news sites that refer to the IFI (over the period ..), see Figure 7 (panel A). This metric shows that the Portuguese IFI was clearly mentioned the most in national media (> 100 times), followed by the three other benchmark IFIs. HFISC, however, is lagging

somewhat behind when it comes to this metric. Looking at another metric, the percentage of news items about budgetary topics that refer to the IFI, the position of the Portuguese IFI changes. In just two percent of such news items the IFI is mentioned. HFISC has a comparable score. The other IFIs are more visible with respect to this metric.

Figure 7: References in national online news sites (panel A) and percentage of budget-related news referencing the IFI (panel B).



Source: Source OECD 2021 Independent Fiscal Institutions Database

All in all, HFISC scores somewhat lower compared to the benchmark IFIs when it comes to visibility. This is true both in 2021 and in 2023. We can therefore conclude that HFISC can improve on its visibility in the public policy domain. In this regard the most recent results of HFISC's own media tracking exercise are promising, since its reports in autumn 2024 have attracted considerable media attention.

Policy costings

The Slovak, Czech and Italian IFIs perform policy costings, while the Portuguese IFI does not. The Slovak CBR, for example, assessed the impact of the so-called family package on the financing of local governments, on behalf of the Christian Democratic Party. The Czech CPC did policy costings regarding the budgetary costs of an increase in the housing allowance and an increase in specific elements of old age pensions. An example of the Italian PBO's policy costing focused on the implementation of the essential level of social assistance benefits. These examples confirm that IFIs can play an important role with respect to sound fiscal policy through policy costings of government measures. HFISC can learn from such examples and develop a costing methodology that is based on the experience of other IFIs.

Chapter 6. A strategic agenda and recommendations

HFISC is compliant with most OECD principles, and yet it has ample room for improving its role as an advocate of sound fiscal policies. Based on assessments of the context in which HFISC operates, its organisational capacity and its fiscal monitoring function, this chapter proposes a strategic agenda for the further improvement of HFISC's role in Greek society. By implementing the recommendations as part of this strategic agenda, HFISC would make a significant step forward in its ability to further scrutinise fiscal policy in Greece and, more generally, in the execution of its mandate.

The strategic agenda for HFISC that we propose considers improvements in three areas:

- the internal organization;
- the fiscal monitoring function, and
- adaptations to new developments and the context in which HFISC operates.

6.1 Benchmarking of the fiscal monitoring function

HFISC complies with most OECD principles and yet it can improve in certain areas, mainly concerning its internal organization. This is confirmed by an assessment of the institutional organization. HFISC scores quite well on most of the OECD principles, such as local ownership, independence and its relationship with the legislature. Moreover, HFISC has a broad mandate compared to other IFIs. In terms of SIFI score it ranks second, only after Austria. However, HFISC can improve on the delivery of this broad mandate and that requires a stronger internal organization. In addition, to further strengthen its voice in the public policy debate, improvements to its communications policies could be effective.

An important impediment is that HFISC currently faces a shortage of staff. Out of a potential staff level of 20, HFISC currently employs only thirteen. This has two causes. The number of staff that left over the past years, as well as feedback from the HFISC staff, underlines that improvements are necessary in this respect. Secondly, the current institutional structure makes it difficult for HFISC to hire new employees. HFISC is obliged to use the ASEP framework for hiring new permanent staff and this often takes a long time. Some other independent authorities such as PDMA and ELSTAT are granted the possibility to hire with more flexible procedures. HFISC should continue their hiring campaigns, aiming to hire high-quality staff not only through the existing framework. Changes in the legal framework should allow for flexibility in attracting specialized personnel from the public or the private sector. Permanent or other type of contracts providing discretion to HFISC as is the case for other independent authorities is important. Especially in light of HFISC's new task since July 2023 - to evaluate the fiscal impact of political parties' electoral platforms, which requires additional highly-qualified staff.

The internal organization is currently based on a workplan that mainly focuses on regular publications, such as opinions on fiscal policy and macroeconomic forecasts and biannual reports. This work plan ensures the continuous execution of HFISC's core functions, particularly in delivering macroeconomic and fiscal assessments. However, while this approach maintains operational stability, it lacks the inclusion of transformative elements that are essential for organizational growth and adaptation to new tasks. The workplan is less focused on research and development. To increase HFISC's effectiveness, the work plan should be enhanced by incorporating necessary improvements, for example on improving economic models, or

deepening the assessments of fiscal and macroeconomic policies (partly covered by the ongoing TSI), including allocation of resources. Additionally, the workplan must explicitly outline the preparatory work required for HFISC's new task of policy costing, ensuring that these initiatives are clearly structured and systematically implemented. The organization could also try to reach efficiency gains, for example by changing the issuance date of its biannual reports, so that the analyses done for these reports can also be used for the assessment of the government's budgetary plans.

HFISC could also further enhance its communication policies. HFISC has improved its communication strategy, but there is room for a more strategic approach in which HFISC formulates clear communication goals, chooses which communication tools to deploy and develop, and further adapts its publications to the audience it wants to reach. This being said, HFISC's recent enhancements are bearing some fruit already, as reflected by the increased media attention for recent publications on the budgetary plans of the Greek government.

The following recommendations aim to improve HFISC's internal organization:

- **Recommendation 1: invest in recruitment and human resources policies.** Investing in recruitment activities is necessary to enhance the resources of HFISC. HFISC should continue its hiring campaigns, aiming to hire high-quality and preferably permanent staff through the existing framework. In addition, the legal framework should allow for flexibility in attracting specialized personnel from the public or private sector. Permanent or other types of contracts (via ASEP or other arrangements) providing discretion to HFISC as is the case for PDMA, ELSTAT and other independent authorities, would improve HFISC's labour market position and hiring options. Moreover, new arrangements should provide possibilities for higher remuneration of existing and new personnel linked with goal setting and performance evaluation (as is the case in other independent authorities). Given the Council's recent mandate to conduct policy costings of election platforms, it is imperative to recruit specialized professionals with relevant expertise in the field (see rec 8).
- **Recommendation 2: prioritize activities and secure a clear organization of tasks.** Develop a workplan that includes a set of priorities guiding the organization's 'change'. The existing workplan should be enhanced so as to incorporate technical improvement in modelling, priority research topics, and new areas of collaboration. The workplan should be developed in such a way that both the board and staff support it. To improve accountability, a key issue would be the allocation of specific research or administrative responsibilities to individual employees within the work plan. More specifically, each staff member should be assigned clear roles and deliverables, including targets and performance indicators. The workplan should be published on the HFISC website to clearly communicate the organization's priorities.
- **Recommendation 3: develop a communication strategy.** To further enhance its communications, HFISC should consider attracting dedicated communication staff in order to develop and implement a well-considered communication strategy (based on the strategy developed with help of the TSI). Such a strategy consists of several elements, including: the communication goals, the audience it wants to reach and through which communications channels, the timing of its flagship reports, who will be participating in which communication channel, as well as certain rules for communication. Organising a feedback loop by periodically (every 2 or 3 years) surveying stakeholders on their assessment of both the form and content of HFISC products and the use of communication channels, could improve HFISC's communication. Recently, HFISC

hired a part-time communications advisor. This has already resulted in a large step forward in terms of professionalising communications. Achieving further improvements will require additional budgetary resources to finance more communication staff.

- **Recommendation 4: install a supervisory board to organize checks and balances and secure the independence of HFISC.** The legal framework does not oblige HFISC to install a supervisory board. However, such an oversight board could (and for other IFIs has proven to) be an effective instrument to help protecting the institution's independence, e.g. by evaluating the yearly workplan and supervising the quality of work. A supervisory board can play a role in commissioning specific reviews in case of (political) discussion with respect to certain aspects of HFISC products.^{26 27} An example of such a supervisory board is the Netherlands' CPC (see textbox).

Box 1: The Central Planning Committee (CPC) of the CPB Netherlands Bureau for Economic Policy Analysis

The Central Planning Committee (CPC) is the supervisory body of the CPB Netherlands Bureau for Economic Policy Analysis. The CPC includes members from different backgrounds (academic, policy and industry) who provide strategic guidance and oversight. The CPC currently consists of members with experience as chief economists and heads of banks and supervisory bodies, professors and administrators from universities, and trade associations.

Members of the CPC are appointed by the Minister of Economic Affairs, who consults with the cabinet prior to appointing new members. CPC members typically are appointed for a term of 4 years. The CPC has an explicit legal basis in the Wet voorbereiding van de vaststelling van een Centraal Economisch Plan of 1947, which also imposes the burden on the CPB to produce regular analyses of the Dutch economy to facilitate the policymaking process.

The CPC ensures that the CPB's work maintains rigorous standards of analytical quality and relevance to public policy and safeguards its reputation as a reliable and unbiased source of analysis. Its independent oversight function ensures the CPB's independence and impartiality, preventing political interference. The CPC is also responsible for commissioning an audit on the CPB's activities every 3 to 5 years, assessing relevance, scientific rigor, and preparedness for the future. For example, it established the audit committee for the 2022 review. This audit committee does not include members from the CPC. The audit is published publicly, including CPB's self-assessment and response to the findings and recommendations of the audit committee.

6.2 Enhancing the fiscal monitoring function

The assessment of HFISC's fiscal monitoring function shows that the models HFISC currently uses to assess the budgetary and macroeconomic forecasts have their limitations. They lack the capacity to make projections for GDP components and for the medium term. In addition, to be able to better scrutinize fiscal policy, HFISC could profit from a model that is able to make budgetary projections. Such an ability to make macroeconomic and budgetary projections would help HFISC in the way it assesses the projections of the Ministry of Finance. Instead of comparing projections of the ministry with projections of other organizations

²⁶ An example is OBR's Review of the March 2024 Forecast for Departmental Expenditure Limits which assessed the OBR forecasting errors for these limits. The review reported to the OBR oversight committee.

²⁷ An example is OBR's Review of the March 2024 Forecast for Departmental Expenditure Limits which assessed the OBR forecasting errors for these limits. The review reported to the OBR oversight committee.

(e.g. IMF, EU, Central bank), it could compare them with its own projections. This would enhance HFISC's ability to engage in a discussion with the ministry about its projections and also enrich the information content of the opinions and other publications of HFISC.

HFISC could publish more economic analyses of current topics. Many IFIs, including the assessed benchmark IFIs, perform economic analyses on current economic themes. HFISC has done this a couple of times, for example in the wake of the COVID-19 crisis or regarding the sensitivity of the interest rates path for debt. Such analyses will help HFISC to gain knowledge of different economic topics. In addition, such analyses are often well received by policy makers and the wider public, especially if the topic is well-chosen and the content is of good quality. Such analyses could be published in the form of short notes, which are relatively easy to digest for a broader audience.

HFISC should start doing policy costings to gain experience. HFISC already has the mandate to perform policy costing of election platforms but has currently no experience at all in this field. Therefore, it needs training and/or consulting in order to gain some experience with performing policy costings. To achieve this, we propose a step-by-step approach. When HFISC's policy costing capabilities are more advanced and the required resources (experienced staff) are secured, it can take on large scale policy costing exercises (e.g. costing of election platforms), given the reputational risks.

The information position of HFISC should be improved, in order to enhance its assessment capabilities, especially when it comes to policy costings. To be able to assess the policy costings of the Ministry of Finance, HFISC needs additional information from the ministry, most importantly the assumptions underlying these costings. In addition, the Independent Revenue Authority possesses information on government revenues that could help HFISC in its assessment of the budgetary stance as well as its policy costings. This information is currently not available to HFISC.

The following recommendations aim to improve the fiscal monitoring function:

- **Recommendation 5: enhance macroeconomic and fiscal modelling.** HFISC needs to improve its toolkit by further developing a workhorse macro-econometric model for the assessment of the macro forecasts and a (separate) fiscal model that is able to communicate with the macro-econometric model, in order to strengthen the assessment of the fiscal forecast. The foundation for such a macro model should be built as part of this TSI. Cooperation with Greek and foreign institutes is advisable, as they already possess a lot of relevant expertise in this respect. For example, PDMA in Greece has relevant expertise with respect to fiscal model building and PBO has some relevant expertise with respect to macroeconomic analysis, as has the Central Bank.
- **Recommendation 6: enhance the availability of data through clear agreements with ministries and other relevant organizations.** There is scope to improve the information provision from the Ministry of Finance to HFISC. HFISC and the Ministry of Finance should extend their MoU to also cover the exchange of explanatory notes²⁸ containing the assumptions the ministry makes to cost the major policy measures in the budget. HFISC can then develop a set of criteria to assess these policy costings during the preparation

²⁸ A recent example of such explanatory notes for the UK can be found at: https://assets.publishing.service.gov.uk/media/6721d2c54da1c0d41942a8d2/Policy_Costing_Document_-_Autumn_Budget_2024.pdf

of the annual budget, and include these assessments as part of its endorsement of the fiscal forecast (see Recommendation 8). In addition, an MoU between HFISC and the Independent Revenue Authority should be agreed upon, governing the timing and flow of information. HFISC's mandate includes a legal right to demand information from government bodies, so legal action is a possibility as a last resort.

- **Recommendation 7: to fulfil its new mandate with respect to costing of election platforms, the ministry will need to provide additional budget to enable HFISC to attract more staff for this task.** The introduction in 2023 of HFISC's new task of costing election platforms was not accompanied by an increase in budget, which has been stable (and hence decreased in real terms) since 2014. However, policy costings and costing of election platforms in particular require additional resources. The ministry should provide an additional budget for this task, if needed through changes in HFISC's legal basis.
- **Recommendation 8: HFISC should start doing policy costings to gain experience and should attract staff to do so.** Policy costings should be approached in a step-by-step fashion, learning from other IFIs that already perform policy costings. A good way to start is to assess the policy costings that the Ministry of Finance makes for new government policy measures. A second step would then be to make independent policy costings of measures that the government is planning to introduce. A last step could be to undertake costing of election platforms. It is advisable to first build up multiple years of experience with policy costings of government policies. Given HFISC's current capabilities (number and competence of staff), additional staff is needed to perform policy costings. A realistic timeframe for building the capacity to do a full-fledged costing of election platforms is probably at least around 5-6 years, assuming there is sufficient staff (which currently is not the case). Given that the next elections are scheduled for 2027 and may take place even sooner in case of early elections, starting to build this capacity now is urgent.

6.3 Adapting to new developments

This evaluation identified new developments that HFISC needs to adapt to, the most important one being the new EU fiscal framework. The new EU fiscal framework changes the way IFIs need to assess the budgetary policies of national governments. Within this framework there is a central role for debt sustainability analyses with certain features. Currently, HFISC does not have such a DSA model. Therefore, an important improvement to work on would be to develop a DSA model this is aligned with the requirements of the new fiscal framework.

In addition, the increased incidence of climate-related risks and the new Directive on budgetary frameworks require IFIs to enhance their knowledge of the fiscal impact of such risks.²⁹ In the coming years it will become increasingly important for IFIs to be able to assess climate-related risks. The incidence of these risks is expected to increase and these risks can negatively impact government finances. There will be costs associated with dealing with more regular extreme weather events, for example related to more frequent flooding and wildfires. Against this background, HFISC should develop knowledge on how to assess these risks.

²⁹ See: <https://data.consilium.europa.eu/doc/document/ST-6920-2024-INIT/en/pdf> "(d) an assessment as to how, in the light of their direct medium-term and long-term impact on general government finances, the policies envisaged are likely to affect the medium-term and long-term sustainability of the public finances and sustainable and inclusive growth. To the extent possible, the assessment shall take into account the macrofiscal risks from climate change and its environmental and distributional impacts."

Moreover, although HFISC already cooperates well with different organizations, there are further opportunities in this regard. Currently there is little cooperation between the PBO and HFISC. Such cooperation could be fruitful since both organizations have an interest in assessing public finances and thus could share knowledge in this area. Given the limited capacity of HFISC and the overlap in activities with the PBO (assessment of fiscal forecasts and fiscal situation), it is advisable to strengthen the ties with this organization, possibly via an MoU.

The following recommendations aim to improve HFISC's adaptation to new developments:

- **Recommendation 9: build a DSA model that complies with the EU framework.** HFISC needs to build a DSA model that is aligned with the EU fiscal framework and thus can assess compliance of the Ministry of Finance with the EU framework. To support deliberations between Greece and the EC on setting the medium-term fiscal-structural plans, HFISC will need to develop a system of priority spending “tagging” that maps government spending to EU priority areas. Based on this mapping exercise, HFISC could develop an indicator that tracks and scores priority investments over time and interactive dashboards that highlight the different priority areas and exactly where the investment is going, filtering and specific expenditures or projects. This could be complemented by the expenditure evaluations, particularly those devoted to the Recovery, Transformation and Resilience Plan (RTRP). As the MTFSP for Greece will run for a number of years, there is time to build this capacity over the coming years.
- **Recommendation 10: start developing technical approaches and models that assess both the direct and indirect fiscal impacts of climate-related risks.** To this end, HFISC could make use of Integrated Assessment Models (IAMs) to estimate the “climate value at risk” (climate VaR) for different sectors of the economy. This involves quantifying the potential loss in economic value under various climate change scenarios to understand how they will impact future public finances. Alternatively, a modified debt sustainability analysis (DSA) is possible, integrating climate risks into a DSA framework. This is done by the IMF. Third, adopting and applying the standards from the Task Force on Climate-related Financial Disclosures (TCFD) to government financial statements could help HFISC to enhance the transparency and understanding of climate-related risks to fiscal sustainability. This would involve detailed reporting and analysis of how climate change could affect public finances, including potential impacts on government revenue and expenditures related to climate policies. As part of the TSI, HFISC will be supported in developing climate risk models. As for the DSA, there is time to build up this capacity in the coming years.
- **Recommendation 11: intensify cooperation with other organizations, especially with the PBO.** Given that both institutions are doing research in the same (scientific) field and seeing the limited resources, HFISC could benefit from enhanced technical cooperation with PBO.

Priorities in following these recommendations. Some of these recommendations require more urgent action than others. Undertaking new legal initiatives, in order to be able to successfully respond to the enhanced tasks of the new framework, and investing in recruitment and human resources policies are a top priority (rec.1). A prioritization of activities and securing a clear organization of tasks (rec.2) are imperative. The budget should be increased to be able to fulfil the additional task of election costings (rec.7). The same goes for our recommendation (rec. 8) to start practicing with the assessment and then execution of policy costings as soon as possible, given that elections are only two years away (at the latest).

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Annex A: Evaluation Team

The final Team composition is as follows:

- Wouter Elsenburg, senior economist at SEO with over 20 years of experience in applied economic research in the areas of financial markets and regulation, the housing market, health economics and policy evaluation. Worked at the Netherlands Bureau for Economic Policy Analysis, where he conducted research in the field of financial markets and healthcare, the IMF and De Nederlandsche Bank, where he advised on dealing with financial crises and other financial sector policies.
- Johannes Hers has over 25 years of experience as an economist in the Dutch public sector. He worked at the Ministry of Finance in the Netherlands for more than 10 years in various positions in the Economics department and was head of Public Finance at CPB Netherlands Bureau for Economic Policy Analysis for 6 years, where he was responsible for the short term macro-economic forecasts and the assessment of election platforms. He also worked at SEO as a head of Finance and Financial Markets, engaged in ex ante and ex post policy evaluation focused on evaluation of financial sector and tax policies. He currently heads the Centre of Expertise at the Dutch Authority for the Financial Markets.
- Daniël van vuuren has 25 years of experience in applied economic research, with an emphasis on social security, the labour market, and pensions. Before joining SEO, worked primarily at the CPB Netherlands Bureau for Economic Policy Analysis, amongst others as head of the sectors Public Finance (2018-2019) and Labor, Education and Pensions (2014-2017) and as head of the Social Security unit (2008-2013). At CPB he was responsible for, among other things, macroeconomic forecasts, ex ante policy evaluations at the request of ministries and parliament
- Lucas Sousa, Project Manager at AARC Consultancy, with expertise in tax consultancy and a background in nationwide competitiveness research.

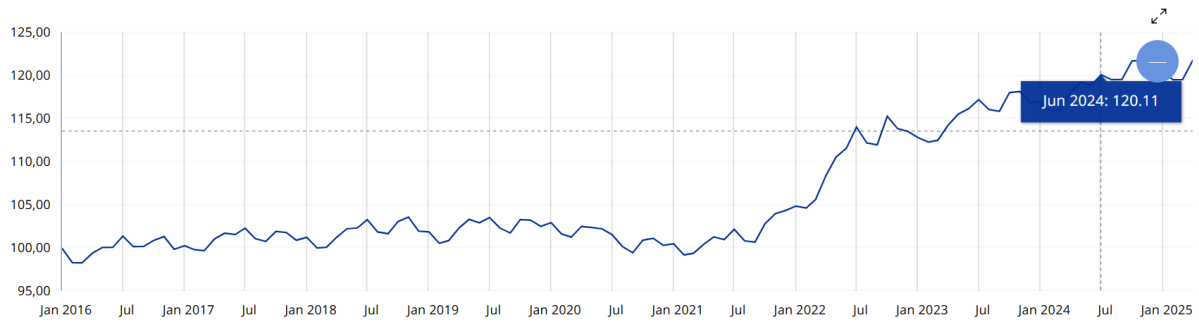
Annex B: List of interviewees

The review team conducted interviews with the following organizations:

- The Hellenic Fiscal Council: board, management and staff
- The external communication advisor of HFISC
- The Ministry of Finance in Greece
- The Public Debt Management Agency
- The Hellenic Statistical Authority
- The Parliamentary Budget Office
- The CPB in the Netherlands

Annex C: Inflation in Greece

Figure A.1: HIPC inflation Greece (index 2016=100)



Source: ECB, Data Portal



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