The Fiscal Policy Council

Meeting with Latvia's Fiscal Council
Stockholm
15 December, 2014
The Swedish Fiscal Framework

- Top-down budget process (preparation in Government as well as decision in Parliament);

- A fiscal surplus target for general government net lending of 1% of GDP, on average, over the business-cycle;

- Central government expenditure ceiling set 3 years in advance; decision by Parliament;

- Balanced budget requirement for local governments;

- Since 2007, a Fiscal Policy Council with a broad remit (to facilitate transparency and accountability).

- Note: The strength of this framework depends on the political will to respect it…
The set-up of the council

- Established in 2007;
- An agency under the Government;
- Six members:
  - Academics;
  - Policy-making experience;
- Supplementary activities to ordinary jobs (mainly academic positions);
- Small secretariat: five persons;
- Annual budget 900 000 €;
- Provisions to safeguard the Council’s independence, such as a stipulation that the Council itself proposes its members to the Government.
The tasks of the Fiscal Policy Council

1. Focus on *ex post* evaluation, with some *ex ante* evaluation;

2. Evaluate whether the fiscal policy meets its objectives:
   - Long-run sustainability;
   - Surplus target;
   - The expenditure ceiling;
   - Stabilization issues.

3. Evaluate whether the developments are in line with healthy sustainable growth and a sustainable high employment;

4. Monitor the transparency of the government budget proposals and the motivations for various policy measures;

5. Analyse the effects of fiscal policy on the distribution of welfare;

6. Contribute to a better economic policy discussion in general:
   - Annual report in May (this year May, 15);
   - More information on [www.finanspolitiskarakadet.se](http://www.finanspolitiskarakadet.se).