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EUROPEAN WATCHDOGS IN PUBLIC FINANCES AS
REPLICAS OF THE CORRESPONDING NATIONAL
INSTITUTIONS: REFLECTION ON THE IMPLICATIONS
FOR THE EU MULTI-LEVEL SYSTEM

Nazaré da Costa Cabral

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Abstract

The aim on this paper is to undertake an assessment of the two EU watchdogs in the field of Public Finances - the ECA and the EFB - including of the respective competences, independence and relations with the political bodies, making, on the one hand, a comparison with the corresponding national institutions and, on the other hand, a comparison between themselves, regarding the aspects mentioned. The objective is to examine how these European watchdogs replicate the role of surveillance and accountability that the corresponding national institutions perform today, trying to interpret the significance this has regarding the distribution of competences in matters of public finance between the decision-making levels involved. The strengthening of EU competences with fiscal/budgetary implications, as seen in recent years and which may accelerate in the coming years (to address e.g. common public goods), favours the strengthening of these two watchdogs within the Public Finance multi-level system.

Keywords: European Court of Auditors; European Fiscal Board; Supreme Audit Institutions; Independent Fiscal Institutions; public finances; fiscal policy

1. Introduction

Overarching research questions and methodology

According to Wilkins (2015, p. 19), watchdogs “are statutory agencies that have a primary function of scrutinizing the actions of the public sector and providing reports independent of those scrutinized”. The term watchdog has been used, since the 2000s, to characterize agencies that cannot be confused with the three political powers – legislative, executive and judicial – and so can be presented either as a fourth power (Head, 2012) or as satellites of Parliament (Wilkins, 2015).

In the field of Public Finances, at the national level, two main types of watchdogs can be identified: Supreme Audit Institutions (SAIs) and Independent Fiscal Institutions (IFIs). Indeed, both play a role in the overall accountability architecture for government budgeting. Moreover, similarities concerning the respective mandate, independence, and formal powers have also been signalled. Wehner (2018, p. 37) compares principles applicable to IFIs (as set out in OECD, 2014) with those enshrined in the ‘Lima Declaration’ of 1977, adopted by the INTOSAI for SAIs. The comparison can be made with respect to the ‘independence’ principles applicable to both types of institutions across four dimensions: i) leadership independence; ii) legal and financial independence; iii) operational independence; and iv) access to information and transparency¹.

At the EU level, two corresponding institutions – that is, respectively, with features of a SAI and of an IFI- have been created: the European Court of Auditors and the European Fiscal Board. It should be noted that the establishment of these two watchdogs, while having taken place at two different moments during the integration process (the ECA in the 1970s², the EFB in the 2010s), was justified on similar grounds, namely the increased political attention to public finance affairs at the EU level, combined with concerns regarding the enhancement of good governance and transparency (Wille and Bovens, 2020, p. 186). Indeed, the rationale for the creation of the ECA was linked to the structural reform of the EC’s financial legal framework, in early 1970s, marked by the introduction of new ‘own resources’ replacing national contributions, which represented a quantum leap forward from classical international organizations (Stephenson and Sánchez-Barrueco, 2024, p. 185) and a shift to a supranational

¹See also, in this regard, von Trapp and Nicol (2018, pp. 47-62).

²As explained by Laffan (1999, p. 254), the provision for an ECA was made in the 1975 Budget Treaty and it began work in 1977. From the outset, the role of the ECA was linked to the power of discharge over the budget granted in the 1975 Treaty to the Parliament.

public finance model. In turn, the creation of the EFB took place in the aftermath of the Global Financial Crisis (GFC), at a moment of deep existential crisis for the EMU, where its flaws became clearer and there was an urgent need for reform. It should be remembered that the ‘Five Presidents Report’ – setting the roadmap for that reform – included the creation of the EFB as a first step towards the future implementation of a fiscal union.^{3 4} As such, both in the case of the ECA as well as the EFB, the moment for their creation coincided with the assignment of increasing competences at the European level in the field of public finances.

The aim on this paper is therefore to undertake a comprehensive assessment of these two EU watchdogs in the field of Public Finances – the ECA and the EFB-, including of the respective competences, degree of independence, relationships with both the parliament and the executive, making, on the one hand, a comparison with the corresponding national institutions and, on the other hand, a comparison between themselves, regarding the aspects mentioned. The overarching research question is to examine how these European watchdogs replicate the role of surveillance and promotion of accountability that the corresponding national institutions perform today, this time within the framework of the European institutional architecture and trying to interpret the significance this has regarding the distribution of competences in matters of public finance between the decision-making levels involved.

The methodology relies on a qualitative (rather quantitative) analysis, where the arguments will be supported by a thorough interpretation of both the law and other instruments of political decision-making, although, at times, they may be corroborated by some empirical evidence sourced from previous studies.

Theoretical approach

Some theoretical inputs contribute to this analysis. Firstly, we intend to understand the role or status (intergovernmental versus supranational) of the so-called EU *de novo* bodies, which include the ECA and the EFB (Hodson, 2017 and 2019; Tesche, 2021). The ECA and the EFB exhibit supranational characteristics⁵, albeit with different profiles in their relations with both Member States and other European institutions. We will incidentally use the theoretical discussion opened by Abbot *et al.* (2015) on indirect governance models – e.g. delegation versus orchestration – to reflect on the upstream relationships these institutions have with

³Available at: https://commission.europa.eu/publications/five-presidents-report-completing-europes-economic-and-monetary-union_en. See the guiding principles for the EFB in Annex 3 of this same Report.

⁴This point will be elaborated further on.

⁵Unlike other relevant *de novo* bodies where intergovernmental elements prevailed, e.g. ESM (see Cabral, 2021a, p. 144).

their national counterparts and downstream relationships with the European institutions closest to them (e.g. the Commission and the Parliament). The indirect governance approach serves to justify, in the former case, the existence of either hierarchical relationships, or of coordination or simply cooperation, and in the latter, whether there is greater or lesser institutional independence.

Secondly, and relating to the previous point, we will discuss how these institutions seek to replicate their national counterparts, including the institutional model adopted, as well as the degree of independence. The theoretical contribution of the so-called ‘institutional isomorphism’ (DiMaggio and Powell, 1983) will be used for this purpose.

Thirdly, we will discuss how this attempt to replicate the model and role of the corresponding national watchdogs may signify not an option for decentralized modes of governance by some authors associated with these new *de novo* bodies (Bickerton *et al.*, 2015), but rather the mimicry of the state model at the European level, in which European institutions emerge in the image and likeness of the corresponding national entities. The alignment in the institutional design of these entities may ultimately be a precondition and an anticipation of a possible strengthening of competences at the central level within a multi-level system. In fact, although fiscal and budgetary policies are still a stronghold of the Member States, the establishment of an architecture with hierarchical overtones (similar to what happens with monetary policy within the multi-level Eurosystem), which, for example in the case of the EFB, could culminate in the ‘federalizing’ proposal to build a ‘European System of Fiscal Councils’ (Asatryan *et al.*, 2017), may ultimately translate the strengthening of powers at the European level in Public Finance affairs. Moreover, the strengthening of powers by the European Commission - including in debt issuance- that we have witnessed since the pandemic crisis, as well as the discussion involving the creation of an EU fiscal capacity (Cabral, 2021 and Buti and Messori, 2023) suggest this eventual centralization.

Finally, it should be noted that the concept of a multi-level system adopted here is a broad concept, differing from the notion of (EU) multi-level governance, based on the seminal contribution of Marks (1993)⁶ ⁷. The notion followed here refers only to the distribution of competences (in this case in the field of public finance) between Member States (traditionally endowed with broad sovereignty in this matter – e.g. taxes and borrowing) and the EU. Unlike

⁶Marks (1993, p. 392) defined multi-level governance as “a system of continuous negotiation among nested governments at several territorial tiers — supranational, national, regional, and local”.

⁷Regarding this more specified notion of multi-level governance in the EU and the different theoretical contributions in the field of political science, see, for all, Rijk (2019, pp. 15-49).

what happened with monetary policy delegated to the central decision-making level (which is the EMU⁸), fiscal/budgetary policy remains the domain of the Member States.

Research outline

The structure of this paper follows this sequence. In section 2, the ECA will be compared with national SAIs, then the role it plays in the current EU budgetary system will be analyzed, through its relations with European political bodies and its national counterparts. In section 3, the same comparative exercise will be carried out, now in the case of the EFB. Section 4 is the conclusion.

⁸Economic and Monetary Union.

2. The European Court of Auditors as a good replica of national Supreme Audit Institutions

The ECA is a watchdog following an atypical model of SAI

An important aspect resulting from Head (2012) is that to be harmed as a watchdog, the entity cannot be reduced to the three conventional political powers, that is, legislative, executive and judicial powers, but rather constitutes a fourth power.

Underlying the creation of the ECA in 1977 were three historical models of Supreme Audit Institutions (SAIs) in the Member States, developed over decades and in some cases over centuries, and that could serve as an inspiration for its conception. Indeed, SAIs are public technical institutions, the main mission of which is to audit the allocation and usage of public resources to ensure “the efficient, effective and economic use of public resources, as well as compliance of public spending and revenue collection with the applicable rules.”⁹ Historically, there have been two main models of SAIs. Firstly, the Latin or French model (the Court of Accounts model), where SAIs, acting as auditing institutions, are characterized as courts, and hence carry out a jurisdictional function¹⁰. Secondly, the Anglo-Saxon model (the Auditor-General model), in which, in its pure form, the SAI acts as the Exchequer and Auditor General of Public Accounts. Note, in turn, that the Anglo-Saxon model is also enshrined in the Westminster model, due to the supremacy of the parliamentary institution: firstly, the Comptroller General assists Parliament by controlling the issuing of money; secondly, it audits public accounts on the behalf of the same Parliament. In the parliamentary model, it is possible to include cases of SAIs where their audit action is effectively included within general parliamentary oversight or cases where they are dependent, being directly answerable to or held accountable before Parliament. This latter case can be qualified as soft parliamentary model. In turn, a third model, let us call it atypical, can also be identified. The (German) model of the *Rechnungshof*, with a collegial structure, is atypical in face of the two previous ones in the sense that the SAI neither carries out jurisdictional functions nor is its action related to Parliamentary oversight. As shown in Annex 1, which covers all the SAIs of EU members, the three models are represented in a balanced way, reflecting historical traditions and influences, not least due to geographical proximity: in the North-Northwest, the Auditor-

⁹Public Audit in the European Union 2024 Edition

¹⁰In this sense, they ‘belong’ within judicial power, which is a different and independent political power (from Montesquieu’s perspective) from the legislative and the executive powers.

General (Westminster) model prevails; in the South and South-Central, the Court of Accounts model; and in the North-Central and East, the atypical model.

The model of the SAI affects, in turn, its action/competences and the nature of its independence status. Although all SAIs have the power to promote and carry out audits, the formats of such audits differ across the various historical models. Traditionally, in the court-type model, financial and compliance audits prevail, whereas in the auditor-general type model financial audits are combined with performance audits. Financial and compliance audits are basically audits of legality and regularity, whereas performance audits examine the economy, efficiency and effectiveness of the public spending (Stephenson, 2015).

Another common feature is the alleged independence of SAIs. If in formal terms, the vast majority of SAIs are acknowledged with an independence status (Vogiatzis, 2019), the nature of such independence varies with the abovementioned models. Therefore, independence is complete independence, even from a political power point of view, under the court-type model (and the atypical model), whereas under the parliamentary model – by its own nature – the independence of SAIs is fundamentally a technical/functional one. Ultimately, they act on behalf of Parliament or are answerable to it.

The different status of independence also reflects the rules of appointment for SAI members, notably for the president. In the parliamentary model, the latter is appointed, nominated and/or elected by Parliament, while in the court-type model the appointment is made by the head of state in some cases following a proposal from the Government. In the German atypical model, the election/appointment rules are atypical: the president of the SAI is elected by the two houses of parliament following a proposal from the federal government and then appointed by the President of the Federal Republic of Germany.

As noted by Laffan (1999, p. 254), preceding the creation of ECA, there was considerable debate and disagreement about the most appropriate organization structure for the new body. Moreover, the structure and procedures of the Court have changed over time (*Idem*, p. 154).¹¹ Eventually, the ECA followed the atypical or mixed (German) model. Indeed, as with the latter, the ECA is deprived of jurisdictional function and totally independent from the EP. It moreover presents a collegial structure, which ends up differentiating it from a General Auditor parliamentary model. For these reasons, it can be said that the ECA is associated with a fourth power which makes her 'eligible' to actually be a watchdog.

In fact, despite its name, the European Court of Auditors (ECA) is not a court. Instead, it is an institution in between the judiciary and public administration (Aden, 2015, p. 314). The ECA

¹¹The author explains how the different models of court of auditors were discussed by policy-makers and how the solution was reached.

does not have the power to judge. Its power is limited to the issuance of recommendations and statements (Aden 2015, p. 315). On the other hand, the ECA does not follow the Westminster model, nor is directly answerable before the European Parliament (EP). It is an entity that is genetically and ontologically independent of the EP. The degree and nature of ECA's independence was analysed by Vogiatzis (2019), for whom the statute of independence derives from two main factors. Firstly, because it is an external audit institution, and so this is implied within the auditing profession itself, through its own integrity and its objective approach to professional activity. Given this, the primary justification for granting the ECA the degree of independence it enjoys is through its very function, i.e. auditing (see Article 286(1) of the Treaty on the Functioning of the EU (TFEU) incorporating this idea). Secondly, the ECA is independent in the sense that it acts on behalf of, and defends, the interest of the Union – see Article 286(3) TFEU (Vogiatzis, 2019).

Moreover, in the development of its activity, the ECA maintains its independence in respect to other institutions, notably with respect to the EP. In fact, the ECA has so far resisted, within its task of co-controlling budget execution, accommodating certain parliamentary requests, as this could make it an organ of the EP (*Idem*, 2019).

The ECA is a watchdog because it has the power to hold the executive to account: replicating national SAIs' (increasing) audit powers

Watchdogs benefit from the attribution of the accountability power, which is in the words of Wille and Bovens (2022, p. 186) “the ability of a forum to hold executive actors to account”. As explained by the same authors (Wille and Bovens, 2022, pp. 187-188), the accountability powers of watchdogs stem from three dimensions. Firstly, from formal powers to hold actors to account, that is, on how the respective mandate is set out in laws, regulations, etc. Secondly, from organizational powers (staff, budget, a leadership structure, etc.). Thirdly, from the effective exercise of those powers, together with the impact and visibility of that work.

Although ECA cannot impose a formal sanction (Wille and Bovens, 2021, p. 189)- which in part is related to the fact that it is not a true court- ECA benefits with other formal powers, including independence and agenda setting autonomy (*Idem*, p. 189)¹². To be an effective watchdog in the field of public finances – to ‘bark loud’ – the entity does not have to possess far-reaching or veto powers, but rather acting independently from the executive and that it enabled to improve legitimacy and the accountability of the budget process led by other actors – namely the government and, to a lesser extent, the parliament (Fasone, 2022, p.

¹²The authors also present evidence on the impact of exercising accountability powers in 2018, considering the following items: productivity (published work); effectiveness; salience; credibility; creativity; visibility; impact. Regarding this last point, the growing media impact of ECA (2000-2019) is highlighted (Wille and Bovens, 2022, pp. 194-197).

259). In the case of ECA, the increasing scope of its mandate in the field of auditing, coupled with the competence for an administrative act that directly influences budgetary decisions in the EU – the assurance statement – makes it a very effective oversight body.

In fact, following a similar pattern as that observed for national SAIs across Europe, the ECA, since its creation and over time has carved out its own no-surprises approach to audit, reconciling audit concerns of legality and regularity used in France and the Mediterranean with that of value-for-money audit as favoured in Anglo-Saxon and Nordic members states (Stephenson, 2017, p. 1151). As with other SAIs, one can say the ECA has evolved from providing ‘simple’ oversight to contributing to insight and foresight for improved governance across the EU policy cycle. For that reason, today, “the ECA plays a twofold role in the EU’s institutional structure: it verifies the sound financial management of EU finances through its audit powers; it also advises legislator(s) on financial management through its advisory competence” (Stephenson and Sánchez-Barrueco, 2024, p. 188). Important steps were taken to reinforce the role of the ECA within the EU’s institutions framework, especially after the approval of the Maastricht Treaty in 1992. In this Treaty, the ECA was formally considered as an EU institution, being moreover assigned with the task of delivering the assurance statement (*‘Déclaration d’Assurance’*, DAS). Currently, the ECA’s remit is large, and its modalities of financial control are diverse. The shift towards performance audit since the mid-1990s is a sign of politicization, as performance auditing enshrines a judgment of opportunity that brings the ECA closer to learning processes in policy evaluation (Stephenson and Sánchez-Barrueco, 2024, p. 192).

To a certain extent, this holistic approach to audit powers reflects the approximation between models of SAIs regarding their respective activities/competences. Traditionally, within the court-type model, the judicial oversight exercised has focused primarily on budgetary execution acts, including the assessment of accounts and the enforcement of financial responsibility. This *ex post* oversight was mostly backward oriented towards the policy implementation stage. However, the court of auditors’ model moved more closely to the auditor-general model, as the former have progressively taken on other audit functions, besides the control of legality, including performance auditing. This convergence between the two models also helps to explain the on-going trend towards a more holistic view of the audit work that nowadays is being carried out by most audit courts across Europe.

Implications in the current Public Finance multi-level system

The ECA is not a court, but it is an EU (living) institution (Laffan, 1999) formalized in the TFEU. Some authors see the creation of *de novo* bodies as the result of the political reluctance of Member States to empower traditional EU (supranational) institutions, e.g. the

Commission, the Court of Justice, and the Parliament (Bickerton *et al.* 2015, p. 713). Therefore, these new entities are typically intergovernmental entities.¹³ But, in the case of ECA, being a *de novo* entity, supranational features prevail: the constitutive act and the fact that, as mentioned, the ECA acts on behalf of, and defends, the interest of the Union. Moreover, the ECA is independent of governments and other national entities, including national SAIs. As such, even when cooperation exists between these entities and the ECA in carrying out their respective competences, the Treaty is clear when ensuring a spirit of trust in this cooperation while each maintains their independence (Article 287(3) TFEU).¹⁴

The ECA effectively replicates the functions of a court of auditors, in light of the adopted model, here described as atypical. It is well anchored in the national audit experience, which is, moreover, now marked by a convergence of models at the European level. In this sense, the ECA replicates the mandate, competences, and independent status of its national counterparts, from which it draws inspiration. Hence, it is an effective watchdog, guaranteeing accountability on the part of the executive (e.g. the Commission), something that is also attested to by the type of institutional relations (and tensions) observed since the creation of the ECA. Indeed, the relationship between the ECA and the Commission has been extremely conflictual since the former was established (Laffan, 1999, p. 256), which can be explained by the fact that the watchdog exercises, since the outset, true control of legality, a form of authority.

One interesting, yet less explored aspect in the literature on these *de novo* bodies is that of institutional isomorphism, that is, how these new public entities – generally with the profile of administrative bodies – mimic their pre-existing national counterparts. It is true that there are studies in the field of political science of European integration that seek to establish similarities and differences between conventional European institutions (where political power is concentrated) and national sovereign organs (for example, Majone, 2014, pp. 55-56, in the case of the European Parliament in comparison with national parliaments). But there is less comparison in the case of these new entities. Majone (2014, p. 173) refers, for example, to the ECB not to compare it with the structure and architecture of the national central banks that it has, in a way, replicated, but rather to compare it with the Fed (the US central bank) highlighting, in the former, the lack of a political counterweight, that is, the fact that it acts without a European government capable of balancing its powers. And yet, the comparison between the ECB and national central banks (with respect to its structure and organization)

¹³An idea disputed by Schimmelfennig (2015, p. 724), who highlights that these *de novo* bodies display a wide variation of intergovernmental and supranational features.

¹⁴As explained by Stephenson and Sánchez-Barrueco (2024, p. 195), the core audit work in financial audit addresses the risk of error in accounting for the EU funds, including the work on fraud, where such cooperation between the ECA and national SAIs prevails.

would be largely justified, as the mimetic nature of such institutions underlies and makes coherent the Eurosystem (which is a multi-level system), based on a hierarchical relationship, with the ECB at the top and its national counterparts at the base.

Institutional isomorphism is an interesting approach within the science of administration (and associated with studies on the bureaucratic phenomenon, as initiated by Max Weber, 1952) that seeks to answer the question of why organizations imitate one another. Di Maggio and Powell (1983) identify three determining mechanisms of institutional isomorphism: coercion (e.g. formal and informal pressures from one entity for another to replicate, or other types of persuasion); mimicry in the face of uncertainty (being a factor of institutional stability); and normativity, associated with professionalization. It is reasonable to assume that, in relation to several European *de novo* bodies, there are mechanisms primarily of coercive isomorphism (institutions shaped from the preferences of the Member States), as well as mimetic isomorphism, in which, starting from solutions already tested on a national scale, there is a refrain from trying to ‘reinvent the wheel’, minimizing uncertainty in the functioning of that organization.

In the case of the ECA, there is a clear mimicry, from an organizational point of view and at the level of competences, in relation to the national (increasingly holistic) audit model (the atypical model on which it rests rejects the jurisdictional function, but the other audit functions are present). This could constitute the basis for a multi-level hierarchical system as is the case with the Eurosystem for monetary policy: at the top, the ECA would define policy lines and coordinate the SAIs in an articulated and coherent auditing system of budgetary policy, even if, in the implementation of that policy, some form of decentralization in those same SAIs would be maintained (as is the case with the Eurosystem itself – see Gros, 2017).

However, this is not what happens, and the reason lies, largely, in the preservation of national autonomy about the fundamental aspects of fiscal/budgetary policy. In fact, regarding the auditing function, it can be observed that the supranationalization of this function has not replaced independence with interdependence (Aden, 2015, p. 323). Nothing points so far to the replacement of independent external audit institutions by a hierarchical subordination of national SAIs under the ECA (Aden, 2015, p. 323). Moreover, for the time being, as has been seen, what exists is (strong) cooperation between the ECA and national SAIs, including regarding operational grounds (e.g. combat against fraud).

3. The European Fiscal Board and the weak reproduction of national Independent Fiscal Institutions

The EFB and the atypical version of IFI adopted

As noted by Kopits (2013, p. 2), “in a handful of countries, IFIs –established mainly as result of domestic political developments- predate by several decades the recent global financial crisis.”¹⁵ On the other hand, a new generation of IFIs has emerged in several countries in the aftermath of the Global Financial Crisis (GFC). This new generation of IFIs was “called to meet the need for real time vigilance over transparency of fiscal policy proposals and the realism of official macro-fiscal projections” (Kopits, 2013, p. 2). Indeed, the dissemination of the expression ‘fiscal watchdog’ dates from this period.^{16 17}

At the EU level, “Independent fiscal institutions (IFIs) are defined as non-partisan public bodies, other than the central bank, government or parliament, aimed at promoting sustainable public finances through various functions, including monitoring compliance with fiscal rules, production or endorsement of macroeconomic forecasts for the budget, and/or advising the government on fiscal policy matters. These institutions are primarily financed by public funds and are functionally independent vis-à-vis fiscal authorities.”¹⁸ Interestingly, “Courts of Auditors are included in this definition if their activities go beyond the accounting control and cover any of the tasks mentioned above.”¹⁹

IFIs are quite heterogeneous around the world. However, despite their heterogeneity, IFIs have common features, such as being funded by – but independent of – governments, having no decision-making power, playing the role of an official ‘watchdog’ informing public debate on fiscal policy, and being non-partisan in their activities (Martins and Correia, 2021, pp. 162-163). Heterogeneity results firstly from the specific nature of the IFIs. With respect to

¹⁵ Example of pioneering institutions are the Netherlands Bureau of Economic Policy Analysis, locally called the Central Planning Bureau (CPB).

¹⁶ A seminal reference can be found in Calmfors (2011).

¹⁷ First-generation IFIs had expanded functions in the area of economic advice and planning. With the emergence, after the GFC, of a second generation of IFIs, with characteristics more focused on budgetary oversight, in most countries where the first generation existed, they were maintained and ended up coexisting with the second generation (e.g. the case of the Netherlands and Belgium – see Annex 1).

¹⁸ Available at: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-fiscal-frameworks-eu-member-states/independent-fiscal-institutions_en

¹⁹ *Idem*. This is the case of Finland, where its National Audit Office is also characterized as an IFI (see Annex 1).

their institutional design, IFIs can be characterized either as fiscal councils or as parliamentary budgetary offices (PBOs). While fiscal councils do not, in principle, have a functional link to other bodies or institutions (although in a few cases they can be a sub-body of other institutions – the Court of Auditors²⁰ – or be materially supported by them – the central bank²¹), PBOs provide support, advise or even act as an agent of parliament. Their independence in this latter case is mostly of the functional type. As can be seen in Annex 1, the vast majority of IFIs in the EU are of a fiscal council type and the main object of activity is the supervision of public finances. Secondly, heterogeneity results from the respective dimension, availability of resources (technical, human and financial), scope of the mandate, public visibility and media influence. In the case of the EU, the scope of the mandate and capacity of the IFIs to carry out tasks underlying the general ideal of public finances supervision is quite diverse, as well as the degree of independence (which, in turn, can be measured using formal criteria – such as how independence is regulated by law – and practical criteria, as a result of the IFI’s own activity²²).

At the European level, as mentioned above, it was mainly after the GFC that most IFIs emerged. They were included in European legislation, e.g., the Fiscal Compact²³, Directive (EU) 85/2011²⁴ (under the ‘Six Pack’), and Regulation (EU) 473/2013²⁵ (under the ‘Two Pack’). After the 2024 reform of the SGP, IFIs are expected to play a (new) role mostly during the implementation of the new “national medium-term fiscal-structural plans, MTFSP”, with the task of assessing the compliance of the budgetary outturns data reported in the annual progress report with the net expenditure path as set by the Council (Article 23 of Regulation (EU) 2024/1263).²⁶ At the same time, guarantees for the independence of IFIs were reinforced in the new legislation (see Article 8-A of Directive (EU) 2024/1265,²⁷ amending Directive (EU)

²⁰The case of the French High Council of Public Finance (see Annex 1).

²¹The Austrian Fiscal Advisory Council is attached to the central bank. See: <https://www.fiskalrat.at/en/organization.html>

²²Larch et al. (2024) elaborate EU IFIs an independence index ranking, where they assess IFIs independence in the light of these two criteria.

²³Article 3/2 of the 2012 Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG).

²⁴Council Directive (EU) 2011/85/EU, of 8 November 2011 Article 4/1 (role of IFIs in forecasting); Article 6/1, b), monitoring of compliance with fiscal rules.

²⁵Regulation (EU) 473/2013 of the European Parliament and of the Council, of 21 May 2013, – e.g. Articles 2, 4/4 and 5.

²⁶Regulation (EU) 2024/1263 of the European Parliament and of the Council, of 29 April 2024, repealing Council Regulation (EC) No 1466/97.

²⁷Council Directive (EU) 2024/1265 of 29 April 2024, amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

85/2011) In this same Directive, the scope of IFIs is amplified– and the principle of ‘comply or explain’ is generalized(Article 5/6).

Like national IFIs, the European Fiscal Board (EFB) is a product of the GFC. The proposal to create this body was included in the June 2015 Five Presidents’ Report on Completing Europe’s EMU, setting a roadmap (in three stages) for its reform.²⁸ The EFB was foreseen as an advisory entity to the Commission with the aim of providing a public and independent assessment of the budgetary policies of the Member States and the fiscal stance of the euro area. The solution eventually adopted in the EC decision of October 2015,²⁹ although less ambitious in its scope, reflected this intention. After the appointment of the first members of the Board in 2016, the EFB started its activity, and its first publication was released in 2017.³⁰

In the 2024 reformed framework, the EFB saw its tasks and independence reinforced. Both in Article 24 of Regulation (EU) 2024/1263 and in the new Commission Decision (EU) 2024/2115³¹, there is a significant attempt – from a statutory point of view – to link the EFB’s role in advising the Commission and the Council to the exercise of their competences within the multilateral fiscal surveillance as set out in Articles 121, 126 and 136 TFEU. Indeed, this express reference to the TFEU should be seen as an attempt to reinforce the legal legitimacy of the EFB within the framework of this multilateral supervision, as is its inclusion for the first time in a Regulation- Regulation (EU) 2024/1263 (that now embodies the so-called preventive arm of the SGP). Also stronger is the recognition that the EFB shall enjoy ‘full independence’ in the discharge of its functions, as it shall not seek nor take instructions from any government of a Member State, Union institutions or bodies or from any other public or private body (Article 5 of the Decision). In the appointment process, now involving Parliament and the Council (which are consulted), the independence status of the Board members is reinforced, along with the supranational vocation of the institution.

When compared to the two national IFI models previously described – the fiscal council versus the PBO model – it can be observed that the EFB model is atypical. The relationship with the legislature is almost null, since the EFB is not even accountable before the EP. As such, it is distant from the PBO model. On the other hand, despite its status as an independent fiscal council, special (and strong) relationships with the executive institution of the EU, namely the

²⁸ Available at: https://commission.europa.eu/publications/five-presidents-report-completing-europes-economic-and-monetary-union_en. See the guiding principles for the EFB in Annex 3 of this Report.

²⁹ Commission Decision (EU) 2015/1937, of 21 October 2015, establishing an independent advisory European Fiscal Board.

³⁰ The first annual report (EFB, 2017).

³¹ Commission Decision (EU) 2024/2115 of 29 July 2024, repealing Decision (EU) 2015/1937.

Commission, remain.³² Such a relationship between fiscal councils and the executive power does not take place at the national level (at least in the majority of IFIs). And this happens, as will be seen below, because unlike that which happens at the national level, where IFIs directly monitor and assess governments’ fiscal and budgetary policies, acting as watchdogs of government action and outturn, in the case of the EFB, it does not monitor the fiscal and budgetary policy carried out by the EU ‘government’ (the Commission), instead playing a role of supporting the Commission (and eventually the Council) in its surveillance task vis-à-vis national fiscal and budgetary policies.

The EFB and its (still) weak power to hold the executive to account: differences that remain in relation to national IFIs considering the rationale that guided its creation

Despite the strengthening of the EFB’s independence and competencies under this new legal framework, subsist important differences in relation to national counterparts. The EFB remains fundamentally an advisory body and less of a true watchdog (Table 1).

Table 1 - Comparison between the advisory and watchdog functions in the case of national IFIs and the EFB

	National IFIs	EFB
Advisory role	<p>Before submitting the national medium-term fiscal-structural plans (MNFSP), IFIs can be asked by the government to issue an opinion on the macroeconomic forecast and the macroeconomic assumptions underpinning the net expenditure path. As of 1 May 2032, the relevant independent fiscal institutions shall issue those opinions (see details Article 11 Regulation 2024/1263).</p> <p>The same opinion in the case of a revised national (Article 15(3) Regulation 2024/1263)</p>	<p>Advise on the prospective fiscal stance appropriate for the euro area as a whole, as well as on the appropriate national fiscal stances that are consistent with it within the rules of the Stability and Growth Pact</p> <p>Advice on the implementation of the Stability and Growth Pact, including on the extension of the general escape clause</p> <p>Make suggestions for the future evolution of the fiscal framework (Decision 2024/2115 and Article 25 Regulation 2024/1263)</p>

³²Interestingly, Tesche (2021, p. 391) analyses this umbilical relationship between the Commission and the EFB as a case where the former, anticipating the risk that this *de novo* body could lead to new intergovernmental dynamics (Schimmelfennig, 2015), thereby undermining its authority, decided to cherish and support it, aligning it with its own mission within the multilateral surveillance framework. The legal act adopted for the creation of the EFB - a Commission Decision- meant that the Commission managed to take the lead, bypassing the influence of the Member States in the design of this new body (Tesche, 2021, p. 392). Ultimately, “the Commission was able to counter the new intergovernmental dynamics by creating its own supranational *de novo* body” (*Ibidem*, p. 393).

	National IFIs	EFB
Watchdog role	Producing, assessing or endorsing annual and multiannual macroeconomic forecasts Monitoring compliance with country-specific numerical fiscal rules Assessing the consistency, coherence and effectiveness of the national budgetary framework (Article 8-A, Directive 2024/1265)	Ex post evaluation of the implementation of the Union fiscal governance framework

Source: The Author

Recall that the conventional rationale for the creation of IFIs relies on a political failure subsumed to the so-called ‘common pool’ problem, leading to government budget deficit bias and the accumulation of public debts (von Hagen, 2018, p. 188). In turn, Wyplosz (2008, p. 182) explains that the intervention of IFIs is supposed to be limited to the macroeconomic role of fiscal policy, while excluding other aspects such as redistribution, the provision of public goods and services, the size of public spending and the tax burden. It is within this narrow sense of fiscal policy – confined to its macroeconomic role- that the term ‘delegation’ of powers from governments to IFIs should be understood. The idea of such delegation is very present, at least in the most advanced countries, in this power usually being transferred to central banks, and these banks emerge as independent entities vis-à-vis the government. A parallel can be drawn between the delegation of powers in the case of central banks and in the case of IFIs: in both cases, this involves macroeconomic management—in the first case, monetary policy, in the second, fiscal policy. However, the ‘intensity’ of such delegation is much stronger in the case of monetary policy. One reason suggested by Wren-Lewis (2013, 2018) relies on the fact that successful delegation requires a broad consensus on what constitutes ‘sound policy’. In principle, such consensus is easier to reach in the case of monetary policy than in the case of fiscal policy. In fact, what the goals of aggregate fiscal policy should be are far less clear (Wren-Lewis, 2018, p. 15).

Hence, the delegation of powers in the case of IFIs is unlikely to be a ‘hard’ delegation. Such a hard delegation would follow the central bank model where the IFI was entitled to set the budget balance (the abovementioned fiscal policy instrument) each year, and it would be a binding decision on the government and the parliament (Wyplosz, 2008, p. 185). However, in the ‘real world’, the delegation to IFIs is in most cases a ‘soft’ (and sometimes exceptionally soft) delegation. In this version, IFIs only have an advisory role. They can only publicly recommend a particular budget balance outcome each year, but in the end the decision is made by the government and the parliament (Wyplosz, 2008, p. 183). It should be noted that the effectiveness of this arrangement rests entirely on public debate; in this

model, IFIs function as a “pro-discipline pressure group” (*Ibidem*, p. 183). Therefore, it can be concluded, as does Wren-Lewis (2013, p. 71), that “the most obvious difference between monetary and fiscal policy delegation in practice is that the former involves the delegation of decision, whereas the latter involves the delegation of information, evaluation, and in some cases advice”.

In a nutshell, the common thread between the EFB and EU national IFIs relies on their advisory functions and the fact that they do not have any form of decision making in the field of fiscal policy. The object of their remit relies in public fiscal policy and public finances in general. However, regarding the watchdog function, the differences between the EFB and national IFIs are striking.

Indeed, although the creation of the EFB has corresponded to a bold experiment to have a new body at the supranational level (Asatryan and Heinemann, 2018, p. 166), it still remains a soft version of the delegation of fiscal policy to an IFI. On the other hand, the mandate for analysing and commenting on the ‘fiscal stance’ is rather atypical for national councils and may conflict with the objective of surveillance under the SGP (Asatryan *et al.*, 2017, p. 11). The aspect of fiscal stance, which also includes the objective of macroeconomic stabilization, may potentially interfere with the performance of fiscal surveillance that is based on the provisions of the SGP (Giżyński, 2019, p. 35). Moreover, since the euro area fiscal stance is an aggregate of sovereign fiscal policies of the Member States, such an *ex ante* analysis of the fiscal stance may interfere with the discretionary actions of countries (Asatryan and Heinemann, 2018, p. 167).

Therefore, at the EU level, the EFB remains a ‘lapdog that barks softly’, due to two main reasons: i) the EFB does not monitor the EU budget and the compliance of (hypothetical) numerical fiscal rules in the execution of that budget by the responsible EU institution, which is the Commission; ii) the EFB has no effective competences, notably as a coordinating entity, in the enforcement of fiscal rules to be complied with by the Member States, an enforcement that remains solely attributed to the Commission. Not even a mechanism of ‘comply or explain’ as is granted to IFIs at the national level exists in the case of the EFB in its relationship with the Commission. Ultimately, the weak version of delegation in the case of the EFB reflects the incomplete architecture of the EU (or the EMU) as a fiscal union, where fiscal policy remains a stronghold of Member States (unlike monetary policy) and the EU budget is still far, in terms of its dimension and functions, from being able to act as a central budget as is the case in any State (on the grounds of allocation, redistribution and stabilization).³³

³³On this issue, see for all, Cabral (2021a). The author characterizes the EMU as a ‘lopsided’ fiscal union (p. 123).

Implications in the current Public Finance multi-level system

Here, cohabitation with the Commission (the government to be held to account) has been easier than in the case of the ECA, which is largely due to the EFB's also less intense surveillance powers. However, something may be changing. In the context of the new 2024 legislation and under the new EFB Board it should be noted, in its latest report³⁴, a more forceful critique of the way the economic governance framework was implemented – especially in the design of the MTFSP – and of the more political, less technical, more bilateral, less multilateral, and less transparent way in which these plans were negotiated between Member States and the Commission, and eventually the Council. The EFB criticizes how national IFIs ended up being devalued in their watchdog role at this stage.

The relationship with national IFIs reflects the aforementioned national prevalence of fiscal policies, which justifies the fact that a large part of fiscal/budgetary supervision – even if carried out within a common framework of fiscal rules – is assigned to those national IFIs. In turn, the degree of organizational isomorphism in relation to national institutions is not so evident, which is partly justified given the great diversity of IFIs at the European level, regarding their organization, competences and independence, as seen previously.

In the referred 'Five Presidents Reform', the coordination of the national IFIs was suggested as a competence of the future EFB. The idea of coordination was related to the aim of instituting a 'European System of Fiscal Councils' (Asatryan *et al.*, 2017, p. 14), the main rationale for which being to avoid a failure of coordination between national IFIs and the Commission within its multilateral surveillance mechanism, especially the risk of cacophony or public disagreements between them that could weaken the signalling power of IFI communication and undermine the Commission's role in the implementation of the SGP (Debrun, 2019, p. 15). Again, this system of coordination would be closer to a hierarchical system, as exists in the Eurosystem, where the ECB is the principal bank and national central banks act as agents in carrying out the single monetary policy (Tesche, 2021, p. 397). This solution was rejected, firstly by the national IFIs. The EFB was perceived by the IFIs as an extended arm of the Commission, and that being under its coordination could undermine their own fragile independence and be an obstacle towards their objective of fostering national ownership of

³⁴ Available at: https://commission.europa.eu/publications/2025-annual-report-european-fiscal-board_en.

fiscal rules (Tesche, 2021, p. 397).³⁵ As such, instead of coordination, the adopted solution was one of cooperation³⁶, which in practical terms has resulted in a very weak form of cooperation. Once again, the ambivalent mandate of the EFB and its imprecise position both within the multilateral surveillance mechanism for national public finances and with respect to a stealth fiscal union explains this result.

³⁵To avoid the risk of falling under the coordination of the EFB, national IFIs decided instead to intensify coordination efforts among themselves, creating a Network of EU IFIs seeking to issue their own position on a wide range of topics pertaining to the role of IFIs in the EU fiscal framework (Tesche, 2021, pp. 397-398).

³⁶See current Article 24/3 (d) of Regulation (EU) 2024/1263 and Article 2/2 (d) of Decision (EU) 2024/2115.

Conclusion

In recent years, especially after the COVID-19 crisis, there has been a fundamental change in the EU with the assumption of new powers in crisis management (e.g. vaccination) and in 2020 with the adoption of an unprecedented financial package to support the recovery of affected economies (e.g. 'NextGenerationEU'). At the same time, the EU enhanced its financial capacity, including the ability to borrow on a massive scale, which was seen as a preview of a new federal financing model- a future European Treasury (Cabral, 2021b). Now, within the context of the conflict raging in Europe and new geopolitical tensions, the EU has recently launched a new financial instrument in the area of Defence- *Security Action for Europe, SAFE* - to be financed by EU borrowing.³⁷ To summarise, this new path, which will eventually lead to a larger EU budget based on new tax resources, appears irreversible within the current context. The creation of a central fiscal capacity to provide for European public goods (Buti and Messori, 2023), as is the case with Defence, seems more plausible than ever.

If this development is confirmed, there will be good arguments for strengthening the role of the ECA and the EFB within the EU's institutional structure. As for the ECA, this role will be strengthened, in accordance with the principle of budgetary unity, if the EU budget includes all these new financial funds, many of which are still outside the budget (Stephenson and Sánchez-Barrueco, 2024, p. 199), as a way of ensuring their sound financial management and legality. Moreover, as stressed by Aden (2015, p., 323), if the EU gets more power in the future to organize its own finances and to collect specific EU taxes, this may also change the intervention of the ECA. As for the EFB, it may be called upon to assume new responsibilities for overseeing compliance with budgetary rules in the case of the EU budget. The principle of budgetary balance, which has been unquestionable in the European context, can no longer be taken for granted. Moreover, this same budget may be called upon to perform a new macroeconomic stabilization role for the entire area, which would give new meaning to the EFB's current competences in assessing the aggregate fiscal stance. The EFB, unlike ECA, is not yet a 'living institution' (Laffan, 1999). However, it may become one.

³⁷ Information available at: https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/safe_en.

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Annex 1³⁸

Country	Name of SAI	Type	Name of IFI	Type
Austria	Austrian Court of Audit <i>Rechnungshof</i>	Parliamentary model	<i>Fiskalrat</i>	Fiscal council model
Belgium	Court of Accounts <i>Rekenhof</i> Cour des comptes <i>Rechnungshof</i>	Court-type model	<i>Federaal Plan Bureau</i> <i>Bureau fédéral du plan</i>	Fiscal council model
			<i>Hoge Raad van Financien</i> <i>Le Conseil Supérieur des Finances</i>	Fiscal council model
Bulgaria	Bulgarian National Audit Office (NAO) <i>Сметна палата на Република България</i>	Atypical model (collegial structure)	Bulgarian Fiscal Council	Fiscal council model
Croatia	State Audit Office <i>Državni ured za reviziju</i>	Atypical model	Fiscal Policy Commission	Fiscal council
Cyprus	Audit Office <i>Ελεγκτική Υπηρεσία της Κυπριακής Δημοκρατίας</i>	Atypical model	Fiscal Council of Cyprus	Fiscal council model
Czech Republic	Supreme Audit Office (SAO) <i>Nejvyšší kontrolní úřad</i>	Atypical model (collegial structure)	Czech Fiscal Council <i>Národní rozpočtová rada</i>	Fiscal council model
Denmark	Danish National Audit Office (NAO) Rigsrevisionen	Parliamentary model	Danish Economic Councils ³⁹ <i>De Økonomiske Råd</i>	Fiscal council model
Estonia	National Audit Office of Estonia (NAO) <i>Riigikontroll</i>	Soft parliamentary model	Estonian Fiscal Council <i>Eelarvenõukogu</i>	Fiscal council model
Finland	National Audit Office ⁴⁰ <i>Valtiontalouden tarkastusvirasto</i>	Parliamentary model	Economic Policy Council	Fiscal council model
			National Audit Office	Parliamentary model
France	Court of Accounts <i>Cour des comptes</i>	Court-type model	High Council of Public Finances <i>Haut Conseil des Finances Publiques</i>	Fiscal council model ⁴¹

³⁸ Information for column 2 taken from <https://op.europa.eu/webpub/eca/book-state-audit/en/#A-2>. Information for column 4 taken from <https://www.euifis.eu/pages/members>

³⁹ Includes two councils, the Economic Council and the Environmental Economic Council.

⁴⁰ It acts simultaneously as a SAI and as an IFI (see next columns).

⁴¹ The HCPF is attached to the Cour des Comptes and chaired by the Cour des Comptes First President.

Country	Name of SAI	Type	Name of IFI	Type
Germany	German SAI <i>Bundesrechnungshof</i>	Atypical model (collegial structure)	Independent Advisory Board to the Stability Council <i>Stabilitätsrat</i> <i>Unabhängiger Beirat</i>	Fiscal council model
Greece	Hellenic Court of Audit <i>Ελεγκτικό Συνέδριο</i>	Court-type model	Hellenic Fiscal Council	Fiscal council model
			Parliamentary Budget Office	PBO model
Hungary	State Audit Office of Hungary (SAO) <i>Állami Számvevőszék</i>	Soft parliamentary model	Fiscal Council of Hungary	Fiscal council model
Ireland	Office of the Comptroller and Auditor General	Parliamentary model	Irish Fiscal Advisory Council	Fiscal council model
Italy	Court of Accounts <i>Corte dei conti</i>	Court-type model	Parliamentary Budget Office <i>Ufficio parlamentare di bilancio</i>	PBO model
Latvia	State Audit Office of the Republic of Latvia (SAO) <i>Latvijas Republikas Valsts kontrole</i>	Atypical model (collegial structure)	Fiscal Discipline Council <i>Fiskālās disciplīnas padome</i>	Fiscal council model
Lithuania	National Audit Office of Lithuania (NAO) ⁴² <i>Valstybės Kontrolė</i>	Parliamentary model	National Audit Office of Lithuania (NAO) <i>Valstybės Kontrolė</i>	PBO model
Luxembourg	Luxembourg Court of Auditors <i>Cour des comptes</i>	Soft parliamentary model	National Council of Public Finances <i>Conseil National des Finances Publiques</i>	Fiscal council model
Malta	National Audit Office	Soft parliamentary model	Malta Fiscal Advisory Council	Fiscal council model
Netherlands	Netherlands Court of Audit (NCA) <i>Algemene Rekenkamer</i>	Atypical model (collegial structure)	CPB Netherlands Bureau for Economic Policy Analysis	Fiscal council model
			Dutch Council of State <i>Raad van State</i>	Fiscal council model
Poland ⁴³	Supreme Audit Office (NIK) <i>Najwyższa Izba Kontroli</i>	Parliamentary model		
Portugal	Court of Accounts <i>Tribunal de Contas</i>	Court-type model	Portuguese Public Finance Council <i>Conselho das Finanças Públicas</i>	Fiscal council model
Romania	Romanian Court of Accounts (RCoA) <i>Curtea de Conturi a României</i>	Soft parliamentary model	Romanian Fiscal Council	Fiscal council model

⁴²It acts simultaneously as a SAI and as an IFI (see next columns).

⁴³Poland is currently creating its own IFI.

Country	Name of SAI	Type	Name of IFI	Type
Slovakia	Supreme Audit Office Najvyšší kontrolný úrad Slovenskej republiky	Parliamentary model	Council for Budget Responsibility	Fiscal council model
Slovenia	Court of Audit of the Republic of Slovenia (CoA) <i>Računsko sodišče Republike Slovenije</i>	Atypical model (collegial structure)	Institute of Macroeconomic Analysis and Development <i>UMAR</i>	Fiscal council model
			Slovenian Fiscal Council <i>Fiskalni svet</i>	Fiscal council model
Spain	Court of Accounts <i>Tribunal de Cuentas</i> ⁴⁴	Court-type model	Independent Authority for Fiscal Responsibility <i>Autoridad Independiente de Responsabilidad Fiscal</i>	Fiscal council model
Sweden	National Audit Office (NAO) <i>Riksrevisionen</i>	Parliamentary model	Swedish Fiscal Policy Council <i>Finanspolitiska rådet</i>	Fiscal council model

⁴⁴In the case of Spain, the *Tribunal de Cuentas* is directly answerable to Parliament, without prejudice to its independent supervisory and jurisdictional duties – which is a specific aspect of the court-type model.