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The Role of Fiscal Think Tanks in Fiscal Policy: Global patterns and lessons for South Africa

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1. INTRODUCTION

The question of who should be trusted with fiscal policy can be looked at from various perspectives. First, the literature is quite clear that fiscal performance (i.e., debt levels and deficits) can be improved through strengthening the role of finance ministries and restricting the role of other organisations in fiscal decisions (von Hagen, 2004). A second perspective is that fiscal transparency and participation (i.e., an open process) is normatively desirable and may lead to better fiscal outcomes – depending on how one defines openness and participation (de Renzio & Wehner, 2017).

This paper takes a third perspective, looking at fiscal policy more broadly through the institutions of policy-making, rather than more narrowly through the institutions of budgeting. It considers who shares the fiscal policy space with the ministry of finance and how the fiscal policy agenda is set. Finance ministries may share the policy space with other bodies, independent or not, and yet retain a dominant role in how the budget is set. The reasons for the institutional arrangements may be evolutionary (i.e., the long-term accumulation of choices made by powerful actors to cope with the pressures of their day, which may or may not still make sense today) or deliberate (i.e., the executive decides to outsource some forms of technical work, or binds the hands of future actors by creating independent institutions).

In theory, the budget cycle and the policy cycle are so similar that they are almost synonymous. These cycles include formulation, approval, implementation, and evaluation (or some version thereof). However, the policy cycle also differs from the budget cycle, which has seen a lot of international norm-setting over the years and is normatively and practically focused on government. It is broader than the budget cycle and involves a broad collection of actors in civil society, media, pressure groups, academia, and government; and varies wildly across sectors and countries.

Little is known about the institutional landscape of fiscal policy-making. For instance, aside from the usual suspects of finance ministry, legislature, and a few others, who is involved, what are the patterns and what institutions are fit for purpose? Similarly, the scope of what constitutes fiscal policy is not clearly defined. In some contexts, fiscal policy refers to every financial decision related to government spending or taxation, while in other contexts it is just the aggregates of public money in their relation to the economy. This is the context in which the search for a fiscal think tank belongs.

The normative argument for a fiscal think tank goes roughly as follows. Fiscal literacy is often hard to find in the big funnel of agenda setting, lobbying and advocacy aimed at fiscal decision-makers. Many advocacy groups and worthy proposals are fed into the government with little regard for the fiscal context and the language spoken and understood by finance ministries. The ground is often ceded to a small group of fiscal policy insiders, which limits and homogenises the marketplace of ideas. At the same time, governments often lack the capacity, or space, or time, to produce the independent fiscal policy work needed to make well-founded policy decisions.

As a result, many governments have come to rely on (or at least not oppose) a variety of fiscal think tanks, which include ones that are useful during periods of opposition to counterbalance the government's data, and ones that are accepted as part of the long-term landscape during periods in office. However, the precise mandate, organisational setup and relationship with other actors vary hugely across different countries, with some institutions barely recognisable as 'think tanks'.

For this paper, a fiscal think tank is defined as an organisation that independently produces policy outputs with the aim of influencing fiscal policy. This is a deliberately loose definition, as the focus is on the core purpose of fiscal think tanks, rather than a sharp dividing line between what is and is not a fiscal think tank. Policy outputs can be academic research, policy reports or advocacy, so long as their aim is to have an impact on policy, rather than adding to an academic literature. The objective of this paper is not to study whether fiscal think tanks are a good idea or not, whether they 'work' or whether they lead to lower debt (or some such). Its objective is to try and understand how fiscal think tanks fit into a larger institutional landscape, how their outputs might connect to fiscal policy decisions, and what they look like.

The following sections outline the fiscal policy process and the principal actors. The focus is not on fiscal institutions as such, but on how a fiscal think tank might position itself at different stages of the policy process. The paper discusses some important institutional differences that shape fiscal policy-making, and how those differences affect a think tank's role. It then describes the most important types of fiscal think tanks that have emerged, with reference to some country examples, and makes some suggestions for implications in practice. It concludes with an outline of options for a fiscal think tank in South Africa.

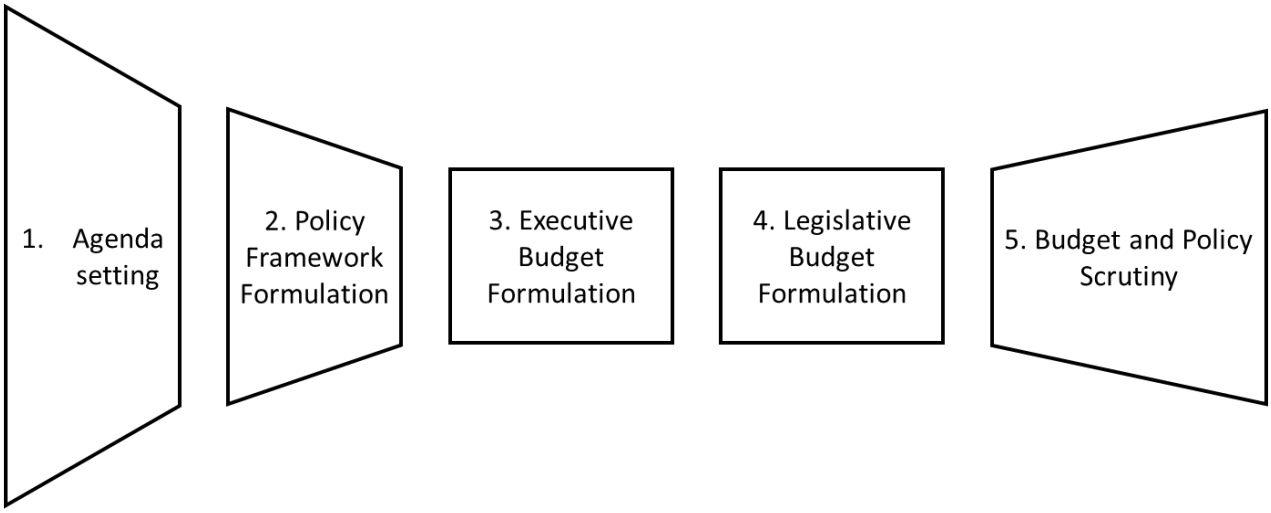
2. FISCAL THINK TANKS – WHAT CAN THEY BE GOOD FOR?

Fiscal policy is the use of public revenues and expenditures to influence the economy. As simple as this definition may sound, in practice, it is fuzzy around the edges. Between the foundational texts of public finance (Musgrave & Musgrave, 1959) and the most common textbooks of today (Mankiw, 2019), there has been ample scope to argue over definitions. For instance, is 'the economy' just a matter of growth, or is it also about poverty and inequality? What are the main pathways? Below the aggregate level (i.e., total levels of tax and spend), what are the fiscal implications of tax choices and tax design, and expenditure programme choices and programme design (Hedger et al., 2020)? Furthermore, as observers of subnational finances, state-owned enterprises and contingent liabilities know well, fiscal decisions are not made and recorded only in the annual national budget. For the purposes of this paper, the boundaries of fiscal policy are not overly formal – so long as a think tank works on either spending and taxing in aggregate, or on the fiscal dimension of individual tax and spending choices, it is a fiscal think tank.

The Fiscal Policy Process

The fiscal policy process can be divided into five steps. The categorisation used here is based on the common formulations of the policy cycle and budget cycle (Jann & Wegrich, 2005; Schick, 1998) that are modified to focus attention on how actors (both internal and external to the government) come together to shape fiscal policy decisions. They are in turn: agenda setting and problem identification, formulation of the fiscal policy framework and setting of the outlines of the annual decisions, formulation of the executive budget, legislative decision-making and approval, followed by budget and fiscal policy scrutiny once the budget is formally passed. This is then followed by the implementation. It is a cyclical process, and policy implementation and budget and policy scrutiny, among other factors, feed into the agenda-setting phase of the next cycle. It is worth considering each of these steps in turn., which are explored in greater detail below.

Figure 1: Five steps of the fiscal policy process



Source: Author

Agenda Setting

Agenda setting refers to the process by which decisions are made about which issues and problems at one point in time deserve attention or not. This is an important stage for any area of policy or decision-making, as it determines very early on which concerns will get anywhere close to the attention of policy-makers. It is based on the observation that for any given cycle, from a budget year or school board meeting, most of the potential issues (including most activities, programmes and structures) are not up for discussion and revision. To attempt otherwise is unrealistic and would quickly overwhelm the cognitive and administrative capacity of policy-makers (Downs, 1972; Kingdon & Stano, 1984).

In public finance, the challenge of agenda setting is well known in the form of budgetary incrementalism. Going back to the 1960s, it has been observed that in most years, most budget items are only increased by inflation and their share of the general budgetary expansion (or contraction). In other words, the strongest predictor of next year's budget is the previous year's budget (Davis et al., 1966), and the fight is over the annual increment, from a baseline where each item gets the same marginal increase. This is the only practical way of focusing attention and moving through the budget process. The exceptions are as meaningful as the norm – in some instances, big changes are undertaken, although what constitutes 'big' may be relative. This pattern is described in the literature as a punctuated equilibrium, where the forces for and against the status quo hold each other in balance, until something forces a break and some big changes occur, and then a new balance is established (Baumgartner et al., 2009).

The fiscal policy agenda follows a similar logic, with most fiscal policy items not being up for debate from one year to the next. Annual discussions are – normally – about what the rates and thresholds should be, not whether a personal income tax should be introduced and should it be progressive. When a discussion about income tax does take place, it does not include a debate about other forms of taxation or the major items of public expenditure – any comprehensive fiscal reforms are usually the result of major crises and likely to be remembered in history.

Actors involved in agenda setting

Agenda setting is the most open, accessible, and least structured phase of the fiscal policy process. In a reasonably open and free society, any number of actors may add their views on what should be on the agenda and have a fair chance of being noticed. The media plays a crucial role, with media organisations deciding what becomes a headline, and what is included in the evening broadcast. Experts of various descriptions often contribute by describing the issues, interpreting evidence and weighing up competing claims about the factual basis. In many countries, international organisations also play a part, such as the Organisation for Economic Cooperation and Development (OECD) and the European Union (EU) in Europe, and the World Bank and International Monetary Fund (IMF) in other regions. These organisations provide facts and analysis and validate the claims of others in a competitive environment. Different interest groups actively seek to make other agenda-setters share their points of view. Governments themselves, especially political leaders, expend great efforts to influence what is (or not) on the agenda, not always successfully. And finally, all these different actors respond to more or less urgent events, ranging from modest changes in the business cycle to major economic crises.

The agenda-setting stage is the natural home of many fiscal think tanks. If the purpose of a think tank is to influence policy, then the best place to start is to influence what policy-makers pay attention to and consider important. In particular, many think tanks see their role as bridging a perceived (sometimes only by themselves) gap between raw evidence and academic research and the kinds of arguments and options that policy-makers can digest. A think tank may work for years producing publications and organising activities, not to influence the upcoming budget, but to make the case that issue X is important and merits the attention of policy-makers. They may do this with a particular solution or proposal in mind, and the boundaries between think tanks as pure ideas factories and the intellectual representatives of paying interest groups are not always clear. However, there is also an inner logic to agenda setting and think tanks, whereby the ability to spot important trends and challenges and being the first to put them on the agenda for policy-makers is a very significant determinant of recognition and career success, irrespective of the policy that eventually gets adopted (Drezner, 2017).

Marketplace of ideas

Agenda setting takes place on the foundation of a marketplace of ideas. This marketplace might not be well regulated, fair or open, but it is competitive. In fiscal policy, as in any area of policy-making, there are very few obvious answers or self-explanatory evidence. A steady stream of economic data without interpretation means nothing. For instance, long-running deficits may be a fact of life, or a reckless extravaganza in urgent need of fixing; adopting a fiscal rule may be an essential ingredient of modern economic management worthy of constitutional status, or a meaningless policy statement to be discarded as soon as it becomes inconvenient; while rising out-of-pocket expenses in health may be an indication that individuals value health, or a policy failure primarily hurting the poor. Different policy ideas are not all equally based on evidence and, by the standards of evidence, some are worse than others. But even if the rules are not always clear, what gets taken up and successfully passes the agenda-setting stage is a competition.

The marketplaces of ideas can vary considerably between countries and can be better or worse, depending on one's perspective. The case for fiscal think tanks rests in part on their contribution to making the marketplace more openly evidence-based. In many countries, governments adopt their fiscal policies with more or less documentation and explanation, but certainly based on the outputs of the most capable fiscal policy organisations (the ministry of finance and possibly the central bank). Universities are the only places technically able to scrutinise, challenge and offer alternatives to government policies, but academics may not have any incentive or inclination to do so. A think tank, which is a category sometimes criticised for being neither fish nor fowl, would have the benefit of being able to absorb and translate academic research and evidence, and of reaching policy-makers and media with their outputs. While this would not alone improve the quality of fiscal policy, it can create a challenge to the government's position that would not otherwise exist.

Think tank agenda setting is as important for the government as it is for the opposition. Governments have many reasons to engage with think tanks in setting their agenda. Think tanks operate at arm's length (if not further) and so can make arguments with more credibility than a government's more blatantly political appeal. Think tanks can also serve as an extended work bench for policy, as they are able to deploy more specialised technical skills or niche expertise than a government office could or should. In many OECD countries, especially in the United States, it is almost a ritual of political transitions that senior staffers of the losing party move into think-tank positions to begin setting out an agenda that they can use to get back into government and once they are back in government. In this instance, as with other think-tank work, policy outputs are aimed not at the budget cycle for the current year but at one several years into the future (which may of course never come about).

Policy Framework Formulation

In every annual cycle, after producing an agenda that frames the fiscal policy process, the funnel of policy-making narrows. At this stage, the number and character of participants reduce dramatically and, to a large extent, move into the (semi-)formal public sector. Budget and fiscal policies are distinct from many other policy areas because they operate on an annual cycle, with real, administrative steps that follow the sequence of the policy cycle. The exception is agenda setting, which is just as difficult to force into a bureaucratic structure as in other policy areas. Over the years, various governments have tried to produce long-term planning documents to impose a super-budgetary policy agenda over the budget cycle, but such efforts are usually overtaken by events and disrupted by reality.

Despite very different institutional settings, the policy framework for fiscal policy is functionally fairly consistent across countries. At some point before the start of the budget cycle, the government takes note of the state of the economy and decides on estimates for growth, inflation and revenues. In some countries, a multiannual fiscal framework is taken into consideration, either as hard constraints (expenditure ceilings) or a rolling framework that needs to be updated. Many other inputs into the framework, such as multiannual plans or coalition agreements, may have to be considered. However, it always ends in the ministry of finance[1] using growth, inflation and revenue estimates to begin formulating the budget.

The fiscal policy framework for each year can be extremely important for fiscal sustainability. Once the basic assumptions for the budget process have been set, all budgetary actors operate under these assumptions. They

[1] Used here in the generic sense of central finance agency, whatever its name (Allen & Krause, 2013).

form the basis of the instructions sent by the ministry of finance to line ministries, and are a baseline for expectations in line ministries. In a top-down budget process, such assumptions might provide the basis for a hard limit on spending, or at least the starting point for the expected budget balance as the budget process advances. This makes the budget process a highly political exercise based on an uncertain prediction about the future.

Fiscal forecasts

Fiscal forecasts can be more or less accurate because of error and bias. Just like any forecast, estimates of future growth, inflation and revenues are never exactly right. Many countries have invested considerable resources in more accurate and timely forecasts, involving more and better trained staff, better tools and more and better data. However, it has long been a concern that, despite the technical proficiency, forecasts may be less accurate because of bias and political design. Theoretically, bias can be in either direction. By underestimating revenues, a finance ministry may wish to reduce expenditure demands from line ministries or, perhaps more nefariously, create space during the year for unanticipated revenues that will be easier to allocate with less oversight. By overestimating revenues, a finance ministry may follow political direction to be able to announce more expenditures around the time of the budget, and make distributive fights in cabinet a bit easier, in the hope that eventual revenue shortfalls can be taken care of during execution. More often than not, optimistic forecasts simply lead to higher deficits, especially in OECD countries (Artis & Marcellino, 2001; Auerbach, 1994; Larch & Salto, 2005).

Internationally, much institutional work has gone into making fiscal forecasts less discretionary for ministries of finance. In many countries, setting the official fiscal forecast involves (in principle) only a few government bodies – the ministry of finance and perhaps the planning or economics ministry and the central bank. In the OECD and most middle-income countries, technical capacity to do these forecasts is less of a problem within government due to support from international organisations. However, in an increasing number of countries, the trend has been to add institutions to the process to provide a measure of independent scrutiny, technical expertise and oversight. Fiscal forecasting has become one of the prime domains of independent fiscal councils or institutions.

Fiscal think tanks vs. independent fiscal institutions

The boundary between fiscal think tanks and independent fiscal institutions is fuzzy, but the distinction is important. A fiscal think tank's programme may include fiscal forecasting or scrutiny of official forecasts, but an independent fiscal institution needs to have a formally established (and protected) role in the budget process. In other words, the institution is established under formal legislation that sets out its independence, and clearly delineates its involvement in the budget process (e.g., it publishes an independent assessment of the official forecast at a particular stage in the process). While fiscal think tanks have the liberty (and the need) to pick and choose the best strategy to have their voice heard, much of this is predetermined in the case of an independent institution, to ensure they play their watchdog role as intended (Calmfors & Wren-Lewis, 2011; Hemming & Joyce, 2013; Von Trapp et al., 2016).

Germany – an example of a federal system

Germany has a very elaborate setup of coordination and consultation around the fiscal framework, which does not diminish the top-down role of the finance ministry in the budget process itself. The Economy Ministry issues the government's fiscal forecast, which is by default the 'official' forecast that forms the basis for subsequent forecasting work by the government, including the finance ministry's revenue forecast. But at the same time, the official forecast is nested in a dense web of overlapping institutional mechanisms:

- Germany's Council of Economic Experts, which consists of five eminent economics professors and a small secretariat. At set intervals during the year, the Council issues forecasts and macro-fiscal assessments, which are often critical of the government's fiscal plans (Tietmeyer, 2011).
- A consortium of the five leading economics research institutes (all of which are affiliated to universities and receive public funding, but operate in many ways like fiscal think tanks) issues twice-yearly forecasts that are meant to be the first input into the government's own forecast. The consortium also validates the government's official forecast on behalf of the EU (Döhrn & Filusch, 2016).
- The Working Party on Revenue Estimates carries out the actual binding revenue forecast. It consists of the ministries of finance and economy, the central bank, the state finance ministries, the federation of local governments, the five leading research institutes and the Council of Economic Experts. The working party considers eight independent forecasts (from the finance ministry, central bank, the institutes and the council of experts) and must reach a consensus forecast for each revenue source. This

forecast then becomes binding for the budget process, with allocations to federal, state and local governments made through the intergovernmental fiscal system (Fox, 2005).

- A stability council, consisting of a similar array of federal and state representatives, as well as economic advisors, monitors compliance with EU budget rules and the German constitutional fiscal rule (Korioth, 2016).

Despite appearing to be technocratic overkill, this arrangement is a response to the demands of a consensus democracy in a federal system (Lijphart, 1999). All the participants are technically highly qualified, the analytical work is of the highest standard, and the different organisations represent important interests in society. For instance, by tradition, the labour unions and the business lobby each nominate one of the economic experts. The system, which has been in place with only modest modifications since the 1950s and 1960s, strives to give all actors a voice, which is essential in a country where 15 different coalitions run 16 states and one federal government (as of September 2021). Although the evidence that this technical-political arrangement has resulted in more or less accurate forecasts is not very strong, it is but one element of a set of fiscal institutions, which include a strong ministry of finance, that aim to entrench fiscal discipline (Fritsche & Döpke, 2004; Lehmann & Wollmershäuser, 2020; OECD, 2015).

The UK – an example of a majoritarian system

In contrast to Germany, the setting of the fiscal framework in the UK is the clear model of a majoritarian system. Fiscal policy is delegated to HM Treasury, which lays out its policies for revenues and expenditures in several set-piece statements, principally the budget. HM Treasury has the discretion to change taxes and frequently does so, to a degree quite distinct from other OECD countries. In a majoritarian system, the government of the day should be able to push through its policy priorities with far fewer institutional hurdles because it controls all the major levers (most notably, leading the executive, holding a legislative majority, and having far fewer points of integration with subnational entities). It follows that the space to engage with fiscal policy is much more likely to exist outside of the formal structures of government than inside. This point is illustrated by the contrasting experience of the Institute of Fiscal Studies (IFS, an independent fiscal think-tank) and the Office of Budget Responsibility (OBR, an independent fiscal institution) in the UK. During the years when it was broadly aligned with government priorities, the OBR did not disrupt fiscal policy. However, more recently (after around 2020), it is finding itself under repeated attack, as its analyses are clearly very inconvenient for the government.

The fiscal framework is a crucial stage for fiscal policy, and so it is important to consider the fiscal framework setting in detail. The government indicates its fiscal policy agenda for the year through adopting a set of forecasts and setting the framework of the budget process. It signals the space available for fiscally significant policy changes in other areas. An expansionary fiscal framework gives spending ministries licence to proceed with proposals that would otherwise not be palatable, while a limited or contracting fiscal framework makes it much harder for (expensive/expansive) proposals to find a hearing. This is a significant stage for fiscal think tanks to articulate their ideas and set their work apart from the official government line. It is also a moment of high public attention and higher scrutiny of official statements.

Executive Budget Formulation

The formal budget cycle properly kicks off with the start of the executive budget formulation. The annual rhythm is fairly well established across countries. Once the policy framework has been set, the ministry of finance will communicate, via a circular, the framework of the current year's exercise, which in many countries is much like any other year's exercise. In a top-down process, spending ministries are told in advance how much they would have to spend, whereas in a bottom-up process, ministries first offer their best bids (which stereotypically are wildly unrealistic) that are then whittled down (Kim & Park, 2006). In recent years, countries have tried to shift to a top-down position, but in practice all budget processes will contain elements of both. Once underway, finance and spending ministries will negotiate and coordinate until an administrative agreement is reached on most budget decisions, and then a political agreement is reached on all budget decisions, and a full budget document for the upcoming year is ready to be submitted to the legislature.

A bureaucratic, time-constrained process

Preparing a full budget proposal for a central government is a highly demanding coordinative task (Krause et al., 2015). Although the precise timing may vary, governments only have a few months from start to submission (OECD, 2005; 2014). During this time, the finance ministry, usually the budget office, needs to coordinate, review and negotiate the submissions, taking into consideration the overarching political directives, and finally assemble the full budget document. Done under time pressure and the watchful eyes of political leadership, this process is not normally conducive to profound reflection about the nature of public spending. Given these constraints, the idea of a zero-based budget, where budgets for all programmes are drawn up without any concern for the previous year's budget, has proven wildly unrealistic in practice and been dismissed by even sympathetic reviewers (Ogden Jr., 1978). Instead, governments are assumed to spend most of their decision time on a few contentious choices each year, while most of the budget is allocated on the basis of the previous year's budget, plus a flat amount to account for growth and inflation. Known as incrementalism, this practice used to be seen as a solidly pragmatic way of making government work, even if it has come under much criticism for its inability to cope with fiscal stress (Davis et al., 1966; Schick, 1983; Berry, 1990).

It is rare for think tanks to directly influence government decisions at this bureaucratic and time-constrained stage. The opportunity to raise a programme's importance and put it onto the agenda (and thus into the budget process) has already passed for the year, and the big questions over the macro-fiscal aggregates are already settled. Barring exceptional circumstances, a think tank will seldom become involved at this stage, as any work that speaks directly to a live question would predate the start of the budget cycle. During most budget years, a think tank's work will come to fruition over longer time horizons and then enter the policy discussion at an earlier stage during the cycle.

In public finance management, an open question is how best to organise the absorption of research, analysis and evidence by the executive. It has long been recognised that there is a gap between the annual budget cycle and both long-term plans and strategies (Wilhelm & Krause, 2007) and analysis and evidence (Krause et al., 2012). This is an administrative challenge and – at worst – means the waste of significant planning and analysis efforts because there is no structured way to feed into the budget. In recent years, governments have increased efforts to remedy this problem, with the solution being (at least in OECD countries) less ambitious and more realistic strategy and planning.

Nowadays, very few OECD countries genuinely try to have a 'hopes, dreams and aspirations' process in central government. And if such a process exists, it is subsumed under the leadership of the ministry of finance, for instance in the form of multiannual spending plans (UK) or detailed coalition agreements with costing (Netherlands). At the same time, different evaluation and spending review mechanisms attempt to produce evidence and analysis about the value and performance of expenditures, so as to better decide where to increase and where to cut. These different inputs feed into a 'strategic phase' of the budget, where the finance ministry can turn such technical inputs into decision-relevant information to be used in negotiations with spending ministries (Andrews et al., 2014; Long & Welham, 2016). It is very difficult for think tanks to target outputs to this strategy phase and risks being a wasted effort without engaging in agenda setting earlier in the policy process. In this regard, think tanks are qualitatively different from outright lobbyists (or advocacy groups), which may well target decision-makers with very precise requests as budgets are drafted.

Legislative Budget Formulation

Once the executive budget proposal has been submitted, think tanks rarely engage directly with legislatures that are approving or formulating the budget, as the timeframe is very tight – about two months in OECD countries (and considerable less in many developing countries) before the start of the new fiscal year (OECD, 2014). During this timeframe, legislatures normally send the budget through a committee process and then organise the formal vote on the budget law, which tends to be the most high-profile set pieces in the annual legislative calendar.

Legislative budget authority varies enormously, which conditions how much legislatures engage with evidence and analysis for fiscal policy. Stereotypically, legislative budget authority is either considerable (in presidential systems) or not (in parliamentary, especially Westminster, systems). However, in practice, legislative budget authority sits on a continuum, with substantial differences among presidential and parliamentary systems (Wehner, 2006). The USA and the UK represent opposing extremes. The US Congress effectively controls the budget process, and the executive proposal can famously be "dead on arrival" in the face of congressional opposition (Schick, 2008). A

powerful legislature also tends to have the administrative structures to support its decisions, such as a well-staffed committee structure and a capable Congressional Budget Office. However, in other presidential systems, legislatures may have very limited budget authority (e.g., Chile), restricted to making a political decision to approve (or not). Similarly, the traditional position in the UK was that the government would fall if even a comma was changed in the executive budget proposal, while in other parliamentary systems, legislative committees can have considerable input.

The legislature's budgetary role shapes the kinds of external inputs can reasonably be processed. In general, the types of technical inputs that a legislature can deal with are a function of capacity, which is in turn a function of its budgetary powers. A legislative budget office without the powers to shape budget decisions is also unlikely to be a place where good staff would like to work, or where legislators would invest scarce resources.

Nonetheless, legislatures are almost always an important audience for think tanks but not necessarily during the legislative stage of the budget cycle. Even in formally weak legislatures, political parties are represented by national leaders, especially where national party organisations are strong. All through the budget year, legislators are involved in agenda setting and play a crucial role in shaping the earliest stages of the policy cycle, whether formally or informally. In some countries, it may make most sense to target individual legislators, particular committees (and their staff) or party delegations, depending on the particular setup. Similarly, think tanks may work with legislatures through training and information-sharing, or a highly technical exchange of arguments about well-known policy questions.

Budget and Policy Scrutiny

The budget is the most tangible statement of government intent. In Goldscheid's famous phrase, it is "the skeleton of the state stripped of all misleading ideologies" (Goldscheid, 1917: 128). Unlike the various plans, strategies and other policy documents produced by governments, the budget contains what the government will do, usually with the force of law. All trade-offs, disappointments and genuine reforms are right there to see. Most significant government actions have a budgetary footprint, and so it makes sense for fiscal think tanks to focus on the budget, although it is usually too late to do anything once the budget has been published.

Think tanks can and do exercise scrutiny over aggregate fiscal policy, and budget decisions in detail. At the aggregate level, think tanks may ask if the government's fiscal plan (1) is credible (whether or not the numbers on deficits, growth and debt add up), (2) is sustainable and (3) reflects the stated objectives of the government (in particular any campaign promises the government might have been elected on). Detailed scrutiny would look at particular sectors or individual programmes to ask if the budget allocations (4) are in line with government priorities and stated objectives, (5) are liable to achieve government objectives, and whether the programmes (6) contribute to the fiscal balance in ways stated and unstated, and (7) are likely to be an efficient way of achieving its objectives.

The UK's IFS Green Budget is probably the best model for a comprehensive budget response by a non-partisan fiscal think tank. Published since 1982, the Green Budget refers to the fact that many UK laws include a Green Paper consultation but not the budget law. Using the same data as the government, the Green Budget subjects the budget to independent scrutiny and covers the whole range of the budget, including special topic chapters on particular sectors (Zaranko et al., 2021). The IFS is a traditional fiscal think tank that fills a particular gap in a majoritarian system like the UK. Founded in the 1970s, originally out of an interest in taxation (not expenditure), the IFS publications cover the major fiscal set pieces of the budget calendar. The Green Budget's approach is explicitly in response to the UK budget process, which does not subject the budget to the same kind of inspection that any law of its magnitude and impact deserves. Yet in a Westminster system, the executive proposal is the budget – that is how the process is meant to work. Lengthier deliberation could only take place within the executive, where discussions are justifiably not public, or once the budget has been presented to Parliament and is in the public domain, where proper scrutiny can only come from actors independent of the government.

Scrutiny is exercised not only by providing expert judgment, but also by making the budget intelligible and accessible to a broader policy community. Despite the supposed clarity of that ideology-stripped skeleton, budget documents are not easy reads for non-experts. Working out that ministry X is going to receive an amount of funds may be relatively easy, but interpreting the information in policy terms is almost impossible without some

specialised knowledge. For some governments, that impenetrability is a deliberate feature, or at least not a bug, while other governments only pay attention to the expert scrutiny from legislative committees, auditors and the back and forth between ministries and departments, without much regard to broader scrutiny. Here fiscal think tanks can – and do – play an important role in making budget documents more digestible to a wider public by publishing different guides and summaries.

The contribution and scrutiny of fiscal think tanks do not result in any obvious limit to the executive budgetary power of finance ministries, but institutions shape how that scrutiny is applied. Sometimes, finance ministers may be concerned that working with, or granting a role to, fiscal think tanks, could diminish their own authority. This is not so. Finance ministries in the OECD may give a structural role to fiscal think tanks, but with the assumption that this would enhance, not undermine their bargaining position vis-à-vis spending ministries. Independent fiscal institutions operate under clear guidelines and rules, which were originally drafted with heavy inputs from the finance ministry. Their role reflects the ministry's faith that the new external body would institutionalise the finance ministry's position, as the counterbalance in government to all spending ministries.

The loss of discretion for the finance ministry might well be worth the trade-off. In a logic that is familiar from the discussion about fiscal rules and independent monetary policy, it is also often hoped that such changes might keep future governments from deviating from the finance ministry's long-standing positions. In some cases, the finance ministry may also look forward to offloading some burdensome tasks to independent bodies, so it can concentrate on its core work and the relationship with spending ministries. There does not seem to be any relationship between the executive authority of finance ministries and the success of fiscal think tanks. The only institutions and bodies that threaten the position of the finance ministry are those that could wrest spending power away, i.e. the legislature, or spending ministries themselves (Allen & Krause, 2013; Krause et al., 2015; Allen et al., 2015).

External think tanks rely on at least tacit support and transparency from the government, especially when they are not formally a fiscal institution. The more information (budget data, spending data, outturns) the government makes available, the better. The more the government explains its decisions, the easier it is to scrutinise those choices. In a nutshell, publishing the suite of outputs envisaged by the Open Budget Survey facilitates the work of a fiscal think tank (IBP, 2019) Many fiscal think tanks (for instance in the UK), also rely on the timely supply of raw data, if need be under embargo, in the appropriate digital format, so that they can run their own analysis and publish it very shortly after the budget has been published, while the public's attention is still focused on it.

After the budget is before the budget

The whole concept of budget scrutiny depends on the idea that, in most cases, such scrutiny influences budget choices in the next year's budget. There are narrow exceptions, which rely more on lobbying, specific emergencies, and cases where existing earlier work may come up during budget approval. The norm is that scrutiny sets the scene for the agenda setting of the upcoming cycle and the next year's budget. In practice, this gives stakeholders a few months before the internal start of the upcoming budget cycle. That timeframe has the advantage of allowing proper analysis and technical work to be done and the disadvantage of allowing public attention to shift away from the budget. It helps the work of fiscal think tanks if the government publishes a pre-budget statement and/or a mid-year review and makes available comprehensive data, so that think tanks can anchor their outputs to more than one set piece during the fiscal year.

There is some conceptual confusion between think-tank scrutiny and participation. The civil society literature often conflates formal public participation in the budget process with meaningful scrutiny of the budget and, by extension, the role that a fiscal think tank can play. For instance, the IBP's Participation Index tries to measure participation (IBP, 2019). However, no evidence suggests that fiscal think tanks rely on such structured opportunities for members of the public to exchange views with government officials on various components of the budget. Instead, while think tanks rely on transparency to do their work, they can be trusted to find the best way to push their analysis to the broad audience of stakeholders, and to make it compelling enough to force the finance ministry to pay attention, whether they have been given a formal audience or not.

Many fiscal think tanks cover a narrower range of the fiscal policy space

The IFS, or similar organisations, such as the Center for Budget and Policy Priorities in the US, cover the full suite of fiscal policy topics and freely choose their priorities. Many other think tanks look at fiscal policy from a sectoral

perspective, i.e., as part of health or education policy. Some, such as the Urban Institute in the US, may put a strong emphasis on fiscal and public finance issues, without losing sight of their main mandate. Of particular relevance here is the increasing number of transparency think tanks that have sprung up in developing countries. Their original aim was often to popularise and make accessible government information that is often impenetrable and technical. Over time, many have developed a sophisticated analytical capacity in social sectors, which are the areas of public finance of most concern to the majority of the population. BudgIT in Nigeria, the Institute of Public Finance in Kenya, and the Accountability Initiative at the Centre for Policy Research and the Centre for Budget and Governance Accountability in India, all come from this tradition. They are all models for how a particular type of fiscal think tank could serve as a nexus for a broader coalition or network of civil society organisations wanting to engage with fiscal policy.

Conclusion: Between technical and political policy-making

There is a clear tension between the technical process of fiscal policy and the political framework in which technical processes are embedded. In a narrow sense, all fiscal policy must be articulated through the budget process, which is highly administrative, technical, repetitive and regulated. Each step of the budget cycle tends to follow an explicit calendar, formal rules for how to engage and (in many countries) a well-rehearsed set of informal expectations of how the process is supposed to work. Yet at the same time, the main opportunities for fiscal think tanks to shape fiscal policy – to set the agenda – are found outside the formal budget process. It is precisely because the formal budget process is so regulated and timed that the 'official' participants rarely have the time or capacity to engage with research and ideas. This is a constraint that can be (and is in practice) alleviated by administrative capacity, but it ultimately comes down to a category distinction. During the negotiation, presentation and approval of the budget, there is no time to debate the back and forth of different policy ideas because this is not meant to happen. What is meant to happen is for participants to negotiate and approve, i.e., translate competing political priorities into administrative reality.

To have an impact, fiscal think tanks must engage with the policy agenda between budget cycles. This is a political process that is shaped by the political system, institutions and the broader forces at play in a country, at least insofar as they manifest among the elite stakeholders that engage in high-level politics. Think tank outputs are still technical outputs, and the policy process has long become a technical and administrative domain. The success and impact of the think tank depends on how well it adapts to the political and institutional environment.

3. THINK TANK MODELS AND PATTERNS

Ideally, it would be possible to define the most common think tank models, identify the institutional patterns on which they depend, and then offer recommendations for South Africa based on its institutional features. In practice, there are several caveats worth keeping in mind. First, although many examples of broadly defined fiscal think tanks are available, the models identified here are rough ideal types that are often a bit fuzzy at the edges – one organisation might well fit multiple templates. Second, and more importantly, not enough countries are available to study for very clear patterns to emerge. There are no clear-cut rules that would say please select think tank model A in countries with institutions X, Y and Z. Nevertheless, some underlying features and their associated incentives and consequences are quite clear, and do have implications for South Africa going forward. However, this is the start – not the end – of the discussion.

Institutional Patterns

Institutional features create incentives and shape how fiscal policy works in practice, but do not produce think tank models with clear patterns. Assuming that the universe of potentially interesting countries is limited to democracies, broadly defined, some important characteristics seem to have an impact on the prospects for and the shape of fiscal think tanks:

Competitive elections. In a political system with competitive elections, a fiscal think tank is more likely to survive outside government. Its role may be adversarial to government because both the government and the opposition know that they will be able to use it over the medium term, and it may be that of a government in waiting, as is often the case with think tanks in the US.

System stability. Fiscal think tanks are easier to become established when there is an underlying fiscal consensus that outlines at least the basic parameters of fiscal policy, so that elites know that the system is likely to be around for the next decade or generation. Therefore, there is value in investing in the long-term health of public finances, and having institutions that think about longer term questions.

Open marketplace for ideas. Not every democracy has an open and competitive marketplace for ideas where policy ideas are debated in the press and other open venues. This may be because key decisions always happen behind closed doors, for instance in party structures, especially when one party dominates elections over long periods. It may also be because political divisions are not over policy issues, as elections are so dominated by regional or ethnic affiliations or patronage relations, making them highly competitive.

Consensus democracies. A consensus democracy tends to involve many stakeholders in policy-making. Coalitions of multiple parties often form governments, while in countries with federal systems, different layers of government need to reach agreements through negotiation – for instance, through bicameral legislatures that give formal representation to subnational governments. In consensus systems, institutions are often established to facilitate the settling of differences, and independent fiscal institutions are developed to complement the existing structures.

Majoritarian democracies. In a majoritarian system, single parties usually win elections, and the executive often dominates budgetary authority because the party in power is by default the party that has a legislative majority. (The USA is a notable exception, as it does not have a consensus system but has an extremely weak budgetary executive.) In majoritarian systems, the formal budget process does not offer many opportunities for scrutinising policy ideas or the budget as a whole, and a determined government can undermine or ignore any opportunities that may exist. Majoritarian systems offer great opportunities for the traditional fiscal think tank to occupy the space left vacant by the government but may not find a very friendly reception among the executive. Even if the finance ministry has good reasons to support fiscal think tanks, more parochial instincts among executive leaders may prevail.

Reasons for a government not to support fiscal think tanks

- If elections are not competitive, the government has less reason to worry that poor fiscal outcomes would be electorally harmful.
- If one political party dominates (because elections are not competitive or otherwise), it may be more promising to influence party insiders and powerbrokers, especially if the senior bureaucracy becomes politicised. Joining the political party or paying for inside access would be more useful than setting up a think tank. Similarly, being a prominent external expert or policy leader may not be a viable avenue for policy impact or career success. In such cases, fewer people would consider joining or setting up a think tank, which would be seen as a dead end.
- If institutional roles are unsettled or ambiguous, it would not make much sense to invest in think tanks that develop specialised technical skills to influence policy at clearly defined points.

Reasons for a government to foster or tolerate fiscal think tanks

- Formally empowered fiscal institutions are a strong signal to the markets and the public that fiscal policy is credible, sustainable and informed by a non-partisan framework based on facts.
- Fiscal think tanks may serve as neutral ground in a complex governing environment where reaching clear and unambiguous decisions is hard – an instrument that can help settle and then lock in political agreements among multiple stakeholders.
- An open marketplace for ideas, providing the opportunity to debate freely and the capacity to set the agenda through capable media and research institutions, is clearly helpful. It may serve as an opposition proving ground, where parties currently out of government (but through competitive elections expecting

to form a government again in the foreseeable future) can build up their policy agenda. For individuals, these think tanks may also be an avenue into positions of influence and prominence.

- Governments may simply wish to outsource certain highly technical work to bodies that find it easier to specialise in such work than the general civil service could (most clearly this is apparent among macro-fiscal modelling, where many experts hold advanced degrees).

At the same time, path dependency and the proliferation of skills also matter. In some countries, a prominent fiscal think tank emerged because of the confluence of funding, an opportunity to have impact early and luck. Success begets success, certainly in fundraising, which may be the reason why some think tanks last (with no greater institutional explanation). There is also a question around the broader availability of think tank-relevant skills, i.e. research and policy analysis, which are more widespread in some places than in others, and depend both on income and the overall respect and demand for technical policy work – in government and in the private sector. In other words, the presence of successful think tanks, even if none exist in the fiscal domain, considerably lowers the barriers to entry.

Think Tank Models

A couple of design features stand out among the great variety of fiscal think tanks, even when limited to large democracies. However, some design features have deep implications for how the organisation operates, how it is funded, and how it engages with other stakeholders in the fiscal policy process. The most important features are as follows:

Salience. The most obvious distinction is whether fiscal think tanks are visible and play an important role in any of the stages of the fiscal policy process. The analysis is unlikely to produce anything interesting if think tanks are not prominent and visible.

Outsider versus insider. In the UK, the IFS is an example of a fiscal think tank that is (often uncomfortably) independent of government, as it is a private charitable organisation with no formal links to government, whereas the (relatively) new Office of Budget Responsibility (OBR) may be formally independent but is a statutory public body funded by HM Treasury. An example of a closely aligned think tank is India's National Institute of Public Finance and Policy (NIPFP), which is directly overseen by the ministry of finance, the states and the central bank.

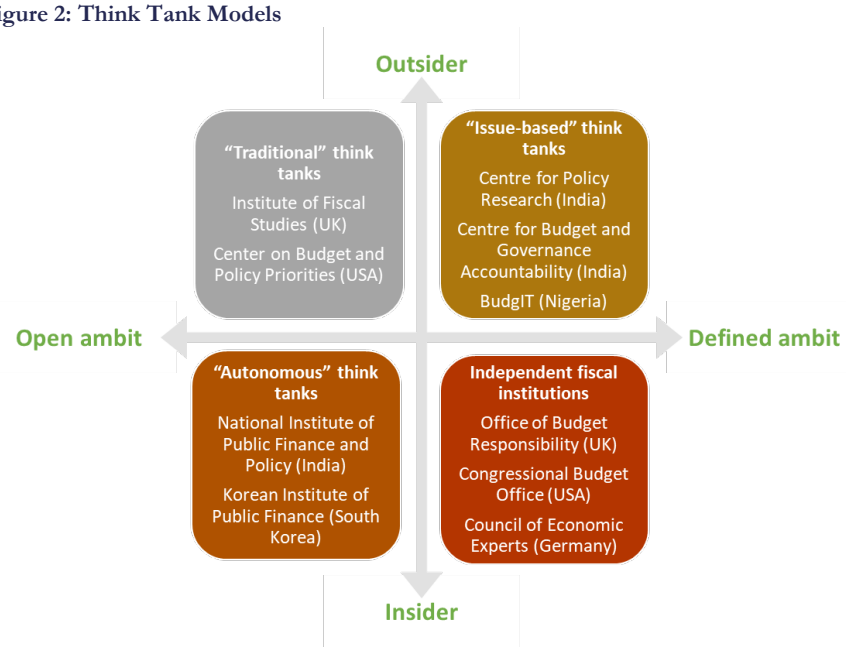
Narrow versus broad mandate. Some fiscal think tanks are either mandated or choose to focus on a few set pieces in the year. For example, the UK's IFS focuses on the annual Green Budget, while Germany's Council of Economic Experts only produces the annual economic forecast, which then effectively becomes the government's macroeconomic framework. At the other end of the spectrum is the NIPFP, which publishes a wide array of fiscal research that feeds into the broader fiscal decision-making process and is involved more in shaping the elite consensus around fiscal issues, rather than any particular set piece.

Campaigning versus technical. Many think tanks and similar outfits have their roots in the non-governmental organisation (NGO) community, and came to prominence on the back of issues, such as fiscal transparency, that may not involve any procedural links with the government. They unapologetically fight for specific issues. For instance, BudgIT in Nigeria is both a transparency NGO and a fiscal think tank. In a very different context, Germany does not have one fiscal think tank but has several macroeconomic research institutes, which are each clearly affiliated with a political party (or political 'camp'), and together support the Council of Economic Experts. At the other end of the spectrum, the IMF and the OCED have written a lot about independent fiscal institutions, such as fiscal councils, that are defined by their technical, if not technocratic independence.

Two of the most important features of a think tank is its ambit and whether or not it is considered an insider or outsider to the formal government sector (Figure 2). This leads us to four broad think tank models, which are discussed in the next section.[2]

[2] It is important that the experiences and records of think tanks in this typology are backed up by verifiable examples and some sources in the literature, but since this is not a well-covered area, many broader observations are based on the author's own experience and should be treated with the required caution.

Figure 2: Think Tank Models



Source: Author

Traditional Think Tank

Traditional think tanks cover the whole range of fiscal policy questions, are funded independently and, while often a highly technical and sophisticated part of the policy-making elite, provide independent scrutiny of fiscal policy, especially around the budget. The traditional think tank is independent of the government organisationally, usually incorporated as a non-profit or similar, sometimes under the umbrella of a university or other larger body, and sometimes completely on its own. Otherwise, there are remarkably few norms or common features, but functionally the traditional think tank serves as the ideal type of an independent voice trying to feed ideas into the fiscal policy process.

As traditional think tanks are founded in many different ways, identifying shared features is difficult. However, a few themes are worth highlighting. Traditional think tanks are not government bodies, which means that they are not established, overseen nor wholly funded by the government. However, in many cases, think tanks eventually receive public funding, usually through grants and programme (not budgetary) funding. In practice, it is usually quite clear whether a think tank is set up as an insider or outsider institution, unless there is active subterfuge to conceal the role of a government or other backer.

Entrepreneurial individuals are the founders of many traditional think tanks, when one or a few leaders decide to institutionalise their own track record of policy work and scholarship. Although having a high-profile leader makes it easier for a think tank to gain recognition and funding, a long-tenured founder often stands in the way of institutionalising the think tank and setting it up for the longer term.

An alternative source of credible fiscal analysis

The traditional think tank's path to policy is as an alternative source of credible fiscal analysis, especially around the main fiscal events. Therefore, unsurprisingly, the oldest and most traditional fiscal think tanks are found in countries where centre-left and centre-right parties fight competitive elections and alternate in power fairly regularly, i.e., in the US and the UK. In these countries, there is almost by default vacant space for alternative (and new) policy ideas to be articulated and presented. The marketplace for ideas is lively because if the government is not 'buying' policy proposals, the opposition might and can then credibly claim to be the government in waiting. This landscape shapes the traditional think tank, which is able to focus on producing credible and independent analysis, as it knows that being ignored by the government in the short run does not necessarily prevent policy impact.

A traditional fiscal think tank's portfolio of work has an open ambit. As an outsider, it is able to pursue its priorities across the whole space of fiscal policy and pick and choose its analytical focus, even (and often especially) where the core group of inside policy-makers would rather not have external analyses. This open ambit allows fiscal think tanks to seek out the best opportunities for impact. However, in turn, this freedom is mirrored in a lack of clear funding streams, which is a source of great concern for many fiscal think tanks – especially ones that are not yet well established.

Diverse funding sources

The funding of traditional think tanks reflects their diverse origins, and so it is important to distinguish fiscal think tanks from the broader universe, especially in the USA and UK and, to a lesser extent, other countries. In such countries, there has been much coverage of undisclosed funding of (even fairly reputable) think tanks, and a growing crop of general policy think tanks that are clearly aligned with political parties and funded by donors in the same network (Drezner, 2017). Such think tanks operate in a very different policy space, and their analytical outputs are (dis-)counted accordingly. Within the scope of this paper, no fiscal think tanks are mouthpieces of obscure donors or clearly aligned with a political party.

The more successful traditional fiscal think tanks have managed to establish a diverse portfolio of income sources over time. This is true of the Center on Budget and Policy Priorities (CBPP) in the US, and the IFS UK, which each have a long list of funders, none of which exceeds 25% of revenue (CBPP, 2022; IFS, 2021). Funders include private donors, philanthropic foundations, research grant bodies and government departments. Achieving and sustaining a diverse portfolio of income presents a considerable challenge for think tanks, especially in their early years, and remains a constant worry even for the most successful ones. It means that (senior) staff need to dedicate significant attention to fundraising and potentially remain exposed to major shifts in the funding landscape.

Uncertain sustainability

The sustainability of traditional think tanks is uncertain, as influencing policy is competitive, and success over time depends on achieving prominence and impact, secure funding and institutional continuity. During difficult times, fiscal think tanks could fall away or disband due to the lack of supportive laws or other protections. This is especially true for think tanks that were initially led by one or a group of high-profile founders, who eventually move on or retire. The problem of long-serving founding leaders being the biggest obstacle to institutionalisation is not exclusive to fiscal think tanks. Both internal and external stakeholders are unable to distinguish between the voice of the person and that of the organisation, and so the first successful transition of leadership often represents an important milestone towards sustainability.

Nevertheless, despite its drawbacks, high-profile leadership is also an important ingredient of sustainability. A high profile, recognition among policy-makers and (ideally) having an early impact on policy decisions are important for putting a new think tank on the map and securing longer-term funding. Furthermore, by definition early visibility cannot come from the organisation's record, and so one way to achieve this visibility is to have high-profile and credible staff (including but certainly not limited to its leadership). Many potential funders may be reluctant to fund an unknown organisation but would consider funding one staffed by experts with a long and well-recognised track record.

Issue-based Think Tank

An issue-based think tank's ambit is more defined, around a policy sector or representing a narrower constituency or approach. Like traditional think tanks, issue-based fiscal think tanks have an outside-of-government status, which for many is an important part of their legitimacy and background. However, many traditional fiscal think tanks are outsiders only in the sense of not being formally part of the official fiscal policy process, as their experts and leaders are often insiders, being former officials or academics with established access and visibility. In contrast, the leaders of issue-based think tanks are often outsiders to fiscal policy and elite policy-making, which powerfully informs their perspective.

Issue-based fiscal think tanks approach fiscal policy from a perspective of another sector. This could be another field of public policy (e.g., social policy) or a particular perspective on government (e.g., civil society). The strength is that an external perspective makes it much easier to stand out and often adds ideas to fiscal policy debates that

would be otherwise missing. By straddling two different sectors, the organisation can often count on strong support among its 'home' constituency, while it takes on fiscal policy elites. The weakness is that a narrower ambit is a limitation, as the generalist policy audience might discount analysis from an issue-based fiscal think tank that is unlikely to argue against the established consensus of its own sector. And, in situations where the issue or crisis of the time is outside its ambit, the think tank will struggle to gain attention.

Transparency and public participation
Transparency-focused fiscal think tanks play a particularly prominent role in the fiscal policy field. The IBP, an international network of transparency groups, represents one or more organisations from over 120 countries under its umbrella (IBP, 2022). In many countries, organisations or groups of organisations have seen the need to branch out from transparency and fiscal advocacy to fiscal analysis in order to put their advocacy work on firmer grounds. Examples include India's Accountability Initiative at the Centre for Policy Research, Nigeria's BudgIT, Kenya's Institute of Public Finance, Ecuador's Grupo Faro and Mexico's Fundar.

Issue-based fiscal think tanks have grown in line with the recognition that fiscal policy touches everything government does**.** Even the best policy advocacy agenda is likely to founder if it is unable to articulate how fiscal policy should respond, in a way that fiscal policy-makers can understand. The fiscal policy elite can easily be dismissive ('we already know what they are going to say'), but similarly finds it difficult to ignore issue-based think tanks if their outputs meet the 'inside' standards of methods and quality. This is illustrated by the remarkable success of fiscal transparency advocacy, where public participation is now prominently represented in the IMF's latest fiscal transparency code (IMF 2019). The participation of organised civil society groups, including many think tanks, is now deeply embedded in normative global good practices for fiscal policy, probably one of the few areas of near-universal consensus.

Sustainability and funding
The sustainability of issue-based think tanks crucially depends on continued engagement and support from its 'home' sector. Like traditional think tanks, long-term funding, institutional support or elite engagement are not automatic. Again, the outsider status comes with challenges and opportunities. Issue-based think tanks bring a particular voice and an often fresh, original perspective to fiscal policy discussions. At the same time, that relative welcome may wear out once the basic message becomes well-known or even accepted. Striking a balance between credibility in two, often quite disparate, policy sectors is difficult, and many opportunities may lie outside that area of alignment. At the same time, funding is often much less of a problem, provided the 'home' sector continues to believe in the value of fiscal advocacy. At least anecdotally, it might be easier to gain access to international funding for participatory/transparent fiscal policy for health/education, than for simply better fiscal policy.

Autonomous Think Tank

An autonomous think tank covers all aspects of fiscal policy, enjoys statutory autonomy but operates under the government's formal supervision. Such think tanks may scrutinise fiscal policy and often provide bespoke technical inputs to unsettled policy questions, but they often do so outside of the public eye, and have one or both feet inside the executive. In many ways, autonomous think tanks are the institutional response that best fits the need for fiscal analysis in consensus democracies, where many different (inside) actors have a formal stake and possible veto power in policy decisions.

Autonomous think tanks are part of the government system and are often set up as a shared undertaking among multiple government actors. Different government ministries, branches of government or levels of government (such as state finance ministries and the federal ministry) may have oversight and provide financial support and access to analytical outputs. Therefore, their 'autonomy' is different from the full independence of traditional think tanks. Autonomous think tanks need technical autonomy, to exercise their analytical capacity in a professional manner, and the ability to pick and choose their core work programme, as part of their claim to credibility. This autonomy is more easily maintained and claimed by virtue of having multiple formal stakeholders, whose interests are not necessarily aligned. They differ from independent fiscal institutions, as they do not have a formally defined ambit that clearly regulates their specific contribution to the fiscal policy process; in this way, they look quite similar to their traditional think tank cousins.

Quasi-governmental bodies
The establishment and funding of autonomous think tanks require formal action from multiple government stakeholders. This both raises the threshold for establishment and provides an advantage for sustainable operations. As quasi-governmental bodies (even if formally established as academic or non-profit entities), they have good chances of being set up with firm funding arrangements in place. Since autonomous think tanks are much more common in consensus systems, they are also far less exposed to the changing whims of one majoritarian government, as can easily be the case for independent fiscal institutions, which may learn from a determined opponent that their institution is not so independent.

Autonomous think tanks are often a good fit for consensus democracies, where fiscal crises or institutional deadlock may convince stakeholders of the need for a 'second-opinion' institution that can provide fiscal analysis separately from the main fiscal actors, especially the ministry of finance. The autonomous think tank then becomes an opportunity to remove certain policy questions from contention, so long as most stakeholders continue to support the credibility of its analytical outputs. In many countries, stakeholders may, from time to time, directly request the think tank to analyse contested issues for them.

Open ambit
The open ambit of autonomous think tanks carries both risks and opportunities. Unlike independent fiscal institutions, their path to policy is neither obvious nor automatic. Despite their access to key policy-makers, they still need to identify and pursue an analytical agenda that speaks to the demands of its stakeholders at least in broad terms. At the same time, a relationship of confidence and trust (as well as confidentiality, if need be) can be almost assumed, which puts such think tanks in a far more privileged position than their outside competitors. Nevertheless, it would be unrealistic to expect an autonomous think tank to use its analysis to assault the foundations of the system to which it belongs.

Perhaps the most prominent example of autonomous think tanks is India's NIPFP, which is jointly overseen by state and national governments, and the central bank (NIPFP 2022). Operating since 1978, its senior researchers are titled professors, while its director holds the civil service rank of a secretary of India (the most senior level). At its core, the NIPFP maintains a pipeline of quasi-academic research into all areas of fiscal policy and public finance, while also undertaking assignments from government entities, which are not necessarily meant for publication. It has maintained its status through multiple changes in government, and state-national balance, giving testament to its technical-neutral status.

The risk of obscurity
In the long run, the biggest risk to autonomous think tanks may not be termination, but obscurity. Given their formal status and official government funding, they are far less exposed to the vagaries of fundraising that so often threatens traditional think tanks. However, their status and their ability to recruit capable staff still depend on the continuing demand for analytical outputs. If the think tank cannot answer the questions asked by their government stakeholders (or if those stakeholders fall out of the habit of asking policy questions altogether), then it faces a real threat of becoming an obscure backwater at the margins of the public sector.

Independent Fiscal Institution

Independent fiscal institutions (IFIs) may look and operate much like fiscal think tanks, notably because they produce analytical outputs that have a built-in and clearly defined influence over fiscal policy decisions. However, as part of the government sector, they are formally constrained by a very clearly defined and often very narrow mandate. They may struggle less for attention than traditional think tanks, as their role is formally written into the rules, but they may struggle to assert themselves in practice.

IFIs are often statements of fiscal intent, born out of a crisis or government transition. A government might commit to the creation of an IFI in response to a fiscal crisis, or to lay a more tangible claim to fiscal probity. This was the case for the UK's OBR, in response to the transition to a new government; and for Greece (2010), Ireland (2011) and Portugal (2012), in response to the Eurozone crisis (Davoodi et al., 2022). Such a high-profile creation brings both advantages and disadvantages. IFIs operate based on an explicit, formal set of laws and regulation, and so having those rules written at a time of fiscal crisis can help to enshrine a powerful mandate. Yet at the

same time, the risk is that the government of the day may be more interested in setting up rather than operating under the influence of an IFI, with the result that the IFI's role wanes or is never properly implemented.

Sustainability of IFIs

In principle, the funding of IFIs ought to be quite secure, as they are usually statutory bodies with a formal mandate (and independence) and have clearly articulated funding through public channels. The OECD principles for IFIs state that funding needs to be commensurate with the mandate given (Von Trapp et al., 2016). It may be tautological to say that an IFI needs to be adequately funded in order to be independent, and that it is no longer an IFI if funding is lacking. Yet it highlights how secure funding plays a central role in establishing and maintaining IFI independence. Although more complex in practice, IFI funding on the whole should be considered quite secure compared to other think tank models.

Once established, IFIs are usually sustainable in the narrow sense. In the same way that legislation establishes an IFI's mandate and funding, getting rid of the IFI entirely would require changing the legislation. To take such relatively drastic action would be costly to the government of the day, not only because of the signal it sends to markets and domestic and international stakeholders, but also because the process of legislative change takes up scarce political bandwidth and attention. It is often much easier to try to sideline, diminish and ignore an IFI, than to abolish it outright. A government that is determined to benefit from having an IFI on paper, but without too much unwelcome truth-telling, can – and does – find many small ways to harm an IFI. For instance, by hindering the appointment and hiring of (too) capable staff, obstructing the flow of data and other information on which the IFI usually relies, starving the organisation of resources where possible, or restricting its ability to publish and produce outside of the very letter of its mandate.

Most IFIs have a near automatic path to policy impact. Their role in the fiscal policy process is often enumerated in detail, including when (in the process) and what (the specific analytical outputs) they produce, and how other stakeholders use these outputs. In practice, there are important nuances to consider. Most think tanks can only dream of having a legislative avenue to force policy-makers to pay attention, but for policy to actually change is another matter entirely. IFIs are usually in charge of fiscal policy, although not to the same extent that independent central banks control monetary policy. Even in countries where an IFI produces a 'binding' macroeconomic forecast (i.e., the government has to use those figures for its own fiscal envelope), the government can still disregard the IFI's policy recommendations, albeit at a higher political cost.

IFIs in majoritarian systems

The experience of the UK shows both the potential and limitations of IFIs in majoritarian systems. In 2010, the UK introduced the OBR, an independent fiscal institution, into its fiscal policy process. Established by legislation, the OBR produces regular economic and fiscal forecasts, which the government adopts as official. The OBR also regularly assesses the sustainability of public finances and the performance of fiscal policy against fiscal objectives, but those fiscal objectives are defined at the government's discretion. Given that Treasury is often seen as the model of an all-powerful ministry of finance, the OBR is nonetheless a significant institutional constraint (OECD, 2020). What is also perhaps significant is that the government which introduced the OBR was the first coalition in post-war history and had campaigned on an agenda of fiscal discipline in the aftermath of the financial crisis. It is also worth noting that the OBR is quite clearly not a fiscal think tank and was accused in 2020 of being "extraordinarily optimistic" (Lemmon, 2020).

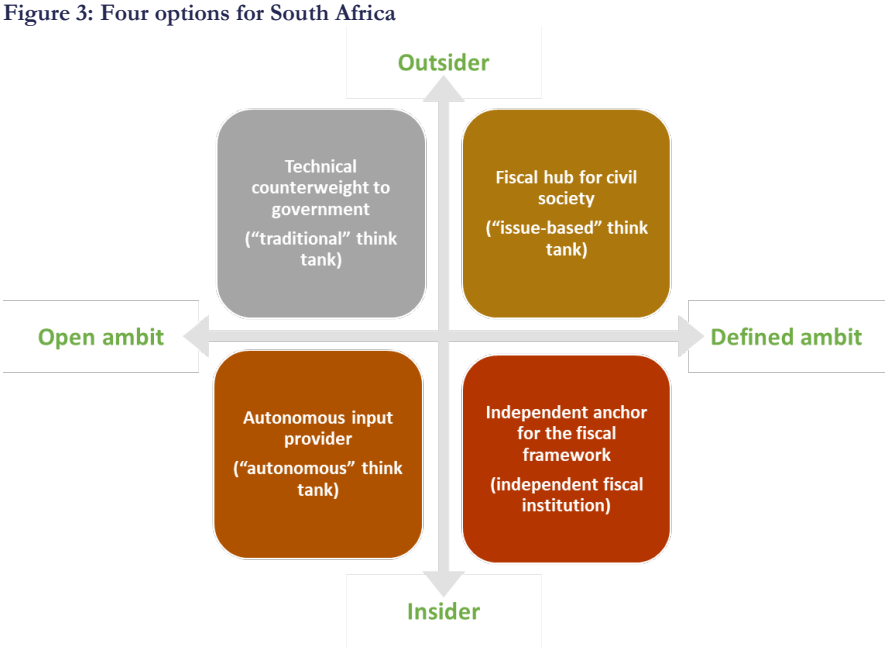
4. WHAT DOES THIS MEAN FOR SOUTH AFRICA?

South Africa's current fiscal system is both new and old. The current institutional setup dates to the post-apartheid period and was codified in law, regulation and the Constitution during the decade following the democratic transition. The administrative, legal and regulatory changes enacted were comprehensive in depth and scope, and went much further than (for example) Chile, which had transitioned from dictatorship to democracy around the same time (Krause 2015).

The institutional framework reflects many ideas considered best practice. The Constitution and pertinent laws formally outline the structure of the budget process and establish the main actors, which include the powerful National Treasury, and two statutory bodies: the Parliamentary Budget Office (PBO) and the Financial and Fiscal Commission (FFC) whose main role is the division of revenue in the intergovernmental fiscal system. Since the turn of the century, the system has been quite stable, with little formal review or change, despite fairly dramatic changes in the government's fiscal outlook and the impact of deep international and domestic shocks (Simmonds, 2022).

All is not well in South African public finance. The current situation is characterised by a declining fiscal performance since the 2010s, political instability and conflict, and an uncertain outlook. In most countries, such a situation would put considerable pressure on the fiscal system to come up with ways to improve outcomes, including through institutional changes. Although the Covid-19 pandemic did not have as dire an impact on South Africa as in other countries, the government faces more and more difficult fiscal choices (Sachs et al., 2023). This situation is reflected in the title of the IMF's most recent country report on South Africa: "Urgent Need for Far-Reaching Reforms" (IMF, 2023).

Figure 3: Four options for South Africa



Source: Author

Although South Africa does not have the most favourable institutional environment, much fiscal policy space remains unclaimed. Many elements in the South African fiscal system appear not to favour a fiscal think tank, and the party and electoral system are clearly not competitive – despite being free and fair, elections have not resulted in a single change of government since the return to democracy almost three decades ago. The prospect of any opposition political party forming a government has been remote for all election cycles of the past generation, although this may be changing in the medium term. The system is clearly unsettled, and there is considerable uncertainty about the future political direction. However, a change in the party system itself is more likely than the emergence of a single opposition challenger that is roughly equal in size and electoral base to the current government.

South Africa: A majoritarian system

Despite considerable expert debate in fiscal policy, South Africa's political system is majoritarian (Lijphart, 1998; Van Cranenburgh & Kopecký, 2004). It contains certain (de-facto weaker) consensus elements, such as the intergovernmental fiscal system, but on the whole the fiscal policy process runs on majoritarian terms. This is to be expected in a system where one party has dominated electoral outcomes for an extended period. National Treasury leads the budget process, which is unsurprisingly given the strong influence of British advice at the time of Treasury's creation, and the underlying government system. The legislative budget process is also majoritarian, given the single party dominance of the legislature (and most subnational governments), and explains the perceived weakness of the PBO and FFC, which struggle to occupy a position of independent scrutiny in a majoritarian system.

As mentioned, South Africa has two independent fiscal institutions: the PBO and the FFC. Established in 2009, the PBO is a relatively recent addition to the fiscal system (Mc Lennan, 2018) and has been subjected to harsh criticism, including being described as weak and dysfunctional (Mhlanga, 2020; Muller, 2019). International experience has shown that the record of legislative budget offices is closely related to the structure of the legislative budget process, although the Congressional Budget Office in the US is certainly an outlier. For the legislative budget office to contribute significantly to budget decisions relies on opposition parties playing a significant role, often alternating with the government after a few terms, as is the case in Canada (Johnson & Stapenhurst, 2008; Chohan & Jacobs, 2017). Despite the calls to reform or strengthen the PBO, in a legislature where the governing party's vote share has not fallen below 57% in 30 years, a transformation would be a significant deviation from international experience. In the case of the FFC, whose remit lies in intergovernmental fiscal relations, although it performs its formal role, it remains institutionally weak and of limited impact (Wehner, 2003; Ajam, 2014; De Visser & Ayele, 2014).

Four options for a possible new fiscal think tank mirror the four broad models (Figure 3), which are listed below.

Independent Anchor for the Fiscal Framework – the least realistic proposal

South Africa could opt for a new independent fiscal institution, which would serve as an anchor for the fiscal framework, by holding the final authority over the annual macroeconomic forecast and final judgement of the expected deficit. Even more ambitiously, each incoming president could commit to fiscal targets and then hand over their monitoring (and even enforcement) to the fiscal institution, thus preventing any intra-party rebellions during their term. Such a body would have to be established by law or at least by regulation, depending on how firmly it would alter the provisions of the existing Public Finance Management Act. It would also by default be funded through the public sector.

However, the required formal changes, the political investment required to firm up a conservative (in the South African context) fiscal position, and the track record of the two existing, somewhat independent fiscal institutions make this the least realistic proposal. Without other changes to the fiscal architecture, a new fiscal institution is unlike to fare any better than the FFC and PBO, and part of the required changes may also include abolishing one or both of these two bodies. In future, a fiscal crisis or further changes to the underlying political system may trigger a more fundamental overhaul, but until then this option seems neither particularly realistic nor desirable.

Autonomous Input Provider – serious doubts about its impact

The new think tank could follow the approach of the NIPFP in India, i.e., be formally autonomous in regard to asking questions about fiscal policy and its research approach, but fall under the supervision of a board. Such a board would probably consist of representatives from National Treasury, the Reserve Bank and the provinces. It could recruit highly skilled staffers and be oriented more towards academia than the civil service in terms of both skills requirements and the types of outputs produced – academically highly credible without much of a policy spin. Its funding would then come from a main grant from its overseeing institutions.

There are two fundamental concerns for this option. First, as South Africa's fiscal policy process is majoritarian, there is no real audience for the technical analysis and research provided by this autonomous think tank. Unlike the independent anchor, it would not have any statutory authority and would rely entirely on the quality and persuasiveness of its work to influence fiscal policy. However, the current fiscal policy process is predetermined to concentrate authority within the executive, where it is delegated to National Treasury. The logic of budgeting in a

majoritarian system strongly motivates the finance ministry to internalise such functions, unless they can be outsourced fully and with real bite (i.e., the independent anchor). The closest equivalent might be National Treasury's Government Technical Advisory Centre (GTAC). Second, as a fully-fledged public sector insider, it deprives itself of the one avenue that could put momentum behind its analyses, which is to address visibly and critically the (elite) public, not the executive. The only way to gain real credibility early on would be through criticising the government, which is precisely the one thing it could not do openly and blatantly.

Fiscal Hub for Civil Society – struggle for an insider audience

A fiscal hub would take its inspiration from organisations such as BudgIT and the CPR's Accountability Initiative. Its work would focus on reviewing fiscal policy from a civil society perspective (i.e., looking at the social sectors in particular, and taking into account the priorities of civil society organisations in the country) and on making fiscal policy more understandable to a broader network of civil society organisations. This would enable these organisations to deploy their advocacy and lobbying capabilities better, and to aim them more carefully at fiscal decisionmakers and in a way that is more cognisant of National Treasury's point of view.

This model is the easiest to incubate with external funding, but it may struggle to find an insider audience. Long identified as a gap is the need for more fiscally literate civil society advocacy. This could tap into a growing international architecture of support organisations and funding. They include international networks, such as the IBP, which has strong technical credibility due to their origins in fiscal transparency research and policy, many peer institutions in other countries and a network of donors who view this as part of broader support for good governance and accountability. At the same time, the fiscal policy process again throws up limitations. The think tank would need – at least initially – to define its outputs, not to probe fiscal policy but to use the government's work to drive a broader advocacy agenda. This is exactly what the civil society community needs but would limit the think tank's credibility among fiscal and monetary decision-makers, who would be called upon to explain rather than defend themselves. In a consensus system, alternative centres of authority could take up its work, but in a majoritarian system, only one mainline authority exists. Furthermore, in practice, very few (if any) think tanks have the capacity to implement two parallel work programmes that rely on quite different skills, for interfacing either with the executive or with civil society, especially not from the start.

Technical Counterweight to Government – matches the institutional landscape

This option would most closely follow the model of the IFS in the UK, by setting up a credible alternative voice that can challenge and scrutinise government fiscal policy, offer up alternatives in at least some areas, and have the standing to be taken seriously within the executive and among international bodies that validate such expertise. It would not necessarily argue for the fiscally most sensible way to increase spending on pre-existing policy goals, but it would challenge and try to improve how the government pursues its stated goals. Its policy advocacy capacity would make it loud enough to be heard, while its technical capacity would make it too right to ignore.

This model matches best the institutional landscape in South Africa. The country's experience of the last 20 years shows that it is not easy for a fiscal think tank to succeed; if it were easy, there would be more activity in this field. Yet it is precisely the majoritarian nature of fiscal policy-making that leaves the space for scrutinising fiscal policy largely empty. Any majoritarian system is making it difficult to scrutinise itself through internal institutions. The fact that South Africa has developed into a non-competitive majoritarian system weighs particularly heavy on fiscal policy, where the prospect of imminent electoral defeat has been shown to be a strong driver of institutional innovation (Hallerberg, 2004; von Hagen, 2004; Hallerberg et al., 2009). This is precisely the space that a traditional fiscal think tank could fill, building upon a set-piece engagement with the budget and Medium Term Budget Policy Statement.

Its funding case would have to build on this institutional fit. It is worth noting that the Nuffield Foundation in the UK has been a longstanding funder of the IFS Green Budget, on the strength of an accountability argument. In other words, the Green Budget improves the public's understanding of public finances, not by explaining the budget as such, but by providing a better analysis of the government's fiscal position and fiscal trade-offs than the government budget does. By being the best analyst of South Africa's fiscal policy, this think-tank model should be able to overcome limitations to external funding that might otherwise arise.

5. CONCLUSION

A fiscal think tank's main entry point into fiscal policy is not during the formal budget cycle, but rather prior to budget preparation. Understanding the politics and administration of fiscal policy in detail is important because the interplay between finance and line ministries (and later between executive and legislature) is tightly orchestrated and often happens under significant time pressure. Therefore, external actors will find it difficult to make their arguments heard, however well-backed by analysis and evidence. While some lobbying efforts by external actors may succeed, they would do so based on work already done (exceptions apply, notably countries where weak executives and strong legislatures more closely resemble the experience of the USA's mode of congressional budgeting).

For fiscal think tanks, having an impact on fiscal policy is a long game. It involves trying to shape the policy agenda, so that think-tank ideas frame the debate early on, and proposals are already understood to be potential priorities by the time the budget cycle gets underway. IFIs can play a similar role to a fiscal think tank, in that they provide an external (possibly binding) voice that is not part of the core interplay between political and administrative actors. While IFIs are more closely integrated into the budget process, they do not normally engage in the core process of budget negotiation and approval. For external think tanks, even when they produce analytical products tied to the budget cycle, the realistic aim is not to influence the current budget event (or even the current budget cycle), but to establish their alternative framing of policy choices and alternatives ahead of the next budget cycle.

The most important institutional difference affecting fiscal think tanks is the distinction between consensus and majoritarian democracies. Multiple institutional factors affect the success and sustainability of think tanks. A requirement is an open marketplace for ideas, where policy choices are debated openly and through a free press, including the participation of multiple stakeholders. In closed systems and in the absence of the basic institutional interplay of democratic systems, research organisations may resemble fiscal think tanks in certain ways, but their workings are quite different. Systemic stability and competitive elections foster an expectation that opposition parties will eventually have an opportunity to govern – therefore, even if the government of the day is not interested in listening, the next government might. However, in consensus (or leaning that way) and majoritarian (or leaning that way) systems, the interplay of fiscal think tanks and governments is different.

In consensus systems, multiple government stakeholders can be prompted to establish a neutral voice in fiscal policy discussions. The initial trigger might be institutional deadlock or a fiscal crisis that discredits the government's analytical track record, but the autonomous fiscal think tank is a good fit in a consensus system. In such a system, the government cannot push through its fiscal choices but needs to find common ground across coalition parties, multiple levels of government and so on. If these different actors have a stake in the fiscal think tank, then it can provide a space to settle otherwise more contentious decisions and allow the policy process to advance more easily.

In majoritarian systems, fiscal think tanks establish an alternative credible voice on fiscal policy choices that do not have space inside the government structure. It is in the nature of a majoritarian system that there are fewer institutional roadblocks to decisions taken by the party in charge. Informal practice can be a lot messier but, for instance, the legislature is not meant to hold a significantly different view if the same party controls both the executive and has a legislative majority at the national level, and subnational entities are not important for national fiscal decisions. Such a setup makes it harder for alternative sources of advice to thrive within government but, at the same time, creates the space for credible analysis to gain prominence from without. This favours traditional fiscal think tanks.

South Africa today is a majoritarian system. While some constitutional and institutional features may have been intended to create consensus elements, a generation of single-party dominance (even without an outright lock on all elected posts) has established majoritarianism in practice. This is notwithstanding the existence of independent and legislative fiscal institutions that could play a different role in a multiparty system with alternating governments.

A traditional fiscal think tank is the best path to have an impact on fiscal policy in South Africa. Its role would be to establish a credible voice in fiscal policy, bringing the best methods to bear on the most important questions of the day. This is not a role designed to be in conflict with the government, as the experience of other countries has shown that many fiscal think tanks succeed as an accepted, if not always comfortable, part of the fiscal policy establishment. Every country is different, and this general choice of direction certainly leaves many important details open. There are also many opportunities for fiscal think tanks to interact with the lively policy discussions in other sectors and with organisations focused on subnational governance. If successful, a future fiscal think tank in South Africa might (and probably will) look different from its cousins elsewhere, and for good reason. But to look towards the experience of traditional fiscal think tanks is a good place to start.

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