
ESTABLISHING AN INDEPENDENT FISCAL COUNCIL IN MAURITIUS: A FRAMEWORK FOR ENHANCED FISCAL GOVERNANCE

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Abstract: This paper examines the case for establishing an Independent Fiscal Council in Mauritius as a mechanism to enhance fiscal governance, transparency, and accountability. Despite Mauritius's reputation as a well-governed small island economy, recurring challenges, including rising public debt-to-GDP ratios (which reached 87% in 2021), persistent budget deficits, instances of public fund misappropriation, and weaknesses in fiscal oversight, indicate the need for institutional reform. Using a mixed-methods approach combining doctrinal legal analysis with comparative research, this study examines primary sources, including legislation and official reports, alongside secondary literature on fiscal governance. The research conducts a comparative analysis of fiscal council frameworks in selected jurisdictions (UK, New Zealand, Brazil, India, Australia, Hungary, Argentina, Luxembourg, and Singapore), drawing lessons applicable to the Mauritian context. The findings demonstrate that Mauritius's current fiscal governance framework lacks robust independent oversight mechanisms, contributing to fiscal challenges and accountability deficits. The paper proposes a comprehensive model for a Mauritian Fiscal Council, including its legal foundation, institutional design, powers, functions, and relationship with existing institutions, while providing a detailed implementation roadmap addressing the unique political economy challenges facing Mauritius.

Keywords: Fiscal council; fiscal governance; fiscal transparency; public debt management; Mauritius.

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1. Introduction

The concept of fiscal responsibility has emerged as a cornerstone of modern public financial management, particularly in developing economies seeking to maintain macroeconomic stability while pursuing sustainable growth (Kopits & Romhanyi, 2013). Despite Mauritius's reputation for strong governance, several concerning trends have emerged in recent years that warrant scholarly attention. The country's public debt-to-GDP ratio has risen dramatically, from 59% in 2015 to approximately 87% in 2021 (Bank of Mauritius, 2022), while recurring budget deficits and increasing social welfare commitments have raised questions about long-term fiscal sustainability. Recent scandals involving misappropriation of public funds have further undermined public confidence in fiscal governance. As noted by Transparency International (2020), while Mauritius experiences relatively low levels of petty corruption, high-profile cases involving top politicians have rocked the country, including scandals with the Mauritius Investment Corporation (MIC), which has disbursed Rs 56.8 billion to 60 companies with limited transparency regarding selection criteria and fund usage.

The establishment of an independent Fiscal Council represents a critical institutional reform that could significantly enhance fiscal responsibility in Mauritius. Research by Beetsma et al. (2017) demonstrates that independent fiscal institutions serve as "fiscal watchdogs" that increase accountability and transparency by providing impartial analysis and recommendations on fiscal policy. The European Commission (2023) further affirms that these institutions promote sustainable public finances through monitoring compliance with fiscal rules, producing independent macroeconomic forecasts, and advising governments on fiscal matters. Experience from countries like New Zealand, the UK, and Brazil shows that well-designed fiscal councils can lead to improved fiscal outcomes, with New Zealand experiencing a reduction in public debt from 65% to 35% of GDP following the implementation of its Fiscal Responsibility Act (Lipski, 2015).

A Mauritian Fiscal Council would require legislative amendments to existing frameworks, particularly the Finance and Audit Act, to ensure its independence and effectiveness. Drawing from the UK model, where the Office for Budget Responsibility provides independent forecasting and policy assessment, Mauritius could establish a statutory body with clear operational independence from the Ministry of Finance. Such independence could be safeguarded through transparent appointment processes, secure funding arrangements, and direct reporting lines to Parliament rather than the executive. This would enhance the credibility of fiscal projections and provide an objective assessment of fiscal risks.

The benefits of such a council would be multifaceted. It would enhance transparency through regular publication of comprehensive fiscal data, evaluations of budget

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proposals, and long-term sustainability analyses. As demonstrated by Arbatli and Escolano (2015), increased fiscal transparency reduces information asymmetry on public resource allocation and improves government accountability, leading policymakers to be more responsible with public resources. This transparency would be particularly valuable given recent scandals involving the MIC and other public institutions, where confidentiality clauses have been invoked to prevent the disclosure of information about operations involving public funds.

The council would provide independent macroeconomic and fiscal forecasts, reducing the optimistic bias often found in government projections and improving budget planning. It would monitor compliance with fiscal rules and evaluate the long-term sustainability of public finances, including analysis of fiscal risks from demographic changes, environmental challenges, and contingent liabilities. Furthermore, it would enhance public debate through clear communication of complex fiscal issues, enabling greater public scrutiny of government policies and increasing the political costs of fiscal indiscipline.

To maximize effectiveness, international examples suggest the council should have a clear legal mandate with strong statutory independence, adequate resources and technical capacity, and full access to government information. Its leadership should be appointed through a transparent process based on professional qualifications rather than political connections, addressing the concern identified by Transparency International that "it is common for public sector positions to be filled through political connections rather than ability" in Mauritius. The council should maintain transparent operations with regular public reporting and be subject to periodic independent evaluations to ensure it fulfills its mandate effectively.

The implementation of a Fiscal Council, alongside a comprehensive Fiscal Responsibility Act, would represent a significant advancement in Mauritius's fiscal management framework, positioning the country as a leader in fiscal governance among small island economies while rebuilding public trust in government financial management.

The paper is structured as follows: Section 2 reviews existing literature on fiscal councils and their effectiveness. Section 3 examines the current legal and regulatory framework for fiscal governance in Mauritius, identifying key gaps and challenges. Section 4 provides a comparative analysis of fiscal council models in selected countries. Section 5 presents a detailed proposal for a Mauritian Fiscal Council, including its legal foundation, institutional design, powers, and functions. Section 6

discusses the necessary legal reforms and implementation strategies. Section 7 concludes with recommendations and areas for future research.

2. Literature Review

The theoretical underpinning for independent fiscal institutions is well-established in the literature. Beetsma et al. (2017) develop a comprehensive political economy model showing how fiscal councils can mitigate information asymmetries between voters and policymakers. Their research demonstrates that fiscal transparency institutions reduce the "opportunistic" motive for debt accumulation by providing clearer signals about government competence to voters. Building on this foundation, Debrun and Kinda (2017) argue that fiscal councils function as commitment devices that help governments overcome time-inconsistency problems in fiscal policymaking, particularly when political incentives favor short-term spending over long-term sustainability.

Kopits (2013) identifies the core theoretical justification for fiscal councils as addressing principal-agent problems in public financial management. He notes that "citizens as principals have imperfect information about their government agents' fiscal activities," creating conditions where independent oversight becomes essential. This perspective is extended by Calmfors and Wren-Lewis (2011), who categorize the sources of deficit bias that fiscal councils aim to address: informational problems, impatience, electoral competition, common-pool problems, and time inconsistency. Their framework remains influential in understanding the theoretical rationale for fiscal institutions.

2.1. Effectiveness of Fiscal Councils

Empirical research broadly supports the effectiveness of well-designed fiscal councils. In a comprehensive cross-country analysis, Beetsma and Debrun (2018) find that countries with independent fiscal institutions experienced, on average, a 1.5% improvement in their structural primary balance within three years of establishment. Similarly, Debrun and Kinda (2017) provide econometric evidence that fiscal councils with stronger mandates for monitoring fiscal rules, high operational independence, and robust public engagement are associated with more accurate fiscal forecasts and improved fiscal performance.

The IMF's Fiscal Council Dataset, analyzed by Beetsma et al. (2019), reveals significant heterogeneity in council design and effectiveness. Their research indicates that councils with legal independence, non-partisan leadership selection, and dedicated analytical resources demonstrate the strongest performance in enhancing fiscal outcomes. These findings align with the OECD's (2020) principles

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for independent fiscal institutions, which emphasize the importance of operational independence, adequate resources, and access to information.

2.2. Challenges in Implementation and Functioning

Despite their theoretical appeal and empirical support, fiscal councils face significant implementation and operational challenges that must be carefully considered. The literature identifies several critical areas where fiscal councils have struggled to achieve their intended objectives.

Political Economy Challenges: Von Trapp et al. (2016) document how fiscal councils face persistent political pressures that can undermine their independence and effectiveness. The Hungarian case provides a stark example where the fiscal council was dramatically weakened following a change in government, despite formal legal protections. Kopits and Romhanyi (2013) analyze how the Hungarian Fiscal Council's staff was reduced from 40 professional economists to three members, with a 90% budget reduction, demonstrating the vulnerability of fiscal councils during political transitions.

Institutional Capture and Credibility Deficits: Beetsma et al. (2018) identify "institutional capture" as a persistent challenge where fiscal councils become co-opted by the very institutions they are meant to monitor. In several Latin American countries, fiscal councils have struggled with what Izquierdo et al. (2018) term "credibility deficits," where their analyses are dismissed by policymakers and the public due to perceived political bias or technical limitations. The Argentine experience particularly illustrates how fiscal councils can face "enforcement asymmetries" where their recommendations are ignored without consequences.

Resource Constraints and Capacity Limitations: Lledó et al. (2017) highlight that many fiscal councils, particularly in developing countries, face severe resource constraints that limit their analytical capacity. These constraints are especially acute in small island states where the pool of qualified fiscal analysts is limited. The Luxembourg experience demonstrates how small states must balance institutional independence with resource efficiency, often requiring innovative approaches to leverage existing analytical capacity.

Information Access and Data Quality Issues: Cangiano et al. (2013) document systematic challenges faced by fiscal councils in accessing timely and accurate fiscal data. Government agencies may resist providing information, claim confidentiality, or provide data of insufficient quality for meaningful analysis. These information asymmetries can severely limit a fiscal council's ability to provide credible assessments.

Communication and Public Engagement Challenges: Debrun et al. (2013) identify significant challenges in effectively communicating complex fiscal analysis to policymakers and the public. Many fiscal councils struggle with what they term the "technocratic trap," where their analyses become too technical for public

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understanding while remaining too simplified for comprehensive policy evaluation. This communication challenge is particularly acute in multilingual societies like Mauritius.

Mandate Ambiguity and Scope Creep: The literature reveals tensions between councils with narrow mandates (which may lack influence) and those with broad mandates (which may lack focus and resources). Von Trapp et al. (2016) document cases where fiscal councils have experienced "mandate drift," taking on functions beyond their original scope, which can undermine their effectiveness and political support.

2.3. Successful Models and Best Practices

The literature identifies several successful models for fiscal council implementation that could inform Mauritius's approach. New Zealand's framework, analyzed by Ter-Minassian (2014), demonstrates how principles-based fiscal responsibility legislation backed by transparency requirements can transform fiscal outcomes. The UK's Office for Budget Responsibility, examined by Chote and Wren-Lewis (2013), offers insights into institutional design that combines statutory independence with operational effectiveness. Their research highlights how the OBR's mandate for independent forecasting and fiscal risk assessment has improved budget credibility. For emerging economies specifically, Lledó et al. (2017) analyze Brazil's fiscal framework, demonstrating how comprehensive fiscal responsibility laws with robust enforcement mechanisms can improve fiscal discipline across all levels of government. Additionally, Cangiano et al. (2013) provide case studies from several small states that have successfully implemented fiscal councils despite resource constraints, offering valuable lessons for Mauritius's institutional design.

2.4. Technological Innovation and Fiscal Transparency

Recent literature highlights the potential of technological innovation to enhance fiscal council effectiveness. Brazil's experience with digital fiscal monitoring, analyzed by Soares and Neiva (2023), offers a particularly relevant model. Their research shows that regions with robust digital monitoring systems demonstrated better compliance with fiscal rules compared to those without such systems. The authors attribute this difference to enhanced public scrutiny and the deterrent effect of real-time transparency.

Research consistently demonstrates the link between fiscal transparency and improved governance outcomes. Alt and Lassen (2006) provide empirical evidence that higher fiscal transparency is associated with lower public debt and deficits across OECD countries. Their research shows that transparent fiscal frameworks reduce the information asymmetry that enables politically motivated fiscal indiscipline. This finding is reinforced by Arbatli and Escolano (2015), who

document a positive relationship between fiscal transparency and sovereign credit ratings, demonstrating the market benefits of transparency reforms.

2.5. Critical Governance Considerations

The literature emphasizes several critical governance considerations for fiscal council implementation. Beetsma et al. (2018) identify leadership selection as a crucial determinant of council effectiveness, showing that councils with merit-based, non-partisan appointment processes demonstrate greater independence in their assessments. Operational independence is consistently identified as essential for fiscal council effectiveness. Debrun et al. (2013) provide evidence that councils with secure funding arrangements and statutory guarantees of independence produce more objective fiscal assessments. Their research shows that councils that report directly to parliament rather than the executive demonstrate greater willingness to challenge government fiscal projections.

2.6. Research Gaps and Mauritius-Specific Considerations

Despite extensive literature on fiscal councils globally, a significant research gap exists regarding their implementation in small island developing states (SIDS) with sophisticated financial centers like Mauritius. While Radics and Ruelas (2023) examine fiscal management in small island states broadly, and Cangiano et al. (2013) provide general case studies, there is a notable absence of research specifically addressing the unique institutional design requirements for fiscal councils in economies like Mauritius that serve as regional financial hubs while managing distinct fiscal vulnerabilities.

The current study makes a significant contribution by addressing this gap through a contextually grounded analysis of Mauritius's specific institutional landscape, economic structure, and governance challenges. By synthesizing theoretical insights from the broader literature with a detailed analysis of Mauritius's fiscal governance framework, this study provides a tailored approach to fiscal council design that accounts for Mauritius's status as both a small island economy and a financial hub. This research explicitly addresses implementation challenges, including political economy considerations, institutional capacity constraints, and the sequencing of reforms necessary for the successful establishment of a fiscal council in the Mauritian context.

3. Legal and Regulatory Framework on Fiscal Responsibility in Mauritius

The existing legal and regulatory framework for fiscal responsibility in Mauritius exhibits significant structural weaknesses that undermine effective fiscal governance. The constitutional architecture for fiscal management in Mauritius reveals fundamental limitations. While Section 103 of the Constitution establishes the Consolidated Fund as the primary channel for government revenues, there is a critical absence of constitutional provisions for fiscal discipline, transparency

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requirements, or independent oversight. This constitutional gap creates a "sovereignty dilemma" where fiscal management remains excessively concentrated within the executive branch, limiting external accountability. The Finance and Audit Act, originally enacted in 1973 and subsequently amended, has been criticized for reflecting an outdated "compliance model" of fiscal governance that emphasizes procedural correctness over substantive fiscal discipline and transparency.

The institutional fragmentation of fiscal oversight represents a particularly problematic feature of Mauritius's framework. The IMF (2022) highlights how the Mauritius Revenue Authority (MRA), while effective in tax collection, operates in institutional isolation from expenditure management functions. This separation creates what Rahaman (2024) describes as a "fiscal coordination vacuum," preventing the alignment of revenue policies with broader fiscal sustainability objectives. His analysis demonstrates that while the MRA collects over 90% of government revenue, its institutional mandate specifically excludes any role in fiscal expenditure decisions or sustainability analysis, creating a critical accountability gap.

The Bank of Mauritius's role in fiscal management has attracted particular scholarly criticism, especially regarding the Mauritius Investment Corporation (MIC) established during the COVID-19 pandemic. The U.S. Department of State (2024) documents how the MIC, despite controlling approximately Rs 80 billion in public resources, operates with limited transparency and accountability safeguards. This institutional arrangement violates what Calmfors and Wren-Lewis (2011) identify as a fundamental principle of sound fiscal governance: the separation of monetary and fiscal policy instruments.

Medium-term fiscal planning mechanisms, identified by the OECD (2020) as essential components of modern fiscal frameworks, are notably absent in Mauritius. Lipski (2015), in a comparative analysis of fiscal frameworks in small open economies, identifies this as a critical weakness, noting that, unlike New Zealand's requirement for regular fiscal strategy reports outlining long-term objectives, Mauritius lacks statutory requirements for forward-looking fiscal planning. This absence contributes to "fiscal short-termism," where immediate political considerations systematically override long-term fiscal sustainability concerns.

Transparency provisions in Mauritius's fiscal framework exhibit particularly severe deficiencies. Transparency International's assessments (2020) highlight specific gaps, including inadequate disclosure of contingent liabilities, tax expenditures, fiscal risks, and quasi-fiscal operations. These elements, identified in the IMF's Fiscal Transparency Handbook (2018) as essential for effective fiscal governance, remain largely unaddressed in Mauritius's legal framework. There is empirical evidence linking this transparency deficit to specific fiscal governance failures,

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including optimistic revenue projections and understated expenditure estimates that collectively undermine fiscal discipline.

The enforcement architecture for fiscal responsibility shows critical weaknesses that undermine rule effectiveness. Unlike Brazil's comprehensive approach, which incorporates a "multi-layered accountability system" including administrative sanctions and criminal penalties for fiscal misconduct, Mauritius relies primarily on ex-post political accountability mechanisms. Such mechanisms are particularly ineffective in parliamentary systems with dominant executive branches, as they lack the immediacy and certainty necessary for deterrence. The parliamentary oversight function through the Public Accounts Committee suffers from "capability deficits," including inadequate analytical capacity, limited expert support, and insufficient independence from executive influence.

The public debt management framework, while formally established through the Public Debt Management Act, shows significant operational weaknesses. The World Bank's (2023) assessment of Mauritius's debt management practices identifies specific deficiencies, including limited debt sustainability analysis, inadequate evaluation of fiscal risks, and insufficient transparency in debt operations. These weaknesses have contributed to the sharp increase in Mauritius's debt-to-GDP ratio, from 59% in 2015 to approximately 87% in 2021, highlighting the ineffectiveness of existing debt management provisions.

Budget execution controls and monitoring mechanisms also demonstrate significant deficiencies. Arbatli and Escolano (2015) analyze Mauritius's in-year budget execution reporting, finding critical gaps in comprehensiveness, timeliness, and accessibility that limit effective fiscal monitoring. Budget execution reports frequently omit essential information on contingent liabilities, revenue shortfalls, and expenditure overruns, preventing early identification of fiscal risks. The absence of real-time digital monitoring systems further undermines oversight capabilities.

These critical assessments collectively demonstrate that Mauritius's current legal and regulatory framework for fiscal responsibility suffers from fundamental structural weaknesses that cannot be addressed through incremental reforms alone. The establishment of an independent Fiscal Council, supported by comprehensive legislative reform, emerges as a necessary institutional innovation to address these systemic deficiencies in the fiscal governance architecture. As Debrun and Kinda (2017) argue, such institutional innovation is particularly critical for countries like Mauritius that face the dual challenges of fiscal consolidation and maintaining credibility in international financial markets.

4. Comparative Analysis of Fiscal Council Models

A comparative analysis of fiscal council models across diverse jurisdictions provides valuable insights for designing an effective institution for Mauritius. This analysis

examines distinct approaches to independent fiscal oversight from Hungary, Argentina, Luxembourg, Singapore, New Zealand, Brazil, India, the United Kingdom, and Australia, evaluating their institutional design, mandate, effectiveness, and potential lessons for Mauritius.

4.1. Hungary: Lessons from Institutional Vulnerability

Hungary's Fiscal Council, established in 2008, initially represented what Kopits and Romhanyi (2013) termed a "gold standard" in fiscal council design, with broad analytical functions, substantial resources, and strong statutory independence. However, following a change in government in 2010, the Council was dramatically restructured despite its formal protections. Staffing was reduced from 40 professional economists to a three-member body with minimal support staff, its budget was reduced by approximately 90 percent, and its mandate was narrowed. This transformation illustrates the vulnerability of fiscal councils at political transition points. For Mauritius, the Hungarian case suggests several design considerations: embedding the fiscal council within a broader constitutional framework, establishing diverse appointment mechanisms involving multiple institutional actors, creating automatic funding formulas tied to objective metrics, building cross-partisan support, and potentially beginning with a focused mandate that could expand over time.

4.2. Argentina: Context-Dependency and Credibility Challenges

Argentina's Fiscal Council, established in 2018, emerged in a context of significant fiscal challenges. Despite a broad mandate covering both national and subnational fiscal policies, the Council has faced significant effectiveness challenges, struggling with what Izquierdo et al. (2018) term "institutional credibility deficits." Its ability to influence fiscal outcomes has been limited by "enforcement asymmetries" and resource limitations. The Argentine experience demonstrates the "context-dependency" of fiscal council effectiveness. For Mauritius, this case offers cautionary lessons about the importance of establishing credible fiscal rules alongside council creation, the dangers of mandate overextension, and the need for well-designed enforcement mechanisms.

4.3. Luxembourg: Small State Efficiency Model

Luxembourg's National Council of Public Finance, established in 2014, offers particularly relevant insights for Mauritius as another small state with a significant financial sector. The Council consists of seven part-time members with expertise in public finance, supported by a small secretariat. What distinguishes the Luxembourg model is its "expertise leveraging"—the council maintains a small permanent structure but draws on existing analytical capacity within other institutions through formal cooperation agreements. This approach addresses a key challenge for small states: balancing institutional independence with resource constraints. For Mauritius,

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Luxembourg's approach offers a potential template that balances independence with efficiency in a small state context.

4.4. Singapore: Institutionalized Prudence Framework

Singapore, while lacking a formal independent fiscal council, offers valuable insights through its distinctive approach to fiscal governance centered on "institutionalized prudence." Its constitutional reserves protection framework, established in 1991, created a unique "dual key" system for safeguarding national reserves, requiring approval from both the government and the President for extraordinary withdrawals. For Mauritius, Singapore's model demonstrates the potential benefits of constitutional entrenchment for core fiscal principles, the value of specialized oversight for sovereign asset management, and an alternative approach to independence through institutionalized checks and balances.

4.5. New Zealand: Transparency-Centered Model

New Zealand pioneered a "transparency-centered model," focusing on comprehensive disclosure requirements and principles-based fiscal management. The Fiscal Responsibility Act of 1994 articulated five principles of responsible fiscal management and mandated regular publication of comprehensive fiscal information, creating an "information symmetry" between the government and parliament/public. The New Zealand Treasury serves as both the finance ministry and the institution responsible for independent fiscal reporting. This approach has demonstrated remarkable effectiveness, highlighting the "transparency dividend" in fiscal governance. For Mauritius, New Zealand's experience offers insights into how substantial improvements in fiscal outcomes can be achieved through transparency requirements even without initially establishing new institutions.

4.6. Brazil: Comprehensive Accountability Approach

Brazil's fiscal governance model, established through the Fiscal Responsibility Law of 2000, represents a "comprehensive accountability approach" to fiscal discipline. While Brazil lacks a single independent fiscal council, its system incorporates multiple oversight institutions with complementary roles. The framework is distinguished by exceptionally strong sanctions for non-compliance and innovative technological features, particularly its digital transparency platforms. For Mauritius, Brazil's approach offers lessons about the potential effectiveness of strong enforcement mechanisms, the value of digital transparency innovations, the importance of appropriate flexibility mechanisms, and the potential of a multi-institutional oversight approach.

4.7. India: Evolutionary Approach with Escape Clauses

India's fiscal responsibility framework, established through the Fiscal Responsibility and Budget Management Act of 2003 and significantly amended in 2018, represents a distinctive approach that balances rule-based discipline with flexibility for a developing economy context. A noteworthy feature is its sophisticated treatment of

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the "flexibility-credibility tradeoff" through a system of escape clauses that permit temporary deviations from fiscal targets under clearly defined circumstances. For Mauritius, India's experience offers insights into the potential effectiveness of an evolutionary approach to fiscal responsibility, the value of well-designed escape clauses, the importance of comprehensive coverage of fiscal activities, and the possibility of leveraging existing institutions for fiscal oversight.

4.8. United Kingdom: Forecasting-Focused Model

The United Kingdom's Office for Budget Responsibility, established in 2010, represents a "forecasting-focused model" of fiscal oversight. Its core mandate centers on five statutory responsibilities: producing official economic and fiscal forecasts, assessing performance against fiscal targets, analyzing fiscal sustainability, evaluating fiscal risks, and scrutinizing policy costings. The OBR's institutional design places significant emphasis on "operational independence guarantees," and its technical work and communication strategy have established strong credibility. For Mauritius, the UK model demonstrates the potential effectiveness of a focused mandate targeting specific fiscal governance weaknesses, provides a template for operational independence, and highlights the importance of effective communication strategies.

4.9. Australia: Legislative-Focused Model

Australia's approach centers on its Parliamentary Budget Office, established in 2012, which represents a "legislative-focused model" of fiscal governance. The PBO's primary mandate focuses on enhancing fiscal transparency and scrutiny through independent analysis of fiscal policy, research on budgetary matters, and preparation of election policy costings. This latter function addresses the "electoral cycle fiscal bias" by allowing voters to evaluate the fiscal implications of competing policy platforms. For Mauritius, Australia's approach offers insights into the potential effectiveness of strengthening parliament's fiscal oversight capacity, the importance of medium-term fiscal planning, and the value of principles-based approaches to fiscal discipline.

4.10. Key Design Insights for Mauritius

This comparative analysis reveals several key design considerations for establishing an effective fiscal council in Mauritius. Rather than suggesting a single "best practice" model, the analysis confirms the need to adapt fiscal council features to Mauritius's specific national context while maintaining core principles of independence, analytical capability, and public engagement. Critical insights include the importance of institutional resilience and political entrenchment, efficiency in institutional form and scale, strategic mandate selection focusing on specific governance weaknesses, well-designed enforcement mechanisms, technological

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innovation to enhance fiscal monitoring, and appropriate flexibility for economic shocks.

5. Proposed Framework for a Mauritian Independent Fiscal Council

The establishment of an Independent Fiscal Council (IFC) in Mauritius constitutes a transformative institutional advancement in the nation's fiscal governance architecture, drawing critical lessons from successful models worldwide while addressing the unique economic characteristics of this Indian Ocean island state.

5.1. Constitutional and Legal Foundation

The most effective fiscal councils are anchored in robust constitutional and legal frameworks. For Mauritius, a dual-layer legal foundation is proposed: constitutional amendments requiring a three-fourths parliamentary majority for alterations to the IFC's mandate, coupled with comprehensive primary legislation through a "Mauritian Fiscal Responsibility and Budget Transparency Act." This approach would establish stronger legal protections than South Africa's vulnerable Parliamentary Budget Office while avoiding the constitutional ambiguities that undermined fiscal council effectiveness in Hungary during political transitions.

5.2. Institutional Design and Appointment Process

The optimal design for Mauritius would feature a balanced five-member council structure with a carefully calibrated appointment process combining technical expertise and democratic legitimacy. The Chairperson and two members would be appointed through parliamentary approval (requiring a two-thirds majority to ensure cross-partisan support) following public hearings, while two specialized members would be nominated by professional bodies such as the Economic Society of Mauritius and the Mauritius Institute of Professional Accountants. This design creates institutional counterweights that enhance independence. All members would serve staggered six-year non-renewable terms to prevent entrenchment while preserving institutional memory.

5.3. Core Functions

Comparative functional analysis of fiscal councils globally reveals that the Mauritian IFC should adopt a comprehensive mandate encompassing five core functions:

1. Independent forecasting: The council would produce independent macroeconomic and fiscal forecasts with full methodological transparency. This function is particularly critical for Mauritius, where revenue volatility from the global business sector creates forecasting challenges more acute than those faced by larger economies with diversified revenue streams.
2. Long-term sustainability analysis: The council would conduct long-term fiscal sustainability analysis with 30-year projections incorporating Mauritius-specific factors, including accelerated demographic aging, climate adaptation costs, and

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transition risks from global minimum taxation initiatives affecting the offshore sector.

3. Fiscal rule monitoring: The council would monitor compliance with fiscal rules through a tailored framework that adapts Jamaica's successful structural budget balance approach to Mauritius's economic cycles, with specific attention to counter-cyclical adjustments for tourism seasonality and export market volatility.

4. Policy analysis: The council would perform systematic policy costing and distributional impact assessment of major fiscal proposals from all political parties and stakeholders, drawing from Australia's Parliamentary Budget Office methodology but expanding analysis across income quintiles and economic sectors.

5. Public communication: The council would engage in proactive public communication and fiscal literacy initiatives tailored to Mauritius's multilingual context and relatively high literacy, yet limited public engagement with fiscal policy. This function would involve regular public reports, educational materials, data visualization tools, and stakeholder engagement.

5.4. Enforcement Mechanisms

Effective enforcement in the Mauritian context requires a graduated framework combining procedural and reputational elements. These would include mandatory government response within 30 days to all formal IFC assessments, automatic parliamentary debates triggered by reported fiscal rule breaches, a requirement to incorporate IFC forecasts in official budget documentation, and annual parliamentary performance hearings with council leadership. This approach avoids both the excessive enforcement powers that triggered political backlash in Hungary and the purely advisory status that proved insufficient in Croatia and Romania.

5.5. Information Access Rights and Operational Independence

The Mauritian IFC must have unambiguous legal authority to access all fiscal information. This would include pre-release access to budget documents, full visibility of state-owned enterprise accounts, access to tax expenditure data and revenue forecasting models, and statutory deadlines for information provision with escalation procedures for non-compliance. Operational independence would be ensured through secure multi-year funding through direct parliamentary appropriation rather than ministerial budget allocation, with a guaranteed minimum of 0.02% of government revenue and explicit prohibition of budget reductions exceeding the average reduction in non-security discretionary spending.

5.6. Specialized Analytical Frameworks

Given Mauritius's distinctive economic profile as a small island financial center with substantial tourism dependence and climate vulnerability, the IFC requires specialized analytical frameworks. These would include comprehensive Global Business Sector risk assessment methodologies, tourism vulnerability metrics,

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detailed analytics on climate fiscal risks specifically calibrated to Mauritius's geography, tailored approaches for evaluating special economic zone policies, and sophisticated modeling of external shock transmission channels reflecting the economy's unusual openness.

5.7. Implementation Strategy and Performance Evaluation

Implementation would follow a carefully sequenced approach beginning with constitutional and legislative changes, followed by a rigorous appointment process, development of Mauritius-specific analytical frameworks, comprehensive baseline fiscal assessment, and finally full operationalization with regular reporting cycles aligned with the budget calendar. Performance evaluation would utilize quantifiable metrics including forecast accuracy, timeliness of reports, impact on fiscal policy debates, and stakeholder perception of independence and effectiveness.

Through this comprehensive framework, incorporating global best practices while addressing distinctive local challenges, the Mauritian Independent Fiscal Council would significantly enhance fiscal transparency, strengthen budget credibility, improve policy formulation, enforce fiscal discipline across political cycles, and ultimately contribute to sustainable economic development and resilience against external shocks.

6. Legal Reforms and Implementation Strategies with Enhanced Critical Analysis for Mauritius

6.1. Constitutional and Legislative Framework

The establishment of an Independent Fiscal Council (IFC) in Mauritius necessitates profound legal reforms that must delicately balance constitutional entrenchment with adaptive flexibility. For Mauritius, optimal legal architecture would involve a two-tiered approach: constitutional amendments explicitly recognizing the IFC as an independent institution, coupled with comprehensive framework legislation delineating specific powers and protections. The constitutional provisions must establish high amendment thresholds specifically for IFC-related clauses while avoiding excessive constitutional detail that could prove inflexible.

6.2. Critical Implementation Challenges Specific to Mauritius

The implementation of a fiscal council in Mauritius faces unique challenges that require careful analysis given the country's distinctive political economy, institutional landscape, and economic structure.

Political Economy Constraints: Mauritius's political system, characterized by coalition governments and frequent party realignments, creates particular implementation challenges. The dominance of a small political elite, often with significant business interests, may resist the transparency and accountability measures that an effective fiscal council would introduce. The historical pattern of political appointments in key institutions suggests that establishing genuine

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independence will require overcoming entrenched patronage networks. The experience of other small island states indicates that political resistance often intensifies when fiscal councils begin to challenge established practices around public expenditure and revenue management.

Institutional Capacity Limitations: Mauritius faces severe constraints in developing the specialized analytical capacity required for an effective fiscal council. The country's limited pool of qualified economists and public finance specialists creates a "brain drain" risk where establishing a fiscal council might weaken analytical capacity in other key institutions such as the Ministry of Finance, the Bank of Mauritius, or Statistics Mauritius. This is particularly challenging given that effective fiscal councils require not just technical expertise but also individuals with a deep understanding of Mauritius's unique economic structure, including its offshore financial sector, tourism-dependent economy, and vulnerability to external shocks.

Economic Structure Complexities: Mauritius's economy presents unique challenges for fiscal council implementation. The significant role of the Global Business Sector in government revenues creates forecasting complexities that require specialized expertise not readily available locally. The economy's vulnerability to external shocks—from tourism disruptions to changes in international tax rules—demands sophisticated analytical capabilities that may exceed what a small fiscal council can reasonably provide. The interconnections between fiscal policy, monetary policy, and financial sector stability in a small open economy create analytical challenges that differ markedly from larger, more diversified economies.

Legal and Regulatory Integration Challenges: Mauritius's legal framework reflects its complex colonial heritage, combining elements of French civil law, British common law, and customary law. This creates particular challenges for establishing a fiscal council with clear legal authority and operational independence. The existing institutional framework, with its emphasis on executive authority and limited parliamentary oversight capacity, may resist the introduction of an independent fiscal watchdog. The integration of a fiscal council with existing oversight institutions—including the Director of Audit, National Audit Office, and Public Accounts Committee—requires careful legal drafting to avoid jurisdictional conflicts and institutional competition.

Resource Mobilization and Sustainability: Small island states face particular challenges in sustaining specialized institutions over time. Mauritius's fiscal council must be designed to remain viable through economic cycles, political transitions, and potential external shocks. The funding mechanism must balance independence requirements with fiscal sustainability, particularly given Mauritius's elevated debt levels and competing development priorities. International experience suggests that

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inadequate funding is a common cause of fiscal council ineffectiveness, but Mauritius's resource constraints make generous funding politically difficult.

6.3. Sequencing and Phased Implementation Strategy

Learning from international experience, particularly the challenges faced in Hungary and Argentina, a carefully sequenced implementation approach is essential for Mauritius.

Phase 1: Foundation Building (Months 1-12): The first phase must focus on building political consensus and institutional foundations. This requires extensive stakeholder consultations, not just with political leadership but also with civil society organizations, business associations, trade unions, and professional bodies. The process must address concerns about institutional costs, potential overlaps with existing oversight bodies, and the council's relationship with other economic institutions. Constitutional amendments should be introduced early in this phase to establish the basic framework while detailed legislation is being developed.

Phase 2: Legal Framework Development (Months 13-18): The second phase involves comprehensive legal drafting incorporating lessons from international experience while addressing Mauritius's specific institutional context. This phase must resolve complex issues around information access rights, relationships with existing oversight institutions, and enforcement mechanisms. The legislation must be carefully crafted to prevent the institutional capture that has undermined fiscal councils elsewhere while ensuring practical workability in Mauritius's small institutional environment.

Phase 3: Institutional Establishment (Months 19-24): The third phase involves the actual establishment of the fiscal council through appointment processes, institutional setup, and capacity development. This phase is particularly critical for Mauritius, given the limited local expertise. It may require international technical assistance for initial capacity building, development of analytical frameworks tailored to Mauritius's economy, and establishment of information systems and procedures.

Phase 4: Operational Launch and Credibility Building (Months 25-36): The final phase involves the council's operational launch with a focus on building credibility through high-quality technical work. Given the skepticism that new institutions often face, the council must demonstrate its value through rigorous analysis, effective communication, and constructive engagement with policymakers and the public.

6.4. Addressing Institutional Resistance and Stakeholder Concerns

The implementation process must explicitly address various forms of institutional resistance and stakeholder concerns that are likely to emerge.

Executive Branch Resistance: The Ministry of Finance and other executive agencies may resist the introduction of independent fiscal oversight, viewing it as a challenge to their authority and expertise. This resistance can manifest through reluctance to

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share information, questioning of the council's technical competence, or attempts to influence appointments. The implementation strategy must include formal protocols for information sharing, clear delineation of roles and responsibilities, and mechanisms for constructive engagement between the council and executive agencies.

Parliamentary Concerns: Parliament may view the fiscal council as either encroaching on its oversight role or as providing technical analysis that highlights parliamentary limitations. The implementation must emphasize the council's role in strengthening rather than replacing parliamentary oversight, providing Parliament with independent technical analysis that enhances its scrutiny capabilities.

Civil Society and Media Engagement: Success requires active engagement with civil society organizations and media outlets that can serve as advocates for fiscal transparency and accountability. The implementation strategy must include provisions for regular engagement with these stakeholders, training programs to enhance understanding of fiscal issues, and accessible communication strategies.

6.5. Technological and Analytical Infrastructure

Mauritius's implementation strategy must leverage technological solutions to overcome resource constraints and enhance effectiveness.

Digital Platform Development: The council should develop a comprehensive digital platform for fiscal data publication, analysis, and public engagement. This platform should provide real-time access to fiscal data, interactive visualization tools, and accessible explanations of complex fiscal issues. Learning from Brazil's successful digital transparency initiatives, such a platform could significantly enhance the council's impact despite resource limitations.

Analytical Model Development: The council must develop sophisticated analytical models calibrated to Mauritius's specific economic structure. This includes forecasting models that account for tourism seasonality, Global Business Sector volatility, and external shock transmission mechanisms. Given local capacity constraints, this may require partnerships with international institutions or universities.

Data Integration Systems: Effective fiscal oversight requires integrated data systems that can access information from multiple government agencies in real-time. The implementation strategy must include the development of data standards, integration

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protocols, and information sharing agreements that enable comprehensive fiscal monitoring.

6.6. Monitoring and Evaluation Framework

The implementation strategy must include robust monitoring and evaluation mechanisms to ensure the council achieves its intended objectives.

Performance Metrics: Clear performance metrics must be established, including forecast accuracy, timeliness of reports, impact on fiscal policy debates, and stakeholder perceptions of independence and effectiveness. These metrics should be regularly assessed and publicly reported.

Adaptation Mechanisms: The implementation framework must include mechanisms for adapting the council's structure and operations based on experience and changing circumstances. This includes provisions for periodic reviews of the council's mandate, resources, and effectiveness.

International Benchmarking: Regular comparison with international best practices can help identify areas for improvement and ensure the council remains effective over time.

Through careful attention to these implementation challenges and strategic responses, Mauritius can establish a fiscal council that meaningfully enhances fiscal governance rather than merely creating another oversight institution. The key to success lies in recognizing that effective implementation requires not just sound institutional design but also careful attention to political economy dynamics, capacity constraints, and stakeholder engagement in the specific context of Mauritius's small island economy.

7. Conclusions and Recommendations

The establishment of an Independent Fiscal Council in Mauritius represents not merely an institutional addition but a fundamental recalibration of fiscal governance architecture with far-reaching implications for economic stability, policy credibility, and democratic accountability. Successful implementation requires navigating the distinctive political economy of Mauritius—characterized by coalition governments, a concentrated business elite, and a complex blend of Continental legal traditions with Westminster parliamentary practices—while addressing specific economic vulnerabilities, including high exposure to external shocks, climate risks, and dependence on a potentially volatile offshore financial sector.

Deep Structural Recommendations for Mauritius

Constitutional Contextualization: Beyond mere constitutional recognition, Mauritius should integrate the IFC within its broader constitutional separation of powers framework, positioning it as a fourth pillar institution alongside judicial, executive, and legislative branches. This requires amendments to Sections 57, 71, and 82 of the

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Constitution of Mauritius to formally recognize independent oversight bodies with specific supermajority protection provisions.

Governance Equilibrium: Implement a sophisticated counterbalancing governance structure addressing Mauritius's specific institutional dynamics, wherein the chairperson is appointed by parliamentary supermajority, two members by professional bodies (Economic Society and Institute of Accountants), one member by the University of Mauritius Senate from economics faculty, and one member nominated by civil society organizations focused on governance and transparency. This five-member structure creates representational equilibrium while ensuring technical competence.

Political-Economy Transition Management: Institute a two-year transition period with a formally constituted Implementation Committee comprising representatives from the Ministry of Finance, the Bank of Mauritius, Statistics Mauritius, major political parties, business associations, and civil society, tasked with overseeing legal drafting, institutional design, and capacity building. This addresses the critical challenge of maintaining reform momentum across potential electoral transitions, particularly significant given Mauritius's history of coalition realignments.

Integration with Existing Oversight Ecosystem: Develop formal cooperation protocols and delineation of responsibilities between the IFC and Mauritius's Director of Audit, Public Accounts Committee, National Audit Office, and Statistics Mauritius to prevent inefficient duplication, jurisdictional conflicts, and reporting fragmentation. The IFC should complement rather than compete with these institutions, with clearly codified information-sharing arrangements.

Multi-Dimensional Enforcement Framework: Establish a graduated enforcement mechanism calibrated to Mauritius's institutional context, combining three elements: (a) procedural triggers requiring parliamentary debate of IFC reports within 30 days of publication, (b) comply-or-explain requirements with mandatory ministerial responses to IFC assessments, and (c) fiscal rule implementation sequencing that introduces advisory periods before binding constraints—addressing the implementation challenges faced in Kenya and Jamaica where immediate binding constraints generated resistance.

Fiscal Rule Design Tailored to Mauritius's Economic Structure: Develop fiscal rules that specifically account for Mauritius's economic particularities: (a) structural deficit rules with explicit adjustments for tourism cycle volatility, (b) contingent liability management framework for state-owned enterprises and public-private partnerships, (c) expenditure growth rules linked to potential output with specific exemption criteria for climate-related disasters, and (d) debt sustainability

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frameworks incorporating external shock scenarios reflecting the economy's openness.

Capacity Development Ecosystem: Establish partnerships with the University of Mauritius, African Development Bank, and international fiscal institutions to create a talent pipeline and knowledge transfer mechanisms. This should include a formal secondment program for Ministry of Finance staff, scholarships for postgraduate studies in fiscal analysis, and technical training programs—addressing the critical challenge of human resource constraints in a small island state.

Digital Transparency Infrastructure: Leverage Mauritius's relatively advanced digital government infrastructure to develop an integrated fiscal transparency platform providing real-time access to budget implementation data, interactive visualization tools for public engagement, and machine-readable data for independent analysis, building upon the existing efforts of the Ministry of Finance while significantly expanding scope and accessibility.

Critical Implementation Considerations

The implementation of a fiscal council in Mauritius must address several critical challenges that are specific to the country's context and that have been underexplored in the existing literature.

Addressing the "Small State Fiscal Council Paradox": Mauritius faces a fundamental paradox where the benefits of fiscal oversight are greatest in small, externally vulnerable economies, but the resource and capacity constraints make implementation most challenging. This requires innovative solutions, including shared regional analytical capacity, technology-enabled efficiency gains, and strategic partnerships with international institutions.

Managing the Global Business Sector Fiscal Risk: The council must develop specialized capabilities to assess fiscal risks from Mauritius's large offshore financial sector, which contributes significantly to government revenues but faces ongoing regulatory pressures from international tax initiatives. This requires analytical frameworks that can model the fiscal implications of various international tax reform scenarios.

Climate-Fiscal Integration: Given Mauritius's vulnerability to climate change, the fiscal council must integrate climate risk assessment into all aspects of fiscal analysis. This includes developing methodologies for assessing the fiscal implications of climate adaptation investments, potential economic disruptions from climate events, and the transition risks associated with global climate policies.

Tourism Dependency Risk Management: The council must develop sophisticated analytical capabilities to assess fiscal risks from tourism volatility, including

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scenario planning for various external shock scenarios and evaluation of fiscal policy responses to tourism disruptions.

Areas for Future Research

Future research must address critical knowledge gaps specific to the Mauritian context:

Optimal Fiscal Rule Calibration: Econometric analysis of Mauritius's specific economic cycles and external shock transmission mechanisms to inform precise calibration of countercyclical fiscal rules, including tourism seasonality adjustments and financial flow volatility metrics.

Institutional Complementarity Mapping: Comprehensive assessment of information flows, mandate overlaps, and coordination mechanisms between existing oversight institutions in Mauritius to optimize integration of the IFC within this ecosystem.

Political Economy of Fiscal Reforms: Analysis of constituency-building strategies for fiscal reforms in Mauritius's specific political landscape, examining successful precedents from the financial services regulatory reforms of 2018-2020.

Global Business Sector Fiscal Risk Framework: Development of specialized analytical tools for assessing fiscal risks arising from Mauritius's offshore financial sector, particularly in light of evolving international tax standards and their revenue implications.

Climate-Fiscal Vulnerability Assessment: Detailed modeling of fiscal impacts from climate-related risks facing Mauritius, including public investment requirements for adaptation infrastructure and potential revenue vulnerabilities from climate-stressed economic sectors.

The successful implementation of an Independent Fiscal Council in Mauritius ultimately depends on transcending mechanical institutional transplantation to develop an organically integrated institution that reflects Mauritius's specific governance traditions, addresses its economic vulnerabilities, and builds upon its institutional strengths. By attending to these nuanced implementation dimensions, Mauritius can establish not merely a functional fiscal council but a transformative institution that substantively enhances fiscal transparency, strengthens economic resilience, and deepens democratic accountability, potentially establishing a model for other small island developing states navigating similar fiscal governance challenges.

The establishment of such an institution represents a critical investment in Mauritius's long-term economic stability and democratic governance, with potential

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benefits extending far beyond immediate fiscal outcomes to encompass broader improvements in institutional quality, public trust, and economic resilience.

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