



# ***EU and national fiscal rules: an overview***

**Elva Bova**

**DG ECFIN, Fiscal Governance Unit**

**Public Finance Network Conference**

**14<sup>th</sup> March 2019**

# Introduction

- Fiscal rules overview
- Main design features
- Possible tensions and consistency
- Open questions



European  
Commission

# ***Fiscal rules overview***

# EU fiscal rules overview

*The EU rules, a reminder...*

## Budget balance rule

- 3% of GDP reference value (SGP 1997)
- Structural balance (SGP reform 2005)

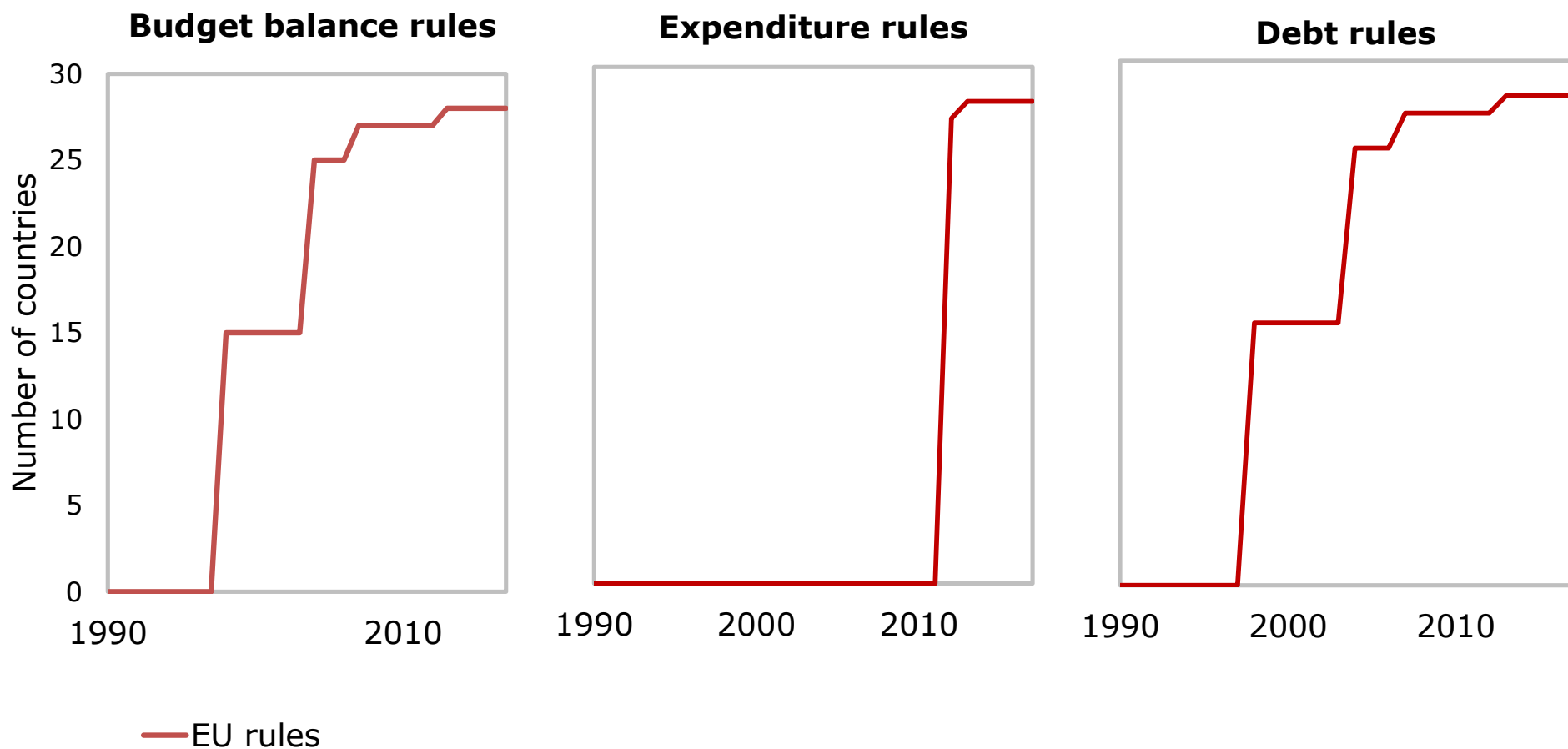
## Expenditure rule

- Expenditure benchmark (Six Pack 2011)

## Debt rule

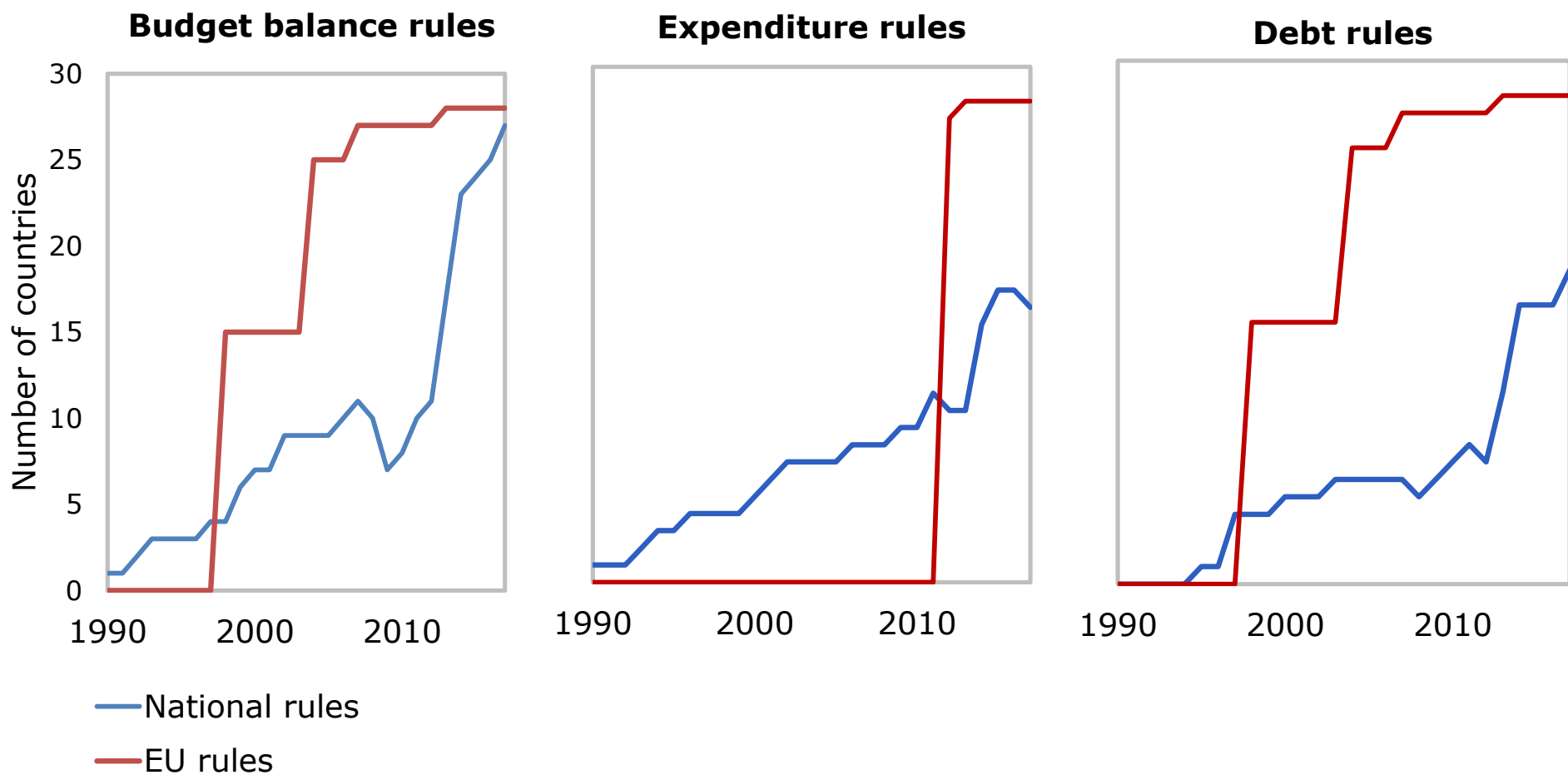
- 60% of GDP reference value (SGP 1997)
- Debt reduction benchmark (Six Pack 2011)

# When were rules adopted?



Source: Fiscal Governance Database and EU legislation, DG ECFIN

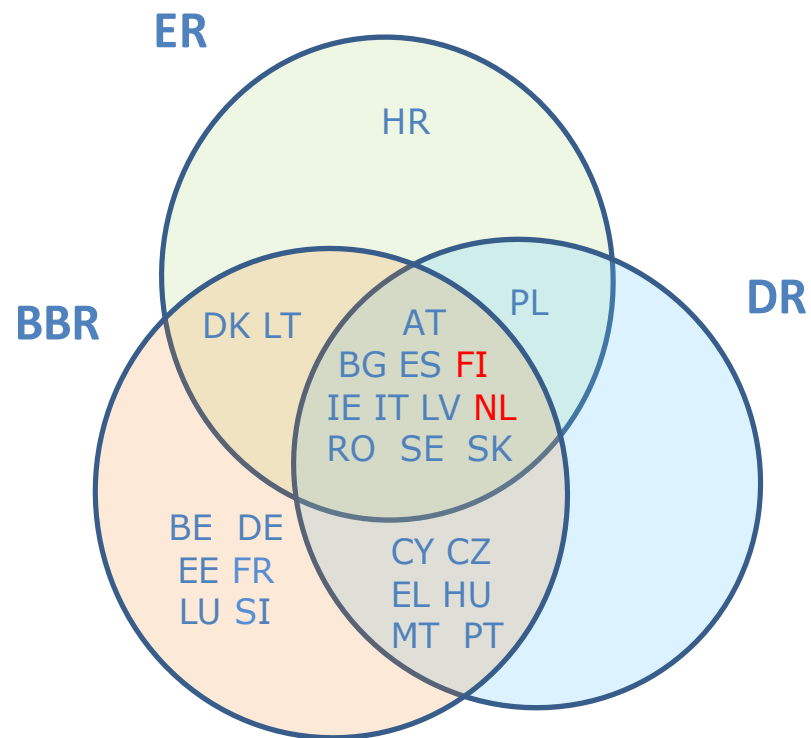
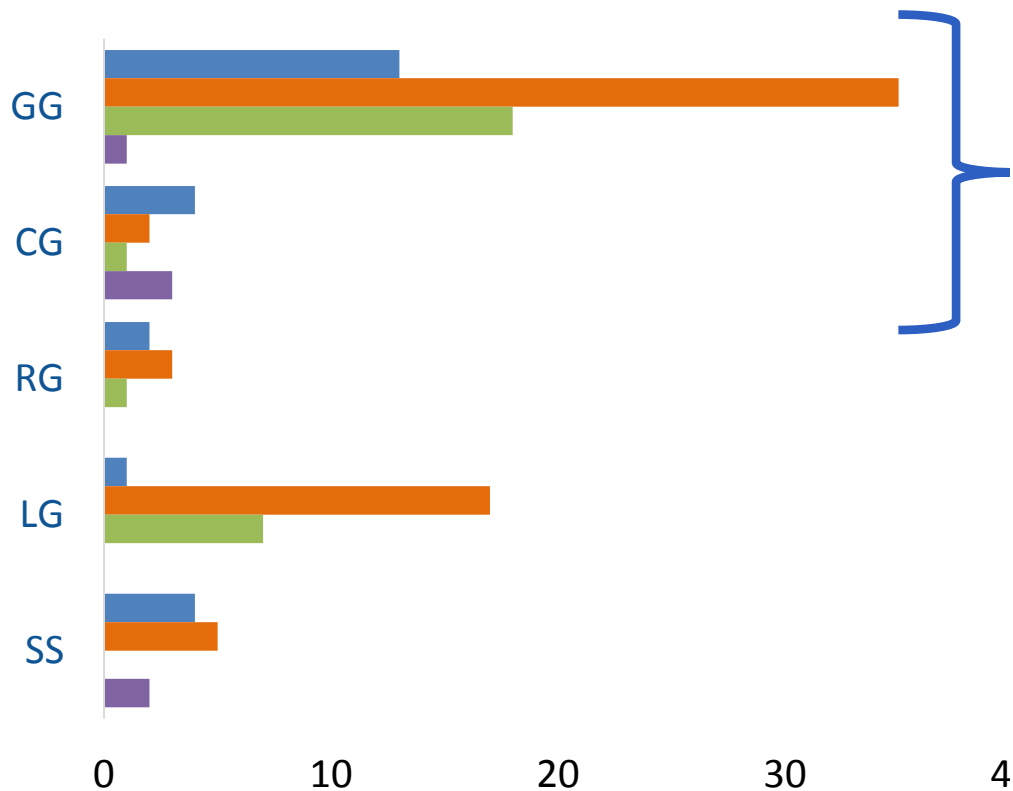
# When were rules adopted?



Source: Fiscal Governance Database and EU legislation, DG ECFTN

# National fiscal rules overview

Type of rules and coverage (2017)



**Note:** only GG and CC rules in place in 2017; **FI** and **NL** also have revenue rules

- Expenditure rules
- Budget balance rules
- Debt rules
- Revenue rules



# *Main design features*



# Main design features

## Budget balance rules (2017)

### EU rules:

3% of GDP reference value

Structural balance rule, with adjustment to MTO

### National rules:

**3% GDP reference value:** AT, BG, NL, HU

**SBR (fiscal compact):** AT, BE, BG, CY, DE, DK, EE, EL, ES, FI, FR, IE, IT, LT, LU, LV, MT, NL, PT, RO, SI, SK

**SBR:** HU

**Other rules:** BG, CZ, FI (CG), PT (CG), SE, UK

# Main design features

## Expenditure rules (2017)

### EU rules

**Expenditure benchmark:** expenditure aggregate net of discretionary measures should grow  $\leq$  medium-term pot.GDP

Expenditure aggregate: net of interest payments, cycl-unemp benefits, exp fully matched by EU funds, one-offs

### National rules

**Expenditure benchmark:** AT, BG, HR, IT, LV, RO, ES

**Medium-term expenditure ceilings:** DK, NL, SE (CG+SS), FI (CG)

**Other rules:** BG, IE, PL, LT (CG), SK (CG), UK (welfare cap)

# Main design features

## Debt rules (2017)

### EU rules:

**Debt 60% of GDP**

**Debt reduction benchmark** = reduction of 5% per year on average over 3 years of the excess above 60% taking the cycle into account

### National rules

**Debt 60% of GDP:** BG, ES, LV, NL, PL, RO

**Debt reduction benchmark:** AT, CY, IE, IT, PT

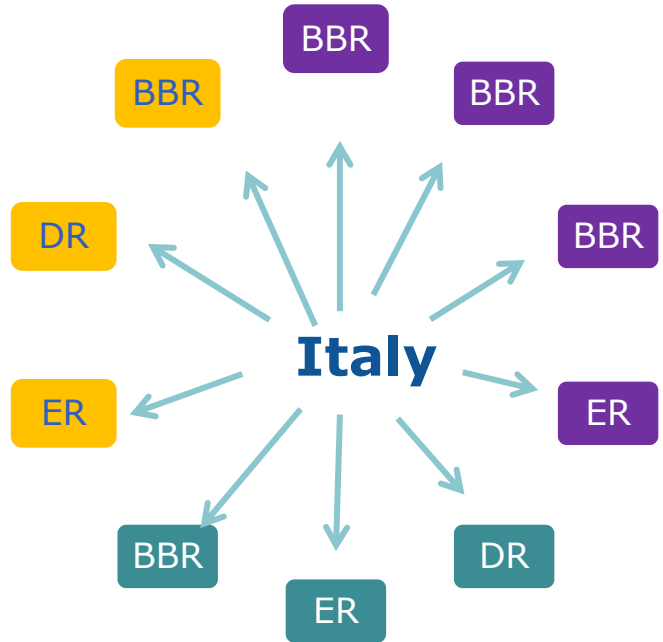
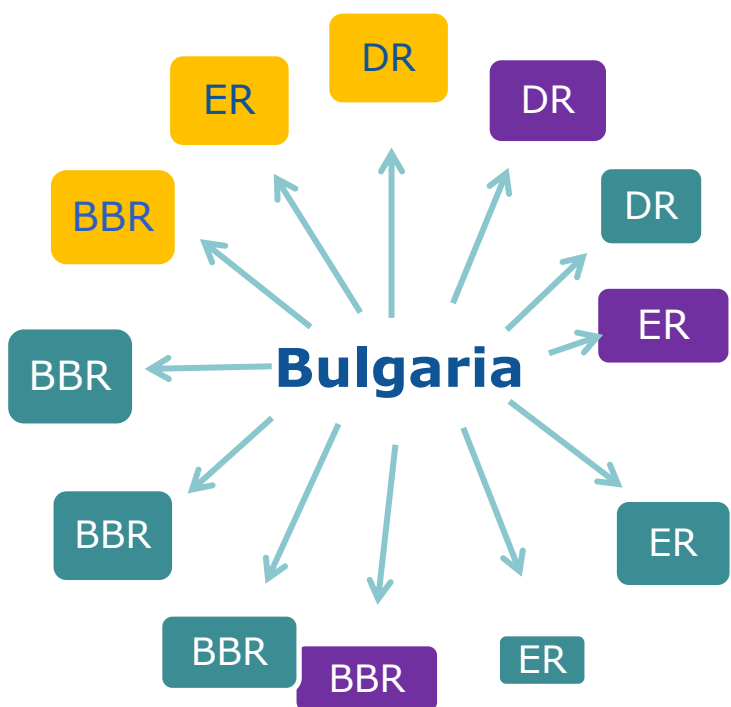
**Other rules:** CZ, EE (CG), FI, HU, UK, SK



# ***Possible tensions and consistency***

# Multiple fiscal rules: examples

-  EU rules
-  Local and/or regional governments
-  General government

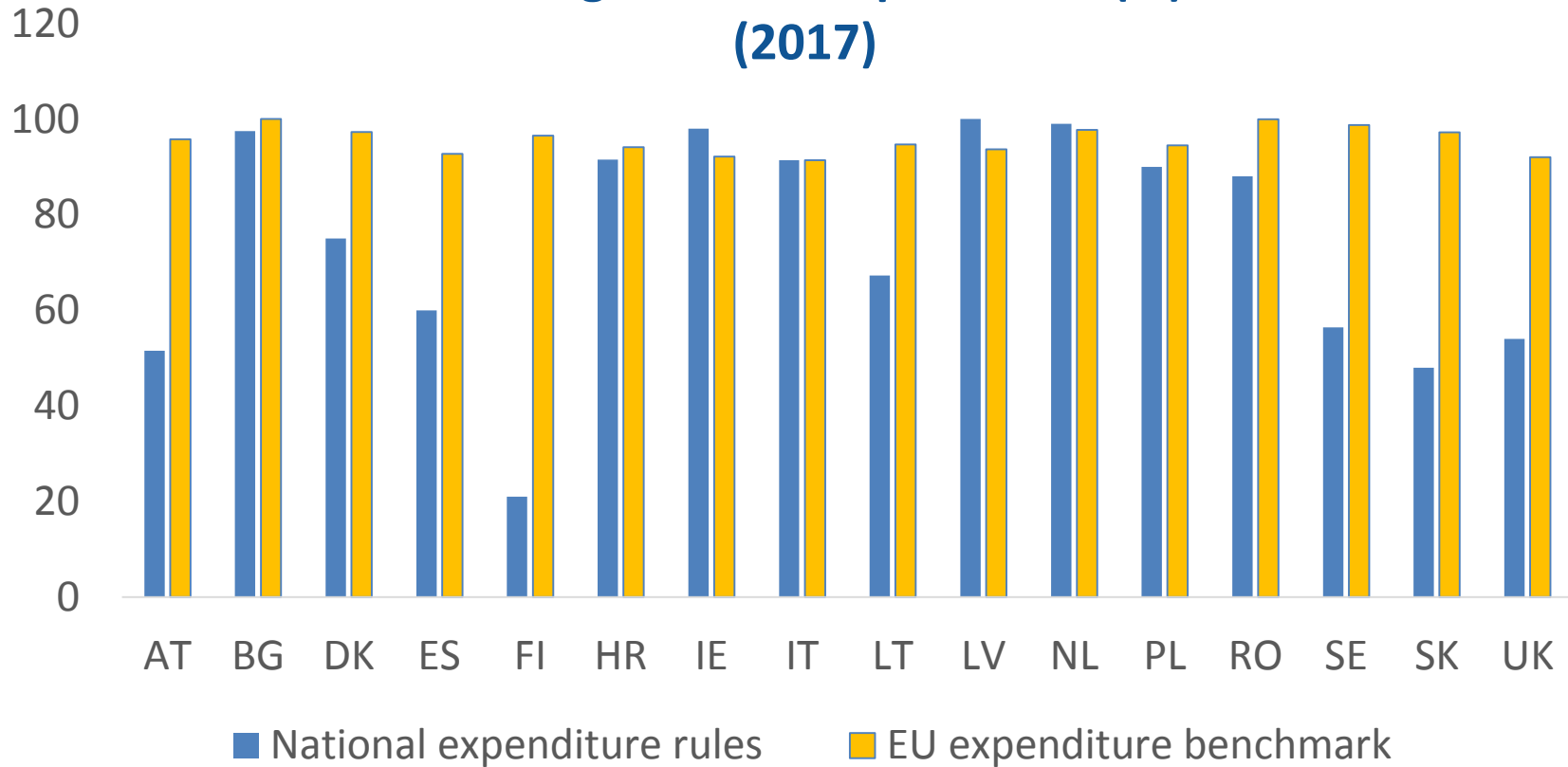


## Challenges from many coexisting rules:

- Targets might be inconsistent;
- More complex monitoring and communication  
=> less transparency and credibility.

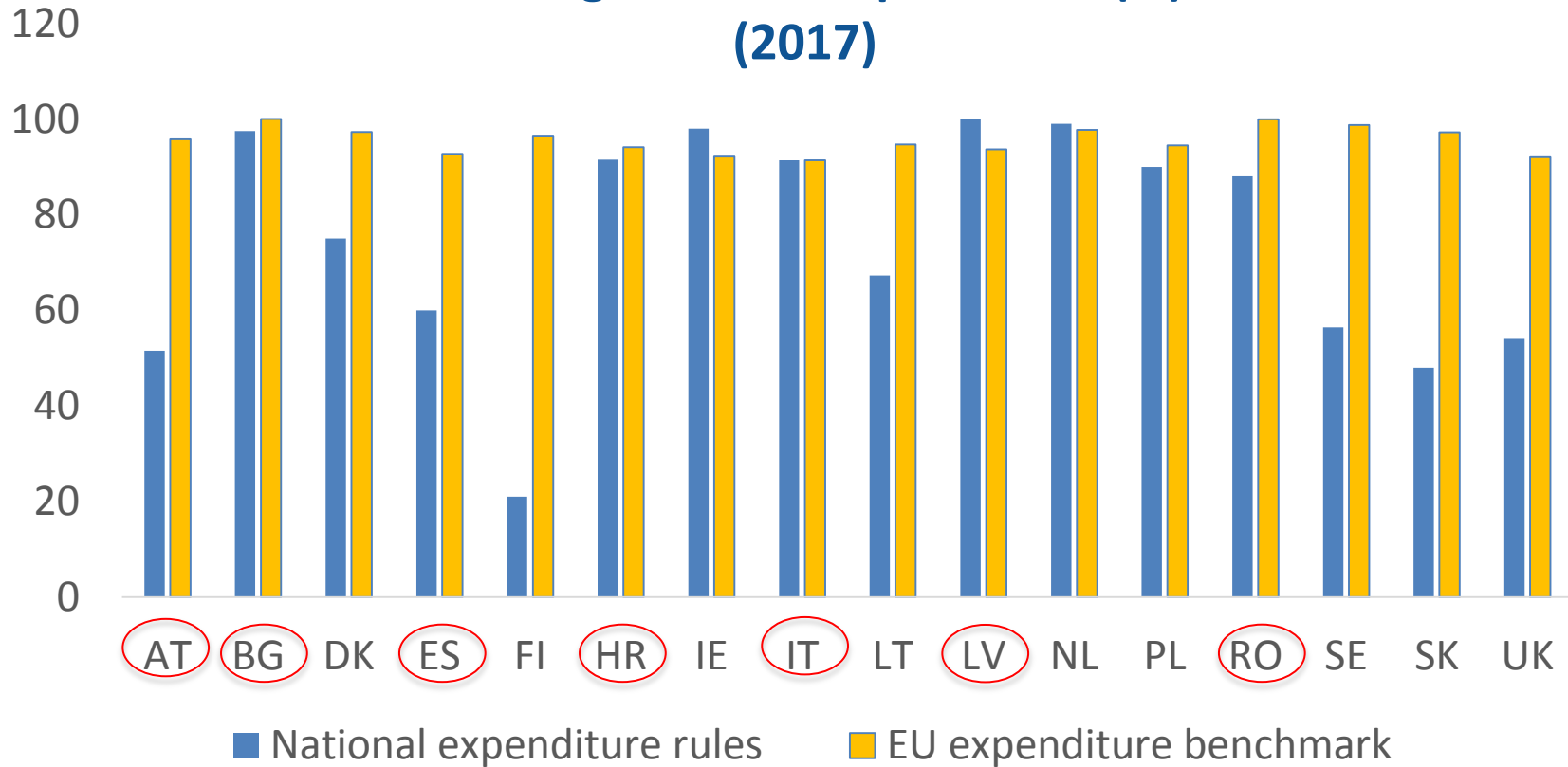
# Coverage

Coverage of total expenditure (%)  
(2017)



# Coverage

Coverage of total expenditure (%)  
(2017)



 = Expenditure benchmark national rule in place

# Additional factors of tension

## Increased complexity:

At the EU level, developments in the SGP and its application, including to promote flexibility

At national level, changes to adapt the rules to evolving contexts, divergences in interpretation

## Accounting standards:

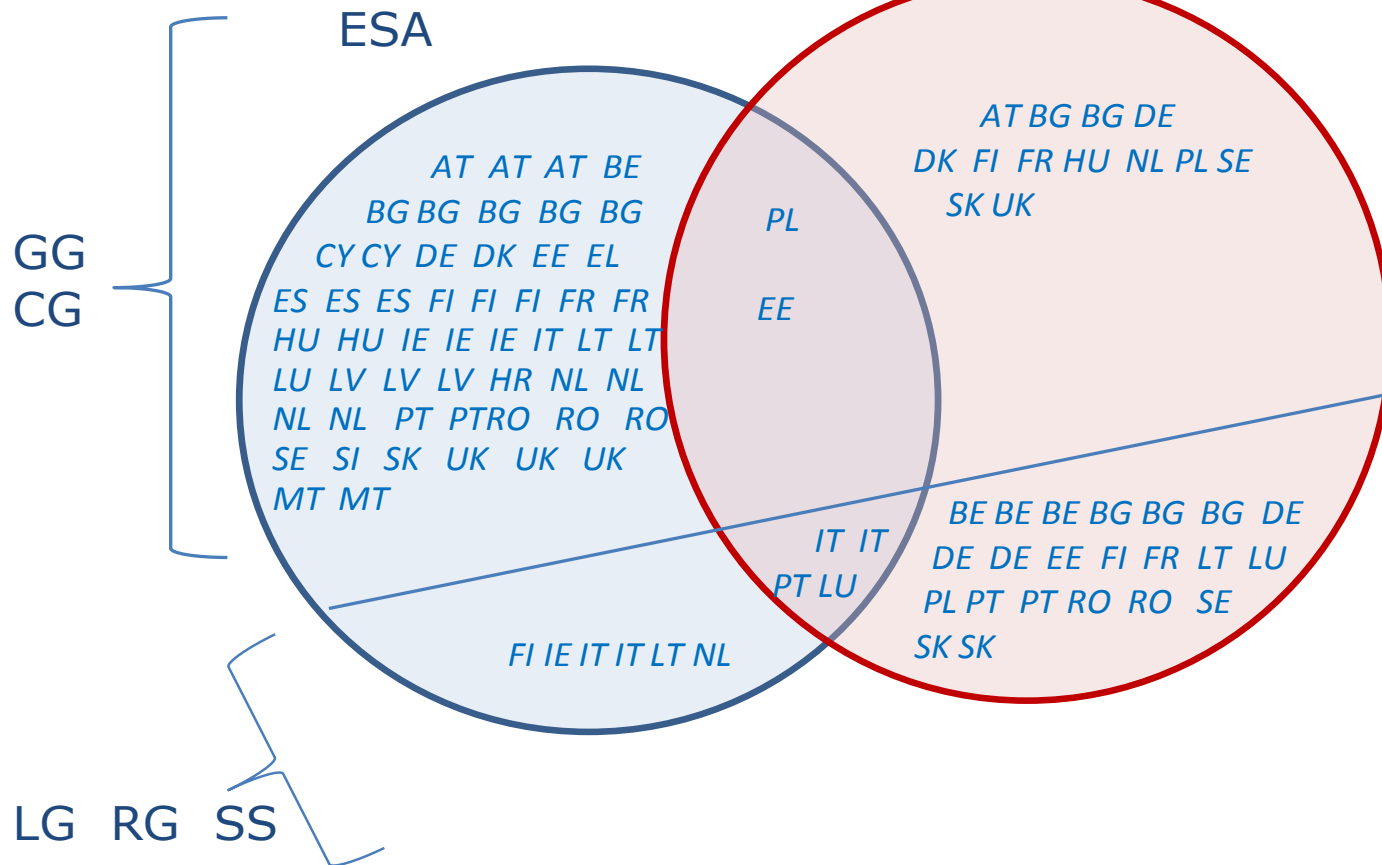
EU rules: ESA

National rules....it varies (ESA, Cash/ Budgetary accounting, ESA + cash...)



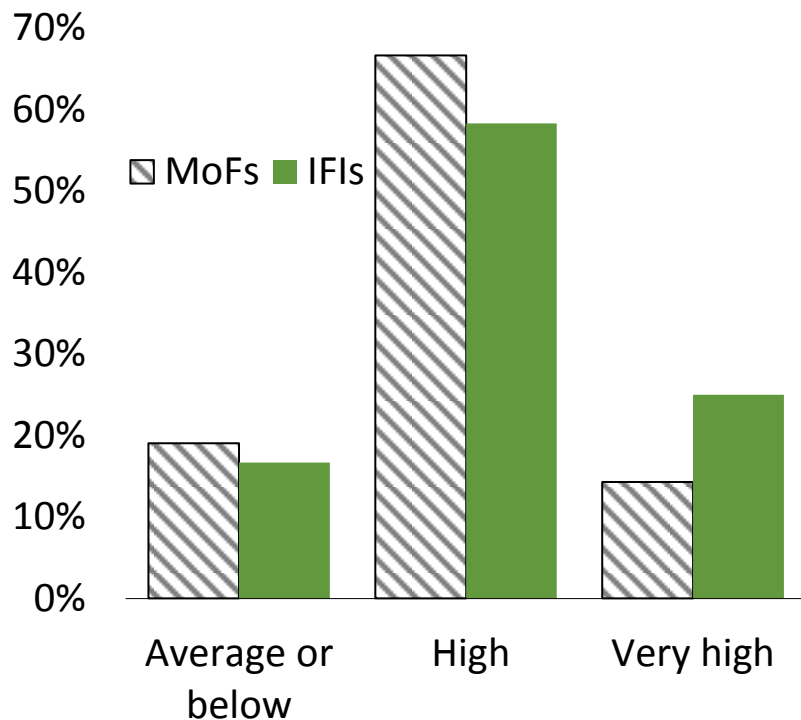
# Accounting standards for national rules (2017)

Cash/Budgetary accounting

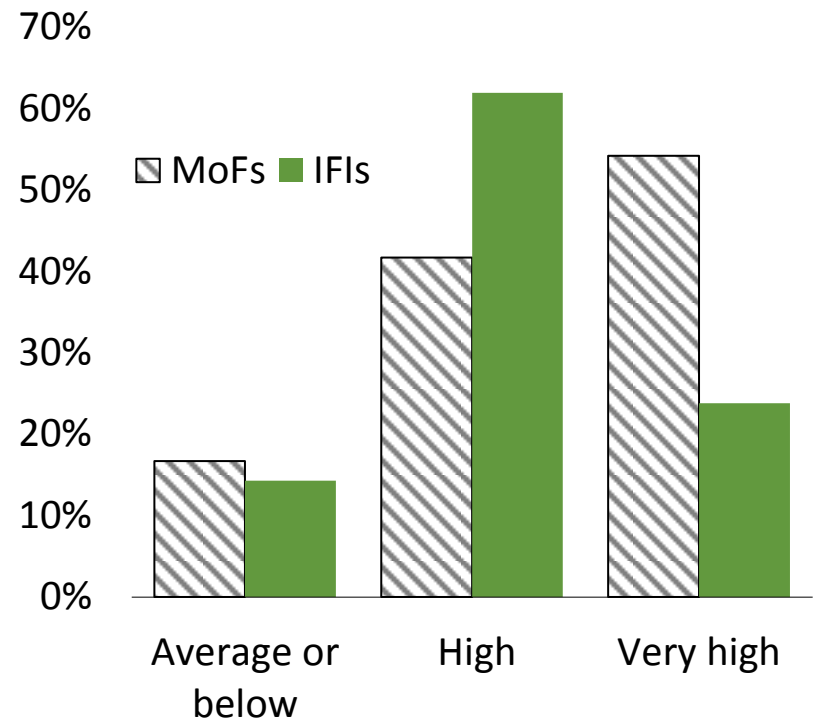


# Consistency: stakeholders' survey on national fiscal rules

## Promotion of fiscal discipline in line with the SGP



## Promotion of Treaty reference values



Source: Stakeholders survey



# *Open questions*

# Open questions

- *To what extent do you see synergies and consistency between EU and national rules?*
- *If there is some tension between the two sets of rules, what do you see as main source(s)?*
- *How can this tension be addressed?*



European  
Commission

***Thank you!***