



**EUROPEAN COMMISSION**

DIRECTORATE GENERAL

ECONOMIC AND FINANCIAL AFFAIRS

Brussels, 20.12.2005

ECFIN/REP-55671 Rev.1

**NUMERICAL FISCAL RULES IN EU MEMBER STATES: A QUESTIONNAIRE**

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(Note for the attention of the Working Group on Quality of Public Finances attached to  
the Economic Policy Committee)

## Introduction

The progress report of the “Working Group on the Quality of Public Finances” (WGQPF), which was endorsed by the EPC on 27 September 2005, placed budgetary institutions at the centre of the analysis of fiscal developments. A first insight on this issue, focussing exclusively on national expenditure rules within medium-term expenditure frameworks, was provided through a questionnaire on the design of national spending rules in EU Member States filled in by the country desks in DG ECFIN. The results of this survey were recently presented and discussed in the working group while the 2005 Public Finance Report (PFR) also contains a chapter dealing with the role of budgetary institutions in shaping budgetary outcomes.

Following this approach and widening the scope of the survey, the aim of this questionnaire is to take stock of the existing **numerical fiscal rules** at *national* level in the EU Member States. The questionnaire covers all types of fiscal rules such as budget balance rules including the golden rules, debt rules, expenditure rules and rules concerning the revenue side of the budget. The questionnaire also considers rules applied to levels of government below the general government sector, covering the possible implementation of national stability pacts.

This questionnaire is a step in the building up of a comprehensive and detailed database offering an overall picture of fiscal rules and institutions in the EU. Another questionnaire will be submitted to Member States in the coming weeks concerning the existing national budgetary institutions in the Member States (i.e. existence and status of independent fiscal agencies, forecasting bodies or similar bodies). These surveys, together with the existing work made by the OECD on the national budget processes, will allow for a comparison of the institutional arrangements in EU Member States and for future analysis on the link between the existence, design and status of fiscal rules and institutions and budgetary outcomes.

## Some guidelines to fill in the questionnaire

The following may be useful to complete the questionnaire properly:

- For each Member State, *one questionnaire per fiscal rule should be filled out*. For instance, a country with one fiscal rule for the central government and one fiscal rule for local governments should fill in two questionnaires whereas a country with two fiscal rules for the general government sector also ought to fill in two questionnaires. Questionnaires should be numbered.
- In case different fiscal rules apply to different entities of a same sub-sector of general government (Communes, autonomous regions of Federated countries), these rules could be disregarded. Only in case roughly the same fiscal rule applies to most of these entities (e.g. most communes are required to meet a balanced budget rule), the fiscal rule should be considered and covered as a single rule. Please use the boxes to provide details.
- Before answering, a complete reading of the whole questionnaire appears advisable in order to place properly each question in its context.

- The survey is made up of 24 questions, which are grouped in 6 sections covering different relevant aspects of fiscal rules, from its definition to the monitoring procedures of the enforcement mechanisms.
- Despite the number of questions, filling out the questionnaire should not be overly time-consuming, considering that it mostly contains closed questions.
- For most of questions, a large box under the heading of “others” or “additional information” is available to make specific comments. Member States are invited to use these boxes to provide any specification they would consider necessary.
- Questions 1 to 4 deserve special attention since they provide the “staple information” of the questionnaire (i.e. the definition of the rule and the relevant general government sector involved by the rule).
- The time frame covered by the questionnaire is the period 1990-2005. For those rules currently in force, Member States are invited to signal changes in their definition and/or contents during the period under review. Likewise, Member States are also requested to fill out the questionnaire for those fiscal rules that had prevailed for certain time within the period 1990-2005 before being abolished. This would allow for a comprehensive analysis of the evolution of fiscal rules in the EU.
- Finally, Member States are invited to use the possibility to give open comments in the box at the end of the questionnaire. This box can be used for general comments on the approach followed by the questionnaire, but also for comments on individual questions in addition to the pre-defined options.

### **What should be considered a fiscal rule?**

A generally accepted and all-encompassing definition of fiscal rules does not exist. The approach is therefore to start from a broad definition of fiscal rules, and then to differentiate between different types of rules. For the purposes of this questionnaire, it was decided to follow the definition proposed by Kopits and Symanski (1998) which states that a fiscal rule is “a *permanent constraint* on fiscal policy, expressed in terms of a *summary indicator of fiscal performance*”.<sup>1</sup> The questionnaire does not concern the annual budget process in which the deficit, expenditure and revenue targets for each year are defined, but the generic rules the (different levels of) government should follow when setting these targets. The reference to a ‘summary indicator of fiscal performance’ indicates that the questionnaire is about rules concerning the main budgetary aggregates (budget balance, government expenditure and revenues, government debt or a major component thereof).

Note that rules based on political commitment only (no constitutional or legal base and absence of sanctions) are also included in the survey. In case of doubt about whether or not a particular arrangement would classify as a fiscal rule, you could decide to describe the main features of the arrangement (under question 2) and try to answer as much as possible the rest of the questions, thereby describing the main characteristics of this arrangement and thus allowing for cross-country comparisons.

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<sup>1</sup> Kopits, G. and Symanski, S. (1998), *Fiscal Policy Rules*, IMF Occasional Paper 162

Further background elements can be found in the chapters dealing with fiscal rules in the 2003 and 2005 editions of the Public Finance Report, which contain preliminary surveys on expenditure rules in EU Member States and on fiscal relations across levels of governments (including 'national stability pacts'). Questions on the nature and status of the rules were inspired by the generally accepted criteria for well-designed rules that have been discussed in the literature.

### **Timetable**

Please fill out the questionnaire electronically, and send your replies to as soon as possible. Replies are expected before 15 January 2006. If you have any doubt, please do not hesitate to contact us:

**laurent.moulin@cec.eu.int and joaquim.ayuso@cec.eu.int**

**Member State:** \_\_\_\_\_

**Questionnaire n°:** \_\_

**I General description of the rule**

**1. Please specify the nature of the rule:**

Revenue rule

Expenditure rule

Budget Balance rule (this includes balanced budget rules, golden rules and rules in relation to the budget balance)

Debt rule

Other rule, please specify:

**2. Please provide a general description of the rule:**

**3. Please indicate the main reasons / motivations for the introduction / existence of the rule. In particular, please indicate whether the introduction of the rule was related to particular events, such as a broad institutional reform, changes in legislation to adapt the budgetary policy making to the requirements established by EMU etc:**

**4. Please indicate the relevant general government sub-sector to which the rule applies. If the rule applies to more than one sub-sector, cross the corresponding boxes. In case the sector covered or concerned by the rule does not match with the categories mentioned below, please use the box to specify:**

- The whole of the general government sector
- Central government (The State and other central government entities)
  - The State / Federal Government
- Regional governments (autonomous regions of the federated states)
- Local governments
- Social security

Additional information:

**5. Please indicate the relevant dates for the rule considered:**

- When it was first approved and when it entered into force:

- If relevant, when it was abolished:

- Please specify and describe the major changes (if any) to the design of the rule made in the period 1990-2005. Please summarise the content of the rule before the changes were implemented:

## II Design: time frame, coverage, exclusions and target definition

### II.a) Time frame

**6. Please indicate the time span covered by the rule. Notably, does the rule extend the time horizon beyond the yearly budgetary cycle? For instance, in case of a multi-annual expenditure rule, please indicate the time horizon covered by the rule:**

### II.b) Coverage

**7. Please specify whether the aggregate targeted by the rule (expenditure, revenues, balance budget etc) is defined in terms of ESA95 accounting or in terms of another accounting system (cash/budgetary accounting). If you consider that some relevant information on this aspect should be pointed out, please use the box below:**

ESA95 accounting

Other cash/budgetary accounting basis, please specify:

Additional information:

**8. In case of expenditure or revenue rules, please specify the following:**

**8.a- which categories of expenditure (resp. revenue components) are covered by the rule (e.g. health care expenditure, all expenditure items, total taxes, only direct taxes etc):**

**8.b- what is the estimated value of the expenditure items (resp. revenue components) covered by this rule as a percentage of total general government expenditure (resp. revenue):**

- less than 5%  5-10%  10- 15%  15-20%  20-25%  25-30%  30-40%  
 40-50%  50-60%  60-70%  70-80%  80-90%  90-100%

**9. In case of a budget balance or debt rules applied to a general government sub-sector(s), what is the expenditure share of this (these) sub-sector(s) over total general government expenditure<sup>2</sup>.**

- less than 5%  5-10%  10- 15%  15-20%  20-25%  25-30%  30-40%  
 40-50%  50-60%  60-70%  70-80%  80-90%  90-100%

**II.c) Exclusions from the coverage of the rule**

**10. Please indicate what elements (if any) are excluded from the rule coverage in each of the following cases:**

**10.a- In case of expenditure rules, please indicate if some expenditure items are excluded from the rule coverage and please estimate their share in total general government expenditure:**

Interest expenditure:

Cyclically-sensitive items (such as unemployment related expenditure) – please specify:

Public investment. Please specify the relevant definition of public investment applied (e.g. gross or net public investment, including only some specific items etc.):

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<sup>2</sup> Obviously, if the rule applies to the whole of the general government sector this percentage is 100%.



Other items, please specify, including their share in general government expenditure:

**10.b- In case of *revenue rules*, please indicate if some categories of receipts (e.g. some particular taxes) are excluded from the rule coverage and please estimate their share in total general government revenue:**

No specific revenue item is excluded

Yes, some specific revenue item(s) are excluded, please specify:

**10.c- In case of *budget balance rules*, please indicate if some budgetary elements are explicitly excluded from the rule coverage and please estimate their share in total general government expenditure:**

Interest expenditure. If relevant, please specify their share in general government expenditure:

Public investment. Please specify the relevant definition of public investment applied (e.g. gross or net public investment, including only some specific items etc.):

Others, please specify:

**10.d- In case of *debt rules*, please indicate the following:**

Some types of government liabilities are excluded from the rule. Please, specify and give the percentage of debt excluded as a percentage of total general government gross debt:

Other exclusions. Please specify and give the amount of debt excluded as a percentage of total general government gross debt:

## II.d) Target definition / specifications

### 11. Please provide details on the definition of the rule.

#### 11.a- In case of *expenditure rules*:

- The rule targets a nominal expenditure ceiling (level)
- The rule targets a real expenditure ceiling (level)
- The rule targets a nominal expenditure growth rate
- The rule targets a real expenditure growth rate
- The rule targets a specific expenditure to GDP ratio
- Others, please describe:

#### 11.b- In case of *revenue rules*:

- The rule imposes constraints on the allocation of higher-than-expected revenues in good times. Please describe:

- The rule imposes constraints on the developments in the tax-to-GDP ratio. Please specify:

- Other, please describe:

#### 11.c- In case of *budget balance rules*:

- The rule targets a specific budget balance in nominal terms
- The rule targets a specific budget balance as a percentage of GDP
- The rule targets a specific budget balance as percentage of GDP in cyclically-adjusted or structural terms.
- The rule targets a specific budget balance as a percentage of GDP within a range of possible values depending on growth developments.
- The rule targets a given improvement of the budget balance (as a % of GDP).

The rule targets a given improvement of the structural or cyclically-adjusted budget balance (as a % of GDP).

Other, please describe:

**11.d- In case of *debt rules*:**

The rule targets a specific amount of debt in nominal terms

The rule targets a specific debt-to-GDP ratio

The rule targets a given reduction in the debt-to-GDP ratio

The rule establishes a ceiling for the government (or a specific sub-sector) debt in level or as a % of GDP

Other, please describe:

**12. Among the following options, which is the closest to the actual results stemming from the respect of the rule:**

**12.a- In case of *expenditure rules*:**

Respect of the rule implies a stabilisation in nominal expenditure.

Respect of the rule implies a stabilisation in real expenditure.

Respect of the rule implies an increase in real expenditure lower than the potential real GDP growth rate of economy.

Respect of the rule implies an increase in real expenditure in line with the potential real GDP growth rate of economy.

Respect of the rule implies an increase in real expenditure higher than the potential real GDP growth rate of economy.

Other. Please specify:

**12.b- In case of *revenue rules*:**

Respect of the rule implies a stabilization of the tax burden (tax-to-GDP ratio).

Respect of the rule implies a decrease in the tax burden (tax-to-GDP ratio).

The rule limits the increase in the tax burden.

Other. Please specify:

**12.c- In case of *budget balance rules*:**

- Respect of the rule implies a stabilization of the nominal budget balance at a given level.
- Respect of the rule implies a stabilization of the budget balance in % of GDP at a given level.
- Respect of the rule implies a stabilization of the structural budget balance in % of GDP at a given level.
- Respect of the rule implies a given improvement of the budget balance as a % of GDP.
- Respect of the rule implies a given improvement of the structural budget balance as a % of GDP.
- The rule allows for a worsening of the budget balance as a % of GDP under certain circumstances and/or up to a pre-established threshold.
- The rule allows for a worsening of the structural budget balance under certain circumstances and/or up to a pre-established threshold.
- Others. Please, specify:

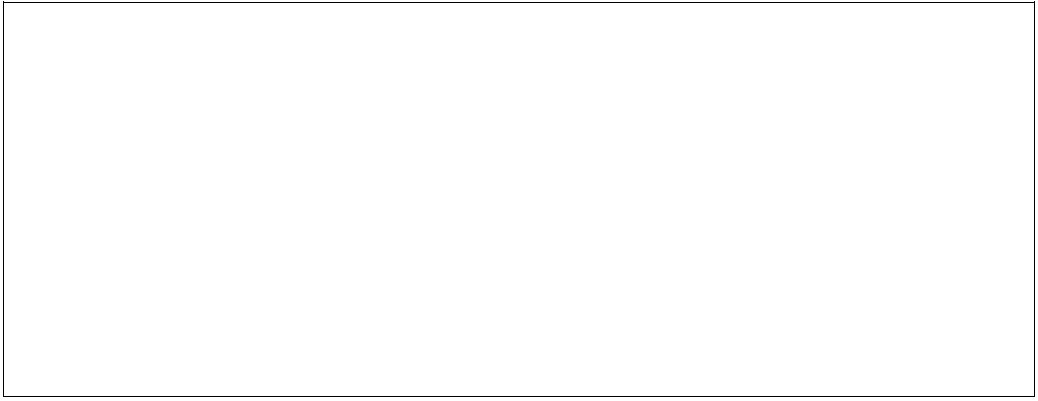
**12. d- In case of *debt rules*:**

- Respect of the rule implies a stabilisation of the debt level (nominal terms).
- Respect of the rule implies a decrease in the debt level (nominal terms).
- Respect of the rule implies a stabilization of the debt ratio.
- Respect of the rule implies a decrease in the debt ratio.
- Others. Please, specify:

**13. Does the rule limit or prevent the implementation of pro-cyclical fiscal policies, notably in good times?**

- No.
- Yes. Please specify:

*Could you please indicate whether with respect to the questions 6-13 anything has changed since 1990, and if so, why these changes occurred? In particular, were such changes triggered by the adoption of the Maastricht Treaty, or by introduction / implementation of the Stability and Growth Pact?*



### III Statutory base of the rule

14. Please, indicate which of the following best describes the statutory base of the rule:

**Medium-term arrangement:**

- Coalition agreement.
- Political agreement or commitment made by the relevant authority (e.g. commitment made by the government, the Minister of Finances or the President of a regional government) other than a coalition agreement.
- Other, please describe:

**Long -term arrangement:**

- Provisions related to the rule are enshrined in a legal act (e.g. rule incorporated in Public Finance Act, in a Fiscal Responsibility Law or in any other similar statutory act).
- Pact or agreement reached by different general government tiers not necessarily enshrined in any legal act but which makes up a domestic stability commitment.
- Provisions related to the rule are enshrined in the Constitution.
- Other, please describe:

## IV Monitoring of compliance with the rule

### 15. Who is responsible for monitoring respect of the rule?

- No body in charge of monitoring.
- The Ministry of Finance.
- Governmental structure (politically dependant) other than the Ministry of Finance. Please specify:

- National Parliament
- Independent authority (e.g. Fiscal Council, Court of Auditors). If yes, please specify:

- Other, please specify:

*Could you please indicate whether with respect to the questions 15-16 anything has changed since 1990, and if so, why these changes occurred? In particular, were such changes triggered by the adoption of the Maastricht Treaty, or by introduction / implementation of the Stability and Growth Pact?*

## V Enforcement

**16. In case of non-compliance with the rule, could you please indicate which of the following options best describes who / which body enforces the rule observance:**

- No body in charge of enforcement.
- Internal enforcer - Ministry of Finance.
- Governmental structure (politically dependant) other than the Ministry of Finance. Please specify:

- National Parliament
- Independent enforcer, e.g. judiciary branch or an independent fiscal body / review panel created to ensure the rule enforcement. Please specify:

- Other, please specify:

**17. Please indicate which of the following best characterises the rule in terms of escape clauses:**

- There are no predefined escape clauses
- Derogations to the rule are possible if budgetary problems arise in sensitive areas (e.g. healthcare)
- Derogations to the rule are possible in case of adverse events outside governmental control (e.g. natural disasters, exceptional slowdown in economic growth)
- There is a list of events automatically granting a derogation from the rule, and if so please specify them:



**18. Could you please specify what option best describes the actions taken in case of non-compliance or risks of non-compliance with the targets implied by the rule (more than one option is possible).**

- There are no ex-ante defined actions.
- The government or the relevant authority is obliged to prepare a proposal to the Parliament or to the body which enforces the rule observance with corrective measures.
- The ministry/official body/government or relevant authority responsible for the overrun is obliged to correct it by taking appropriate actions. Please specify:

- There is an automatic correction mechanism (e.g. a link between non-compliance in the current year and the resource allocation in the budget of the following year). If so, please describe the mechanism:

- There is a possibility of imposing sanctions. If so, please describe the mechanism (who imposes what sanctions on whom and whether their imposition seems credible):

- There is an automatic mechanism for sanction imposition in case of non-compliance. If so please describe the mechanism (who imposes what sanctions on whom):

- Other, please specify:

*Could you please indicate whether with respect to the question 17-19 anything has changed since 1990, and if so, why these changes occurred? In particular, were such changes triggered by the adoption of the Maastricht Treaty, or by introduction / implementation of the Stability and Growth Pact?*

**19. Please indicate which of the following options best describes the average level of media / public opinion reaction in case of rule non-compliance:**

- No reaction
- Modest interest of media and public opinion
- High level of media activity, but not likely to invoke public debate
- High level of media activity, resulting in public debate on the subject, likely to induce government to publicly justify the non-compliance

**20. Did the rule significantly affect the composition of revenue and expenditure?**

- No
- Yes. Please specify:

## VI Compliance and circumventing

**21. Since the rule entered into force (see question 3), has the rule been respected...**

- Never
- Rarely
- In less than 50% of cases
- In more than 50% of cases
- Almost always
- Always

**22. Could you please summarize the main reasons for non-compliance?**

**23. Could you please indicate your view on whether the rule has significantly contributed to budgetary discipline?**

- The rule did not significantly contribute to fiscal discipline
- There was hardly any contribution to fiscal discipline
- There is a perception that the rule significantly contributed to fiscal discipline
- The rule definitely contributed to fiscal discipline

*Additional comments:*

**24. Please indicate whether there are any planned changes in the design and implementation of the rule**



## **End of questionnaire**

*Thank you very much for your time and expertise*

**Contact person for the questionnaire:**

***With the view to facilitate future contacts, could you please indicate the name, phone number and email of the person in charge of fulfilling this questionnaire in your administration?***

**If you have any comments concerning the questionnaire, any additional remarks, please mention them in the box below:**