



Numerical Fiscal Rules: Update of Questionnaire

(15 December 2009)

Introduction and background

In the January 2006 Council Conclusions, the ECOFIN emphasised the role played by domestic fiscal frameworks in shaping budgetary outcomes and invited the Commission, in cooperation with the EPC, to conduct a comprehensive analysis of the existing national fiscal rules and institutions in the EU Member States and their influence on budgetary developments.

With a view to carrying out this analysis, two surveys on national numerical fiscal rules and independent institutions operating in the area of fiscal policy were conducted among Member States in 2006. The questionnaires were filled in by national authorities and provided comprehensive and updated information on existing fiscal rules and institutions during the period 1990-2005 in EU countries. A first analysis of these surveys was included in the Commission's 2006 Public Finance Report and yielded interesting and relevant results in terms of policy making implications.

Following up the conclusions from the October 2007 ECOFIN and the mandate given by the EPC in its February 2008 meeting, the 2006-survey was updated in 2008 with information on changes to existing and/or new fiscal rules over the period 2005–2008.

Finally, at the April 2009 ECOFIN meeting, the Council invited Member States to annually update the Commission's questionnaire on changes in their fiscal governance framework, and the Commission was asked to report back regularly on the outcome. In order to accomplish these Council's requests, Member States are kindly requested to provide information concerning (i) changes to existing rules and/or (ii) new fiscal rules introduced since 2008.²

Information provided by the 2006 and 2008 surveys allowed Commission services to build up a detailed database on fiscal rules in force between 1990 and 2008 in the EU. Following the EPC agreement on the public availability of this information, DG ECFIN will shortly publish this database in its website. The annual updating of these surveys will allow to bringing up to date this catalogue of fiscal rules. In turn, this regular updating is planned to be effective in the context of the stability and convergence programmes' annual submission, which this year will take place in January 2010.

² Two other questionnaires will be submitted to Member States concerning (i) changes in their national fiscal institutions since 2008 and (ii) changes in the budgetary procedures and medium-term budgetary frameworks.

Attached to this explanatory note, you will find a questionnaire consisting of two parts. The first part, “Overview Information on Existing Rules,” asks to provide a general overview of any changes made to existing domestic fiscal rules between 2008 and 2009. The second part, “Main Questionnaire,” asks to provide details about these changes to existing rules and/or to describe the specificities of the introduction of new rules.

The Commission will send this questionnaire to Member states in the coming days by e-mail. In addition, and as a background information for your convenience, this e-mail will also contain the questionnaires on national fiscal rules submitted by your authorities in the 2006 and 2008 surveys, if any, that were accepted by DG Ecfm and included in the corresponding database on fiscal rules.³ This additional information should allow you to clarify any doubt related to the answers provided by national authorities in the preceding surveys.

Some guidelines to fill in the questionnaire

The following may be useful to complete the questionnaire:

- For each Member State, the “Overview Information on Existing Rules” questionnaire in Part A, asking for changes in the existing fiscal rules or the introduction of new rules must be filled out. ***If there are no changes in the existing rules or no new rules established between 2008 and 2009, only this short questionnaire needs to be returned.***⁴
- The “Main Questionnaire” providing details on new and reformed fiscal rules is basically the same as the one used in the 2008 survey, only slight changes have been introduced to make it consistent with the new relevant period of analysis, 2008-2009, and the updating of the database on rules.
- For each Member State, *one “Main Questionnaire” for each new fiscal rule and/or each reform of existing fiscal rules must be filled out.*
- In case different fiscal rules apply to different entities of the 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 is advisable in order to place properly each question in its context.
- The “Main Questionnaire” is made up of 23 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.

³ It must be recalled that some questionnaires sent to DG Ecfm by Member States were not taken into account since the fiscal rules they referred to did not fit the definition of numerical fiscal rule adopted in the survey.

⁴ Member States should also include information on those fiscal rules that were not yet in force in 2008 or 2009 but were already approved during this period and whose design and details are completely known and their implementation will be effective shortly.

- For most of the 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. In turn, when the answers refer to a reformed fiscal rule, these boxes can be used to reply “unchanged” in case no modifications have been introduced.
- Questions 1 to 4 of the “Main Questionnaire” deserve special attention since they provide the “staple information” (i.e. the definition of the rule and the relevant general government sector involved by the rule).
- 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 numerical 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. Like in the 2006 and 2008 surveys, the present questionnaire follows 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*”.⁵ 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).

In order to be consistent with the previous survey, rules based on political commitment only (no constitutional or legal base and absence of sanctions) are also covered by the questionnaire. 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. It is also important to recall that “national stability pacts are also taken into account” in the survey.

Further background elements can be found in the chapter dealing with fiscal rules in the 2006 edition of the Public Finance Report, which contain main results of the 2006 survey. 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(s) electronically, and send your replies as soon as possible. Replies are expected before **15th February 2010**. If you have any doubt, please do not hesitate to contact us:

Mail to: Ecfm-fiscalframework@ec.europa.eu and
Geir-mo.johansen@ec.europa.eu (Tel.: +32-2-295.64.91)

⁵ Kopits, G. and Symanski, S. (1998), *Fiscal Policy Rules*, IMF Occasional Paper 162

PART A: OVERVIEW INFORMATION ON EXISTING RULES

MEMBER STATE: Sweden

1. – Fiscal rules in force in 2008

Please, answer the following questions on fiscal rules in your country that were already in force in 2008. According to the information provided by national authorities in the previous surveys, there were 3 fiscal rules in force in 2008 (see *Rules_2006(1)*, *Rules_2006(2)*, *Rules_2008(1)*, *Rules_2008(2)* and *Rules_2008(3)* attached to the e-mail for the information submitted by your country in the 2006 and 2008 surveys).

1.a – **Expenditure rule** (see attached *Rules_2006(1)* and *Rules_2008(1)*): Nominal expenditure ceiling applied to the central government and the social security sector.

This fiscal rule

- remains unchanged.
- has been abolished. Please specify when it was abolished and explain the main motivations to remove it.

- has been reformed.
- In this case, please fill in the main questionnaire. If changes introduced are just limited to some specific aspects of the rule, you can answer only the questions related to them, whereas the remaining questions may be completed by simply answering “unchanged”.

1.b – **Budget balance rule** (see attached *Rules_2006(2)* and *Rules_2008(2)*): Surplus target applied to the whole of the general government sector.

This fiscal rule

- remains unchanged.
- has been abolished. Please specify when it was abolished and explain the main motivations to remove it.

- has been reformed.
- In this case, please fill in the main questionnaire. If changes introduced are just limited to some specific aspects of the rule, you can answer only the questions related to them, whereas the remaining questions may be completed by simply answering “unchanged”.

1.c – **Budget balance rule** (see attached *Rules_2008(3)*): The Local Government Act stipulates that local governments are obliged to balance their budgets.

This fiscal rule

remains unchanged.

has been abolished. Please specify when it was abolished and explain the main motivations to remove it.

has been reformed.

In this case, please fill in the main questionnaire. If changes introduced are just limited to some specific aspects of the rule, you can answer only the questions related to them, whereas the remaining questions may be completed by simply answering “unchanged”.

PART B: MAIN QUESTIONNAIRE

Member State:

Questionnaire n°:

Introduction:

Please, specify whether the answers given in this questionnaire refer to:

- A fiscal rule in force in 2008 that has been reformed.

The reformed rule refers to rule number from the previous survey.

- A new fiscal rule approved and/or implemented in 2008 or 2009.

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 of a new fiscal rule or for the reform of an existing fiscal rule already in force in 2005. In particular, please indicate whether the introduction or the reform 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 (e.g. the Stability and Growth Pact) 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. In case of a reform of an existing fiscal rule, please specify when the changes were approved and when entered into force.

- In case of a new fiscal rule, please indicate whether the rule has already undergone any change after its approval or it is expected to be amended in the next future. Please, provide, if possible, information about these possible changes:

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 expenditure⁶.

- 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.):

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

⁶ Obviously, if the rule applies to the whole of the general government sector this percentage is 100%.

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:

In case the answers given in this questionnaire refer to a reformed fiscal rule, and the changes introduced are linked to one or more elements related to questions 6-13, please explain the main motivation of these changes.

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:

In case the answers given in this questionnaire refer to a reformed fiscal rule, and the changes introduced are related to question 14, please explain the main motivations of these changes.

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:

Is there a real-time monitoring?

- No
- Yes. Please specify:

In case the answers given in this questionnaire refer to a reformed fiscal rule, and the changes introduced are related to question 15, please explain the main motivations of these changes:

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:

In case the answers given in this questionnaire refer to a reformed fiscal rule, and the changes introduced are linked to one or more elements related to questions 16-18, please explain the main motivation of these changes:

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 new rule entered into force or the changes applied to an existing fiscal rule were implemented, the rule has been respected...

- Never
- Rarely
- Around 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 new or the reformed rule is significantly contributing to budgetary discipline?

- The rule is not significantly contributing to fiscal discipline
- There is hardly contributing to fiscal discipline
- There is a perception that the new or the reformed rule is significantly contributing to fiscal discipline
- The new or the reformed rule is definitely contributing to fiscal discipline

Additional comments:

End of questionnaire

Thank you very much for your time and expertise

Contact person for the questionnaire:

With the view to facilitating 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: