



EUROPEAN COMMISSION
DIRECTORATE GENERAL
ECONOMIC AND FINANCIAL AFFAIRS
Macroeconomy of the euro area and the EU
Public finances in the euro area and the EU

SCPs and Budgetary Procedures: Update of Questionnaire

(15 December 2009)

Introduction and background

The Council decided, in the context of the 2005 SGP reform, to strengthen the preventive arm of the SGP. It defined a number of principles for the preparation and assessment of Stability and Convergence Programmes and emphasised that further progress was needed to improve the governance of the EU fiscal framework. In particular, the Council invited Member States to present their Stability and Convergence Programmes (SCPs) and the Council opinions thereon to their national Parliaments, and to show continuity with respect to the budgetary targets endorsed by the Council on the basis of the previous update of the stability/convergence programme.

Ministers agreed at the Eurogroup meeting of 8 September 2006 that the Commission should examine how to improve budgetary governance and the functioning of the preventive arm of the SGP. Discussions on the basis of Commission notes in the EFC-A, EFC, EPC and EWG confirmed that there was a lack of common knowledge on the calendars / main steps followed in the preparation of national budgets and of SCPs in the Member States.

The questionnaire on **SCPs and budgetary procedures** sent out late 2006 intended to fill this gap, by taking stock of the current practice in the Member States concerning the preparation and monitoring of the implementation of SCPs and their connection to national budgets or existing national medium-term budgetary frameworks. The questionnaire also included a number of questions concerning the practice (frequency, motivations) of corrective budget bills in the Member States. The results of this survey were analysed by the Commission services and presented in the 2007 edition of the Public Finance Report.

Following up the conclusions from the October 2007 ECOFIN Council 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 practice over the period 2005-2008.

Subsequently, at the April 2009 ECOFIN meeting, the Council invited Member States to annually update the Commission's questionnaire on changes in their budgetary procedures, 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 budgetary procedures and/or (ii) new budgetary procedures introduced since 2008.¹

Information provided by the 2006 and 2008 surveys allowed Commission services to build up a detailed database on budgetary procedures in force in the EU. Following the EPC agreement on the public availability of this information, DG ECFIN has published this database in its external website at the address:

http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance15171_en.htm

The annual updating of these surveys will allow to bringing up to date this catalogue of budgetary procedures. 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.

Attached to this explanatory note, you will find an updated questionnaire on SCPs and budgetary procedures, which has hardly been changed compared to the questionnaire sent out in 2006 and 2008.

Some guidelines to fill in the questionnaire

The following may be useful to complete the questionnaire:

- Each Member State should fill out *one questionnaire*, reflecting *current (2009) practice*, specifying clearly wherever practice has changed since the last questionnaire. If a practice has not changed, a “no change” reply will do. However, please notice that **a new question has been added** (question no. 5.7). Please answer this question irrespectively of whether other changes in practice have been made or not.
- The questions in the survey are grouped in six sections covering different relevant aspects on the preparation, monitoring, and follow up to SCPs. The questionnaire starts by asking some basic information on the annual budgetary process. For most of the questions, a box is available to make specific comments. Member States are invited to use these boxes to provide any specification they would consider necessary.
- Before answering, a complete reading of the whole questionnaire and the answers from the last survey appears advisable in order to know which questions that needs to be updated.
- 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.

¹ Two other questionnaires will be submitted to Member States concerning (i) changes in their national fiscal institutions since 2008 and (ii) changes in their numerical fiscal rules.

Timetable

Please fill out the questionnaire 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)

Member State:

I. Budgetary procedures and medium-term budgetary frameworks

1. Could you please provide a brief description of the main steps followed for the preparation of the annual Budget in your country?

2. Could you please provide information on when the crucial decisions are taken in the preparation of the budget?

a. Beginning of the budget preparation (date and brief description of this first step):

b. Preparation (and release) of the macroeconomic assumptions of the Budget:

c. If relevant, important intermediate steps in the budget preparation (other than those mentioned in this list; e.g. decision on an expenditure ceiling, coordination with other levels of government). Please indicate when these steps take place and if they are marked by a public announcement):

d. Discussion of the draft budget by Government:

e. Date (or deadline) of submission of the draft budget to Parliament:

f. Date (or deadline) for the adoption of the budget by Parliament:

g. Date (or deadline) for when the accounts audited by the Supreme Audit Institution are publicly available:

h. Other:

3. Does the Budget Law include fiscal targets only for the central government or also for other government tiers (i.e. regional and local governments and social security) and/or for the whole of the general government sector?

- The Budget Law includes fiscal targets for the central government
- The Budget Law includes fiscal targets for the general government and all other government tiers
- Other (please specify)

4. If the Budget Law includes fiscal targets for various layers of government, please explain whether there is any co-ordination/consultation mechanism between central and sub-central governments to set these objectives. If such a mechanism exists, please briefly describe how it works:

5. Please specify if, apart from the SCP, there is in your country a consistent medium-term budgetary framework setting targets or ceilings for various budgetary components (revenue, expenditure, budget balance, debt)?

- No
- Such a national framework exists. Could you please briefly describe how it works in the box below, and answer to questions 5.1 to 5.10?

5.1. When are the medium-term budgetary targets set and revised?

- Every year
- Every 2 years
- At the end of the period covered by the previous medium-term projections
- After each election
- Every time a new Government is formed
- Other (please specify)

Additional information:

5.2. General government tiers covered by the framework:

- The whole of the general government sector
- Central government (The State and other central government entities)
- Regional governments
- Local governments
- Social security

Additional information:

5.3. If the medium-term budgetary framework includes fiscal targets for various levels of government, please explain whether there is any co-ordination/consultation mechanism between the different government tiers concerned in order to set these objectives:

5.4. What are the budgetary aggregates targeted?

- Budget balance
- Debt
- Expenditure
- Revenue
- Other (please specify)

Additional information:

5.5. How are the budgetary aggregates defined?

- Ceiling or level
- % of GDP
- Growth rates
- Other (please specify)

Additional information:

- Nominal
- Real

Additional information:

- ESA95
- Cash or budgetary

Additional information:

5.6. What is the time period covered by the medium-term budgetary framework?

- 2 years (t+1, t+2)
- 3 years (t+1, t+2, t+3)
- 4 years (t+1, t+2, t+3, t+4)
- 5 years (t+1, t+2, t+3, t+4, t+5)
- Other (please specify)

5.7 Could you please provide information on the level of aggregation of the projections used in the medium term budgetary framework (more than one answer is possible)?

Do you break down the *expenditure projections*?

- No
- Yes, the projections are broken down on National account level (i.e. on public investment, public consumption etc.)
- Yes, the projections are broken down on main spending areas (i.e. on health, education, social spending etc.)
- Other (please specify)

Do you break down the *revenue projections* (more than one answer is possible)?

- No
- Yes, the projections are broken down on direct - and indirect taxes
- Yes, the projections are broken down on different taxes (i.e. on VAT, income tax, corporate tax etc.)
- Other (please specify)

5.8. How is the respect of the medium-term budgetary objectives monitored (monitoring body, frequency of reporting)?

- No formal monitoring
- Formal monitoring that takes place through:
 - Government reports to parliament
 - Independent monitoring/fiscal institute
 - Other (please specify)

5.9. Could you please specify the corrective mechanisms in place and describe what is happening if there is a deviation from the medium-term targets?

- No pre-defined corrective mechanisms

- Corrective mechanisms in place

5.10. When is the revision of medium-term targets taking place?

- Targets can only be changed at the end of the period covered by the medium-term planning

- The medium-term targets can be revised before the end of the medium-term planning (e.g. every year in the context of the preparation of the new medium-term planning). Could you please specify the procedure followed and whether targets are generally changed?

Other (please specify)

5.11. How is the preparation of the Budget connected with this framework? Notably, how are the multi-annual targets taken into account in the preparation of the Budget?

The multi-annual targets are the framework for the budget

The multi-annual targets form the basis upon which the budget is prepared but there can be deviations

A flexible framework where multi-annual target are only indicative

II. Preparation and Status of SCPs

6. Please provide a general description of the process followed for the preparation of the SCP (e.g. Ministries, departments, bodies other than government involved). Please mention when the preparation of the programme starts and ends:

7. If there is a national medium-term budgetary framework setting targets or ceilings for various general government components (revenue, expenditure, deficit, debt), how is the preparation of the SCP connected with this framework? Notably, are budgetary targets included in the SCP always identical to those included in the national medium-term framework?

Targets are the same

Targets are usually the same, but may differ sometimes

Targets usually differ

8. How are fiscal targets for regional and local governments set? Is there any coordination/consultation mechanism in order to involve sub-national governments in the preparation of the SCP?

Coordination mechanism between all levels of general government

Coordination mechanism for some general government sub-sectors

No coordination mechanism

9. Please provide information on the degree of involvement of the National Parliament in the preparation of the stability / convergence programme:

- The SCP is not sent to Parliament before its publication.
- The SCP is sent to Parliament before its publication, but there is no formal presentation, and no discussion.
- The SCP is sent and presented to Parliament by a Member of the government. There is a discussion, but not followed by a vote on the SCP.
- The SCP is formally sent, discussed and approved by Parliament, which has the possibility to amend it.
- The SCP is not formally sent or subject to the approval by Parliament, but is derived from a document including the main medium-term macroeconomic and budgetary projections that was previously approved by Parliament. Please describe the situation, and at what time in the year this document is adopted:

10. Does an independent fiscal institution ('Fiscal Council') intervene in one way or another in the preparation of the SCP?

- No
- Yes, the fiscal institution:
 - Prepares macro forecasts
 - Prepares fiscal forecasts
 - Other (please specify)

Please provide the name of the fiscal institution involved in the preparation of the SCP:

11. How would you qualify the reaction of the press and the media when the SCP is publicly released? Specifically, please compare the media coverage to when the budget is presented:

- Important media coverage
- Some media coverage
- Low media coverage

III. Follow-up to the Council discussion on the SCP

12. Please specify whether the Council Opinion on the SCP is:

- Formally discussed within the government (e.g. in the Council of Ministers)
- Is not discussed within the government

13. The Council Opinion on the SCP is:

- Not formally presented to Parliament

The Council Opinion is presented to Parliament, but there is no discussion. Presentation is done by:

- Prime Minister
- Finance Minister
- Other (please specify)

The Council Opinion is formally presented to Parliament. Moreover, there is a discussion (e.g. intervention by the Finance Minister, followed by questions and answers).

- Other (please specify)

14. How would you qualify the follow-up given to the Council Opinion, especially if it includes policy invitations:

- Concrete actions are generally immediately taken if there are policy invitations in the Council Opinion. Please provide examples:

- Generally, there is no immediate concrete action. If this is the case, please specify the reasons for the absence of action following the invitation by the Council (e.g. impossibility of introducing corrective budgetary measures outside the 'normal' budgetary calendar)

- There is no immediate action, but the Council opinion is taken into account in the preparation of the budget for the following year

- Other (please specify)

15. How would you qualify the reaction of the press and the media in your country when the Council issues its Opinion on the Programme? Specifically, please compare the media coverage to when the budget is presented:

- Important media coverage
 Some media coverage
 Low media coverage

IV. Monitoring of the implementation of the SCP

16. Apart from the information contained in the update of the SCP, does the government carry out any regular public assessment of the implementation of the previous updates of the SCP?

Yes. Please specify:

No, the implementation of the previous updates is only discussed in the SCP

17. Is the implementation of the previous update of the SCP discussed in Parliament?

Yes, in a formal session for this purpose

Indirectly through other sessions

No

18. Does an independent fiscal institution ('Fiscal Council') participate to the monitoring of the implementation of the SCPs?

No

Informally/indirectly (please specify)

Yes. Please describe the institution involved and its role:

V. Connectedness Budget / SCP

19. Could you please briefly describe how the preparations of the annual budget and of the SCP are articulated?

20. Please indicate whether the SCP and the Budget are prepared by the same department of the Ministry of Finance

- Same department
 Different departments, please specify:

21. Please indicate whether the accounting and reporting rules used in the SCP and in the Budget are the same

- Yes, they are the same
 Different rules apply, please specify:

22. Is the SCP (or a document including the main medium-term macroeconomic and budgetary projections that will be the basis for the preparation of the SCP) annexed to the Budget?

- No, the SCP (or a preliminary version that includes the main figures) is not annexed to the Budget.
 Yes, the SCP (or a preliminary version that includes the main figures) is annexed to the Budget. Please specify when this annex is prepared and made public.

23. Are the budget targets for years t and t+1 always identical in the budget and in the SCP?

- Yes
 No, they are different because of:
 Different times of adoption
 Different accounting rules
 Other reasons (please specify)

VI. Supplementary and corrective budgets

Note:

Corrective or supplementary budgets are understood to include all legal instruments that allow the government to change its initial fiscal plans during the course of the budgetary year (e.g. changes in the budget balance target or in the expenditure and revenue aggregates considered in the approved Budget Law). Laws or measures aimed at correcting possible slippages from initial plans can also be considered as supplementary budgets. Other laws having purposes different from those mentioned above are not covered (e.g. labour market reforms, health care reforms), even if they have budgetary implications. End-year 'cleaning' budget laws are not covered, unless they have a significant impact on fiscal variables.

24. Could you please specify the frequency of corrective budgets in your country (excluding the end-year cleaning budgets)?

- Very rare
- Relatively rare (1 every 4-5 years)
- Frequent (1 every 2-3 years)
- Very frequent (almost every year)
- Every year (there is a mid-term revision of the budget), please describe how this works:

25. If the corrective budgets are rare, could you please specify the main reasons for that? Notably, are there legal or other sorts of obstacles to the implementation of such budgets?

26. What are in general the motivations for implementing corrective Budgets?

- New government in office
- Correction of identified slippages
- Change in economic forecasts
- Other (please specify)

27. Are the macro and budgetary forecasts included in the budget revised at some point in the year? If yes, could you please provide details on the information included in the revised forecasts and the moment in the year when they are made public?

28. Is there a link between such revisions and the implementation of supplementary / corrective budgets?

Yes, in case of major deviation identified, a supplementary budget is required to achieve the targets of the budget

The identification of risks to budgetary execution can trigger the preparation of a corrective budget (no obligation)

Other (please specify)

29. Are there special rules / limitations for the preparation of supplementary / corrective budgets (e.g. as regards Parliament approval)?

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: