



# ***EU Economic Governance Perspective***

## ***Evolution of Fiscal Surveillance Framework***

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# What are fiscal frameworks?

*Fiscal frameworks  $\equiv$  Budgetary frameworks*

*... 'budgetary framework' means the set of **arrangements**, **procedures**, **rules** and **institutions** that underlie the conduct of budgetary policies of general government*

*Cover **accounting and statistics**; **forecasts**; **numerical fiscal rules**; **budgetary procedures including medium-term planning**; **coordination mechanisms** and **independent fiscal institutions***

# EU perspective: legislation on fiscal frameworks evolved very rapidly after the crisis

## *2011: Budgetary Frameworks Directive*

Directive (2011/85/EU) on requirements for budgetary frameworks of the Member States

## *2012: Fiscal Compact*

Title III of the Treaty on Stability, Coordination and Governance (inter-governmental instrument not EU), signed in March 2012

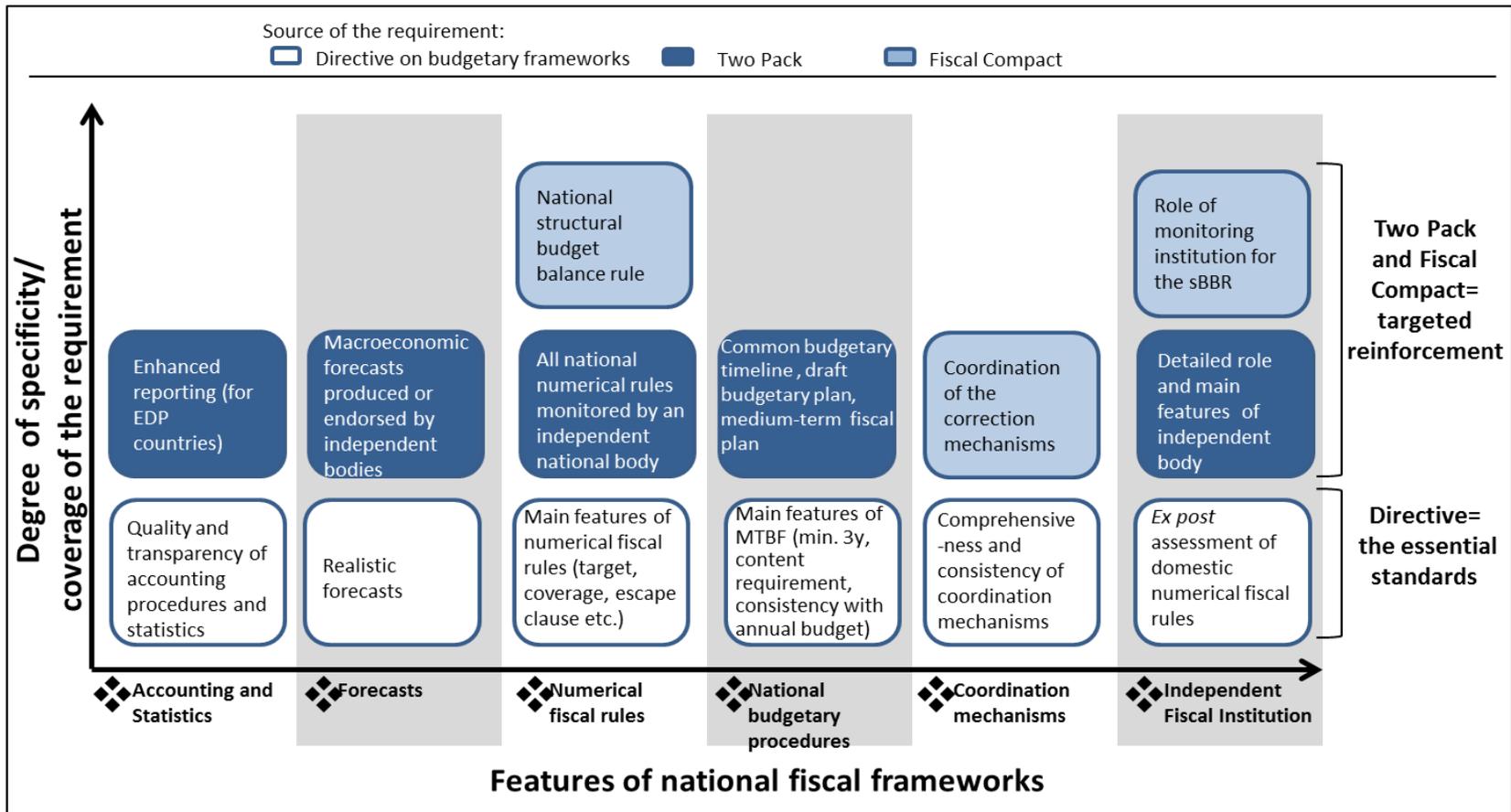
## *2013: Two-Pack*

Regulation 473/2013 on enhanced fiscal policy monitoring in euro area Member States

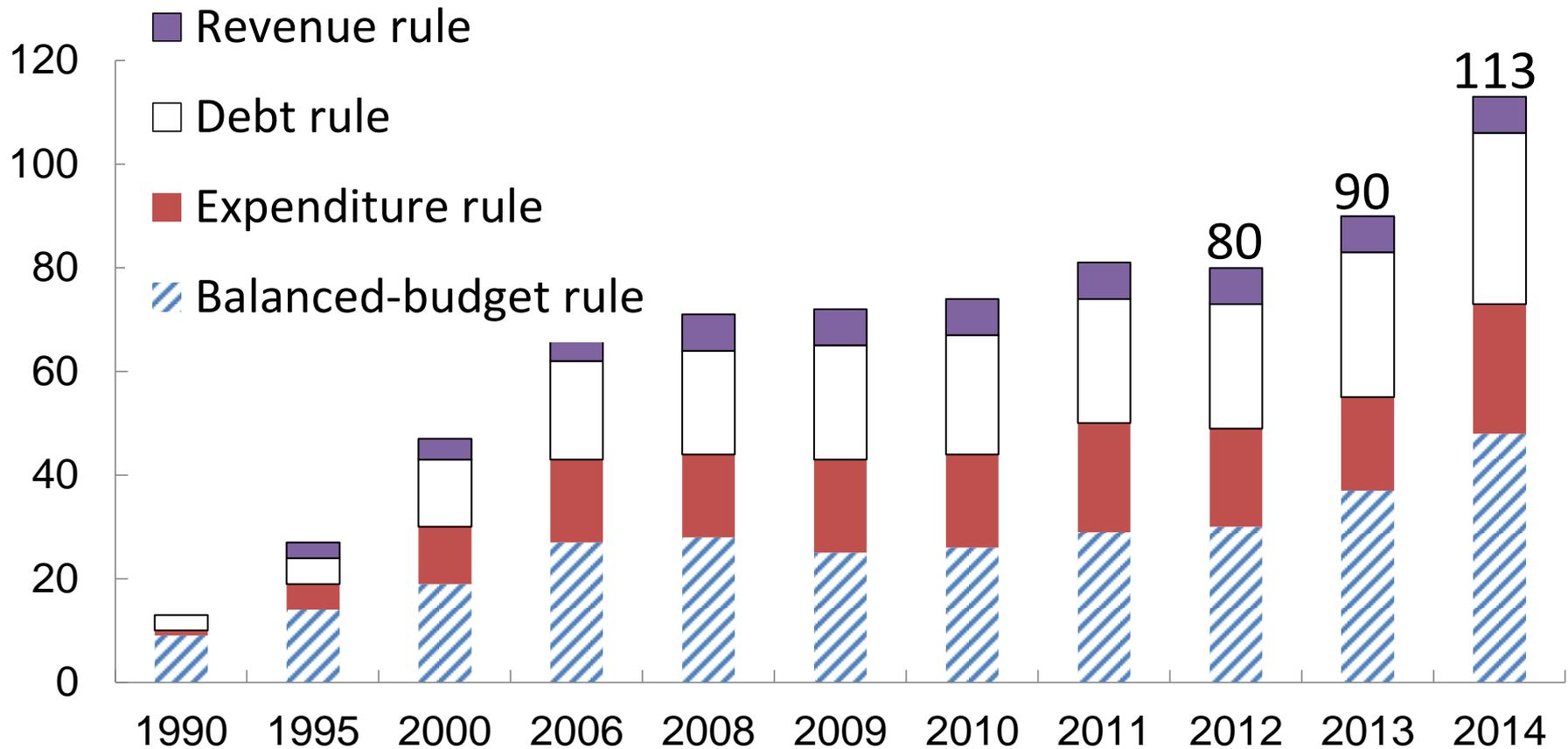


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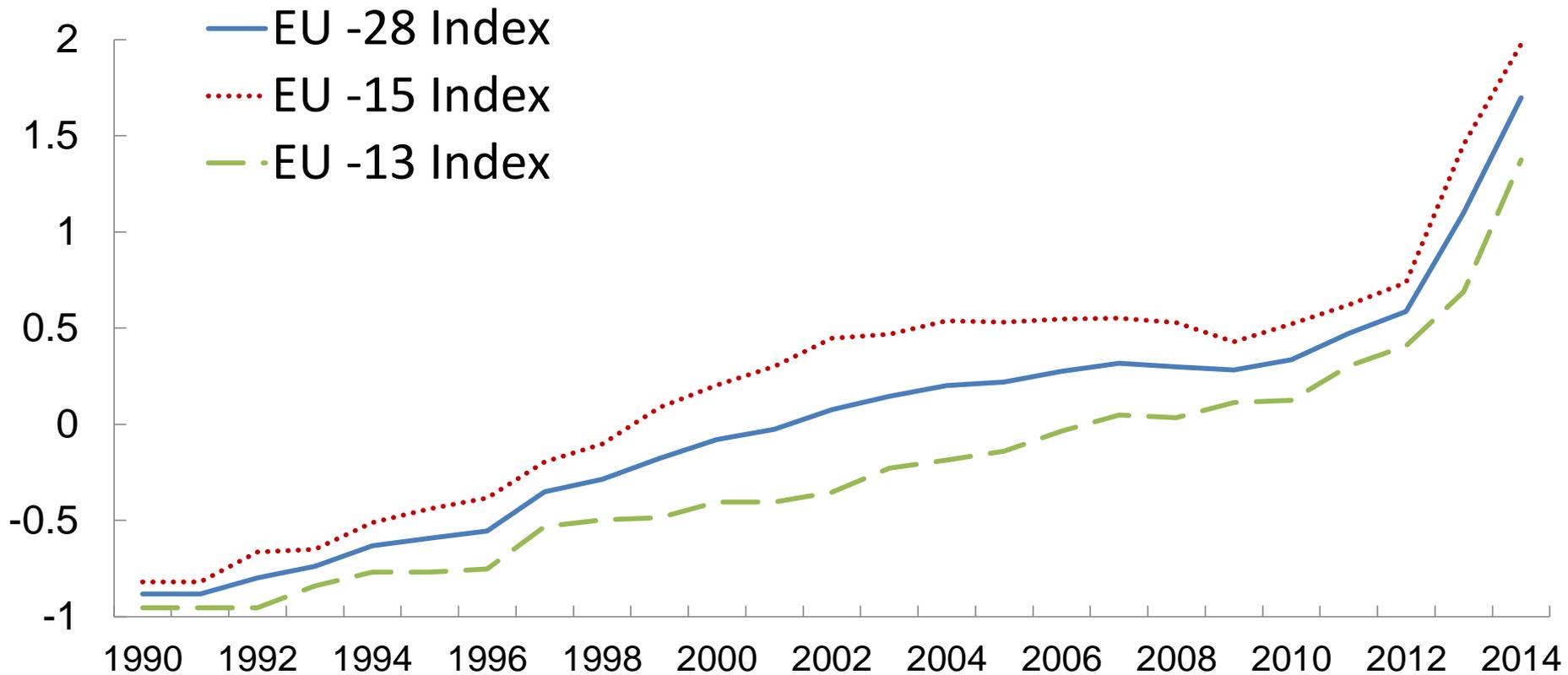
# Overview of requirements



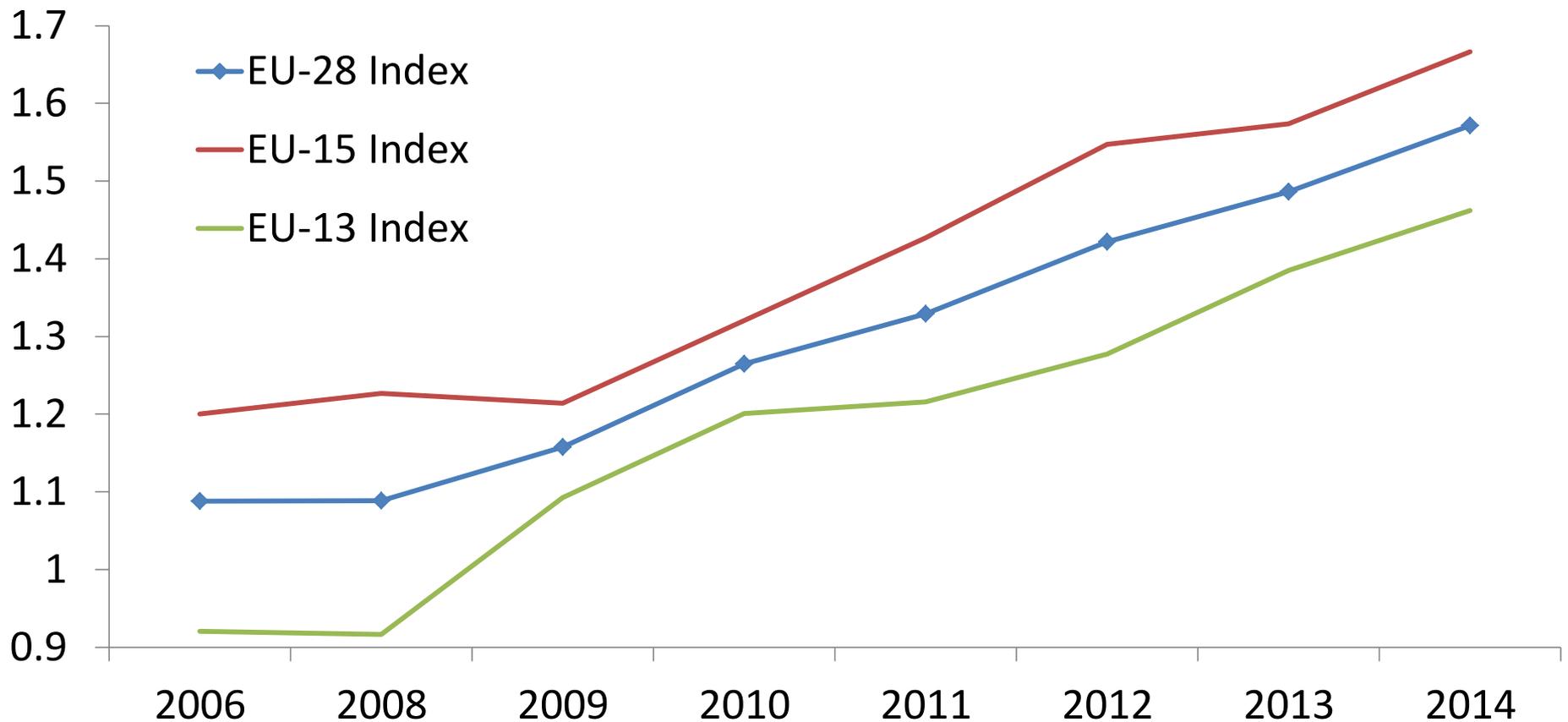
# Numerical fiscal rules (EU-28)



# Numerical fiscal rules: Fiscal rule index, 1990 to 2014



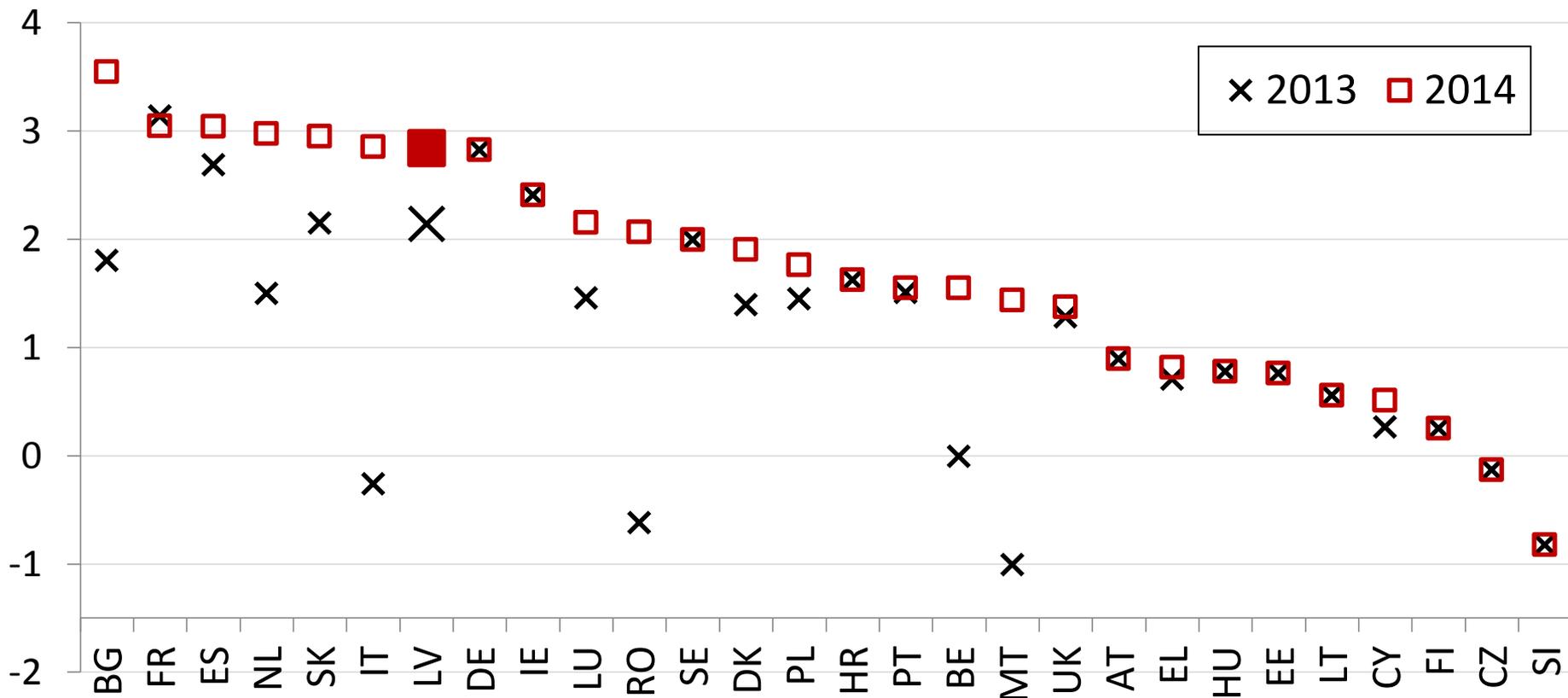
# Medium-term budgetary frameworks: the MTBF index from 2006 to 2014



# Why do we need national fiscal frameworks?

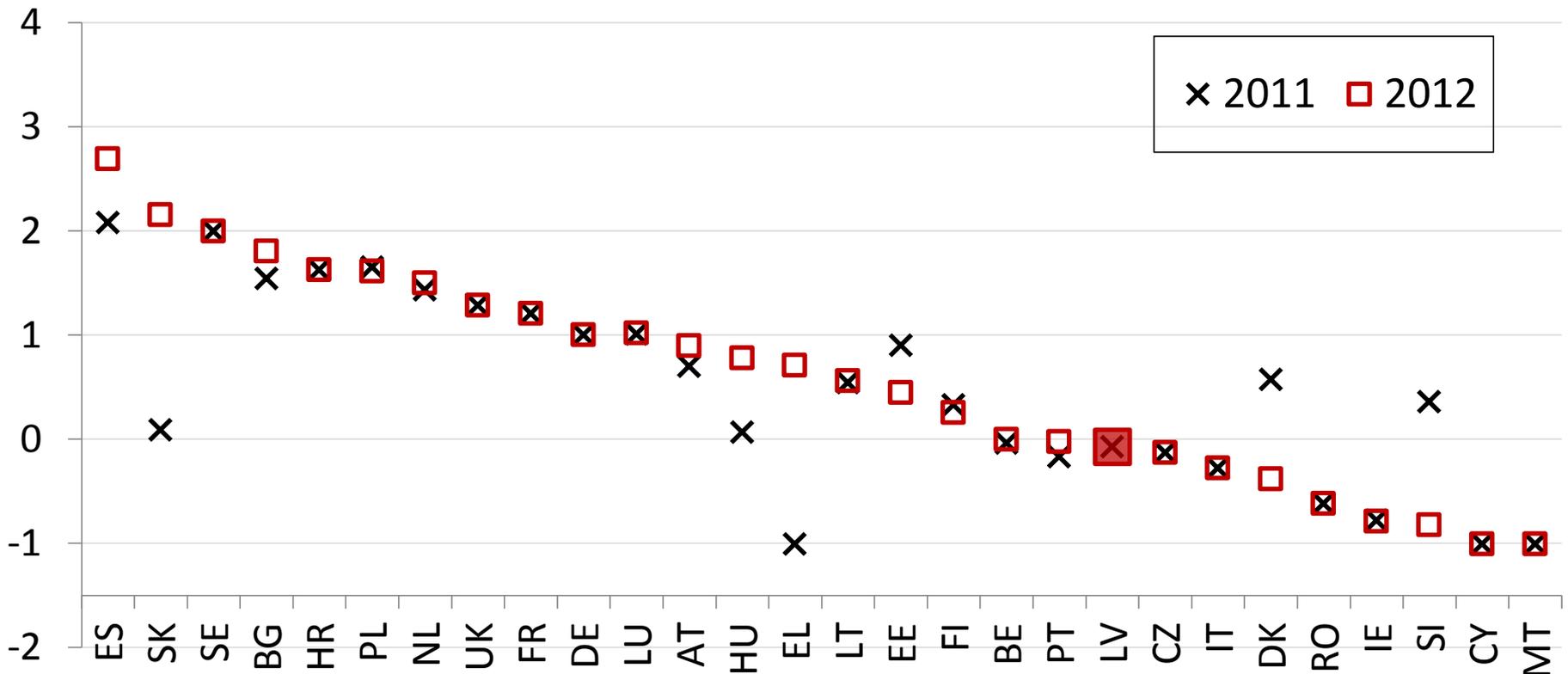
- *Predictability of budgetary planning*
  - **Limit "ad hoc" decision making**
- *Foundation for sound budgetary policy*
  - **Good accounting, prudent forecasts and independent evaluation of fiscal policy**
- *Promoting sustainable policies*
  - **Look beyond today's interests**
- *National ownership*
  - **Sound fiscal policy is in the interest of the society, not "because Brussels told us so"**

# Numerical fiscal rules: Fiscal rule index by country, 2013 and 2014

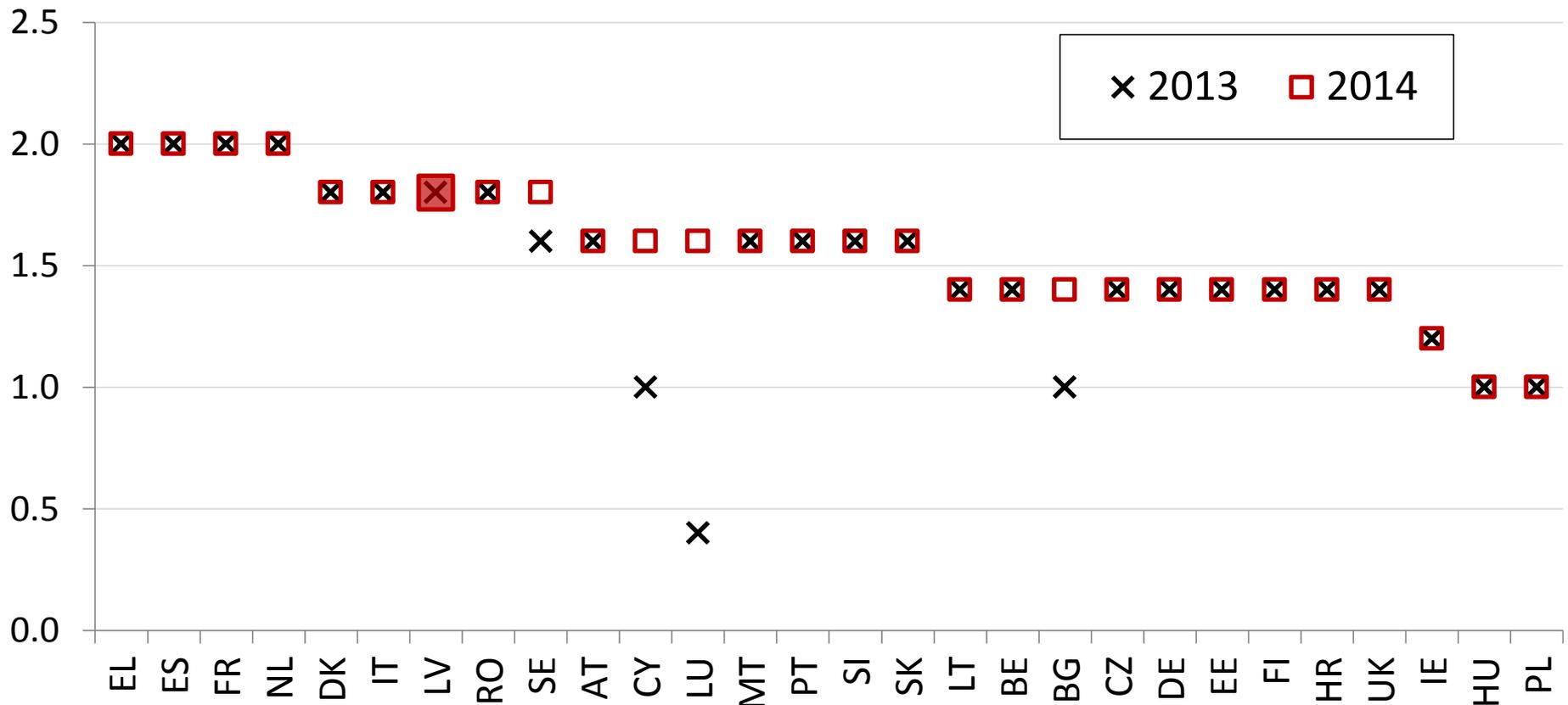


# Compare:

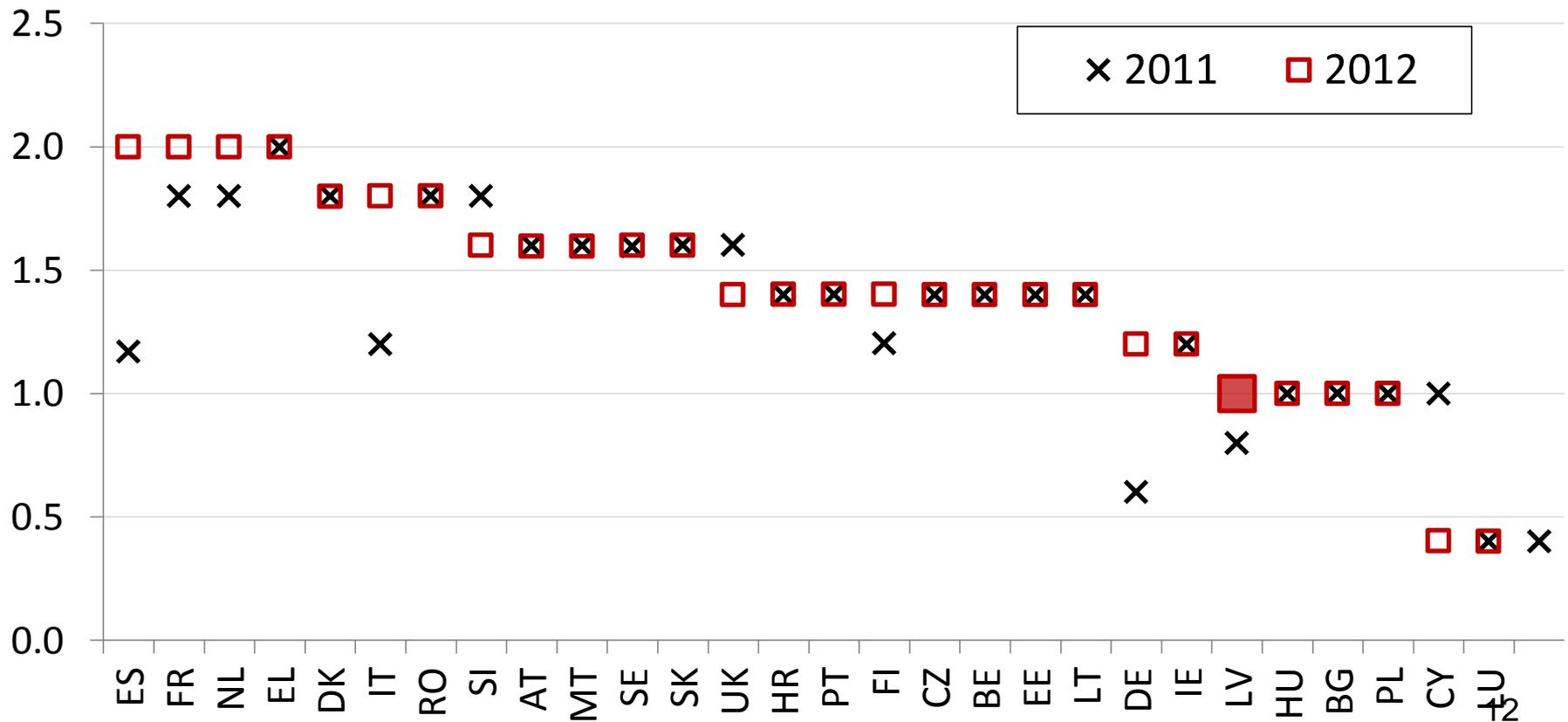
## Fiscal rule index by country, 2011 and 2012



# Medium-term budgetary frameworks: MTBF index, 2013 and 2014



# Compare: MTBF index, 2011 and 2012



## What does this tell us...

- *Thanks to the FDL, Latvia has now strong fiscal rules*
- *The Fiscal Discipline Council is fully operational*
  - From the Commission's assessment of the 2016 Stability Programme: *"...monitoring of the national rules ... is done in a transparent and proactive manner by the national Fiscal Council."*
- *The basis for sound fiscal policy is there*
- *But the old habits are hard to die...*
  - As evidenced by the number of irregularity reports published by the FDC