



Discussion of 'Some elements of a revamped fiscal framework for Spain' by Carlos Cuerpo Caballero and Lucia Rodriguez*

Independent Fiscal Institutions in the EU Fiscal Framework
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**The views expressed are solely those of the discussant, and do not necessarily reflect the official position of the European Commission.*

Scope of my discussion

- Remarks on the direction and context of the reform proposal
- What can be learnt from existing domestic numerical fiscal rules in the EU?
- What can be learnt from existing IFI experiences for the reinforced role of AIReF in fiscal decision-making?

Context of the reform proposal

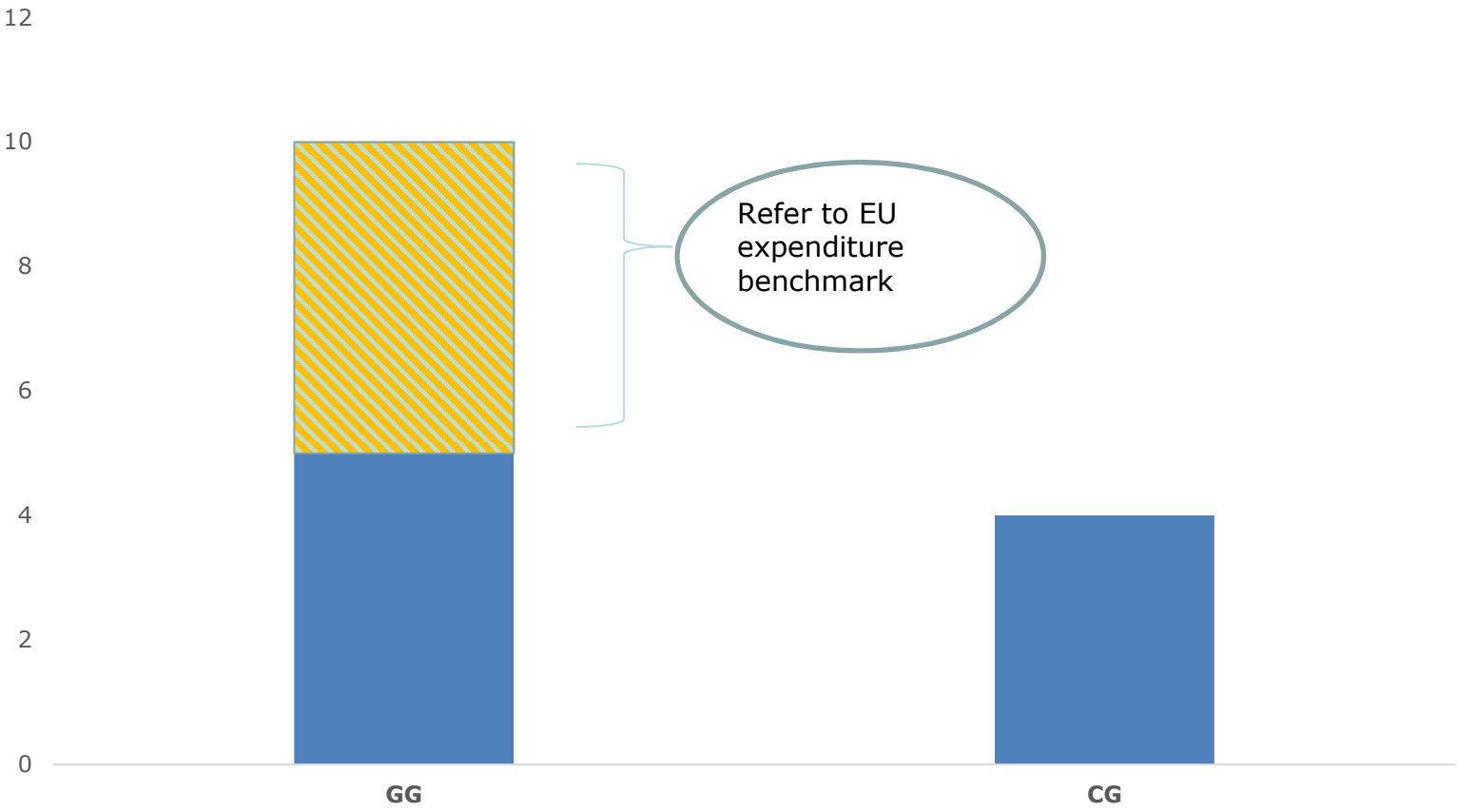
- An operational expenditure rule anchored to debt seems to be the emerging consensus, also for a possible reform of the EU SGP framework (IMF, Bruegel, EFB + it is actually also the path taken at the EU level)
- Transition from the current regime to the new one
- Kopits-Symanski's eight criteria for the assessment of rules: the paper self-evaluates itself along four dimensions, but the other four are also important (in particular, enforceability and consistency between national and European rules)

Domestic debt rules in the EU

(without subnational rules)

- Countries which essentially replicated the SGP debt rules (often coupled with the debt reduction benchmarks): **Austria, Bulgaria, Cyprus, Greece, Ireland, Italy, Latvia, Malta, Netherlands, Romania, Spain** (with specific limits for subsectors)
- Countries where the debt rule links numerical thresholds of debt-to-GDP ratios to automatic budgetary steps in a graduated manner: **Poland, Slovakia**
- Unique debt rules: **Sweden**: a debt anchor defined at 35% of GDP; **Hungary**: a debt ceiling set at 50% of GDP; **UK**: the mandate for fiscal policy is defined over a multiannual horizon ("*a target for public sector net debt as a percentage of GDP to be falling in 2020-21*");

Domestic expenditure rules in the EU (without subnational rules)



Source: DG ECFIN Fiscal Governance Database

AIReF's role in the reform set-up

- In many aspects, AIReF's proposed role would be a pioneering one in Europe (en route from a watchdog to an independent fiscal agency?)
 - Preparing DSA or long-term sustainability analysis – this is done by an increasing number of IFIs (but without formal role)
 - Provision of the medium-term no-policy-change baseline scenario – building a credible NPC scenario is a difficult exercise, involving many judgement calls
 - Determination of next year's fiscal effort by providing the permissible increase in net expenditure growth
 - Scoring of discretionary revenue measures
 - Ex post assessments on rule compliance – this is where the most experience are available (and the current Spanish framework needs reinforcement)



Thank you for your attention!