



Candidate countries' compliance with the EU's budgetary directive

Conference on Fiscal Rules and Fiscal Councils—
Strengthening Fiscal Governance in the Western Balkans
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Assessment of fiscal frameworks in relation to accession

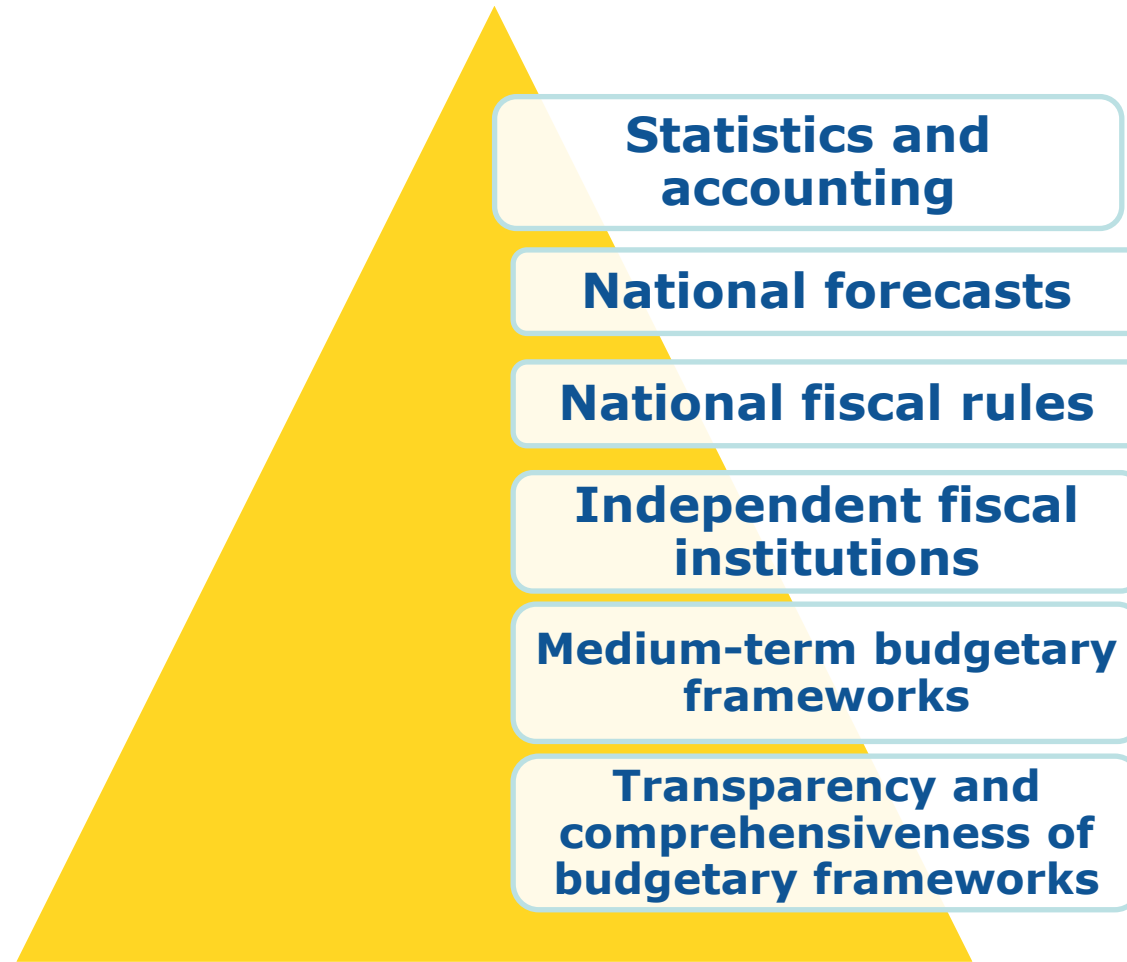
Economic accession criteria (“Copenhagen criteria”)

- *Existence of a functioning market economy*
- *Capacity to cope with competitive pressure and market forces within the Union*
- Includes the legal and administrative ability to adhere to the aims of political, economic and monetary union

Chapter 17 “Monetary and Economic Policy” (*Economic Policy*)

- *Alignment with budgetary directive*
- *Readiness to participate in economic policy coordination*
- Including analytical, administrative and institutional capacity

Elements of the fiscal frameworks required by the budgetary directive



Accounting and Statistics: assessment of (pre)-candidate countries in the WB

- ESA2010 compatible data / EDP Statistics
- Transparency of the methodology for producing the data
- all sub-sectors of general government covered by a comprehensive accounting system

	AL	BA	XK	ME	MK	RS
Accounting and Statistics	3 = Moderately prepared	1 = Early stage	3 = Moderately prepared	2.5 = Between some and moderate level	3 = Moderately prepared	3.5 = Between a moderate and good level

National macroeconomic and budgetary forecasts: Requirements

Up to date and accurate

- Includes scenarios and sensitivity analyses: fiscal planning to be based on the most realistic macro forecast
- regular, unbiased review / ex-post evaluation by independent body

Transparency

- published methodology, transparent assumptions
- mandatory comparison with COM forecast
- explanations for significant differences
- [endorsed or produced by independent institutions]

National Forecasts: practice in (pre)-candidate countries in the WB

Most forecasts are done by Ministries of Finance for the MTBF

- Published as part of the ERP, limited updates
- Limited publication of methodology and assumptions, no regular review
- Comparison with COM forecast in experts' meetings twice a year
- Explanations for deviations informal, not published
- Sensitivity analyses required and included in ERPs

Some endorsement or production by independent body

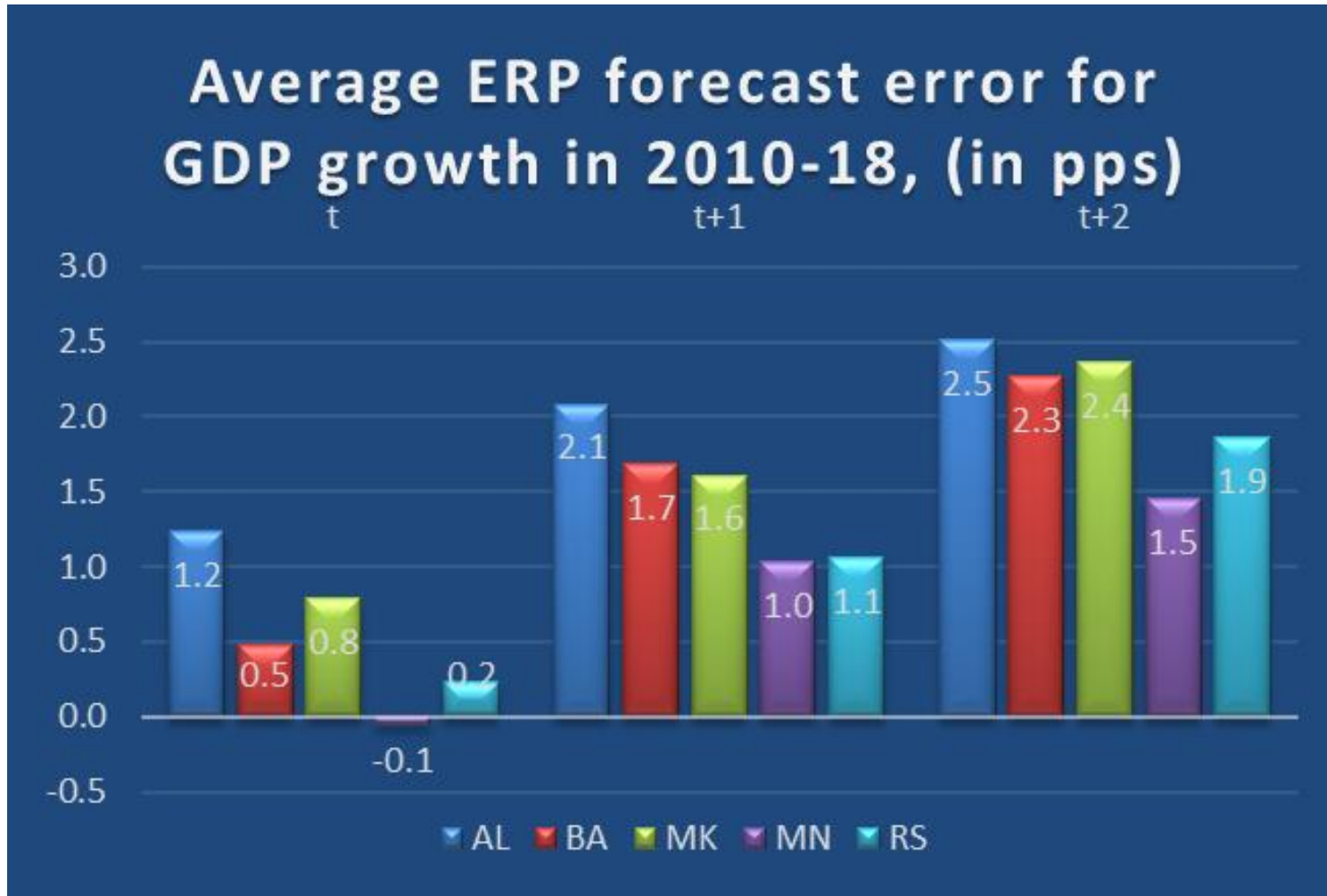
- by fiscal council (RS, and planned in MK)
- by Central Bank (BA)
- mandatory use of IMF WEO GDP forecast in AL

National Forecasts in (pre)-candidate countries in the WBs : Tentative assessment

National forecasts	Transparency	Accuracy	Independence	Score
AL	Yellow	Yellow	Orange	Between some and moderate level
BA	Yellow	Yellow	Light Green	Between a moderate and good level
XK	Yellow	Yellow	Orange	Between some and moderate level
ME	Yellow	Yellow	Light Green	Moderate level of preparation
MK	Yellow	Yellow	Orange	Between some and moderate level
RS	Light Green	Light Green	Green	A good level of preparation

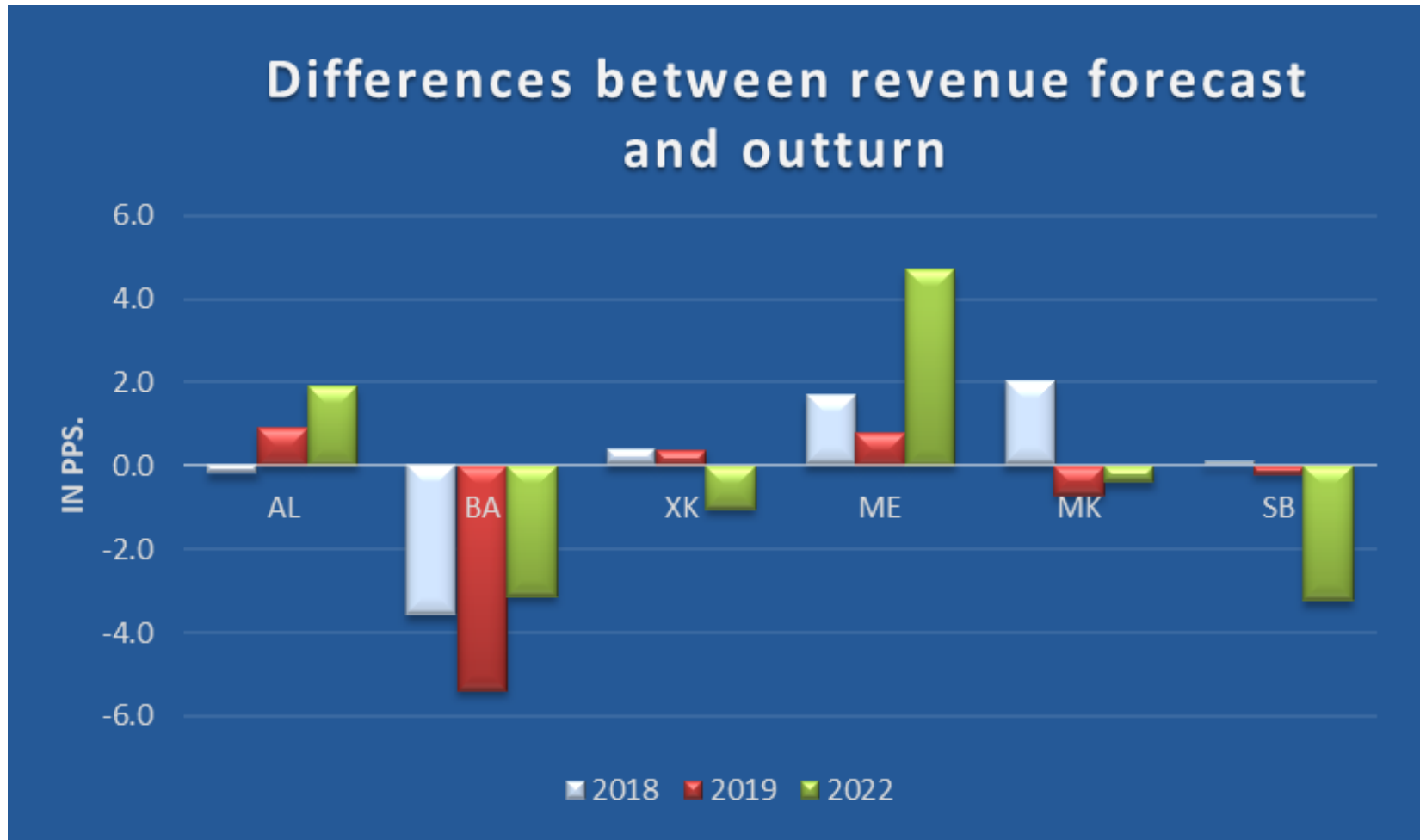
National Forecasts

Results in (pre)-candidate countries in the WB



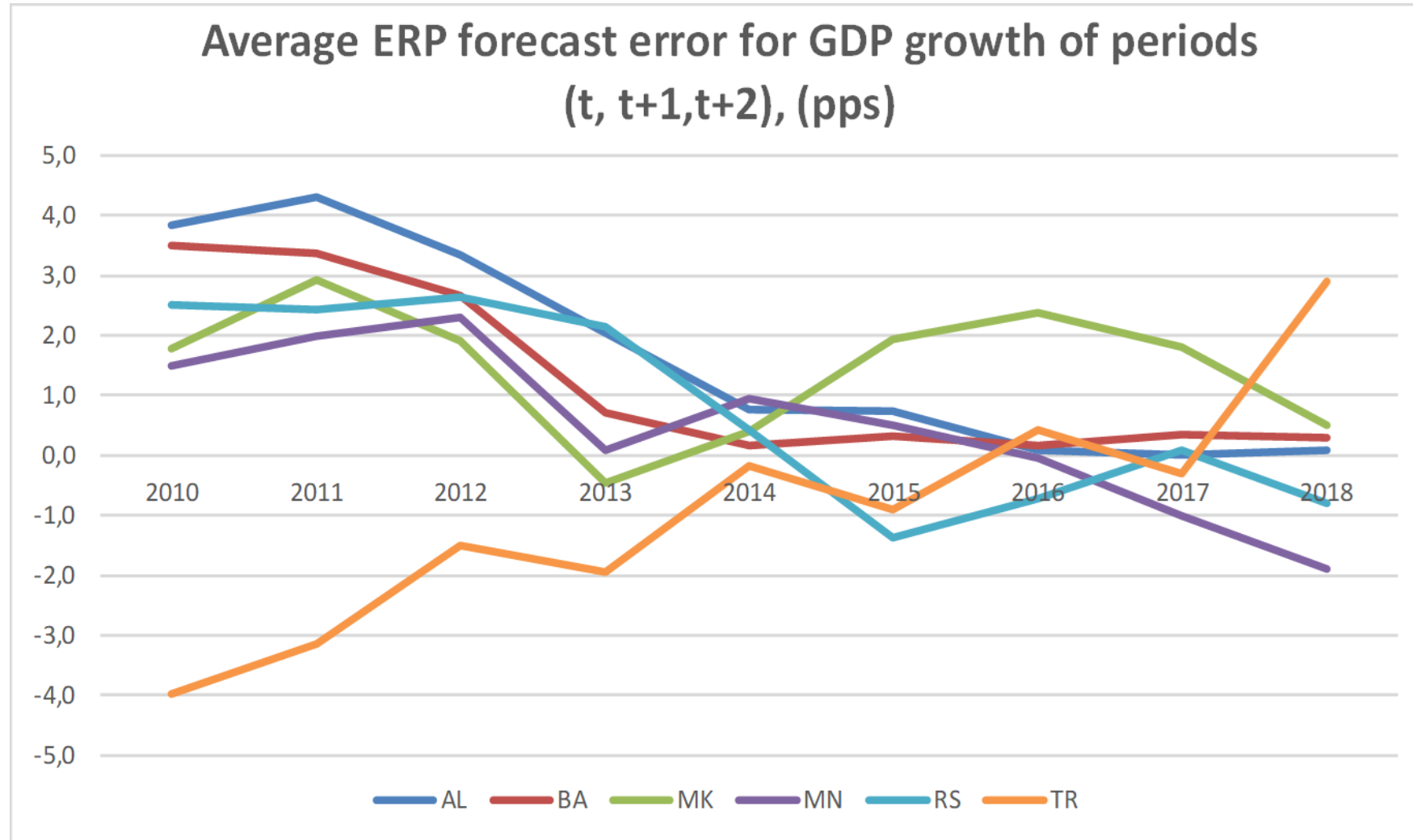
National Forecasts

Budgetary forecast results in (pre)-candidate countries in the WB



National Forecasts

Results in candidate countries in the WB



National Fiscal Rules: Promote compliance with EU budgetary obligations

- numerical target and scope of the rules (coverage)
- consequences of non-compliance

	AL	BA	XK	ME	MK	RS
Fiscal Rules	3 = Moderately prepared	1 = Early stage	3 = Moderately prepared	3 = Moderately prepared	3 = Moderately prepared	3.5 = Between a moderate and good level

Fiscal Councils

- Independent, effective and timely monitoring of government compliance with fiscal rules by functional autonomous bodies

	AL	BA	XK	ME	MK	RS
Fiscal Council	1 = Early stage	1 = Early stage	1 = Early stage	2.5 = Between some and moderate level	2.5 = Between some and moderate level	4.5 = between good and well advanced

Medium-term budgetary frameworks in (pre)-candidate countries in the WB

All countries (except BA)

- have a medium-term budgetary framework
- include budgetary objectives and no policy change projection over a min. 3 year horizon
- are overall consistent with their forecast and their fiscal rules

Weaknesses remain in

- link with annual budget in detail,
- medium term policy impact,
- long-term sustainability and
- early involvement of parliaments

MTBFs in (pre)-candidate countries in the WBs : Tentative assessment

MTBF	National MTBF 3 year horizon and key budgetary objectives	Projections of expenditure and revenue at unchanged policies	Budgetary impact of the medium-term policy plans	Assessment of the long-term sustainability of public finances	Involvement of national parliament in budget preparation	Consistency with forecast and numerical rules	Score
AL							
BA	not on national level	not on national level	not on national level	not on national level	not on national level	not on national level	
XK							
ME							
MK							
RS							

Transparency of government finances and comprehensiveness of budgetary frameworks

Transparency

Budgetary documents include published information on :

- Tax expenditures and their impact on revenues
- Contingent liabilities with potentially large impact on budgets (government guarantees; off-balance PPPs; non-performing loans);
- Liabilities of public corporations classified outside general government
- General government participation in capital of private and public corporations

Transparency of government finances and comprehensiveness of budgetary frameworks

Comprehensiveness

Budgetary framework and process include

- **Extra-budgetary bodies and funds** and their combined fiscal impact are presented in the budgetary documentation and plans
- **Consistent coverage of all sub-sectors** by accounting rules, integrated data collections, fiscal planning, national fiscal rules, budgetary forecast and MTBF
- **Coordination mechanisms** across all sub-sectors of general government
- **Clear responsibilities** of the authorities in sub-sectors

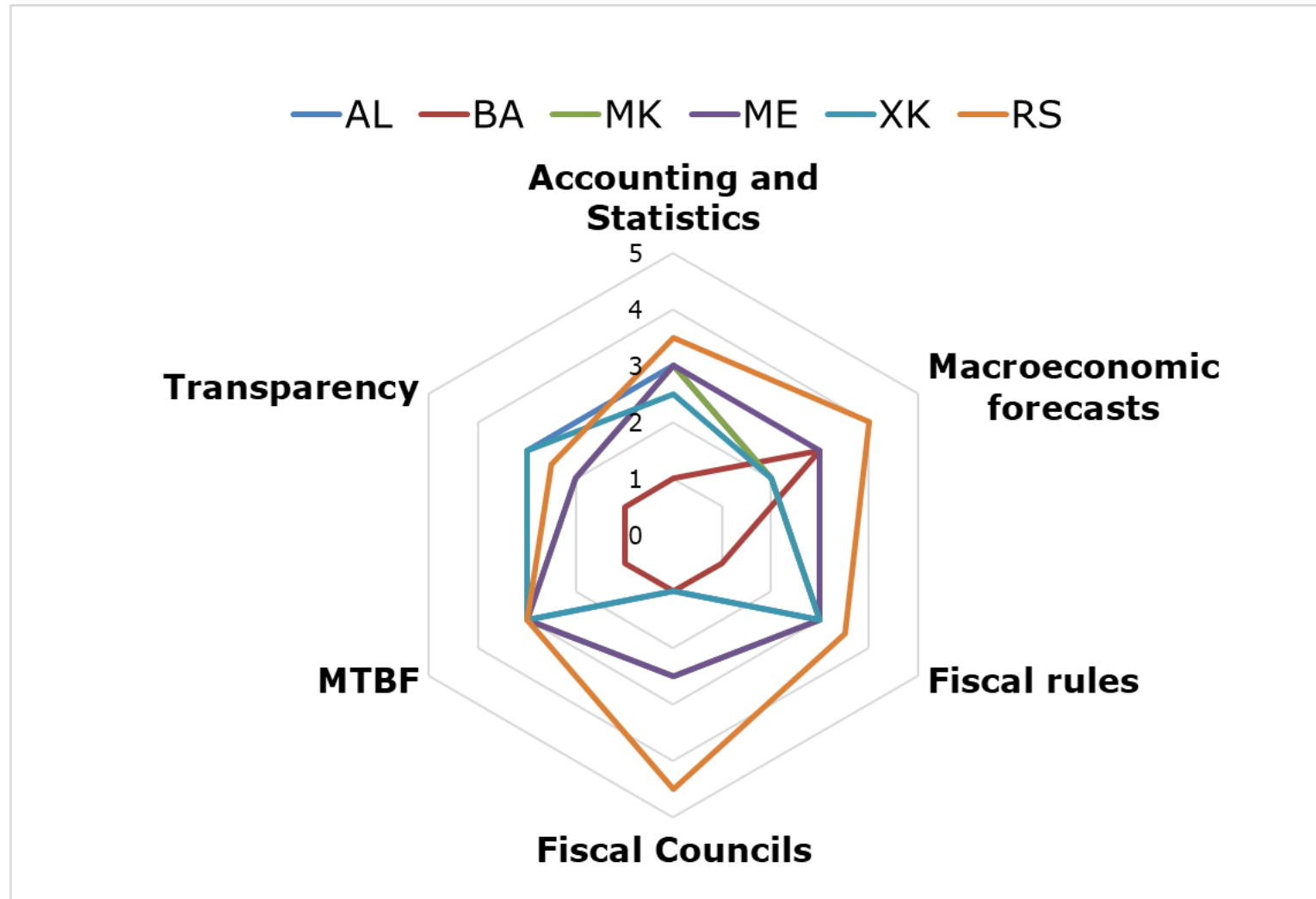
Transparency of government finances and comprehensiveness of budgetary frameworks: Tentative assessment

Transparent and comprehensive	Coordination and responsibilities of all sub-sectors	Targets/ceilings coverage of all sub-sectors	Connection between MTBF and annual targets	Info on extra-budgetary bodies and funds	Info on tax expenditure, contingent liabilities	Score
AL	3	3	3	3	3	3
BA	not on national level	not on national level	not on national level	not on national level	not on national level	not on national level
XK	3	3	3	2	3	3
ME	3	2	2	2	1	2
MK	3	2	2	1	2	2
RS	3	2	3	1	2	2

Tentative assessment of compliance with budgetary directive

Elements of the budgetary directive	Accounting + Statistics	Macroeconomic Forecasts	Fiscal rules	Fiscal council	MTBF	Transparency	Overall average
AL	3	2,5	3	1	3	3	2,5
BA	1	3	1	1	1	1	1
XK	3	2,5	3	1	3	3	2,5
ME	2,5	3	3	2,5	3	2	2,6
MK	3	2	3	2,5	3	2	2,7
RS	3,5	4	3,5	4,5	3	2	3,4
Assessment scale	1 = Early stage	2 = Some level of preparation	2.5 = Between some and moderate level	3 = Moderately prepared	3.5 = Between a moderate and good level	4 = Good level of preparation	5 = Well advanced

Tentative assessment of compliance with budgetary directive



Thank you!



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Reflected in the fundamental economic criteria

