

Box 6

Fiscal transparency in the context of the multilateral surveillance of budgetary positions

The multilateral surveillance of budgetary positions in the EU Member States, as established by the Maastricht Treaty, is an essential component in the co-ordination of economic policies among Member States. To be effective in assessing fiscal policies and exercising pressure for the full implementation of the fiscal framework, this surveillance requires a transparent and regular flow of information between the actors involved, namely the national governments and the EU institutions, and to the public. The Community's economic policy framework includes several instruments and procedures that contribute to fiscal transparency.

Stability programmes and notifications by Member States provide primary fiscal information

The stability programmes (and the convergence programmes in the case of Member States that are not participating in the euro) are the main channels through which information on the national medium-term plans is transmitted. As stipulated by the Stability and Growth Pact, the programmes should contain the medium-term objective of a fiscal position "close to balance or in surplus", the adjustment path towards this target, the main macroeconomic assumptions that support the programme's targets and the planned budget measures. Each country should submit a yearly update of its programme to the ECOFIN Council and the Commission between mid-October and the beginning of December, and make it public. For most countries, this is shortly after governments have submitted their budget plans to national parliaments, thus ensuring that data and assumptions are up to date.

Regarding fiscal outcomes, the main instrument is the reporting of fiscal data by all Member States to the Commission, in the context of the excessive deficit procedure. The reported data include the official fiscal projections of government deficit/surplus and debt for the current year, the fiscal figures for the previous four years and information on government spending on interest and investment. These data are provided by the Member States to the Commission, twice a year, by 1 March and by 1 September.

The Commission produces biannual forecasts and Eurostat scrutinises data quality

Each spring and autumn, information on recent developments and short-term economic prospects is processed and published by the Commission in the context of its forecasts. In addition, the Commission publishes yearly reports on the European economy and on public finances.

The data used for multilateral surveillance need to be comparable and of high quality. Hence, Eurostat scrutinises the reported fiscal data to ensure compliance with the accounting rules of the European System of Accounts (ESA 95), and publishes the data after validation. These validated figures form the basis for the Council's decision as to whether an excessive deficit exists. Should the reported figures not be validated by Eurostat, because of doubts about whether the accounting rules were fully adhered to, this is also made public. Following subsequent investigations, Eurostat then publishes its decision on the case in question.

Stability programmes and Broad Economic Policy Guidelines set fiscal policy objectives

Fiscal targets and outcomes need to be assessed against a framework of objectives. These objectives are provided by the stability programmes and by the recommendations on the Broad Economic Policy Guidelines (BEPGs). The BEPGs are the principal instrument for the co-ordination of economic policies at the Community level. They are the main tools for the ECOFIN Council to give policy recommendations to Member States on the different economic policy areas, including fiscal policies. The BEPGs are adopted yearly at the beginning of the summer, which allows Member States to take them into account when preparing their budgets for the

following year and when drafting the update of the stability and convergence programmes. The Commission's Implementation Report, which is made public in the spring of each year, reviews compliance with the BEPGs.

The information contained in the stability programmes forms the basis of their subsequent assessment by the EU institutions. The assessment focuses on the medium-term targets in the programmes, on the measures that are being taken or proposed to achieve these targets and on the main macroeconomic assumptions. Assessment of the programmes also provides an opportunity to review the implementation of fiscal policy in the previous year and for comparing the outcome with the targets set in the previous year's programme. The assessment is made public through the ECOFIN Council's opinion on each programme.

A framework of instruments and procedures is key to securing transparency

Despite being formally different, each of the above-described procedures is linked to the others, and only together can they create a sufficiently tight and credible surveillance procedure. For example, the biannual reporting of government data and the Commission forecasts are the basis for checking whether countries complied with the targets in their stability programmes and with the recommendations contained in the BEPGs. The reporting also contains important information for the Commission when it is preparing its forecasts. Moreover, the BEPGs' recommendations on fiscal policy draw on the Council's opinions on the stability and convergence programmes, and take into account the fiscal prospects as presented in the Commission forecasts.