



EU INDEPENDENT
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“Comply or Explain” Survey

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Summary

- ▶ Assessed legal basis → process → outcome of ‘Comply-or-Explain’ mechanisms in EU member states
- ▶ Time frame up to a month and no legal sanctions for non-compliance
- ▶ Areas covered: path of structural balance, forecasts, transparency
- ▶ Too early to talk about overall impact or effectiveness but important positive and negative case studies
- ▶ Need for more detail and formalisation/legal backing of the process



Survey structure

Survey

- ▶ Voluntary
- ▶ Questionnaire circulated to all Network IFIs
 - ▶ 16 responses (all EA – BE,AT + DN)
- ▶ Follow-up
 - ▶ Responses available in members' section @ euifis.eu
 - ▶ Presentation at EUNIFI meeting
 - ▶ Short summary

Questionnaire

1. Legal basis
 - ▶ Law, regulation, binding provision, if at all? Same as law on IFI?
2. Process
 - ▶ Who does it apply to; time frame; consequences of non-compliance; is there a record; is process sufficiently detailed?
3. Subject
 - ▶ Types of recommendations covered
4. Compliance
 - ▶ How many recommendations complied with/ignored
5. Constraints/Obstacles
6. (Public) impact
7. Overall experience



Summary of responses

Legal basis: different models

- ▶ **Most CoE mechanisms have a legal basis (13)**
 - ▶ From constitutional law (UPB-IT; NAO-LT) to binding procedures (IABSC-DE)
 - ▶ Mostly (9) same as legislation creating the IFI (AIReF-ES, MFAC-MT; FC-CY; NAO-FI; FC-EE); (1) in the Fiscal Rules Act (CBR-SK)
 - ▶ Sometimes narrowly defined scope (correction mechanism or budget rules) (MFAC- MT; NAO-FI; CBR-SK)
- ▶ **Minority of cases (CNFP-LU; CoS-NL; FC-LV): without legal basis but customary practice**
 - ▶ Government responds in form of letters within 3M (CNFP-LU)
 - ▶ Memorandum of understanding: FC-LT, CoS-NL

Process: main findings

- ▶ In place mostly since 2014 but not activated in many cases:
 - ▶ Late adoption (DE, LT: 2016; DN: 2017)
- ▶ Time frame for response
 - ▶ Where given, ranges from around a week to a month
- ▶ Consequences of not responding
 - ▶ Mostly reputational, no legal sanctions
- ▶ Follow up
 - ▶ Explain position publicly or in parliament (conditional upon request - UPB-IT - 1/3 of members of budget committee)
- ▶ IFI assessments are public

Process

‘**not sufficiently detailed in the legislation** or in any other documentation’

‘legislation does not detail the **content / extent of the response**’

‘[the law] does not specify any **consequences** for not publishing the opinion or for publishing it without any relevant information’

‘situations when the principle should be applied are well defined; less clear is the **timing**’

Subject- type of recommendations

- ▶ Path of structural balance – significant deviation and its correction
- ▶ Forecasts
- ▶ Transparency – disclosure of information, budgetary process
 - ▶ Esp. general government entities, regional units

Compliance

- ▶ Too early to tell in most places
 - ▶ *Positive cases*
 - ▶ Successful case concerning non-endorsement of forecasts (IT)
 - ▶ Significant improvement in the rate of responses concerning transparency and budgetary risks (AIReF)
 - ▶ *Negative case*
 - ▶ Significant deviation identified, findings of IFI ignored in subsequent communication (SK)

Obstacles and Impact

- ▶ No constraints for the publication
- ▶ Resources and lack of political will cited as constraint for a proper process by one IFI (LU) and some explanations still elusive and vague (AIReF)
- ▶ Most see scope for further detailing the implementation (exceptions FI and IT)
- ▶ About half of responding IFIs report at least some public attention to recommendations or response

General comments

‘a part of the strategy recognizing the **sustainability** of public finances as a **constitutional principle**’

‘CoE makes easier for public to follow policy mistakes’

“track-changes” option during the **budget cycle**’

‘gives ground for **public discussion** and it may induce **political costs**’

‘**improving its legal backing** could make its implementation less dependent on the good will of public administrations’

A dark blue map of Europe is shown in the background. The map is centered on the continent, with the British Isles to the northwest, Scandinavia to the north, and the Mediterranean and Balkan regions to the south and east. The text 'Preliminary Conclusions' is overlaid in the center of the map in a white, serif font.

Preliminary Conclusions

Preliminary Conclusions

- ▶ Not tested in many cases (not needed; not activated)
- ▶ **I MS still without legal basis** (lack of political will + resources)
- ▶ **Some issues even where CoE has some legal basis:**
 - ▶ Not sufficiently detailed
 - ▶ Limited scope: narrower than IFIs' mandate (in terms of tasks and administrations monitored).
 - ▶ Recommendations compliance: lower for fiscal than for transparency recom. (MT, ES)
 - ▶ Gov't uses loopholes to avoid compliance with IFI's recommendations (SK)
 - ▶ Explanations: too general, vague, not convincing
 - ▶ No consequences from deviations: just reputational costs
- ▶ **General messages:**
 - ▶ It's a relevant tool
 - ▶ No publications constraints detected
 - ▶ But both legal basis and practice still weak and there is room for improvement

Thank you for your attention

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