

Unclassified

GOV/PGC/SBO(2013)4/PROV

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

28-May-2013

English - Or. English

**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

Working Party of Senior Budget Officials

34th Annual Meeting of OECD Senior Budget Officials

**STRENGTHENING BUDGET INSTITUTIONS IN OECD COUNTRIES
RESULTS OF THE 2012 OECD BUDGET PRACTICES AND PROCEDURES SURVEY
-- DRAFT --**

**OECD Conference Centre
Paris, 3-4 June 2013**

This draft is for discussion at the SBO meeting and it will be reviewed by the country delegates.

For further information, please contact Knut KLEPSVIK at OECD Headquarters
Tel +33 1 45 24 83 32 -- Email: knut.klepsvik@oecd.org

JT03340325

Complete document available on OLIS in its original format

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.



GOV/PGC/SBO(2013)4/PROV
Unclassified

English - Or. English

**STRENGTHENING BUDGET INSTITUTIONS IN OECD COUNTRIES
RESULTS OF THE 2012 OECD BUDGET PRACTICES AND PROCEDURES SURVEY
-- DRAFT, 27 MAY 2013 --**

FOREWORD

The OECD Budget Practices & Procedures Database (the OECD Budget Institutions Database) is updated approximately every four-five years and provides a comparative set of data on developments in budget practices and procedures. The present report highlights the results of the 2012 OECD Budget Practices & Procedures Survey and compares it with the 2007 data set which for a number of subjects demonstrates notable evolutions in budget practices in OECD countries over the period.

The survey is based on self-reporting from governments. 31 countries responded to the survey before 1 May 2013. Chile responded too late to be included in this version of the analysis. Iceland and the United States have not yet responded to the survey.

The sources of the 2012 data in this publication are the 2012 OECD Budget Practices & Procedures Survey while the 2007 data, if not stated otherwise, are drawn from the from the OECD Budget Practices & Procedures Database as described in OECD (2011a), a draft report by Ian Hawkesworth and Lisa von Trapp, presented to the SBO Performance & Results Network in November 2011. Also several of the introductions to the chapters are based on the 2011 draft report.

The report was prepared by Knut Klepsvik under the supervision of Jón Ragnar Blöndal and Ronnie Downes of the OECD Budgeting & Public Expenditures Division at the Public Governance & Territorial Development Directorate of the OECD. The contribution of Edwin Lau and Natalia Nolan Flecha to the development of the questionnaire is highly appreciated. Natalia Nolan Flecha also prepared the data cleaning guide in cooperation with Joung-Jin Jang who has taken care of the quality control of the country responses and the dialogue with the responding countries during the quality control process. Thanks to both of them and to Mafalda Trincao who has helped summarising country responses. Contributions from Lisa von Trapp on Independent Fiscal Institutions (chapter 8) are also highly appreciated.

In the figures and throughout the text of this report, the OECD average refers to the unweighted, arithmetic mean of the OECD countries for which the data are available. The report includes four composite indicators on medium-term expenditure frameworks (box 3.2), budget flexibility (box 6.2), performance budgeting (box 7.1) and budget transparency (box 8.1) that will be published in the OECD Government at a Glance 2013.

The deadline for taking new data into account in this version of the report was 7 May 2013. There are a few clarifications of data received after this date that will be included in the final version of the report. The present draft report will provide an opportunity for country delegates to review their responses before the report will be published by the OECD in the autumn 2013.

TABLE OF CONTENTS

FOREWORD	2
EXECUTIVE SUMMARY	4
1. INTRODUCTION	9
2. FISCAL SUSTAINABILITY	10
Coverage of long-term fiscal projections (Q.14-16)	10
Prudent macroeconomic estimates (Q.12-16)	12
Sensitivity and fiscal risk analysis (Q.51, 15)	14
Fiscal rules that limit the budget (Q.18-24)	16
3. MEDIUM-TERM EXPENDITURE FRAMEWORKS (Q.25-30)	24
Basic characteristics of medium-term frameworks (Q.25-30)	24
Comprehensiveness and level of ceilings (Q.27a)	26
Length of ceilings and frequency of revisions of the ceilings (Q.27b)	26
4. CAPITAL BUDGETING (Q.34-35, 40-47)	30
Capital budgets and multi-year funding practices (Q.34-35)	30
Public-Private Partnership (PPP) practices (Q.40-42)	30
Value for money assessment (Q.43-45)	32
5. TOP DOWN BUDGETING TECHNIQUES (Q.3, 31-33)	34
Role of the CBA (Q.3)	36
Budget circular (Q.32)	36
Level of ceilings for the line ministries initial budget request (Q.31)	38
Budgetary disputes (Q.33)	38
6. RELAXING CENTRAL INPUT CONTROLS (Q.50, 70-84)	40
Number of line-items (Q.50a)	40
Lump sum appropriations (Q.70a)	42
Reallocation of appropriations (Q.72)	44
Authority to increase or cut appropriations after the budget is approved by the legislature (Q.74-83) ..	46
Carry-over of unused appropriations (Q.78, 81, 84)	50
Borrowing against future appropriations (Q.73)	52
7. FOCUS ON RESULTS – PERFORMANCE BUDGETING	54
8. BUDGET TRANSPARENCY (Q.6, 39, 51, 60-67)	58
Examples of available budget information and reporting in OECD countries (Q.6, 39, 51, 61)	58
Ensuring an effective role for the Legislature (Q.6, 60, 64-67)	64
Independent Fiscal Institutions	72
BIBLIOGRAPHY	77
DATA ANNEX	79

EXECUTIVE SUMMARY

The report provides a selective overview of country responses on the OECD Budget Practices & Procedures Survey 2012-13 sent out to the OECD countries in November 2012. The 2012 data are compared, where possible, with 2007 data drawn from the OECD Budget Practices & Procedures Database as described in OECD (2011a), a draft report presented to the SBO Performance & Results Network in November 2011. The report is organised according to seven main dimensions of the budget process and detailed data are available in the Data Annex.

First, the report highlights *fiscal sustainability issues* that create an important context for the medium-term and annual budget process, focusing on long-term fiscal projections, macroeconomic estimates, sensitivity and fiscal risk analysis, and fiscal rules that constrain the budget. Public fiscal sustainability is the ability of public governments to maintain the public finances at a credible and serviceable position over the long run, in the light of the prevailing mix of spending and revenue policies, and taking into account debt servicing costs and future socio-economic and environmental factors that challenge the public budgets. About two-third of OECD countries produce fiscal projections covering a time span of more than 30 years; of these countries, most revise their projections every 3-5 years or following a new government. 29% of responding OECD countries do not produce long-term fiscal projections, slightly more than in 2007 (figure 2.2).

In 2012 more OECD countries have assigned the responsibility to prepare macroeconomic estimates to other government bodies than the ministry of finance (including CBA), up 11 percentage points to 32% of responding countries (figure 2.4). However, this role change has not significantly involved more use of independent institutions for preparing the estimates. Compared to the country responses of the 2007 survey, the OECD countries increasingly perform risk analysis of entitlement spending; the number of countries not conducting such analysis has fallen from 34% to 26% (figure 2.8).

The percentage of OECD countries using fiscal rules has increased from 82% to 94% (figure 2.9), the number of fiscal rules in each OECD country has increased on average from 2.5 to 3.8 (figure 2.10) and more countries have enshrined the rules in national law (figure 2.17). The dominating type of fiscal rule in OECD countries relates to the budget balance: almost 50% of the fiscal rules are budget balance rules and 87% of the responding countries have adopted such a rule. Debt rules and expenditure rules are followed by 71% and 61% of the responding countries, respectively (figure 2.12).

Second, the report presents OECD countries' growing use of *medium-term expenditure frameworks* (MTEFs). A well-designed MTEF forces stakeholders to deal with the *medium term perspective* of budgeting and budgetary policies rather than adopt an exclusively year-by-year approach. MTEFs typically cover a period of three to four years and aim to improve the quality and certainty of medium-term fiscal planning by combining prescriptive yearly ceilings with descriptive forward estimates. 87% of OECD countries report to have a medium-term expenditure framework in place. This is a significant increase since 2007 when 72 % of the countries reported a MTEF in place (figure 3.1). Only four countries that participated in the survey do not have a MTEF in place (Belgium, Hungary, Israel¹ and Luxembourg). There is also a tendency to establish ceilings on levels below total expenditure, such as programmes, sectors or organisational level (figure 3.6). Since 2007, the length of ceilings is more concentrated at 3-4

¹ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

years (figure 3.7). However, most countries still revise their ceilings annually (figure 3.8). According to the OECD composite indicator for MTEFs, Denmark and the Netherlands have established the strongest MTEFs (figure 3.9).

Third, the report focuses on *capital budgeting* together with a snapshot of the use of Public-Private Partnership (PPP) for capital investment. More countries prepare separate capital and operational budgets in 2012 than in 2007, up from about 45% to 61% of the responding OECD countries (figure 4.1). Also more countries are funding capital projects up-front (figure 4.2).

55% of the responding OECD countries have established one or more PPP units in the central/federal government, of which 70% are located in the ministry of finance or in a subordinate body of the ministry (figure 4.3). About half of the OECD countries do an absolute value-for-money analysis such as cost-benefit analysis for all PPP projects and about two-thirds of the countries do such analysis for projects above a certain threshold. This is the case for 55% of traditional infrastructure projects. Most of the rest do such analysis on ad hoc basis (figure 4.6).

Four, *top down budgeting techniques* are described in several sub-sections focusing on: the role of the Central Budget Authority (CBA), the budget circular, level of ceilings for the line ministries' initial budget request and resolving of budgetary disputes. Typically in top-down budgeting, the executive first determines aggregate public finance targets (spending and revenue levels) given medium-term fiscal objectives and prevailing economic conditions. Within this aggregate sectoral ceilings are set (and approved by cabinet) reflecting existing commitments, political priorities in general and key new policy initiatives. The detailed allocation decisions are typically delegated to individual line ministries. To be implemented effectively, top-down budgeting requires rigorous and prudent economic forecasts and should be combined with complementary fiscal management practices such as medium-term expenditure frameworks.

The Central Budget Authority (CBA) is the hub of the central government budget process. A large majority of OECD countries have localised the CBA with the Ministry of Finance and/or Economy (figure 5.1), although in some countries the expenditure policy and control functions are assigned to a specialised ministry. The most common sole responsibilities of CBA are drafting the budget circular, developing the Executive Budget proposal, negotiating with the line ministries, producing supplementary budgets, determining ceilings for line ministries, and producing mid-year and end-of-year reports (figure 5.3).

Over the years since 2007 more OECD countries have introduced top down budgeting. More countries set ceilings for line ministries' initial budget request and only four countries (Australia, Canada, France and Hungary) do not issue such ceilings. 42% of OECD countries reported overall ceilings without sub-ceilings while 39% of the countries set ceilings on sector or programme level (figure 5.5).

There has been a change towards more collective power of resolving disputes in the budget process (figure 5.6) as allocation disputes are resolved by the cabinet in 39% of OECD countries, up from 12% in 2007.

Five, the section *relaxing central input controls* highlights the number of line items in the approved budget, to what extent agencies receive lump-sum appropriations, regimes for the executive's reallocations when the budget is approved, regimes for carry-over of unused appropriations and permissions for the executive to borrow against future appropriations. Introducing more budget flexibility for the budget holders is a feature of budget reforms in many OECD countries aimed at enabling government organisations to achieve their objectives efficiently and effectively.

The existence of many line-items often constrains managerial flexibility by detailing the specific inputs that can be used for specific areas. Since 2007 five OECD countries have significantly reduced the number of line items in the budget: Austria, Israel, Slovak Republic, Slovenia and United Kingdom. However, several OECD countries have reported an opposite development pushing the OECD average from 2417 to 4567 line items (figure 6.1).

Government organisations may receive lump sum appropriations, giving them a high degree of flexibility to allocate public funds in order to maximise their performance. Almost three-quarters of OECD countries use lump sum appropriations for operating expenditure, similar to the position in 2007 (figures 6.2 and 6.3).

Almost all (28 out of 31) OECD countries allow ministries to reallocate funds within their responsibility, with some restrictions (figures 6.4-6.5), a slight reduction from the 2007 position. In 2012, the ministry of finance is more involved in approving reallocations than in 2007 (Figure 6.6). Most OECD countries permit the carry-over of unused funds, mostly subject to ex-ante approval from the Central Budget Authority. Compared to the situation in 2007 more countries do not permit carry-over of operating expenditures. Also fewer countries allow a carry-over without an approval (figures 6.13-15). Since 2007, more countries have a restrictive approach to borrow against future appropriations. A vast majority of OECD countries do not allow ministers or governments to borrow against future appropriations, regardless of the type of expenditure: 87% in 2012 (78% in 2007) for operating expenditures and 81% (75% in 2007) for investments (figure 6.16). According to the OECD Budget Flexibility Index, New Zealand, Slovak Republic and United Kingdom score highest on a composite indicator taking the perspectives above into consideration.

Six, the report highlights the results of a parallel survey on *performance budgeting*. Although performance budgeting practices are widely used in OECD member countries, there are vast differences in the approaches taken and there is no consensus on the optimal type of regime that should be applied. In most countries that use performance information in budgeting, there is a loose or indirect link between performance information and funding. Since 2007 it appears that in negotiations between line ministries and CBAs performance information is generally used less for strategic planning and to a growing extent not used at all (figure 7.2). Performance budgeting is generally a decentralised practice within the central/federal government. The OECD Performance Budgeting Index gives highest score to Canada, Korea, Mexico and Switzerland.

Seven, *budget transparency* is discussed in a chapter providing examples of available budget information and reporting in OECD countries. This final section also highlights practices promoting an effective role for the Legislature, including a brief update on independent fiscal institutions in OECD countries.

Budget transparency – openness about policy intentions, formulation and implementation – is increasingly seen as central to a good governance agenda. A key aspect of transparency is the extent to which the executive's budget discloses the underlying assumptions (macroeconomic and others) that set the fiscal framework within which government organisations formulate their spending proposals. Three-quarters of OECD countries responding to the Budget Practices & Procedures survey publish the macroeconomic assumptions and the methodology used to establish them in the budget and in supporting documentation (figure 8.1), which is an improvement of 13 percentage points since 2007. While nearly all OECD countries include the executive's medium-term fiscal objectives in the published budget documentation, only 77% include a medium-term perspective on revenue and expenditure but this disclosure practice has increased by seven percentage points since 2007. Other main changes from 2007 are seen in non-financial performance targets included in the budget document (increased from 48% to 68% of respondents), in written text of policy legislation in the budget document (increased from 24% to

52%) and in clearly defined appropriations to be voted by the legislature (increased from 73% to 84%) (figure 8.3).

The percentage of OECD countries where the legislature holds unrestricted amendment power for the budget has stood still at 52% since 2000 (figure 8.7), taking into account that some countries are effectively constrained from using amendment powers as votes on the budget are considered as a vote of no confidence in the government (figure 8.8). The effectiveness of a given legislature in the budget process is also influenced by the time available for legislative debate and the level of resources that the legislature has at its disposal. In 58% of the OECD countries, the budget is presented to the legislature at least three months before the start of the fiscal year, and the vast majority of OECD countries also approve the budget prior to the start of the fiscal year (figure 8.9). Consequences if the budget is not adopted before the start of the fiscal year tend to favour the legislature in 2012 more so than in 2007 (figure 8.11). Furthermore, in a decade, the number of specialised legislative budgetary research units has more than doubled, and in some cases their size has increased. In 2010-12, several new bodies have been established in countries such as Australia, Austria, France and Greece, bringing the total number of such units to 18 in 2012 (figure 8.12).

As of 2013, most OECD countries (18) have established or are establishing an independent fiscal institution, up from eight in 2007 and 15 in 2012 (Figure 8.13). The role and structure of these bodies varies considerably across countries regarding relations to the executive and the legislature, budget and staffing as well as mandate (e.g. forecasting and monitoring).

According to the OECD Budget Transparency Index the highest ratings go to France, New Zealand, Sweden and United Kingdom (figure 8.7).

To conclude, more countries are using an increasing number of fiscal rules and more countries have enshrined these rules in national law. All but four OECD countries have introduced a medium-term expenditure framework for the budget, typically covering a period of three to four years. There is also a tendency to establish medium-term expenditure ceilings on levels other than overall expenditure, such as programmes or sectors. However, most countries still revise their ceilings annually.

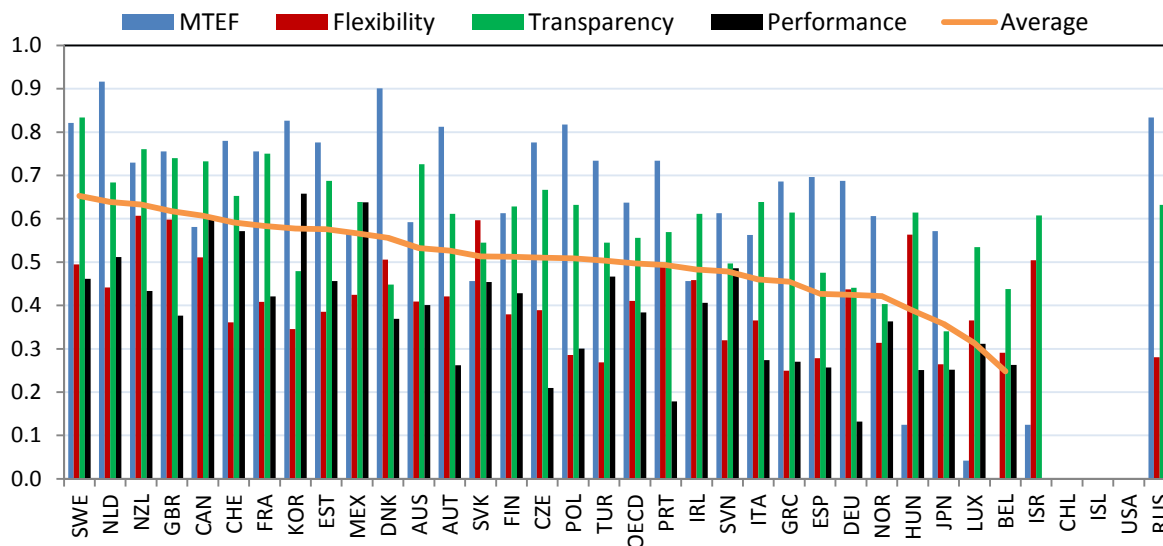
Since 2007 more OECD countries have been applying top down budgeting and all OECD countries except four set ceilings for line ministries' initial budget request, of which most countries set ceilings at programme or organisational level (figure 5.5). There has been a significant change towards more collective power of resolving disputes in the budget process as allocation disputes are resolved by the cabinet in 39% of OECD countries.

The OECD countries have a slightly more restrictive attitude towards budget flexibility since 2007; the average number of line items in OECD countries has increased from about 2400 in 2007 to about 4500 in 2012, the ministry of finance is more involved in approving reallocations, fewer countries permit carry-over of operating expenditures and fewer countries allow a carry-over without an approval. Also, more countries have a restrictive approach to borrow against future appropriations.

With regard to budget transparency, more OECD countries publish the macroeconomic assumptions and the methodology used to establish them in the budget and in supporting documentation, and include a medium-term perspective on revenue and expenditure, non-financial performance targets, written text of policy legislation and clearly defined appropriations to be voted by the legislature. The legislature of OECD countries also has achieved a stronger role in the budget approval process, e.g. consequences if the budget is not adopted before the start of the fiscal year tend to favour the legislature in 2012 to a greater extent than in 2007, and the number of specialised legislative budgetary research units has increased in the period.

Combining the four OECD composite indicators for different aspects of the budget process shows that, on average, Netherlands, New Zealand and Sweden have scored highest on all indexes, while Canada, France, Korea, Switzerland and United Kingdom are following suit. While a high score on the MTEF index, the transparency index and probably also on the performance budgeting index indicates a well designed and resilient approach, a high score on the flexibility index would need more in depth analysis and interpretation to assess whether it is an approach that contributes positively to fiscal management.

Four composite indicators - average



Note: Iceland and USA did not respond to the survey. Chile did not respond in time to be included in this version of the analysis. Israel did not respond to the OECD Performance Budgeting Survey

1. INTRODUCTION

The OECD Budget Practices and Procedures Survey 2012-13 provides a comprehensive set of data on most phases of the budget process: budget formulation, adoption and execution. Data on accounting, reporting and audit will be subject to a separate survey at a later stage. The data feed into the OECD Budget Practices and Procedures Database (the OECD Budget Institutions Database) that is updated approximately every four-five years and provides a comparative set of data on developments in budget practices and procedures. The present report draws on both the 2012-13 survey and a draft report of the 2007 data set (OECD 2011) which for a number of subjects demonstrates notable evolutions in budget practices in OECD countries over the period.

The 2012-13 data that are presented in this report are based on the country responses on a questionnaire sent out to the OECD countries in November 2012. The questionnaire was first piloted (by Canada, Germany and Korea) before being rolled out to all OECD countries. The OECD secretariat has performed a quality control of the country responses that includes a comparison with 2007 data and other international datasets like the IMF Fiscal Rules Database. During the quality control process the countries have been invited to clarify and verify any changes from the earlier data. This report provides an opportunity for the OECD SBO delegates to comment and validate the results before the OECD finalises and publishes the report. More detailed data on the country responses is set out in the Data Annex. The complete survey provides an even richer data set than is covered in this report and annex, which focus upon core budgeting themes and principles. All survey data will be made available in an updated on-line OECD Budget Institutions Database.

The report is organised according to seven main dimensions of the budget process. *First*, the report highlights *fiscal sustainability issues* that create an important context for the medium-term and annual budget process, focusing on long-term fiscal projections, macroeconomic estimates, sensitivity and fiscal risk analysis, and fiscal rules that constrain the budget. *Second*, the report presents OECD countries' growing use of *medium-term expenditure frameworks*. *Third*, the report focuses on *capital budgeting* together with a snapshot of the use of Public-Private Partnership (PPP) for capital investment. *Four*, *top down budgeting techniques* are described in several sub-sections focusing on: the role of the Central Budget Authority (CBA), the budget circular, level of ceilings for the line ministries initial budget request and resolving of budgetary disputes. *Five*, the section *relaxing central input controls* highlights the number of line items in the approved budget, to what extent agencies receive lump-sum appropriations, regimes for the executive's reallocations when the budget is approved, regimes for carry-over of unused appropriations and permissions for the executive to borrow against future appropriations. *Six*, the report highlights the results of a parallel survey on *performance budgeting*. *Seven*, *budget transparency* is discussed in a chapter providing examples of available budget information and reporting in OECD countries. This final section also highlights practices promoting an effective role for the Legislature, including a brief update on independent fiscal institutions in OECD countries.

The existing budget database (2007 data) covers OECD countries and a wide set of countries outside OECD from all continents, altogether 97 countries across the world. The OECD has entered into agreements with other international organisations in order to update the database also for other countries across the world. These regional budget surveys will eventually feed into the on-line budget database. On this basis, the OECD database will present a truly comprehensive overview – in terms both of international coverage and of in-depth analysis – of how countries manage and implement their budgets, and will allow for continuing high-quality analysis and knowledge-sharing on effective and innovative practices.

2. FISCAL SUSTAINABILITY

Public fiscal sustainability is the ability of public governments to maintain the public finances at a credible and serviceable position over the long run, in the light of the prevailing mix of spending and revenue policies, and taking into account debt servicing costs and future socio-economic and environmental factors that challenge the public budgets. Prudent macro-economic assumptions, sensitivity and risk analysis and appropriate fiscal rules would help to orient spending and revenue policies within sustainable levels in the short run and over the medium term. For the longer perspective, long-term fiscal projections (incorporating demographic and socio-economic trends) could be a necessary analytical tool.

Coverage of long-term fiscal projections (Q.14-16)

Long-term fiscal uncertainty is a challenge for most OECD countries. A growing elderly population, higher longevity and increased demand for health services, and in some cases simultaneous reductions in the government's tax base, are some factors that create long-term challenges. Persistent fiscal deficits in recent years, a high debt level and off-budget contingent liabilities in several OECD countries require an adequate policy response in terms of fiscal planning. Such long-term challenges can be addressed, for example, through structural reforms of the public sector and entitlement programmes: the benefits from such reforms typically have only a limited impact on public budgets in the short- to medium-term, but yield greater benefits over the longer term. Long-term fiscal projections can play a useful role in identifying the expected future costs and associated debt of current policies in light of forecast demographic and economic developments.

Long-term projections of the public sector's role in the economy would also contribute to the informed political and public discussion of a broader reform agenda, to ensure that the costs of the public sector are proportionate to the benefits delivered to society, and to issues of affordability. The size and structure of the public sector in several OECD countries pose challenges in terms of long-term sustainability. Some governments also present long-term fiscal challenges in a cross-generational perspective, in order to distribute benefits and cost in a reasonable way over generations.

In most OECD countries (see figure 2.1 and table 2.1 in the Data Annex) the Central Budget Authority (CBA) is responsible for long-term fiscal projections. In some countries this responsibility is located in other departments of the Ministry of Finance than where the CBA is located or in other core ministries: in Belgium, Czech Republic, Finland, Greece and Portugal this responsibility is carried out by other departments of Ministry of Finance; in France, Germany, Israel, Italy, Japan, Korea, Luxembourg and Spain by another ministry or Cabinet Office. Only three OECD countries have assigned this responsibility to an independent institution (Austria, Netherlands and United Kingdom).

About two-third of OECD countries produce long-term fiscal projections covering a time span of 31-50 years; of these countries, most revise their projections every 3-5 years or following a new government. Japan is the only country with fiscal projections covering 11-30 years, which is revised every year. Since 2007 the number of countries that do not produce long-term (more than 10 years) fiscal projections has risen slightly by 5% percentage points to 29% of responding OECD countries. Those countries produce fiscal projections that cover a time span of up to five years and revise the projections every year (see figure 2.2 and table 2.2 in the Data Annex).

Half of OECD countries require that the annual budget or medium-term framework shall be either based on, or consistent with, the long-term fiscal projections (see figure 2.3 and table 2.3 in the Data Annex).

Fig. 2.1 Actors responsible for long-term fiscal projections (Q14a)

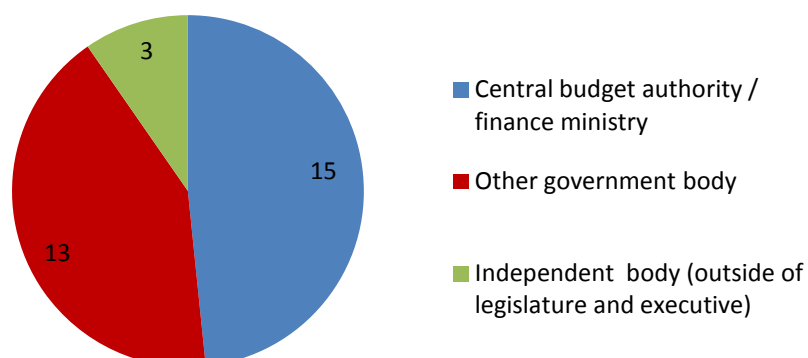
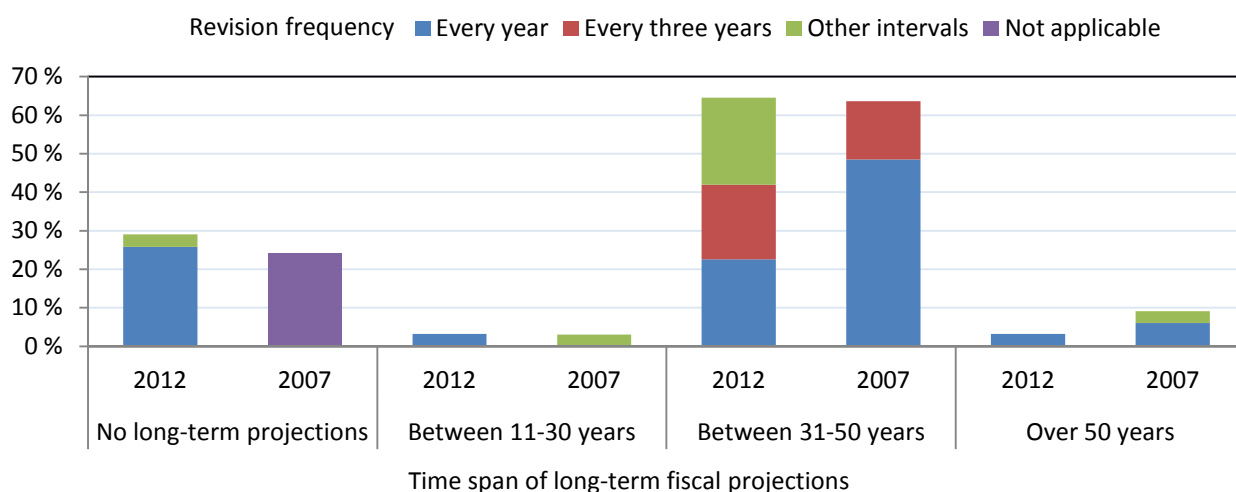


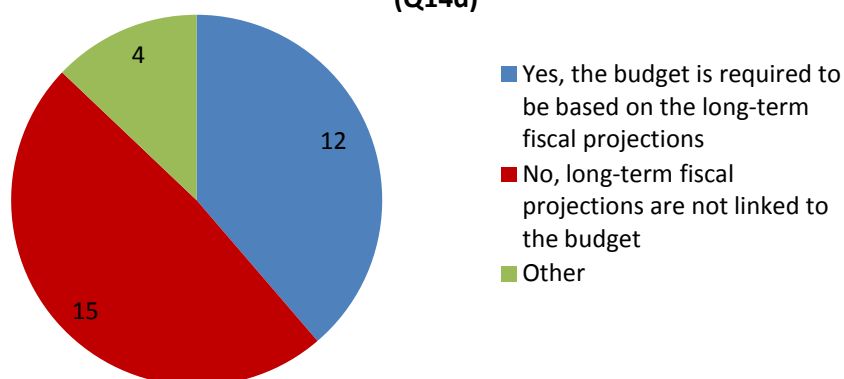
Fig. 2.2 Time span and revision frequency of long-term fiscal projections (Q14b-c)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2009). The 2007 data are drawn from Government at a Glance 2009, table 17.1.

In 2012, "No long-term projections" refers to countries having fiscal projections of up to 10 years.

Fig. 2.3 Links between long-term projections and the annual budget (Q14d)



Prudent macroeconomic estimates (Q.12-16)

Prudent and properly made economic forecasts should form the basis for the assumptions and estimates used in the budget, including the issue of the fiscal stance. In a time of fiscal consolidation, in particular, weak or over optimistic economic assumptions can too easily undermine the fiscal adjustment path and erode market confidence in the government's commitment to sound fiscal policy. Transparency measures regarding the economic assumptions strengthen quality and credibility.

Dedicated units within the Central Budget Authority or other departments of the Ministry of Finance are in charge of developing the macroeconomic estimates in 54% of the OECD countries (see figure 2. 4 and table 2.4 in the Data Annex). A number of other government and non-government institutions are often consulted in this process.

While the Central Budget Authority initiates the budget formulation process, the macroeconomic estimates may be developed by other actors within the public sector. 32% of the countries have assigned this responsibility to other government bodies (up 11 percentage points since 2007); of these countries, four assign the responsibility to other core ministries: Italy, Japan, Spain and Turkey (see table 2.4 in the Data Annex). An alternative approach is to assign responsibility to an entity independent of the executive. In Switzerland, for example, a group of experts with representatives from various ministries and the Central Bank is responsible for formulating the macroeconomic estimates.

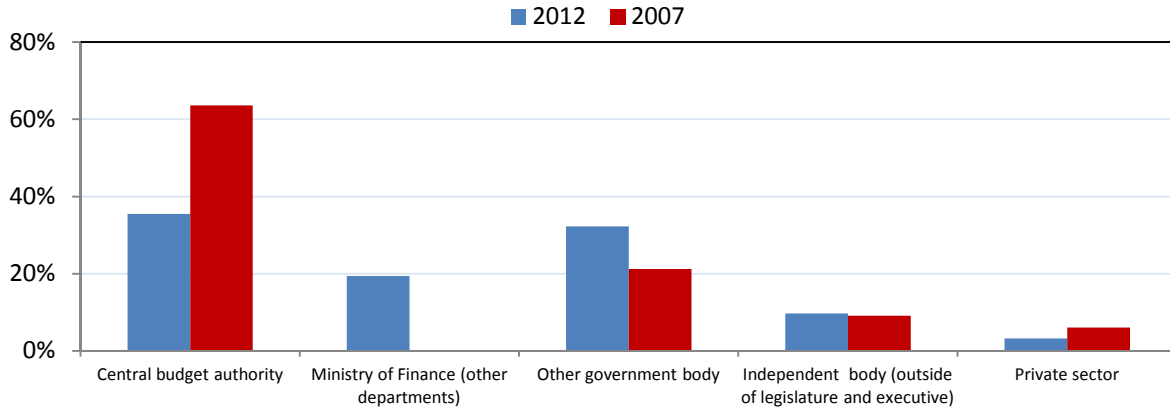
The Netherlands Bureau of Economic Policy Analysis (Central Planning Bureau or CPB) has the status of an independent agency under the Ministry of Economic Affairs. It maintains an independent external advisory board and has established good working relationships with both the cabinet and with opposition parties. Luxembourg and the United Kingdom have also established independent public agencies responsible for preparing the budgetary forecasts.

In Canada, official macroeconomic estimates are based on the views of major banks and private sector forecasting firms. The Department of Finance conducts a quarterly survey of approximately 20 private sector forecasters to collect estimates of labour market variables, real GDP, inflation, interest and exchange rates. Averages of these external estimates are used as the basis of official government revenue and expenditure forecasts. Over the last decade, two notable changes have been made. First, since 1999 five-year forecasts have been prepared by the private sector forecasters and published in the mid-year Economic and Financial Update. Second, since 2004 the central government has disclosed how it has derived its estimates from private sector forecasts (Muhleisen *et al.*, 2005). Each autumn, fiscal projections of four independent private sector organisations are presented in the Economic and Fiscal Update to provide comparative views on the country's fiscal outlook. Since 2008 the Parliamentary Budget Office has also presented an alternative view.

58% of the OECD countries develop macroeconomic estimates that cover a time span up to five years. The majority of the rest use macroeconomic estimates that cover between 31 and 50 years (see figure 2.5 and table 2.5 in the Data Annex).

When developing long-term projections most OECD countries considers factors like interest rates, economic growth rates, fiscal gap projections and effects of significant policy reforms, e.g. pension and health reforms. Also demographic changes, exchange rates, unemployment trends and health care cost are factors that a majority of countries consider for long-term fiscal projections. Inter-generational issues and pension obligations/liabilities are rarely included in the estimates (see figure 2.6 and table 2.6 in the Data Annex).

Fig. 2.4 Actors responsible for macroeconomic estimates (Q12)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007)

Fig. 2.5 Time span of long-term macroeconomic estimates (Q13)

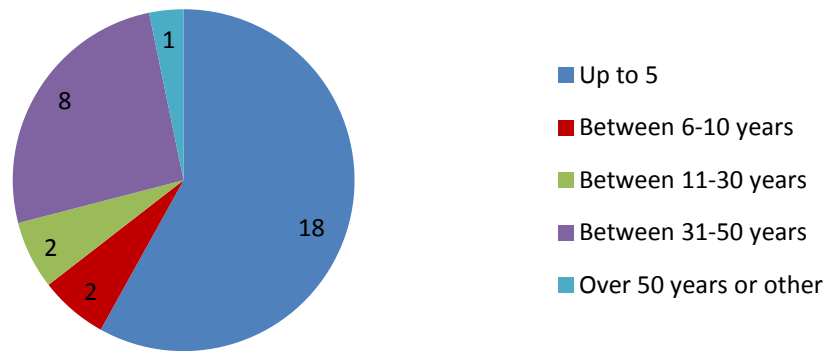
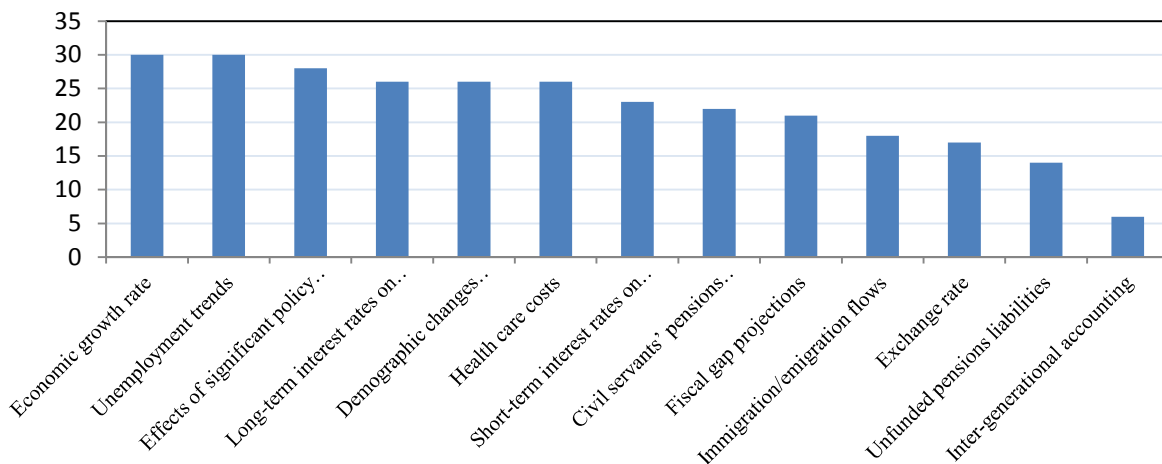


Fig. 2.6 Factors considered in the long-term fiscal projections (Q16)



Note: Number of OECD countries, out of 31 participating OECD countries.

Sensitivity and fiscal risk analysis (Q.51, 15)

Sensitivity analysis is a “what-if” type of analysis used in quantitative modelling to test the sensitivity of outcomes to changes in parameters or underlying assumptions. If a small change in a parameter results in relatively large changes in the outcomes, the outcomes are said to be sensitive to that parameter (IMF, 2007). Sensitivity analysis is one way to factor in uncertainties associated with forecasting macroeconomic variables that are important to the budget as a whole or to individual expenditure items. It is used to test the importance of different assumptions to the projected performance of a government intervention. For example, sensitivity analysis could be used to test the extent to which projected revenue growth is affected by changes in the price of key export commodities on the world market.

58% of the OECD countries include fiscal sensitivity analysis in their publicly available budget documentation (see figure 2.7 and table 2.7 in the Data Annex), up from 42% in the 2007 survey. Only two OECD countries report that sensitivity analysis is not in use (Belgium and Greece).

Another method of taking uncertainty into consideration in fiscal projections and macroeconomic assumptions is to identify and assess specific risk elements that would influence negatively the assumptions and projections if they materialise. Actions should be taken in accordance with the risk elements’ probability and consequence.

Most OECD countries specifically evaluate the potential fiscal risks associated with entitlement spending (*e.g.* if the take up rate of various entitlement programmes is higher or lower than assumed in the budget), though the comprehensiveness of evaluations varies (see Figure 2.8 and Table 2.8 in the Data Annex). 32% of the OECD countries take risk into account for all entitlement spending while 39% take risk into consideration in one way or another. Greece reports that risks are taken into account in particular cases, while Poland explains that in certain cases risks may be taken into account only to a limited degree, dependent on the particular programme. Austria allocates unreserved funds and Canada makes a global/general risk adjustment to cover risks/shocks to entitlement spending. Denmark and Sweden applies a budgeting margin, which is a buffer between the expenditure ceiling and the capped expenditures. In Sweden, the budgeting margin should amount to at least 1% of the capped expenditures in the current year increasing by 0.5 percentage points for each of the out years. Netherlands and United Kingdom reports that the budget is based on projections provided by their independent institutions, CPB and OBR, respectively. Risk assessment is at the discretion of these institutions. 29% of the OECD countries report that risk is not taken explicitly into account for entitlement spending (Belgium, Estonia, Finland, Germany, Korea, Portugal, Slovenia, Switzerland) or did not answer (Japan).

Finland notes that the budget process itself includes elements of flexibility, such as supplementary budgets and budget margins in the spending limits.

Compared to the country responses of the 2007 survey it seems that the OECD countries have increased their practices of risk analysis of entitlement spending; the number of countries not conducting such analysis has fallen from 34% to 26%.

Fig 2.7 Available sensitivity analysis and reviews of assumptions (Q51a)

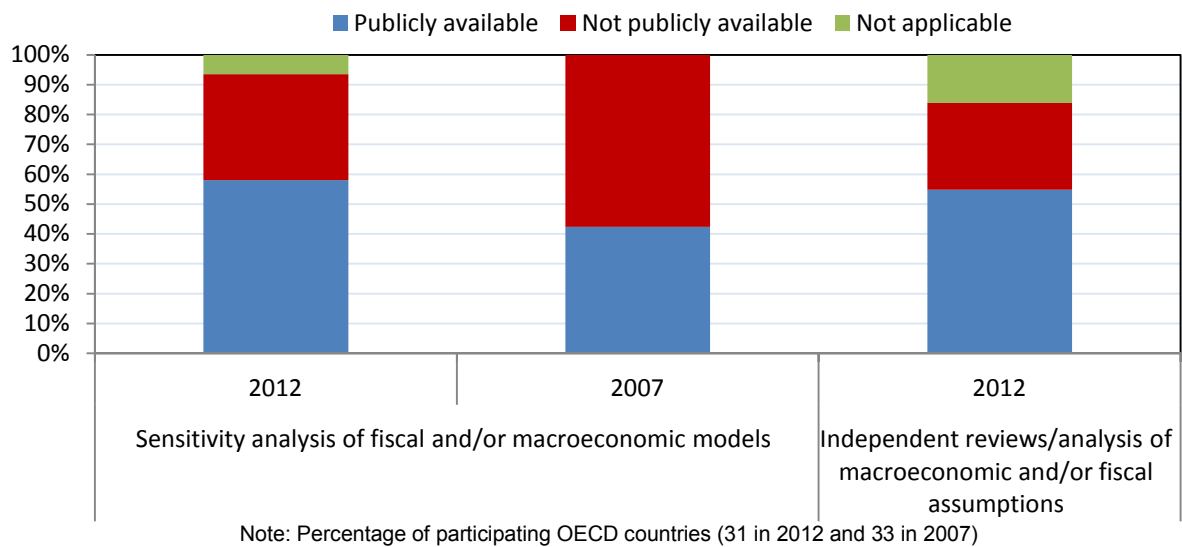
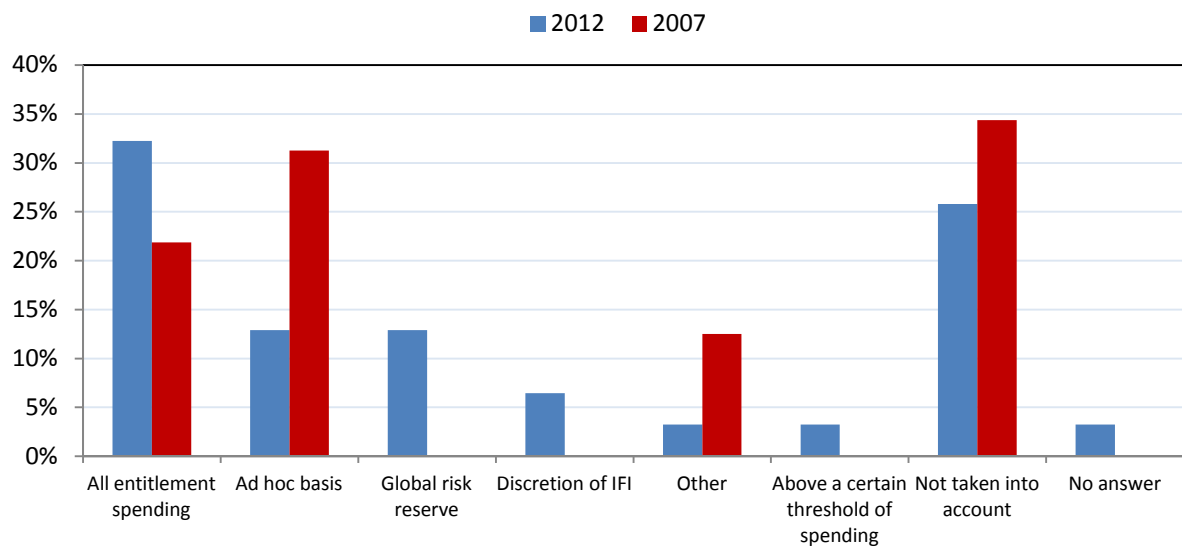


Fig. 2.8 Risk taken into account for entitlement spending (Q15a)



Note: Percentage of participating OECD countries with an answer to the question (31 in 2012 and 33 in 2007)

Fiscal rules that limit the budget (Q.18-24)

A fiscal rule is a permanent constraint on fiscal policy expressed in terms of a summary indicator of fiscal performance (Kopits and Symansky, 1998). A fiscal rule has two fundamental characteristics. First, it presents a constraint that binds political decisions made by the legislature and by the executive. And second, it serves as a concrete indicator of the executive's fiscal management. Budgeting in democratic countries is inherently biased towards expansionary outcomes (Schick, 2003). If observed, fiscal rules constrain politically-motivated spending to improve macroeconomic stability in the short-term, while contributing to long-term fiscal sustainability. Fiscal rules also signal a government's credit worthiness and provide justification for making tough fiscal decisions. Finally, fiscal rules can control the negative spillovers and externalities that arise within a federation or union (Inman, 1996).

There is no one-size-fits-all fiscal rule. Four broad yet distinctive categories of rules exist, namely: expenditure rules, fiscal balance rules, debt rules, and revenue rules.

- **Expenditure rules:** limit the amount of government spending and can be expressed in nominal or real terms as limits on spending levels or expenditure growth, or as an expenditure-to-GDP ratio.
- **Fiscal balance (*i.e.* deficit or surplus) rules:** directly target the fiscal balance (*i.e.* the gap between government spending and revenues), e.g. a requirement to run a balanced position; not to exceed a defined deficit limit; or a requirement to attain a defined surplus at minimum. Such rules can be expressed in nominal or cyclically-adjusted terms, usually by reference to a percentage of GDP.²
- **Debt rules:** limit the amount of government debt that can be accumulated and can be expressed in nominal terms, as a debt-to-GDP ratio, or as an explicit reduction of the debt-to-GDP ratio.
- **Revenue rules:** impose constraints on the tax-to-GDP ratio and place restrictions on government revenues raised in excess of projected amounts.

Where they are used, fiscal rules and targets should be clearly stated and explained, with specific attention paid to their design. Rules should be based on appropriate summary indicators and be simple and transparent so as to facilitate management and monitoring activities. Further, they should be responsive to cyclical fluctuations and should include provisional mechanisms to deal with revenue windfalls. Where possible, fiscal rules should involve all levels of government. However, the OECD Budget Survey only covers central government fiscal rules.

While evidence suggests that fiscal rules can assist governments to achieve fiscal consolidation, practices vary and there is no academic consensus on what design features are most effective. It is notable, however, that countries that fail to enforce or renew are unlikely to achieve fiscal discipline (for example, the United States after the expiration of its 1990 Budget Enforcement in 2002). Strict rules may induce fiscal gimmickry, including one-off measures and creative accounting (Koen and van den Noord, 2005). Milesi-Ferretti (2003) illustrates the importance of budget transparency for effective fiscal rules for its ability to mitigate and detect such practices.

The effectiveness of fiscal rules is also linked to other budget practices and procedures. According to Schick (2003), these include: medium-term budget frameworks; top-down budgeting; long-term fiscal projections; policy change impact assessments; monitoring and follow-up procedures; and enforcement

² A variation of a balance rule is the "Golden Rule" in which the government is only allowed to borrow to finance investments. The rationale underlying the golden rule is that investments represent future, and not current, consumption and have the potential to generate future growth. Critics of the golden rule hold that it is a private sector concept not immediately applicable to the public sector.

mechanisms. Recent literature also highlights the supportive role of independent enforcement bodies (Schaechter et. al., 2012).

In evaluating the effectiveness of fiscal rules, attention has focused on their design features and fit with various goals, especially those related to economic policy. Recent literature advocates structured flexibility by including well-defined escape clauses in the fiscal rules design (Schick 2010, IMF 2009); comprehensive coverage of aggregates with limited possibilities of exclusions (Schaechter 2012); and embedding of fiscal rules in national law (European Commission 2010). Anderson and Minarik (2006) argue that deficit rules can hinder counter-cyclical policies; they consider expenditure rules that govern discretionary spending and tax expenditures (but exclude automatic stabilizers) to be a superior alternative because they:

- are more transparent for monitoring purposes and reduce opportunities for creative accounting;
- are inherently counter-cyclical and allow automatic stabilisers to function properly;
- provide firm guidance to policy makers regardless of economic conditions;
- increase the predictability of resources, most notably for annual appropriations related to core government functions and public investments; and
- reduce the risk of adding to tax burdens (when combined with expenditure ceilings).

The OECD Survey examines five aspects of fiscal rules, namely:

- **the type of fiscal rules adopted:** whether measured against expenditure, budget balance, debt or revenue;
- **the design of fiscal rules applied:** what the fiscal rule targets and relates to for example cyclicity and GDP;
- **the legal basis of fiscal rules:** whether established in primary law (*i.e.* the constitution or legislation) or political commitment / agreement between the governing coalition;
- **the duration of fiscal rules:** whether established for a temporary period of time or on a permanent basis; and
- **the enforcement procedures in cases of non-compliance with the fiscal rules:** which type of correction and accountability mechanisms are in place.

The number of OECD countries that have adopted fiscal rules has increased substantially since the survey in 2007. 94% of the OECD countries that participate in the 2012-survey reports to have adopted at least one fiscal rule, up 12 percentage points from 2007 (see figure 2.9 and table 2.9 in the Data Annex). The only two countries that do not apply fiscal rules are New Zealand and Turkey. One reason for the rise in use of fiscal rules is the recent development of enhanced fiscal governance measures in the European Union: among other things the pre-existing fiscal constraints under the Stability & Growth Pact are more clearly specified, there are established convergence procedures towards the medium-term budgetary targets and the Eurozone countries are obliged to include the fiscal rules in national law (see Box 1.3).

Box 1.3. OECD-EU members and the Stability and Growth Pact Fiscal Rules

The euro area is a currency union of 17 of the 27 European Union (EU) member states that have adopted the Euro as their sole legal tender. There are currently 15 OECD countries in the euro area: Austria, Belgium, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Slovak Republic, Slovenia and Spain. Furthermore, six OECD members are EU members outside the euro area: Czech Republic, Denmark, Hungary, Poland, Sweden and United Kingdom.

The Stability and Growth Pact (SGP) is a rule-based framework for the coordination of national fiscal policies in the EU. The Pact consists of a preventive and a corrective arm, of which the latter is focused mostly on the euro area members. The SGP imposes a limit of 3% of GDP on the budget deficit and a limit of 60% of GDP on the gross national debt, as well as convergence paths towards these main fiscal objectives with associated sanctions for deviation. In December 2011 the SGP was strengthened by a new set of regulations known as *the six-pack*.

The *corrective arm* of the SGP governs the excessive deficit procedure (EDP) that is **triggered by the deficit breaching 3% of GDP or the debt in excess of 60% of GDP**. An EDP will also be launched if an overrun of the debt reference value over the past three years was not reduced by at least 1/20 on average per year or the European Commission does not forecast any similar reduction for the past year and two subsequent years, taking into account the effect of the cycle. The Council (the Economics and Finance Ministers of the EU member states) issues recommendations to correct the excessive deficit within a specified time frame. The interest-bearing deposit imposed under the preventive arm (see below) can be changed into a non-interest-bearing deposit. If no effective measures are taken in line with the Council recommendations, a fine of 0.2 % of GDP may be imposed on euro area member states. Moreover, sanctions provided for under the Treaty on stability, coordination and governance may be applied (generally a fine of no more than 0.5 % of GDP). Sanctions recommended by the European Commission may only be rejected by a qualified majority of the Council (subject to reverse qualified-majority voting). There is an escape clause related to "severe economic downturn for the euro area or the Union as a whole".

The *preventive arm* of the SGP provides for annual stability or convergence programmes to be submitted to the European Commission, including **country specific medium-term budgetary objectives (MTO) of a structural budget balance rule** (a structural deficit of no more than 1 % of GDP for euro area countries). If the structural deficit significantly exceeds the MTO (a deviation of 0.5% of GDP in one year or 0.25% in two), the country is committed to following an adjustment path towards an annual average reduction of the structural deficit of 0.5 % of GDP and an expenditure benchmark requires that the expenditure growth may not exceed medium-term potential growth. Expenditure excludes interest, unemployment benefits and EU matching payments. Expenditure financed by discretionary revenue or by statutory increases in revenue is also excluded. The Council, on the basis of a proposal by the Commission, can address an early warning to prevent the opening of an excessive deficit and impose sanctions on euro area member states of payment of an interest-bearing deposit of 0.2 % of GDP. The Council may block a recommendation by the European Commission only with a qualified majority.

In March 2013 the European Parliament and the Council have agreed on two further regulations (*the two-pack*) to strengthen the preventive aspect for euro area member states by introducing a common budgetary timeline and common budgetary rules. Among other things, the regulations provide that the European Commission can require that Member States revise their budgets in cases of serious non-compliance with the SGP.

Moreover, the Eurostat provides quarterly statistical government data reported by member states as a basis for the Commission's surveillance. The Commission will have the power to investigate where there are "serious indications" of possible manipulation of statistics, which may be sanctioned with a fine of up to 0.2% of GDP.

The Treaty on Stability, Coordination and Governance in the EU (*the Fiscal Compact*) entered into force on 1 January 2013 after ratification by 12 euro area member states (signed by EU25 – all but UK and Czech Republic). The Treaty is mandatory for euro area member states and requires country specific **fiscal rules implemented in national law** through provisions of "binding force and permanent character, preferably constitutional". The Fiscal Compact requires contracting partners to respect convergence towards the country-specific medium-term objective (MTO), with a **lower limit of a structural deficit of 0.5% of GDP** (1.0% of GDP for member states with a debt ratio significantly below 60% of GDP). Correction mechanisms should ensure automatic actions to be undertaken in case of deviation from the MTO or the adjustment path towards it, with escape clauses for exceptional circumstances. Compliance with the rule should be monitored by national independent institutions. The European Court of Justice (CoJ) may impose financial sanctions (0.1% of GDP) if a country does not properly implement the new budget rules in national law and fails to comply with a CoJ ruling that requires it to do so.

Source: European Commission and OECD (2012), *OECD Economic Surveys: Euro Area 2012*, OECD Publishing.

Fig. 2.9 Percentage of OECD countries using fiscal rules (Q18)

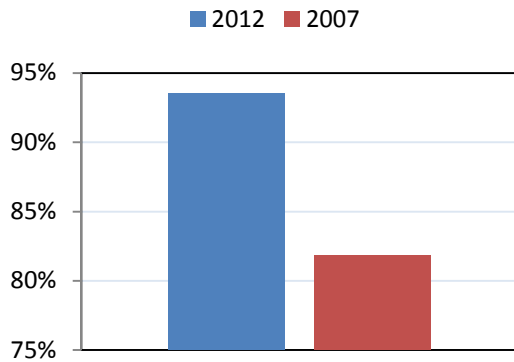


Fig. 2.10 OECD average number of fiscal rules when applied (Q18)

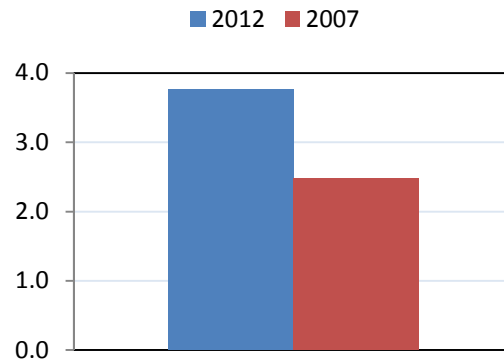
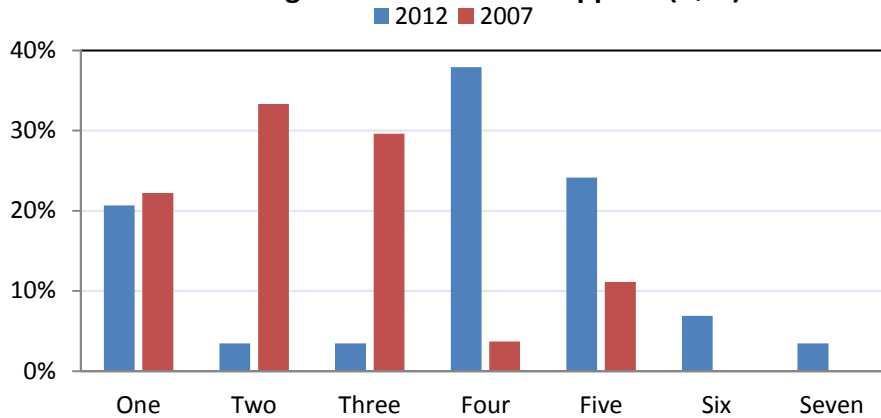


Fig 2.11 Percentage of countries using fiscal rules according to number of rules applied (Q18)



Note: Figure 2.9-2.11: Percentage of participating OECD countries (31 in 2012 and 33 in 2007)

Fig. 2.12a Percentage of OECD countries using fiscal rules, according to type of rules (Q18)

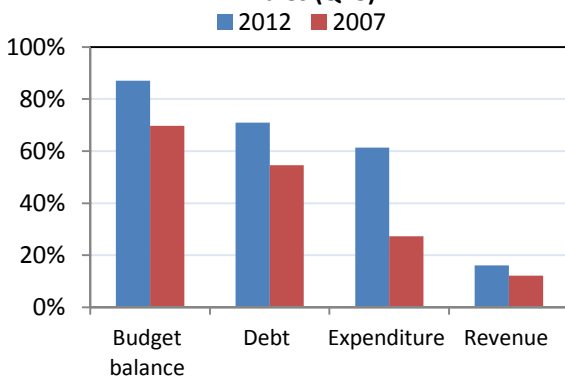
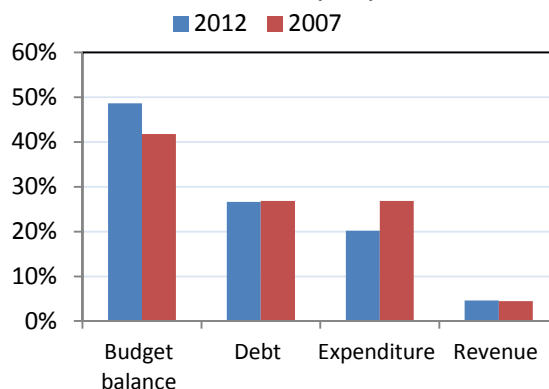


Fig. 2.12b Fiscal rules used by OECD countries, according to type of rules, as a percentage of total number of fiscal rules (Q18)



Note: 2.12a: Percentage of total number of fiscal rules in participating OECD countries (31 in 2012 and 33 in 2007).

2. The 2007 data are retrieved from the OECD Budget Database and other OECD sources.

The type of fiscal rules adopted

The developments in the EU may also be one reason behind the increase of the number of fiscal rules in the countries. The average number of fiscal rules in OECD countries has increased from 2.5 to 3.7 (see figure 2.10 and table 2.9 in the Data Annex). In 2007, most countries used to have 2-3 fiscal rules while most countries in the 2012 survey reports to apply 4-5 fiscal rules (figure 2.11 and table 2.9 in the Data Annex). France and Greece have adopted six fiscal rules including all types; expenditure rules, budget balance rules, debt rules and revenue rules. One country has adopted seven fiscal rules (Netherlands), of which three budget balance rules and two debt rules. Eight countries have less than four fiscal rules, namely Germany (3), Israel (2), Canada, Japan, Korea, Mexico, Norway and Switzerland (1 each).

Since 2007, the percentage of OECD countries using fiscal rules has increased for all categories of fiscal rules: budget balance rules, debt rules, expenditure rules and revenue rules. The most substantive development has been within expenditure rules as almost two-thirds of the OECD countries now apply an expenditure rule while only one-quarter of the countries had such a rule in 2007 (see figure 2.12a and table 2.9 in the Data Annex). Notwithstanding, the most widely adopted fiscal rules are budget balance rules and debt rules that 87% and 71% of the OECD countries have adopted, respectively.

Several OECD countries have adopted more than one fiscal rule of a category. According to the Stability and Growth Pact (SGP) and the Fiscal Compact, all Eurozone member countries are obliged to apply both a structural and a nominal budget balance rule and a debt rule. In addition these countries may have other national fiscal rules. Italy has adopted four budget balance rules while Belgium, Netherlands and Sweden have three budget balance rules. Since 2007, the number of fiscal rules has increased on all categories of rules without regard to countries. In percentage of the total number of fiscal rules in the participating countries the use of balance rules has increased by 7 percentage points to almost half of all fiscal rules applied (49%, see figure 2.12b and table 2.9 in the Data Annex).

The design of fiscal rules applied

There is no international consensus on the optimum design of fiscal rules. About 83% of all budget balance rules target a specific budget balance as a percentage of GDP (43%) or a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms (40%). See figure 2.13a and table 2.10 in the Data Annex. Almost half of the debt rules establish a ceiling for the Government debt in level or as a % of GDP while one-third target a given reduction in the debt-to-GDP ratio. Only 17% targets a specific debt-to-GDP ratio. See figure 2.13b and table 2.10 in the Data Annex.

Most of the expenditure rules are designed to target an expenditure ceiling in nominal terms (45%) while only 18% target a real expenditure ceiling. 23% of expenditure rules target a real expenditure growth rate and 9% target a specific expenditure-to-GDP ratio. See figure 2.13c and table 2.10 in the Data Annex. More than 90% of expenditure rules cover both mandatory (95%) and discretionary spending (91%), while less than half cover social security funds (41%) and interest on debt (36%). Extra-budgetary funds are only covered in 27% of the expenditure rules. See figure 2.14 and table 2.10.

While almost all budget balance rules and debt rules are permanent rules and most of them designed with flexibility for handling fiscal crisis, only 50% of expenditure rules and 20% of revenue rules allow flexibility during fiscal crisis and most of those two rules have a temporary character. See figures 2.15 and 2.16, and table 2.10 in the Data Annex.

Fig 2.13a Kind of balance rules applied (Q21)

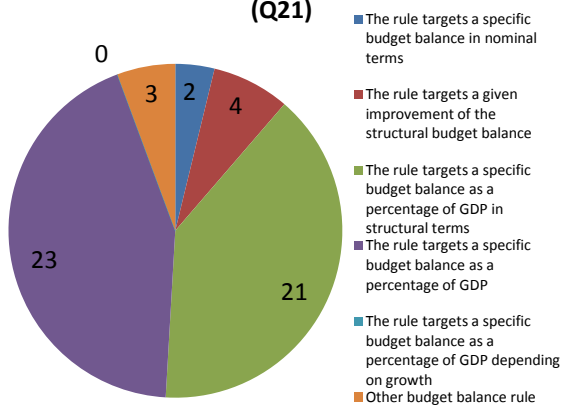


Fig 2.13b Kind of debt rules applied (Q22)

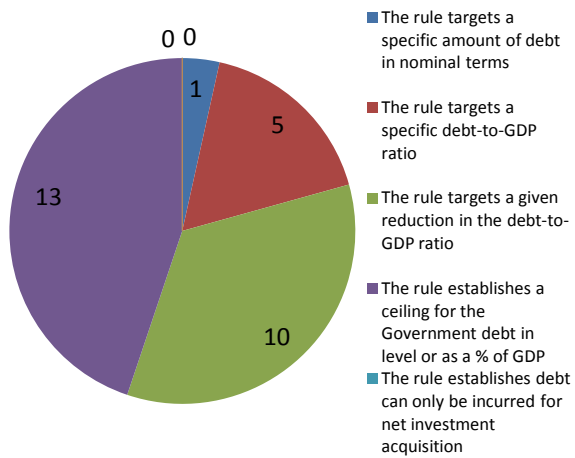


Fig 2.13c Kind of expenditure rules applied (Q19)

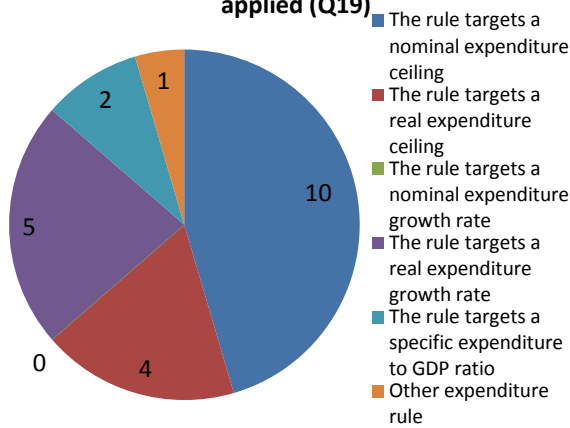


Fig 2.13d Kind of revenue rules applied (Q20)

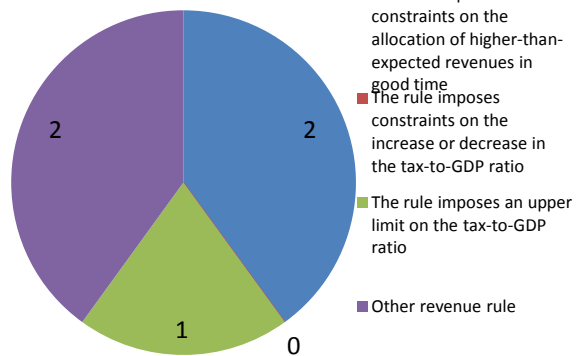
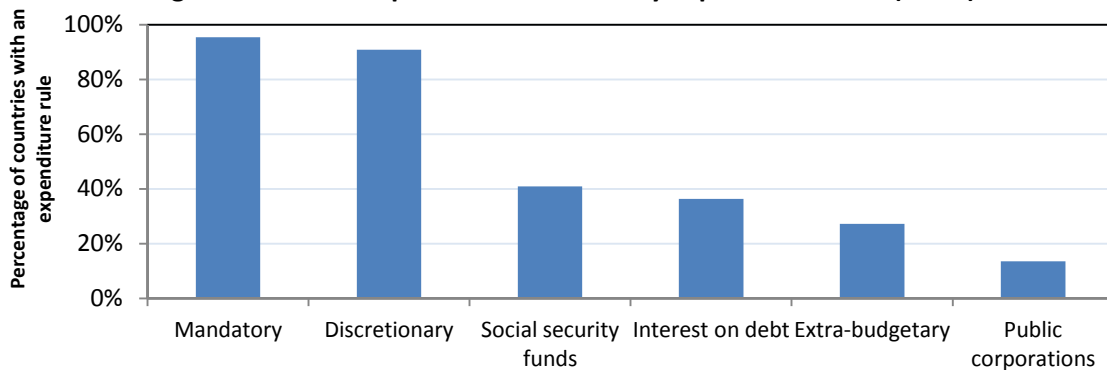


Fig. 2.14 Kinds of expenditures covered by expenditure rules (Q19b)



The legal basis of fiscal rules

Since 2007, more OECD countries have taken onboard fiscal rules anchored in international treaties (i.e. the strengthened SGP and the recent Fiscal Compact of the European Union). In 2012, 42% of all fiscal rules in the OECD countries are based in an international treaty, up 4 percentage points from 2007. There is a larger increase of national law bases for fiscal rules over the last five years as 40% of all fiscal rules in the OECD countries are based in national laws. Both these developments reflect the situation in the EU as member countries are in the process of complying with the new regulations and the Fiscal Compact that requires a national legal basis for fiscal rules in Eurozone countries. Following these two changes there is a significant reduction of in the number of fiscal rules grounded upon internal rules and policies, falling from one-third of the total number of rules to just 12% in 2012. In Australia the basis for the fiscal rules is a Government commitment as part of the Fiscal Strategy Statement required by the Charter of Budget Honesty Act 1998. Austria refers both to primary law, the SGP (EU) and an internal stability pact within Austria. See figure 2.17 and table 2.10 in the Data Annex.

Not surprisingly, it is the budget balance rules and debt rules that dominate among fiscal rules with a basis in international treaty (i.e. EU). These two types of fiscal rules are also based in national law together with expenditure rules that are based half in legislation and half in internal rules and policies. Revenue rules are mostly based in legislation. Some countries report more than one basis for the fiscal rules. See figure 2.17 and table 2.10 in the Data Annex.

Four OECD countries (Canada, Japan, Korea and Norway) have adopted fiscal rules based solely in internal rules and policies (principles-based fiscal rules) instead of legislated or constitutional rules. Under the principles based approach, governments present their financial strategies fiscal objectives and often develop a system for reporting and monitoring fiscal performance against these objectives. Increased flexibility is a key advantage of the principles-based approach, which allows governments to accommodate exogenous shocks and changing economic conditions. This is seen to be advantageous in times of economic volatility where the government may need the capacity to deliver economic policy in a timely manner without having to change the law or wait for the next election for a mandate to vary a fiscal rule. On the other hand, the EU requirement for a legislative basis of fiscal rules also includes escape clauses for severe economic downturns.

Enforcement procedures if non-compliance with the fiscal rules

A longstanding issue concerning fiscal rules has been how to implement enforcement mechanisms in cases of non-compliance. The European Union has developed a set of enforcement procedures for the eurozone member countries, e.g. a non-interest-bearing deposit or a fine, see Box 1.3 above. In general, the enforcement procedures are mostly related to budget balance rules and debt rules as 59% of the expenditure rules and 20% of the revenue rules are not linked to a pre-designed enforcement mechanism. The most common enforcement procedures (40% of all enforcement procedures) are defined as “other” in the survey encompassing the EU procedures like being subject to the excessive deficit procedure (EDP) of the SGP (for non-compliance of the nominal budget balance rule or the debt rule of the Stability and Growth Pact in the European Union) and quasi-automatic sanctions (for non-compliance of a structural budget balance rule in the European Union) followed by automatic correction mechanisms (16%) and presentation of correction proposal to the legislature (12%), mostly related to budget balance rules. See figure 2.18 and table 2.10 in the Data Annex. Some of the Independent Fiscal Institutions in OECD countries are mandated to monitor compliance of fiscal rules (see chapter 8).

Fig. 2.15 Flexibility of fiscal rules during fiscal crisis (Q19-22)

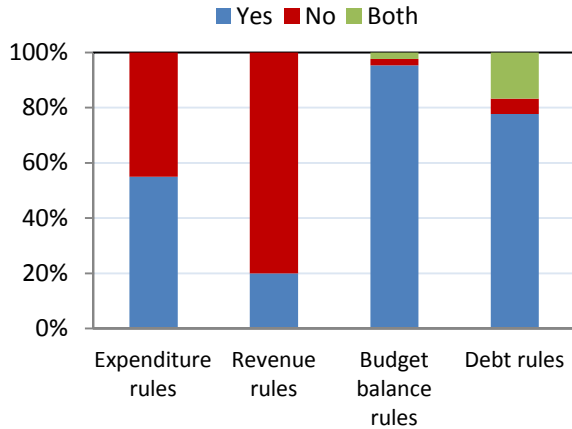
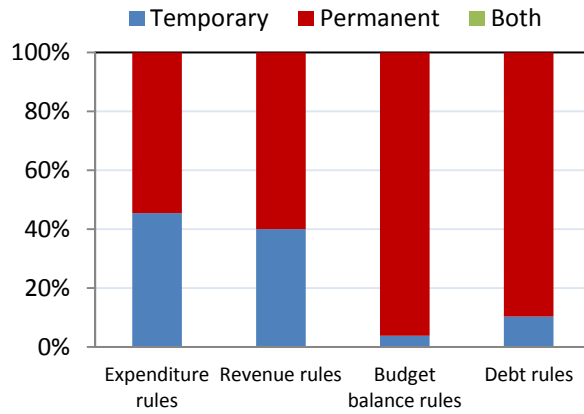


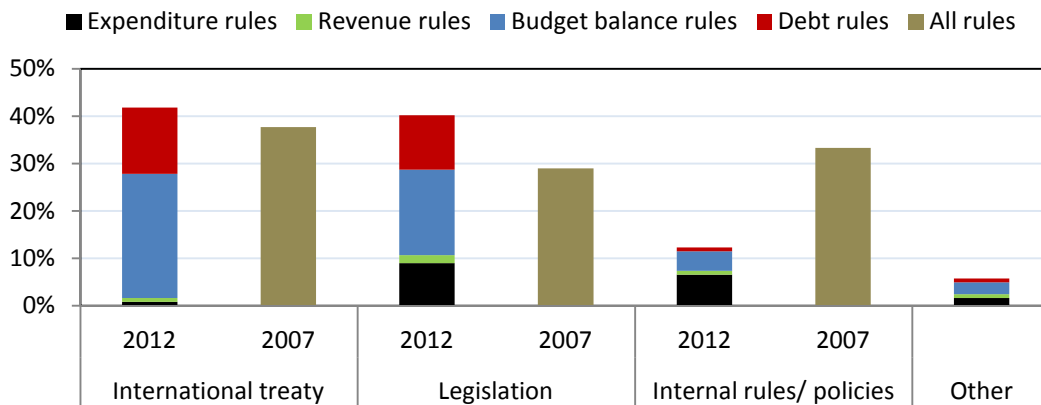
Fig. 2.16 Time limit for fiscal rules (Q19-22)



Percentage of the total number of each type of fiscal rules in participating OECD countries (31 in 2012).

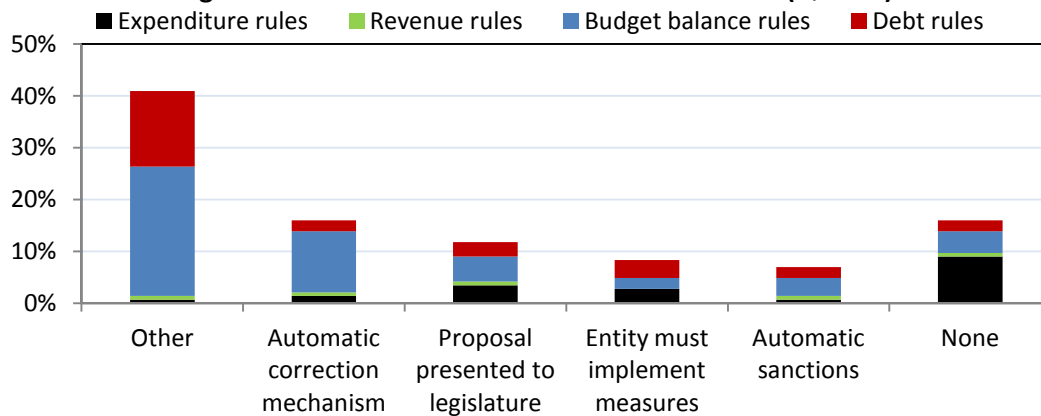
Note:

Fig. 2.17 Legal basis for fiscal rules (Q19-22)



Note: Percentage of the total number of legal basis in participating OECD countries (31 in 2012).

Fig. 2.18 Enforcement mechanisms for fiscal rules (Q19-22)



Note: Percentage of the total number of enforcement mechanisms (including none for some fiscal rules) in participating OECD countries (31 in 2012). Some countries may have more than one enforcement mechanism for each fiscal rule.

3. MEDIUM-TERM EXPENDITURE FRAMEWORKS (Q.25-30)

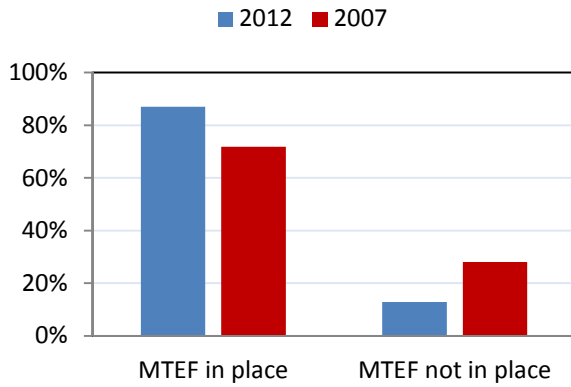
Medium-term expenditure frameworks (MTEFs) strengthen the ability of the Government collectively, and the Ministry of Finance in particular, to plan and enforce a sustainable fiscal path. If properly designed, an MTEF should force stakeholders to deal with the *medium term perspective* of budgeting and budgetary policies rather than adopt an exclusively year-by-year approach. MTEFs typically cover a period of three to four years and aim to improve the quality and certainty of multi-annual fiscal planning through combining prescriptive yearly ceilings with descriptive forward estimates. ‘Estimates’ in this context are calculations of how expenditure, revenue and the aggregate fiscal position will turn out under certain assumptions. By their very nature, high-level fiscal ceilings are set in a medium-term context. Ceilings are targets or limits set by the government regarding aggregate or policy area spending for each year of the multi-year frame of reference. The ceilings may be updated annually or fixed for a period. For the medium-term framework to work effectively, estimates and ceilings need to be reconciled within the context of a forward-looking approach to budgetary planning and policy formulation. Accordingly, a medium-term framework should state clearly the government’s medium-term fiscal objectives in terms of high-level targets such as the level of aggregate revenue, expenditure, deficit/surplus, and debt; and should facilitate stakeholders in identifying the policy choices and trade-offs that will be necessary in light of the estimates of what would happen in the following 3-5 years based on unchanged policies. The level of detail of such frameworks varies from country to country and a corresponding vocabulary describing the various forms of medium-term frameworks has developed.

MTEFs are increasingly relevant in a context where the multi-annual character and implications of certain policies need to be more clearly presented. Many policies require an extended time horizon, such as large capital projects, new programmes, and organisational reform and restructuring. The forward estimates make clear the medium-term implications of budget decisions. This is particularly important when: i) capital projects are launched with changing operating costs; ii) programmes come into effect late in the budget year, thus not exposing their full costs in the initial year; iii) programmes’ spending implications are not fully reflected under the circumstances prevailing during the budget year, but will become so in out-years. These are all classic examples of budgeting ‘games’, which the medium-term frameworks aim to mitigate. From the point of view of managers in line ministries and agencies, medium-term frameworks put them in a better position to plan their policies and operations, to the extent that they have some level of visibility regarding the likely level of funding beyond the next budget. This is especially relevant in a context of fiscal consolidation. Many savings options involve more than one year in order to reap their full benefits. Prior to the advent of medium-term frameworks, such options were often not considered as the time horizon only extended to the next budget year.

Basic characteristics of medium-term frameworks (Q.25-30)

Almost all OECD countries report to have a medium-term expenditure framework in place. Only four countries that participated in the survey do not have a MTEF in place (Belgium, Hungary, Israel and Luxembourg). This is a significant increase since 2007 when 72 % of the countries reported a MTEF in place (see figure 3.1 and table 3.1 in the Data Annex). Half of the OECD countries have enshrined the MTEF in law and the rest have established the framework in a policy or strategy decided by the government or through other arrangements (figure 3.2 and table 3.2 in the Data Annex). Most of the OECD countries approve the MTEF in the Cabinet (52%) or in the Legislature (37%) (see figure 3.3 and table 3.2 in the Data Annex).

Fig. 3.1 Percentage of OECD countries with MTEF in place (Q25)



Note: Percentage of participating OECD countries with an answer to the question (31 in 2012 and 32 in 2007)

Box 3.1 Success factors for MTEF to work:

1. Conservative forecasting of expenditure and revenue (better to have more good surprises).
2. Provide ministers with incentives to under-spend.
3. Complete coverage of the MTEF increases its credibility.
4. Keep it simple: the public (and Parliament) need to understand the MTEF to support it.
5. Compliance with the MTEF needs to be a binding consideration in the design of sectoral policies.
6. Deviations from previously-set ceilings should be reconciled transparently each year.

Fig. 3.2 Legal basis for MTEF (Q26)

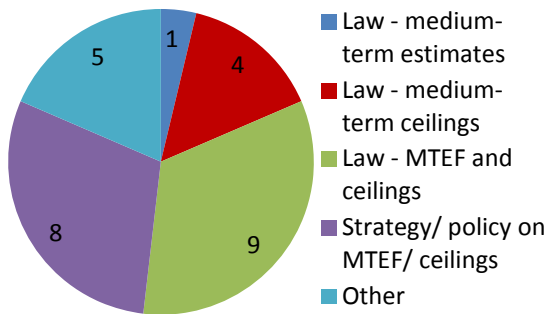


Fig. 3.3 Who approves the MTEF? (Q28)

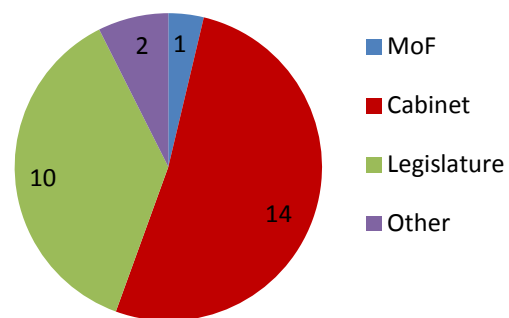


Fig. 3.4 Are mandatory expenditures included in the MTEF? (Q29)

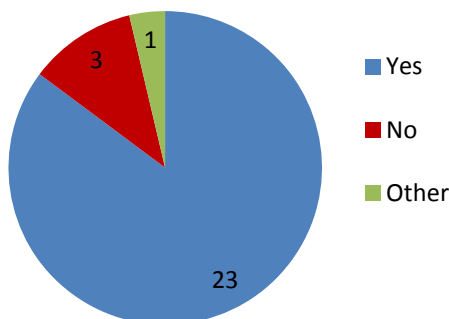
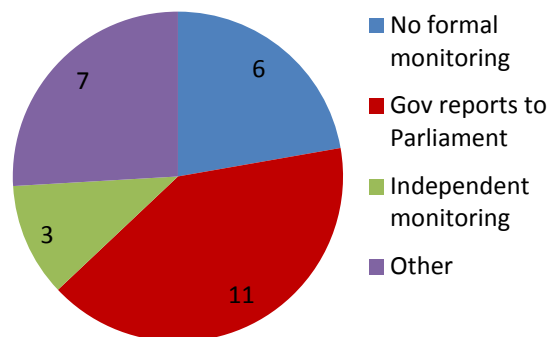


Fig. 3.5 Monitoring of MTEF (Q30)



An expenditure framework can be rolling as in Austria and Sweden, or it can be periodic as in France and the United Kingdom. In a rolling framework, an additional year is added at the end of the framework period when the first year expires. In a periodic framework, a new sequence of ceilings is drawn up at certain timely intervals, for instance at the beginning of every new cabinet period.

Many OECD countries have introduced multi-year forward estimates (baselines) into the annual budget preparation process since the late 1970s and early 1980s. They are presented to the legislature in 71% of the OECD countries (70% in 2007) (see figure 8.3 in chapter 8).

Comprehensiveness and level of ceilings (Q.27a)

It is necessary to find a good balance between *predictability* and *flexibility* of MTEFs. Predictability favours comprehensiveness and a fixed framework. The major advantage of a fixed expenditure framework over a flexible framework is predictability as it is (more) effective in realising multi-year expenditure targets. Precisely because the overall ceiling cannot be changed from year to year, the target is bound to be realised as long as the framework is maintained. In addition, a fixed framework contributes to automatic stabilisation because autonomous fluctuations in tax revenues are not allowed to affect the expenditure level. Only a few OECD countries work with a fixed expenditure framework (e.g. France), while many others seek to keep their expenditure framework as stable as possible from year to year without formally committing to a fixed framework.

A comprehensive coverage of expenditure in the MTEF (i.e. the share of expenditures subject to the ceiling) lends itself to greater credibility. A broad-based MTEF allows for the budget discussions to be broadened to cover all items, including the mandatory spending which might otherwise fall outside of consideration, with a focus falling instead on discretionary items. Almost all countries include mandatory expenditures in the MTEF (see figure 3.4 and table 3.2 in the Data Annex). Some governments have exempted particularly volatile items or items determined by entitlements from the ceilings (for instance, the United Kingdom has exempted interest payments and social security expenditure).

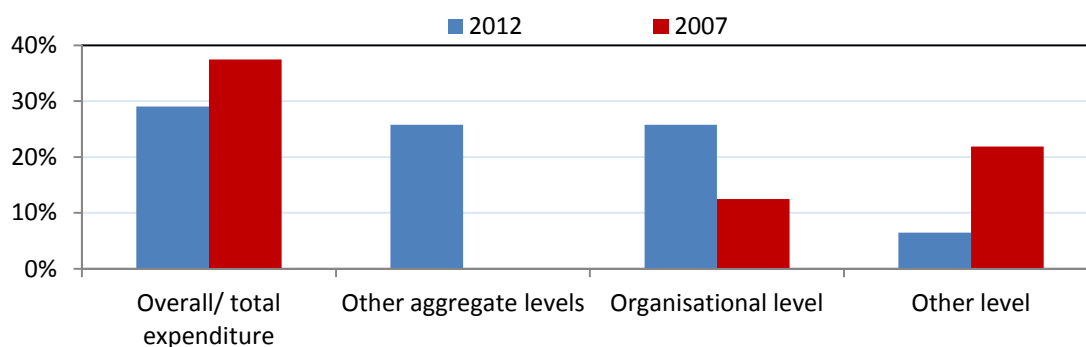
For maximum budgetary flexibility, aggregate ceilings may be set, with more or less room for reallocation below that level from year to year. Most OECD countries have expenditure ceilings either at an overall level or at a programme/sectoral level, of which Australia, Finland, Japan, Mexico, Slovenia, Spain, Sweden and Switzerland have ceilings only at an overall expenditure level. On the other hand, Canada, Estonia, Germany, Greece, Ireland, Slovak Republic, Turkey and United Kingdom have expenditure ceilings at an organisational level, e.g. ministries or agencies. Norway specifies in their fiscal policy guidelines a limit on use of oil revenue that together with a ceiling for the tax level implies an indirect ceiling for expenditures. Poland prepares the MTEF with a performance budget classification of expenditures; ceilings are set for overall/total expenditures and broken down into 22 functions of the state (see figure 3.6 and table 3.1 in the Data Annex).

Length of ceilings and frequency of revisions of the ceilings (Q.27b)

In terms of future budget years covered, the dominant trend among OECD countries is multi-year expenditure ceilings to cover between three and four years (see figure 3.7 and table 3.3 in the Data Annex). Many frameworks cover a three-year period (e.g. France, Sweden) or a four-year period (e.g. Finland, the Netherlands). Three countries produce five-year expenditure ceilings (Greece, Korea and Mexico). Only Norway reports to set ceilings for six years or more (see figure 3.7 and table 3.3 in the Data Annex). A majority of the OECD countries revise the ceilings annually (see figure 3.8 and table 3.3 in the Data Annex). Only France reports to have fixed expenditure frameworks with revisions of its aggregate ceilings on the policy area level only every 2-3 years. Greece, Netherlands, Norway and United Kingdom revise their ceilings less frequently than every 3 years. Notwithstanding, fewer than half of countries monitor the

MTEF by reporting to the Legislature and an independent institution conducts the monitoring in only two countries (see figure 3.4 and table 3.2 in the Data Annex).

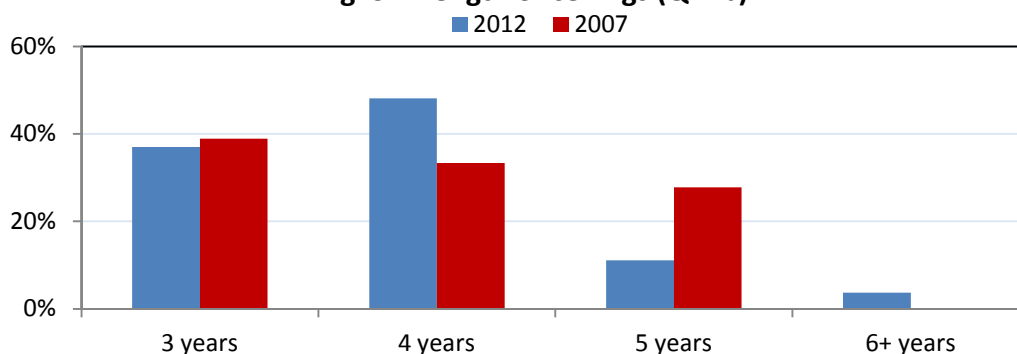
Fig. 3.6 Levels of ceilings of MTEF (Q27)



Note: Some countries have more than one level of ceilings, notably Austria, Germany, Italy, Korea, Netherlands and New Zealand. In such cases only one lower level ceiling is counted per country.

Percentage of participating OECD countries with an answer to the question (31 in 2012 and 32 in 2007)

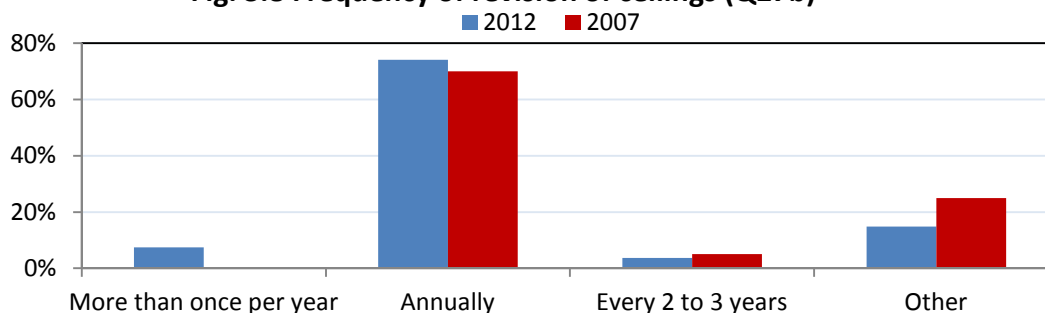
Fig. 3.7 Length of ceilings (Q27b)



Note: Some countries have a different length for the different levels of ceilings, notably New Zealand that has 4 years on overall level (included in the figure) but 2 years on other aggregate levels, and Germany that has 4 years on all ceilings (included in the figure) but "other levels" (6 years).

Percentage of participating OECD countries' number of ceilings (27 in 2012 and 18 in 2007).

Fig. 3.8 Frequency of revision of ceilings (Q27b)



Note: Some countries have a different revision frequency for the different levels of ceilings, notably Germany that revises annually the overall level (included in the figure) but more than once a year for "other levels".

Percentage of participating OECD countries with an answer to the question (27 in 2012 as Canada did not answer; and 20 in 2007).

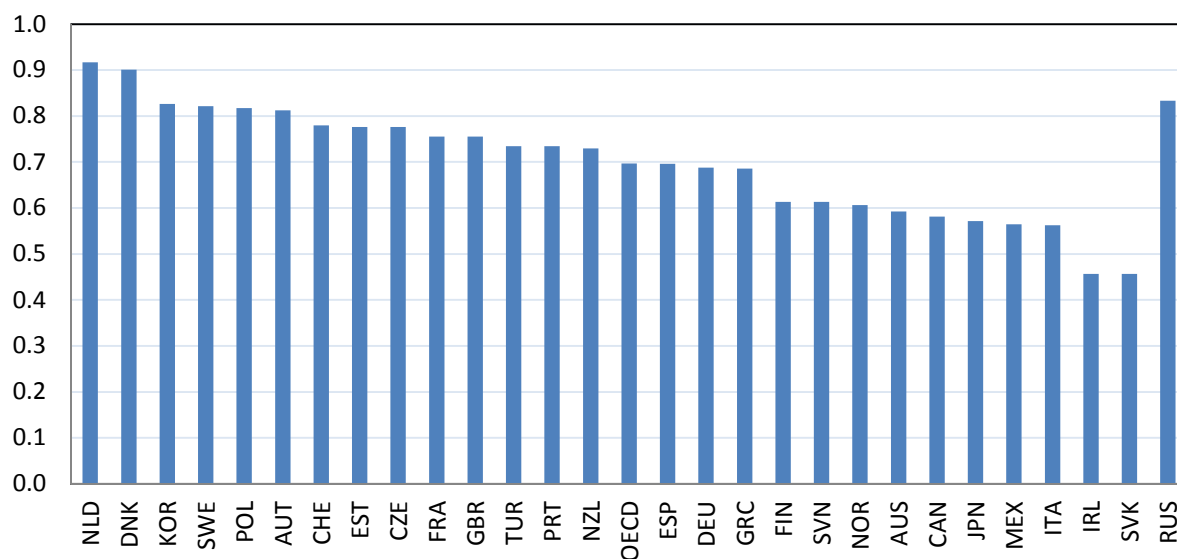
Box 3.2 Index of the medium-term perspective in the budget process

As a way of capturing the above mentioned institutional components the OECD has developed a composite index. The index maps out the countries' adoption of MTEF, its design of ceilings (coverage in years, level of detail and substance), frequency of revision, flexibility over year-ends and monitoring. The logic that is incorporated in the index is that the MTEF's effective character increases with a strong legal basis; the coverage of ceilings should be at least 3-4 years with ceilings on some sectoral or organisational levels in addition to an overall ceiling. The MTEF framework would be more binding and resilient with infrequent revisions and with monitoring by an independent body. The index does not, however, measure the effectiveness of each MTEF by reference to fiscal performance.

The index accordingly contains the following variables (weights in parentheses): whether countries have a multi-year expenditure framework in place (8.3%); the legal basis for the multi-year expenditure framework (16.7%); the level of medium-term ceilings set in the budget (11.1%); the number of years the ceilings cover (11.1%); whether mandatory expenditures are included in the ceilings (11.1%); how often ceilings are revised (12.5%); whether carry-over is allowed over year ends (12.5%); and how the medium-term expenditure framework is monitored (16.7%). The index ranges between 0 (no medium-term perspective) and 1 (highly developed medium-term perspective). The composite index does not capture whether the framework includes performance information, or its impact on budget outcomes such as fiscal discipline and allocative efficiency. See Annex for a description of the methodology used to construct the index. Further information on the index can be found in *Government at a Glance 2013* (OECD, forthcoming). The variables comprising the index and their relative importance are based on expert judgments.

The 2012 index gives highest credit to Netherlands and Denmark with Austria, Korea, Poland and Sweden following suit (figure 3.9).

Fig. 3.9 Medium-term expenditure framework index



Note: This index measures the extent to which countries have developed a medium-term perspective in their budget process. However, it does not evaluate whether this perspective has been effective at achieving budget outcomes such as fiscal discipline and allocative efficiency.

Note: The OECD average is based on 27 member countries in 2012. Belgium, Hungary, Israel and Luxembourg do not apply a MTEF. Chile, Iceland and USA did not respond.

4. CAPITAL BUDGETING (Q.34-35, 40-47)

Capital budgets and multi-year funding practices (Q.34-35)

Capital budgeting means different things in different countries. Capital budgeting can mean that the government has a divided budget, with one budget for investment and another for current expenditures. It can also mean that government accounts for investment and current expenditure separately, but then integrates them into a single budget with budget charges for depreciation and write offs on capital assets. Alternatively it can mean separate decisions, which are then combined into a single budget.

61% of the OECD countries prepare separate capital and operating budgets, while most of the other countries have integrated capital and operating budgets, except Denmark and Canada. In Denmark, cost of capital is incorporated into the operating budget as part of the accrual budgeting system but major investment projects are appropriated separately. Canada reports that the CBA requires line ministries to indicate operating and capital costs and the years in which costs are to be incurred; separate capital appropriations are required only for total planned annual expenditures on capital greater than CAD 5 million. Compared to the situation in 2007, more countries prepare separate capital and operational budgets, up from about 45% to 61% of the total number OECD countries participating in the survey. See figure 4.1 and table 4.1 in the Data Annex.

Moreover, more countries appropriate funding for the total project cost up-front (32%) than in 2007 (13%). Three countries determine funding on a case by case basis: Austria, Slovak Republic and United Kingdom.

Public-Private Partnership (PPP) practices (Q.40-42)

Since the early 1990s, and increasingly throughout the 2000s, there has been a significant increase in the use of PPPs by OECD countries. Countries such as Australia, France, Germany, Korea and the United Kingdom increasingly use PPPs to deliver services that they previously delivered through traditional public procurement. For most of the last decade, PPPs in the United Kingdom constituted approximately 12% of total annual capital expenditure (Burger, Philippe and Ian Hawkesworth, 2011).

Given the complexity of PPPs and their somewhat infrequent use, critical skills to ensure value for money may need to be concentrated in a PPP Unit that is made available to the relevant authorities. 17 out of 31 OECD countries have established one or more PPP units in their central government (see figure 4.3. and table 4.3 in the Data Annex). Most of these countries have established the PPP unit in the ministry of finance or in a subordinate unit of this ministry. Ten countries have more than one PPP unit, meaning PPP units in line ministries in addition to the unit in the ministry of finance (see figure 4.4. and table 4.3 in the Data Annex). Three countries (Denmark, Hungary and Japan) have PPP units only in line ministries and one country (Greece) has a PPP unit in another body.

The CBA is more frequently required to approve PPP projects than traditional infrastructure projects (TIP). While half of the OECD countries require that CBA approve all PPP projects, this is the case for only one-quarter of TIP projects. For the latter projects, most OECD countries require that CBA approve TIP projects above a certain threshold. In about 20% of the countries the CBA is required to approve neither PPP nor TIP projects (see figure 4.5. and table 4.4 in the Data Annex).

Fig. 4.1 Capital budgets in central governments (Q34)

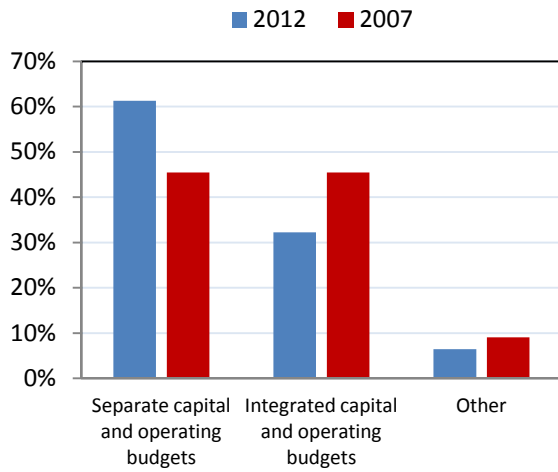
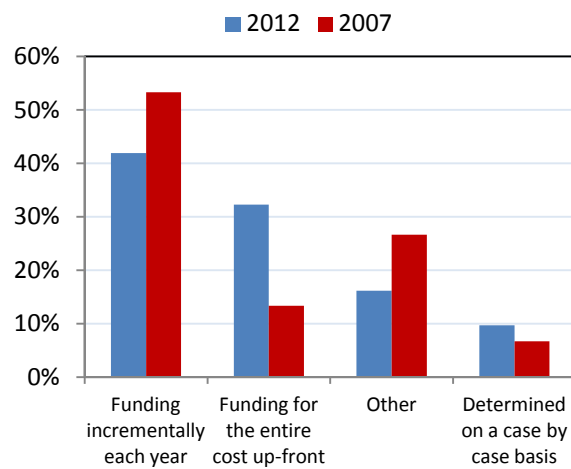


Fig. 4.2 Funding of multi-year capital projects (Q35)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 4.3 OECD countries with one or more PPP units in central government (Q40a)

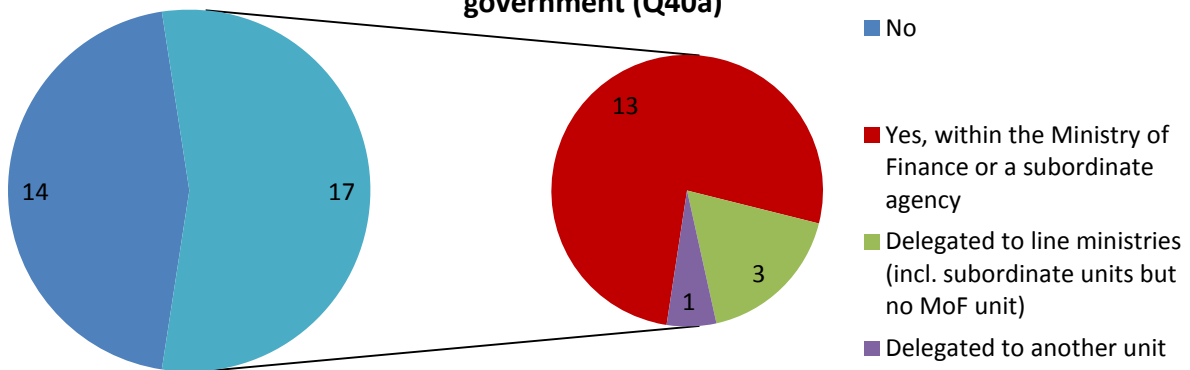


Fig. 4.4. Number of PPP units in central governments (Q40a)

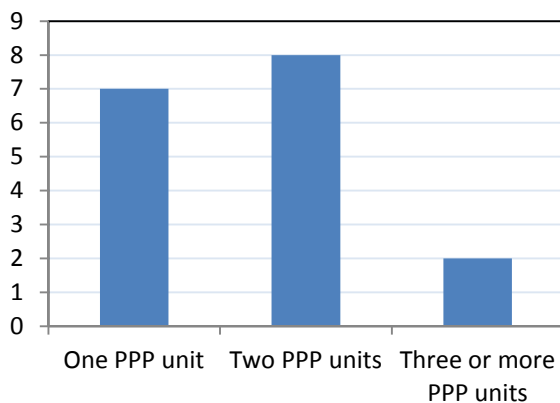
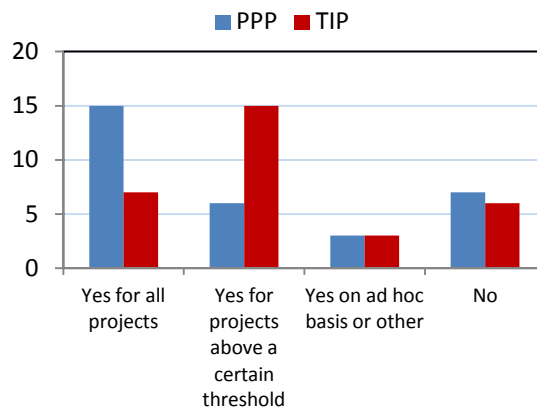


Fig. 4.5 Is CBA required to approve capital projects in line ministries? (Q42)



Value for money assessment (Q.43-45)

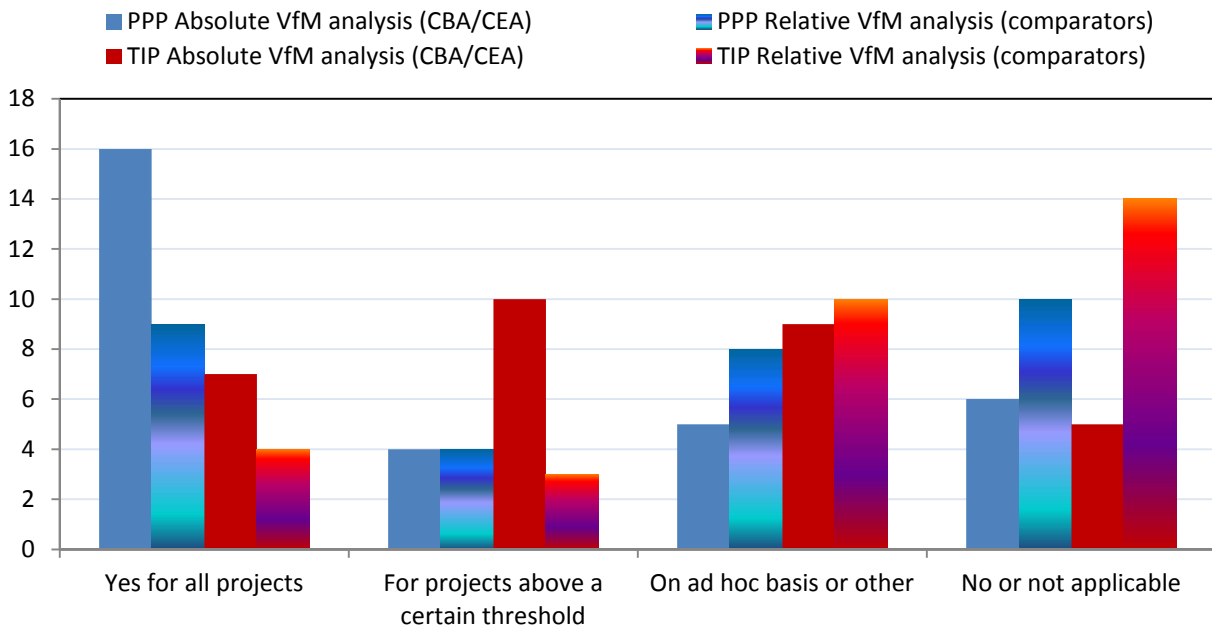
Value for money can be defined as what a government judges to be an optimal combination of quantity, quality, features and price (i.e. cost), expected (sometimes, but not always, calculated) over the whole of the project's lifetime. Thus, the value-for-money concept attempts to encapsulate the interests of citizens, both as taxpayers and recipients of public services. As such, value for money should in principle also be the driving force behind traditional infrastructure procurement. Therefore, any project, whether it is a PPP or a traditionally procured project, should be undertaken only if it creates value for money. (Burger, Philippe and Hawkesworth, Ian 2011).

There are several techniques for assessing value for money. Cost-benefit analysis is a systematic process for calculating and comparing benefits and costs of a government policy. It has two purposes: a) to determine if it is a sound investment/decision (justification/feasibility); b) to provide a basis for comparing different government policies. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much. Cost-benefit analysis is related to, but distinct from cost-effectiveness analysis. In cost-benefit analysis, benefits and costs are expressed in monetary terms, and are adjusted for the time value of money, so that all flows of benefits and costs over time are expressed on a common basis in terms of their "net present value." Cost-effectiveness analysis is a form of economic analysis that compares the relative costs and outcomes (effects) of two or more courses of action. Cost-effectiveness analysis is often used in the field of health services, where it may be inappropriate to monetize health effect. Common measures include "quality-adjusted life years". Other relative analysis methods could be for example public sector comparators.

About half of the OECD countries do an absolute value-for-money analysis such as cost-benefit analysis for all PPP projects. About two-thirds of the countries do such analysis either for all PPP projects or projects above a certain threshold. This is the case for 55% of traditional infrastructure projects. Most of the rest do such analysis on ad hoc basis. Only one country (Slovak Republic) reports that they do not perform absolute value-for-money analysis on TIP projects. Six countries report that an absolute value-for-money analysis is not applicable for PPP projects while more surprisingly four countries report that an absolute value-for-money analysis is not applicable for TIP projects, of which Austria, Belgium and Switzerland reports not applicable for both types of projects (see figure 4.6 and tables 4.5 and 4.6 in the Data Annex).

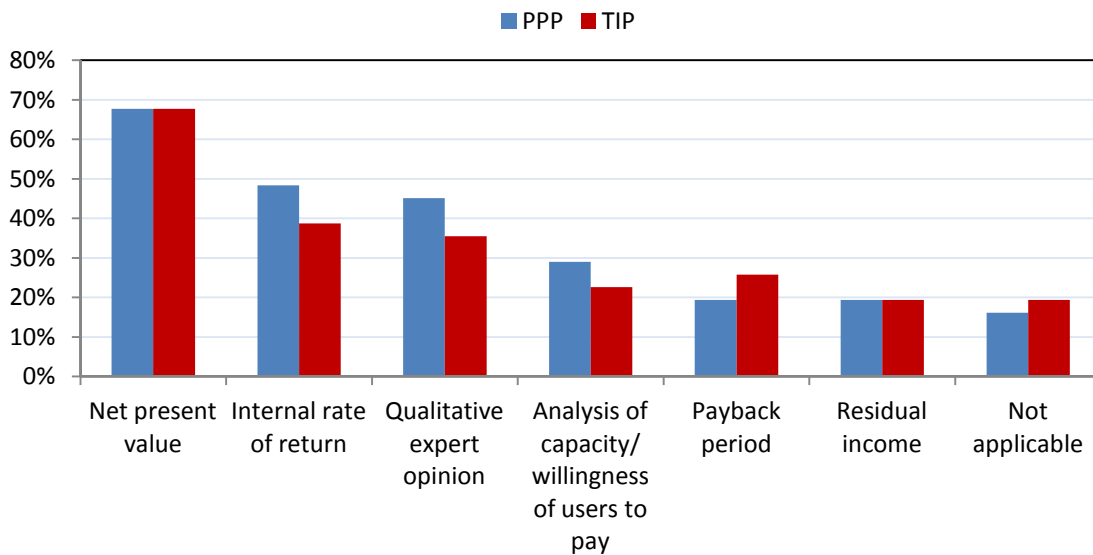
The net present value methodology is used by two-thirds of the OECD countries followed by the internal rate of return methodology (48% on PPPs and 39% on TIPs) and qualitative expert opinion (45% on PPPs and 35% on TIPs). Between 1/5 and 1/6 of the countries do not use such specific tools (see figure 4.7 and table 4.7 in the Data Annex).

Fig. 4.6 Use of value-for-money analysis on capital projects (Q43)



Note: Number of OECD countries out of 31 participating countries.

Fig. 4.7. Specific tools used in value-for-money analysis (Q45)



Note: Percentage of participating OECD countries (31).

5. TOP DOWN BUDGETING TECHNIQUES (Q.3, 31-33)

‘Top-down budgeting’ refers to the budgeting practice whereby the fiscal targets are determined from the outset, with annual and multi-annual budgetary policies subsequently determined in conformity with these overall levels. Typically in top-down budgeting, the executive first determines aggregate public finance targets (spending and revenue levels) given medium-term fiscal objectives and prevailing economic conditions. Within this aggregate, sectoral ceilings are set (and approved by cabinet) reflecting existing commitments, political priorities in general and key new policy initiatives. The detailed allocation decisions are typically delegated to individual line ministries. To be implemented effectively, top-down budgeting requires rigorous and prudent economic forecasts and must be combined with complementary fiscal management practices such as medium-term expenditure frameworks.

Many OECD countries began to adopt top-down budgeting practices in the 1990s in an effort to control deficits and constrain expenditure growth (Kim and Park, 2006). Top-down budgeting marks a shift not only in the sequence of budget decisions but also in budgetary roles, responsibilities, and relationships. While the Central Budget Authority (CBA) works to control aggregate spending by establishing and enforcing spending ceilings, line ministries assume relatively greater responsibility for resource allocation. This delegation of authority requires close working relationships between the two: line ministries use their superior knowledge of operational issues to determine the most efficient allocation of resources in their policy area but may require advisory and technical support from the CBA to understand how programme spending will evolve over time and to develop expenditure projections.

Top-down budgeting marks a significant reorientation of the budget process as compared to the traditional bottom-up approach (see table 3.1). Bottom-up budgeting is a reactive, expenditure-driven process that imposes no up-front constraints on ministerial requests; total spending is determined as the residual sum of individual appropriations and remains unknown until the final stages of budget preparation. The detailed appropriations characteristic of bottom-up budgeting foster agency-specific programme ownership and make it difficult to reallocate in accordance with new policy priorities. Top-down budgeting, on the other hand, should encourage joint-ownership of proposals across line ministries and create space to reallocate resources according to shifting priorities and economic conditions.

Table 5.1
Top-down budgeting vs. bottom up budgeting

Primary Focus	Policy-driven process that aligns spending with key priorities (proactive)	Expenditure-driven process (reactive)
Role of Finance Minister	Set aggregate spending level based on fiscal management target and monitor compliance	Negotiate details of individual spending proposals to control detailed allocations
Role of Spending Ministers	Allocate financial resources to individual programmes within assigned spending ceilings	Submit budget requests and negotiate itemized appropriations
Economic Forecasting	Aggregate fiscal analysis that takes into account economic forecasts.	Ministry by ministry analysis that largely ignores economic forecasts
Efficiency	Streamlined process reduces inefficient practices excessive requests	Inefficient and time-consuming negotiations process
Timeframe	Multi-year perspective	Annual appropriations process

Source: Adapted from Kim and Park (2006)

Box 5.1 Budgetary framework requirements in OECD-EU member countries

The main components of fiscal frameworks in EU countries are (1) numerical fiscal rules, (2) independent fiscal institutions (i.e., specific public bodies acting in the field of budgetary policy), and (3) budgetary procedures governing the preparation, approval, and implementation of budget plans.

Multi-annual **numerical fiscal rules** for general government shall be in compliance with the reference values of deficit and debt in EU and with adherence to the national medium-term budgetary objective (see box 1.3 for details).

Compliance with the rules for eurozone countries shall be monitored and analysed by a national **independent fiscal institution (IFI)** structurally independent or endowed with functional autonomy vis-à-vis the fiscal authorities of the country. Moreover, these countries' IFIs shall provide macroeconomic forecasts and could produce or endorse budgetary forecasts.¹

The national **budgetary procedures**¹ should include the following elements:

- Comparative macroeconomic and budgetary forecasts shall be prepared, evaluated and published, including the methodologies, assumptions and relevant parameters.
- A credible, effective medium-term budgetary framework of at least 3 years shall provide transparent targets on fiscal indicators in compliance with the fiscal rules and projections on major expenditure and revenue items based on unchanged policies. The annual budget legislation shall be consistent with the provisions of the medium-term budgetary framework.
- Extra-budgetary funds shall be presented in the framework of the annual budgetary processes and the medium-term budgetary plans, and tax expenditures and major contingent liabilities shall be published.
- The public accounting system shall cover all sub-sectors of general government and generate accrual data with a view to preparing data based on the ESA 95 standard, and be subject to internal control and independent audits. Cash-based fiscal data shall be published monthly for central and state government and social security sectors and quarterly for local governments.

As from 2011, at EU-level discussions on fiscal policy, macroeconomic imbalances, financial sector issues, and structural reforms take place jointly during the “**European semester**”² that is a yearly cycle of economic policy coordination during the first six months of the year. First, the European Commission provides broad guidance on priority actions to be taken at EU and national level. Then EU Member States' submit their programmes of economic and structural policies (Stability and Convergence Programmes and National Reform Programmes) to the Commission, which undertakes a detailed analysis. The European Council and the Council of Ministers provide country specific policy advice before Member States finalise their draft budgets. The “two-pack” EU regulations³ require in addition that the euro-area Member States shall submit their draft budgets to the Commission and the Eurogroup before 15 October, along with the independent macro-economic forecast on which they are based. The Commission analyses if the draft budget is in line with the SGP and the recommendations from the European Semester. In case of serious non-compliance with the SGP, the Commission can require a revised draft budgetary plan. Otherwise it may address an opinion to the Member States concerned which would also be discussed by the Eurogroup leading to an increasing peer pressure. The recommendations from the European Semester (which the country has received in May/June) and the Commission's opinion on the draft budget (which the Commission may adopt by 30 November) will guide the national parliamentary debate in the second half of the year (the “national semester”). The budgets should be adopted by national parliaments by the end of December.

¹ The European Union's Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States and the Regulation on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area - COM(2011)821 final

² Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies

³ Regulation (EU) No .../2013 of the European Parliament and the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, ref. also COM(2011)821 final.

Role of the CBA (Q.3)

The Central Budget Authority (CBA) is the hub of the central government budget process. Almost all OECD countries have localised the CBA with the Ministry of Finance and/or Economy. The CBA may be located to one directorate (department) of the ministry, normally the Budget Department as is the case in for example Austria, Estonia, Finland, France, Netherlands, Slovenia, Spain and Sweden, or to a combination of several departments within the ministry, for example Greece has located CBA to the General Secretariat of Fiscal Policy, the General Accounting Office and the General Directorate of Treasury and Budget within the Ministry of Finance. Norway has split the CBA between the Budget Department and the Economics Department. In Poland the CBA is composed by five departments of the Ministry of Finance. Three OECD countries have split the CBA on ministries: Australia has split the CBA between the Department of Treasury and Department of Finance and Deregulation, Canada has split the CBA on the Department of Finance and the Treasury Board Secretariat while Ireland has split the CBA between the Department of Finance and the Department of Public Expenditure and Reform. See figure 5.1 and table 5.1 in the Data Annex.

In most OECD countries the head of the CBA is a senior civil servant, i.e. a government official who ordinarily remains in this position when there is a change in Government. On the other hand, in Estonia, Greece, Hungary, Japan, Korea, Mexico, Poland, Slovak Republic, Spain and United Kingdom the head of the CBA is a political appointee, i.e. a person who generally does not remain in this position when there is a change in Government. Denmark does not have a clearly defined CBA within the Ministry of Finance therefore there is not as such a head of the CBA other than the Minister of Finance and the Permanent Secretary. See figure 5.2 and table 5.1 in the Data Annex.

The CBA takes care of a variety of tasks concerning the budget process (see figure 5.3 and table 5.1 in the Data Annex). The most common sole responsibilities of CBA are drafting the budget circular, developing the Executive Budget proposal, negotiating with the line ministries, producing supplementary budgets, determining ceilings for line ministries, and producing mid-year and end-of-year reports. Some tasks are generally a shared responsibility with others, like methodology for fiscal projections, monitoring performance of line ministries and communication with the public.

Budget circular (Q.32)

Issued by the Central Budget Authority, the budget circular (sometimes called a memorandum or instructions) contains procedural and/or policy-oriented information that guides government organisations in the preparation of their expenditure proposals. All OECD countries use the budget circular to communicate procedural information, including the rules and forms, while economic assumptions to be used in preparing budget estimates are included in the case of half of the countries. Three-quarter of the OECD countries convey policy-oriented information by specifying expenditure ceilings (58%) or outlining government priorities (45%) in the budget circular. The practice of the budget circular seems to be well established and an increasing number of countries include more elements in the circular from 2007 to 2012 (see figure 5.3 and table 5.2 in the Data Annex).

Fig. 5.1 Location of CBA (Q1)

■ Ministry of Finance/Economy
■ CBA is split
■ Other central government institution

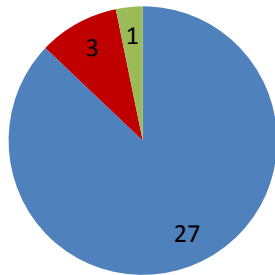


Fig. 5.2 Head of CBA (Q2)

■ Senior civil servant
■ Political appointee
■ Other

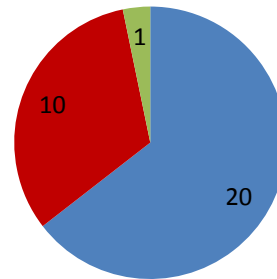
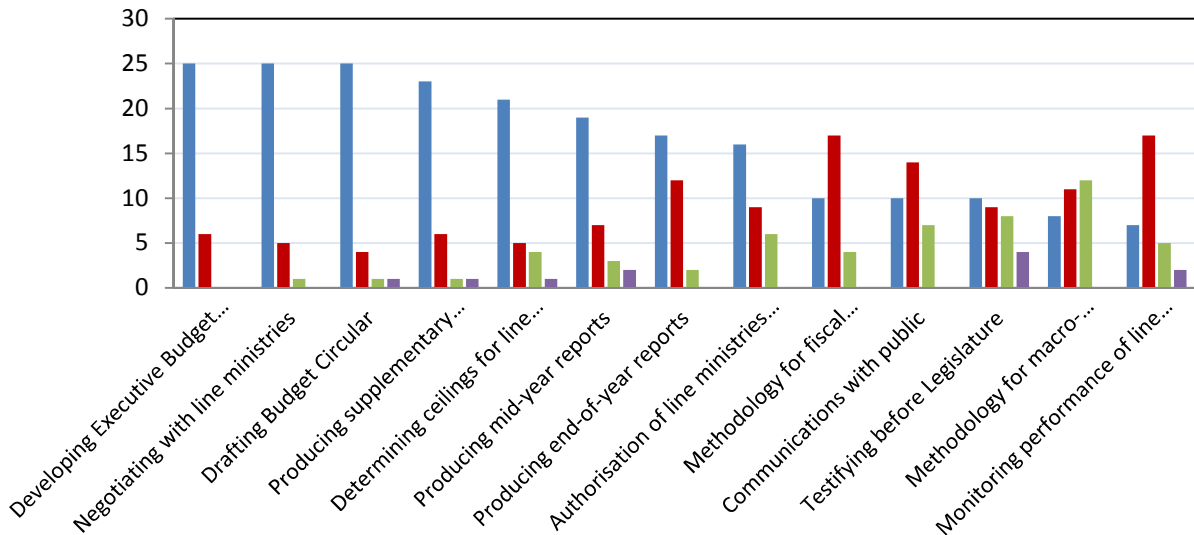


Fig. 5.3 Responsibility of CBA (Q3)

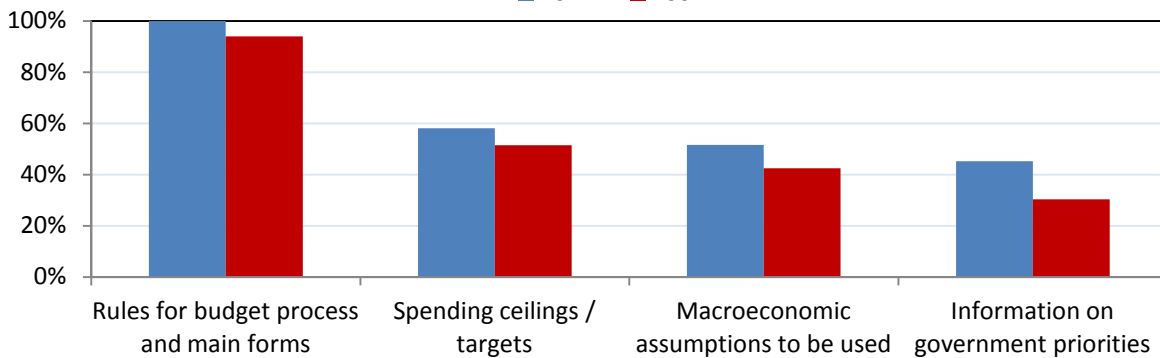
■ Sole responsibility of CBA
■ Shared responsibility CBA/ other
■ Not a responsibility of CBA
■ Not applicable



Note: Number of countries with different type of responsibilities, out of 31 participating OECD country in the 2012 Budget Survey.

Fig. 5.4 Content of the annual budget circular - selected items (Q32)

■ 2012
■ 2007



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Level of ceilings for the line ministries initial budget request (Q.31)

The government must take into account both economic forecasts and fiscal targets in setting the aggregate spending level for the annual budget. Budget ceilings are then set at a chapter (*i.e.* ministry), other aggregate levels (sector, programme or organisations) or line-item level (*i.e.* smallest level of spending subject to parliamentary approval) in order to allocate aggregate spending across government. Once confirmed, ceilings become rules that are binding upon every cabinet member throughout the budget process.

Sectoral ceilings provide broad allocations to major policy areas (e.g. agriculture, health, defence, etc.). Sectoral ceilings are an indication of the government's policy priorities and should take into account existing programmes, previous policy commitments, and new initiatives that the government intends to launch. Ceilings at a line-item level are commonly associated with traditional bottom-up budgeting systems and the use of input controls by the Ministry of Finance. The more sub-ceilings are defined, the less top-down the system becomes; ministries lose the ability to apply their expertise as the Ministry of Finance becomes involved in more points of detail.

The comparison of budget systems on the basis of top-down and bottom-up practices can be difficult because of the underlying budget classifications. In some countries, the line-items presented to parliament are themselves a form of aggregate. France, for example, only has 130 line-items (programme level) that cover 32 government "missions" (see figure 6.1). Sweden has established spending ceilings for 27 broad spending areas, with indicative sub-ceilings in each. In addition, ceilings may stipulate specific (economic) expenditure categories, such as the operating costs, investment, transfers and subsidies. Entitlement programmes, such as unemployment benefits, are often exempt from budget ceilings as they act as automatic stabilizers and reflect economic and demographic fluctuations.

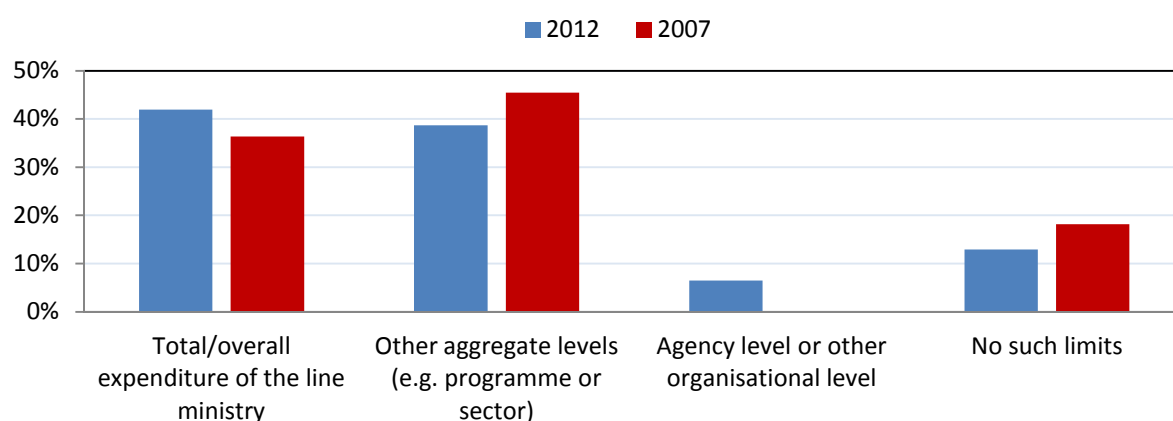
Over the years since 2007 more OECD countries have been applying top down budgeting. More countries set overall ceilings for line ministries while fewer countries set ceilings on more detailed levels and only four countries (Australia, Canada, France, Hungary) do not issue ceilings for the line ministries initial budget request (see figure 5.5 and table 5.3 in the Data Annex; see also the discussion on ceilings of MTEF in chapter 3). 42% of the OECD countries reported overall ceilings for the line ministries initial budget request without sub-ceilings. 39% of the countries set ceilings on sector or programme level while 6% apply ceilings of agency or other organisational levels. Some of the OECD countries that impose expenditure ceilings do so for selected group of expenditure types, for example Luxembourg sets specific ceilings for some spending categories (e.g. travel costs). In New Zealand, the Government sets aside new spending allowances that can be allocated to certain sectors or programmes (e.g. Health or Education). The UK government imposes a limit on the non-cyclical/non-volatile part of departmental spending as part of the spending review and issues an expected level of cyclical/volatile spending.

Budgetary disputes (Q.33)

Resolution of budgetary disputes takes place at various levels and through various mechanisms across OECD countries. As the significance of the disputed issue increases, resolution tends to move up through the ranks of the civil service hierarchy to reach the ministerial level and, finally, the office of the head of government. The preferences of high-level decision-makers can influence lower-level negotiations where, in practice, most disputes are resolved. The stronger the minister of finance, for example, the stronger his or her civil servants will be in interdepartmental negotiations. A strong institutional role may grant the finance minister the 'final say' in budget disputes; lacking this individual authority, however, collective mechanisms such as the cabinet or committees may be required to resolve disputes.

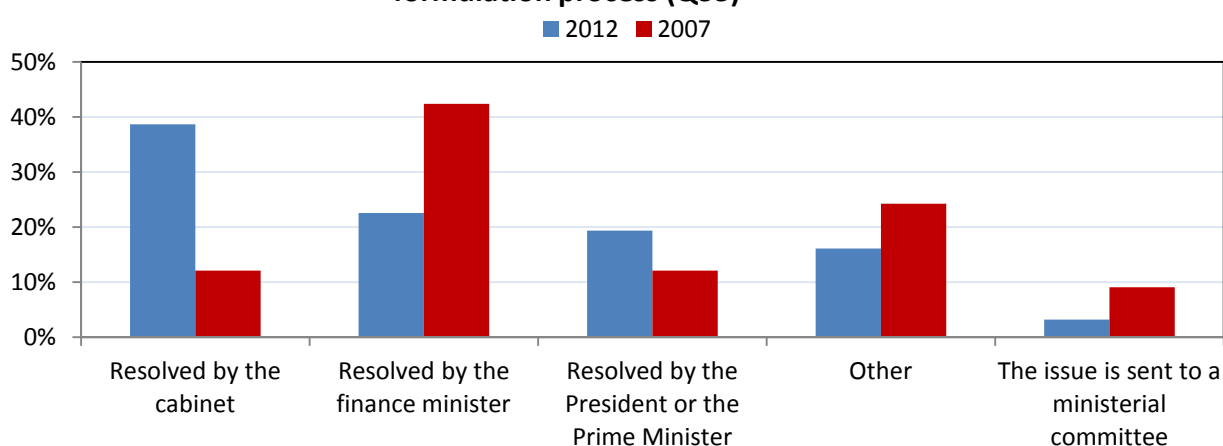
Ultimate authority for dispute resolution varies across OECD countries. There has been a change to more collective power of resolving disputes in the budget process (see figure 5.6 and table 5.4 in the Data Annex). Allocation disputes are resolved by the cabinet in 39% of the OECD countries and the rest is almost equally divided on the minister of finance in seven countries (Denmark, Israel, Italy, Korea, Slovenia, Spain, United Kingdom), the chief executive (*i.e.* president or prime minister) in six countries (Australia, France, Greece, Japan, Spain and Turkey), and a multilateral process in which disputes are jointly resolved by the Prime Minister and the Minister of Finance (Canada) and by meetings of government parties' chairpersons (e.g. Finland where during this parliamentary term the meetings includes prime minister, minister of finance and 4 other ministers). In Belgium such issues are sent to a ministerial committee.

Fig. 5.5 Ceilings on the line ministries' initial request (Q31)



Note: Some countries have more than one level of ceilings, notably Denmark, Germany, Italy, Korea, Luxembourg, Poland and Slovenia. In such cases only one lower level is counted per country.
 Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 5.6 Resolution of disputes between ministries in the budget formulation process (Q33)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007)

6. RELAXING CENTRAL INPUT CONTROLS (Q.50, 70-84)

A feature of budget reforms in many OECD countries is the relaxation of input controls to give government organisations greater flexibility and autonomy to achieve their objectives efficiently and effectively. It is based upon the premise that heads of individual government organisations are the best positioned to achieve their policy and programme objectives ("let managers manage"). The Central Budget Authority sets the top down budget constraints, often based on medium-term expenditure considerations, while organisations are given responsibility for the use of the funds. With such freedom also comes greater accountability and use of performance management. This can enhance efficiency and effectiveness in light of new priorities, new circumstances and new knowledge. It also strengthens the incentive for politicians to focus on outputs and outcomes rather than inputs alone. Flexibility is in this context defined as the extent to which an organisation can adjust appropriations – i.e. decide and adjust the input mix. However, a distinction should be made between flexibility of the executive (whole of government), line ministry and agency level.

This section discusses a number of elements that determine the degree of flexibility and agency autonomy. The number of line items, lump sum appropriations, the ability of government organisations to reallocate and *vire* (i.e. transfer) budget resources between programmes and expenditure types, borrow from future appropriations and carry-over appropriated funds between fiscal years. Together these issues indicate line ministries' and agencies' ability to adjust appropriations to their needs.

Box 6.1. Agencies and decentralised management

Agencies are government organisations that have been given some autonomy and /or independence from the ministries to which they report. Agencies may be subject to different management and budgetary rules than entities vertically integrated within ministries.

Three main categories of agencies can be identified:

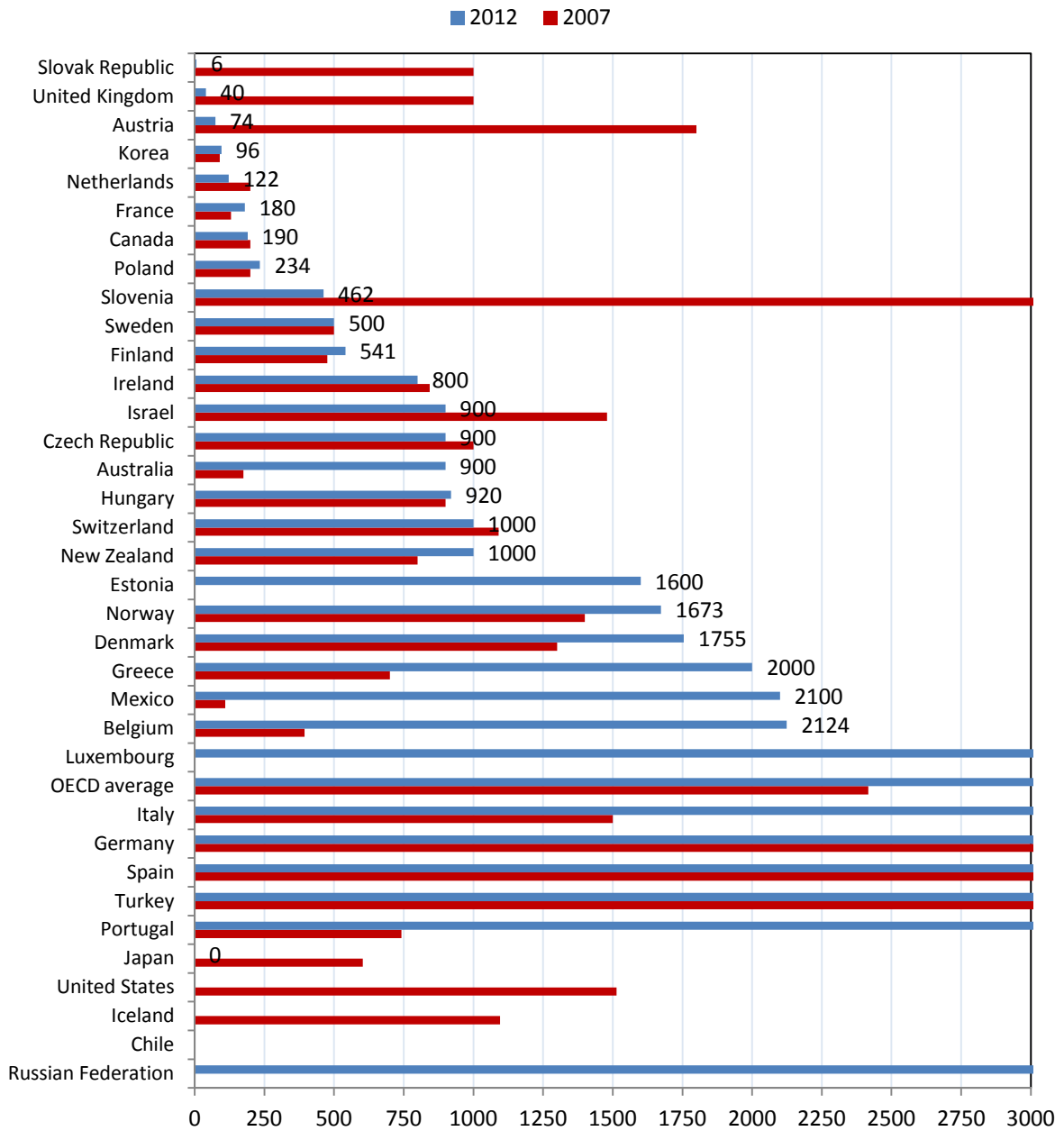
- **departmental agencies:** part of ministries, they do not have a separate legal status, but their internal governance is generally differentiated from that of their parent ministry;
- **public law administrations:** created by a public statute, they have a separate legal identity under public law (they may or may not have a governing board); and
- **private law bodies:** identifies a variety of organisations including corporations, trusts and other organisational forms recognized in private law. They usually have a governing board, and the relevant minister has only indirect control of it.

Although agencies have a long history in many OECD countries, the number of autonomous bodies has grown significantly in the last decade. The change has also corresponded with an increase in management authority delegated to core government departments.

Number of line-items (Q.50a)

The number of line-items in the budget provides an indication of the level of detail to which the executive and legislature control the execution of the budget. At an agency level this may also relate to lump-sum appropriations and the ability to retain any savings, in whole or in part, from efficiency gains.

Fig. 6.1 Number of line item appropriations contained in the budget (Q50a)



A line-item appropriation is the most detailed level of spending that is mandated by the legislature. The level of line-items may be as specific as financial inputs (*e.g.* salaries) or more aggregated at the program or agency level. The existence of many line-items often constrains managerial flexibility by detailing the specific inputs that can be used for specific areas. The presence of an excessive number of line-items can also hinder other practices designed to strengthen fiscal discipline, such as top-down budgeting. Relaxing central input controls not only increases the effective use of resources, but can also foster accountability – to some extent eliminating excuses for not delivering agreed outputs and outcomes. In such systems the legislature might be better equipped to oversee the process by shifting its attention from input to output considerations.

Figure 6.1 presents the number of line-items appropriated in the budgets of OECD countries. Eight countries have below 300 line items (Austria, Canada, France, Korea, Netherlands, Poland, Slovak Republic, United Kingdom). Ten countries have between 300 and 1000 line items (Australia, Czech Republic, Finland, Hungary, Ireland, Israel, New Zealand, Slovenia, Sweden and Switzerland). Three countries have between 1000 and 2000 (Denmark, Estonia, Norway) while nine countries have 2000 line items or more, of which Spain has 15 000 and Turkey and Portugal have more than 40 000. There are some remarkable changes since 2007: Austria, Slovak Republic, Slovenia and UK report that they have reduced the line item numbers considerably. On the other hand, Belgium, Greece, Italy, Mexico, Portugal and Spain have increased the number of line items substantially pushing the OECD average from 2417 to 4567 line items.

It should be emphasised that there is not necessarily a direct correlation between the number of line-items and the degree of flexibility. A limited number of line-items could be made less flexible by restrictive rules on reallocation, carry over and other input controls. In Korea, for instance, there is a central control of staff allocated to various tasks, which clearly limits the managers' ability to change the input mix.

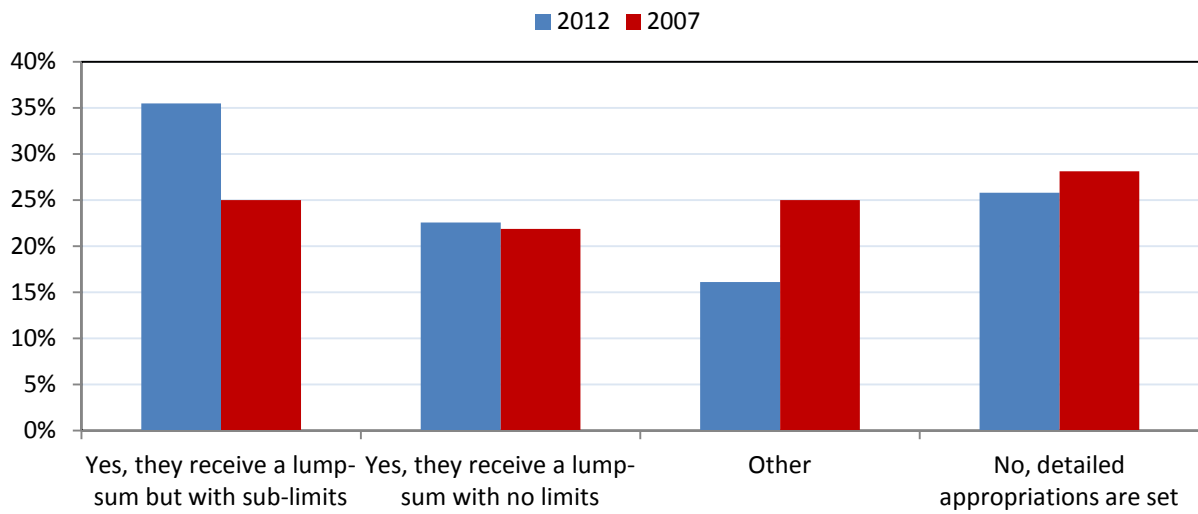
Lump sum appropriations (Q.70a)

Government organisations may receive lump sum appropriations, giving them a great deal of flexibility to allocate public funds in order to maximise their performance. Lump sum appropriations may be applied to capital and/or operating expenditures³. However, the use of lump sum appropriations by itself does not necessarily imply the existence of a more efficient resource allocation system. Clear agency objectives, adequate procedures, and an effective evaluation framework are required to foster good performance, accountability, and to hinder abuse.

Almost three-quarters of OECD countries use lump sum appropriations for operating expenditure (see figures 6.2 and 6.3 and table 6.2 and 6.3 in the Data Annex). There is no significant change on this practice since 2007. 11 of these countries (Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, Hungary, Italy, Luxembourg, Portugal, and Slovak Republic) use one or more sub-limits on the lump sum appropriation. In addition, Slovenia reports partly use of lump sum appropriations with sub limits on wages.

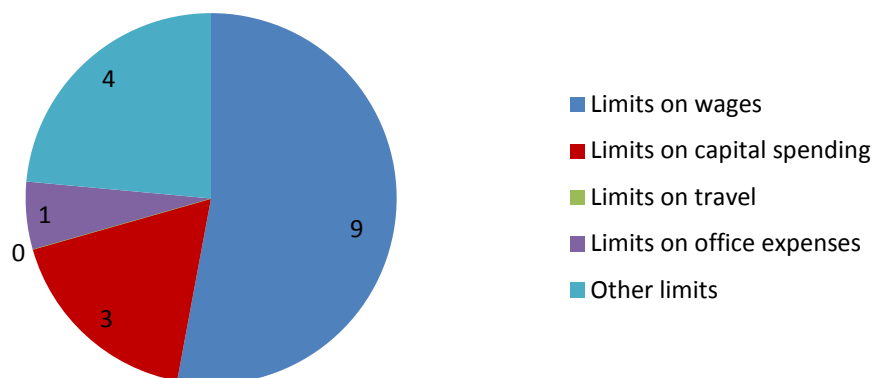
³ Capital expenditures refer to the purchases of fixed assets; operating expenditures refer to the day-to-day expenses incurred in running an activity or a project.

Fig. 6.2 Do agencies receive lump sum appropriations for operating expenditure? (Q70)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 6.3 Sub-limits on lump sum appropriations (Q70b)



Reallocation of appropriations (Q.72)

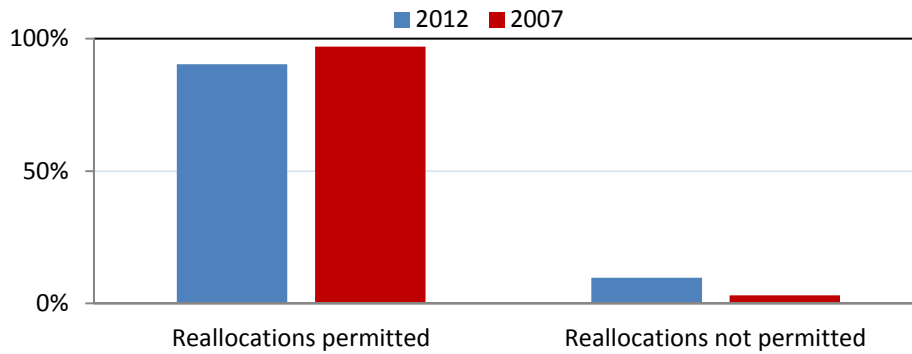
Almost all (28 out of 31) OECD countries allow ministries to reallocate funds within their responsibility, with some restrictions (see Figure 6.4 and Table 6.4 in the Data Annex). By contrast, in Austria, Norway and Sweden the in-year reallocation is run by the legislature. Norwegian and Swedish agencies are highly autonomous and can freely decide their input mix for operational expenditures so reallocation needs are more limited than in most countries. Compared to the situation in 2007, the percentage of OECD countries that allow reallocations has changed slightly downwards.

In 17 countries (see Figure 6.5 and Table 6.4 in the Data Annex) restrictions are placed on the type of expenditures via certain limits on amounts. Some examples are listed here: In Denmark line ministries are allowed to re-allocate funds between operating appropriations when annotated in the annual budget, which is often the case. In Estonia and Spain line ministers can re-allocate funds according to limits established by law. In Turkey, appropriations can be reallocated up to 20% of a line item. In Greece and Slovenia line ministries can reallocate between different programmes within their competence, in total per year limited to 10 % of the programme appropriation in the adopted budget and except reallocations between salary budget items and other budget items. Budget users are authorised to reallocate between budget items in the same sub-programme in their competence. In Switzerland, reallocations are accepted only in three specific areas and with limits (in % and absolute terms). These include: between personnel and consultancy expenditure (maximum 5% of personnel expenditure or 5 million CHF); between current and investment budgets of agencies with lump sum budgets (maximum 5% of current expenditure or 5 million CHF); and between ITC operating expenditures and ITC investment spending.

Several countries (see figure 6.6 and table 6.4 in the Data Annex) grant the executive wide reallocation power but establish some procedural limitations. In United Kingdom there are some ring-fenced programme budgets and a control on re-allocating from front line services to back office to protect public services. In Canada, Finland and Netherlands reallocations between operating, capital and transfer payment appropriations are subject to parliamentary approval. In Czech Republic the Minister of Finance must approve reallocations below 10% of the line item within line ministry or between line ministries; the Budget Committee shall approve reallocations above 10%. In New Zealand re-allocations with significant policy implications must be approved by Cabinet; line minister and the Minister of Finance can jointly approve other transfers between appropriations. In Germany, reallocations can be done between certain main budget groups and in cases of budget notes; reallocations without approval of Ministry of Finance are only allowed when ruled in the budget plan. In France reallocations within a programme are granted provided the payroll ceiling is respected as it is subject to parliamentary authority. Between programs within a department, a reallocation is allowed within 2% of the appropriation provided approval by the Finance Minister and after informing the Parliament (a heavy procedure in practice). In Ireland the Parliament must approve reallocations above a certain level. In Mexico and Slovak republic there is no limits on reallocations provided approval of the Ministry of Finance.

Compared to the survey in 2007 the ministries of finance have taken a more prominent role on re-allocation regimes at the expense of others, not reducing the requirements for legislative approval (see figure 6.6 and table 6.4 in the Data Annex). When the MoF is involved in approval of reallocations it is done by ex-ante procedures (see figure 6.6 and table 6.4 in the Data Annex, data on split of ex-ante and ex-post approval is not available for 2007). A few countries allow reallocations without any approval procedures, notably Australia, Estonia and United Kingdom.

Fig. 6.4 Reallocation regimes in 2012 and 2007 (Q72a)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 6.5 Restrictions on reallocations in 2012 (Q72a)

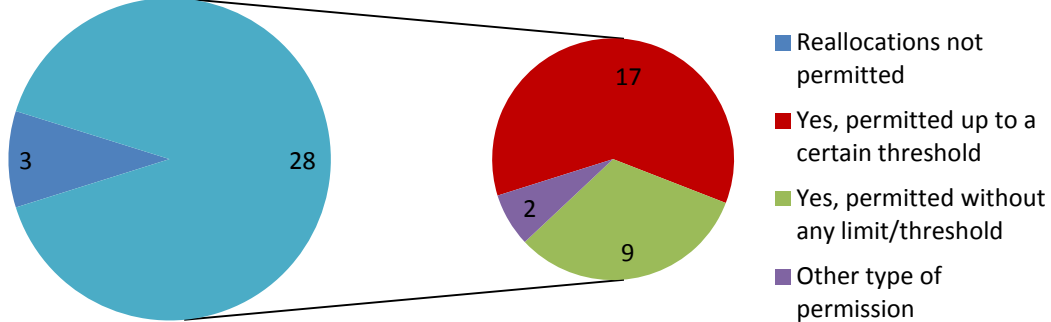
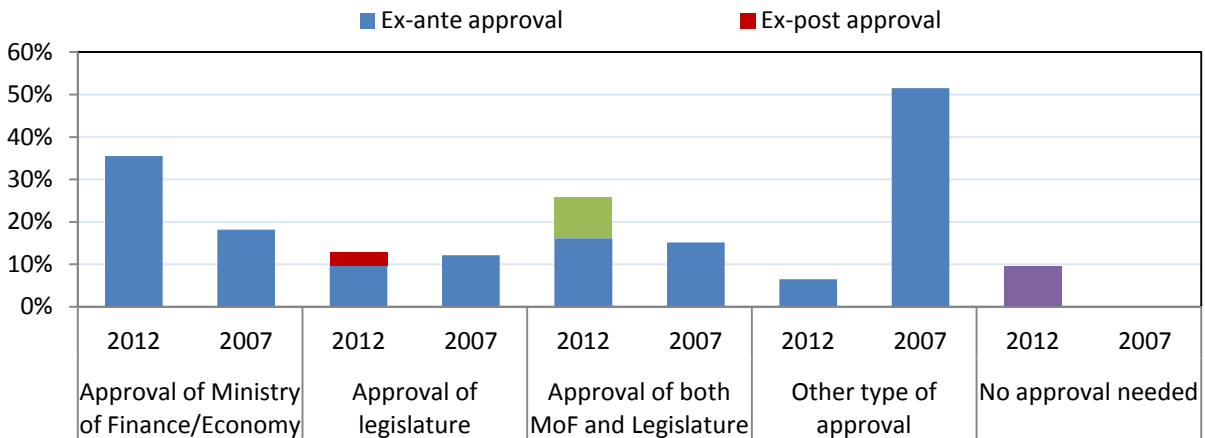


Fig. 6.6 Type of approval of reallocations (Q72b)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

In this graph, "Other type of approval" in 2012 is recognised only when neither MoF nor legislature is required to approve.

Authority to increase or cut appropriations after the budget is approved by the legislature (Q.74-83)

The executive's flexibility could also include an authority to *increase* or reduce spending after the budget has been approved by the Legislature. Most countries allow the executive to increase spending after the budget has been approved. Only four countries have a totally restrictive practice of not permitting spending increases, namely France, Israel, Korea and Poland. Two countries have a restrictive practice for some areas combined with large delegated authority without approval on other, i.e. Netherlands (increase of mandatory spending is permitted without a threshold and without approval) and Norway (increase of operational and investment spending is permitted without a threshold and without approval). In general, the OECD countries are more restrictive on discretionary and mandatory spending than on investment and operational spending (see figure 6.7 and table 6.5 in the data annex).

Notwithstanding the practice of permitting an increase in spending after the budget has been adopted, very few OECD countries allow such increases without a threshold and without requiring any approval. In addition to Netherlands and Norway mentioned above this applies only to Denmark (mandatory), Estonia (mandatory), Mexico (discretionary, operational and investment) and Slovak Republic (investment). See figures 6.7 and 6.8 and table 6.5 in the Data Annex).

The remaining OECD countries that allow such increases have established an approval procedure. For most countries that involves an ex-ante approval by the ministry of finance/economy. A number of the countries also require an approval by the legislature, either ex-ante (in three-quarters of cases) or ex-post (one-quarter) (see figure 6.8 and table 6.5 in the Data Annex).

Most OECD countries also allow the executive to *cut* spending after the budget has been approved, except for mandatory spending. Only four countries have a totally restrictive practice of not permitting spending cut, namely Finland, Netherlands, Norway and Switzerland. Seven countries have a restrictive practice for cutting mandatory spending combined with large delegated authority without approval to cut the other three spending areas, i.e. Austria, Belgium, Denmark, Estonia, Luxembourg, Portugal and Sweden. On the other hand, three countries do not require a threshold or approval on any of the four types of spending (Mexico, Slovak Republic and Spain). The OECD countries are considerably more restrictive on cutting mandatory spending than on cutting discretionary, investment and operational spending. Actually, most OECD countries do not accept cut in mandatory spending after the budget has been approved in the legislature (see figure 6.10 and table 6.6 in the Data Annex).

Contrary to the approval regime on increasing spending after the budget has been approved, the executive allow spending cut without any approval in about half of the countries. Most of the other countries allow cut in spending without a threshold but require approval (see figures 6.11 and 6.12 and table 6.6 in the Data Annex).

When approval is required, the ministry of finance is required to approve ex-ante. The legislature is less frequent involved in the approval regime on cutting expenditure and when the legislature is involved it is about two-thirds on ex-ante and one-third on ex-post basis, except for mandatory spending where only one in four is ex-post (see figure 6.12 and table 6.6 in the Data Annex).

Fig. 6.7 Regime for executive's increase of spending after the budget has been approved by the legislative (Q74/76/79/82)

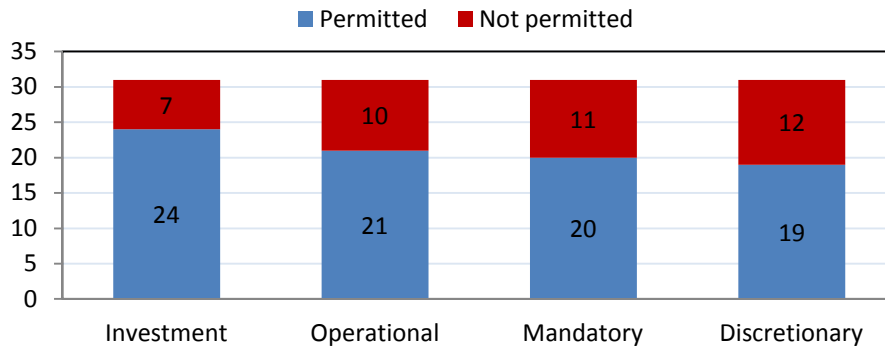


Fig. 6.8 Permission for the executive to increase spending after the budget has been approved by the legislative (Q74/76/79/82)

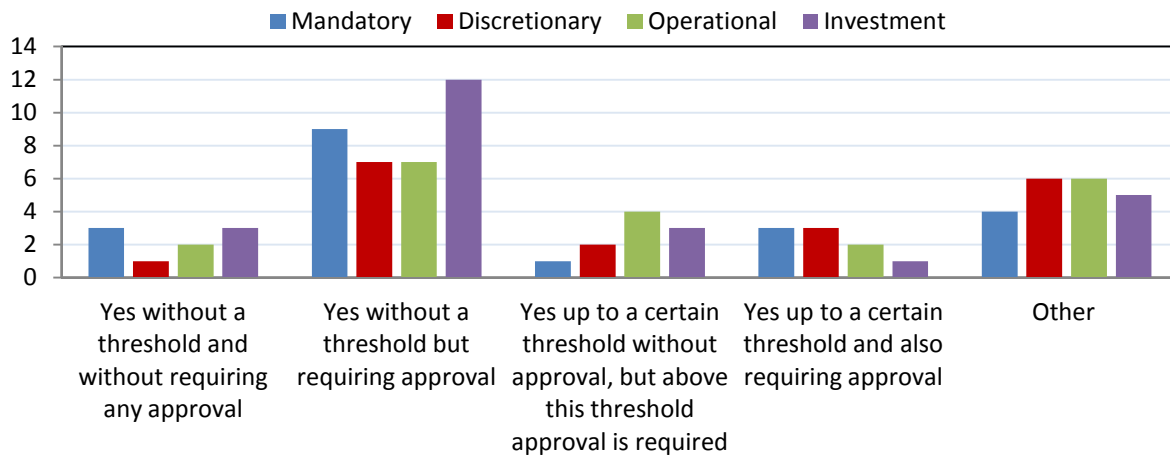
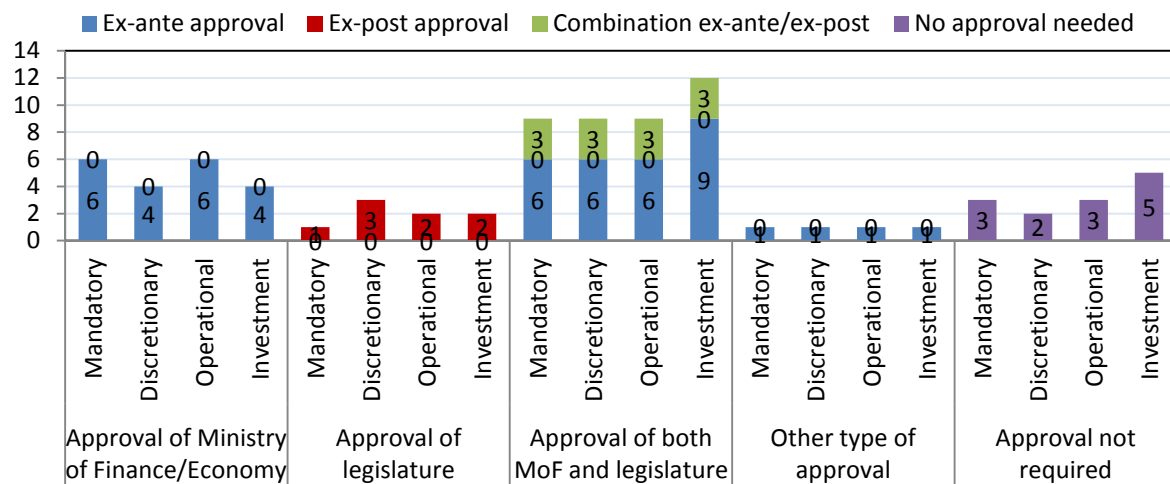


Fig. 6.9 Type of approval of an increase in spending after the budget has been approved by the legislative (Q74/76/79/82)



Note: In this graph, "Other type of approval" is recognised only when neither MoF nor legislature is required to approve.

GOV/PGC/SBO(2013)4/PROV

See Figures 6.10, 6.11, 6.12 on page 49.

Fig. 6.10 Regime for executive's cut of spending after the budget has been approved by the legislative (Q75/77/80/83)

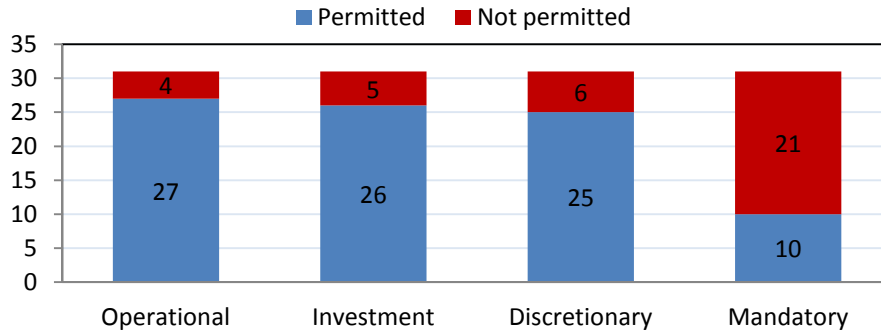


Fig. 6.11 Permission for the executive to cut spending after the budget has been approved by the legislative (Q75/77/80/83)

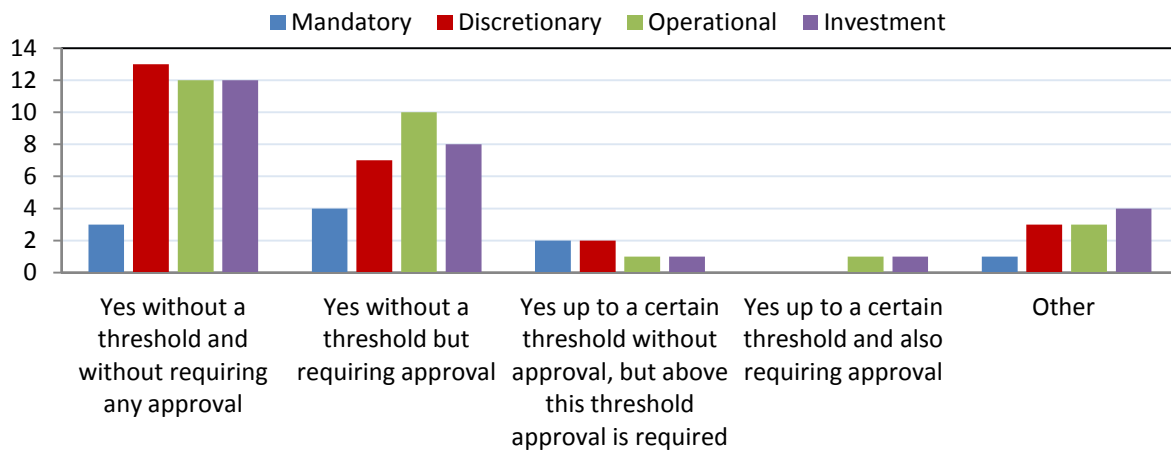
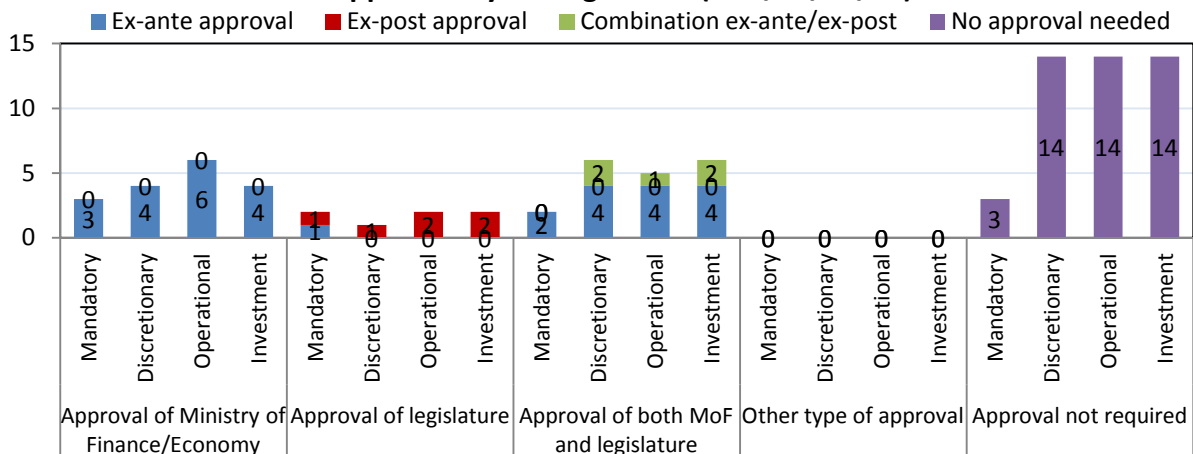


Fig. 6.12 Type of approval of a spending cut after the budget has been approved by the legislative (Q75/77/80/83)



Note: In this graph, "Other type of approval" is recognised only when neither MoF nor legislature is required to approve.

Carry-over of unused appropriations (Q.78, 81, 84)

A carry-over right allows government organisations to use a portion or all of an unspent appropriation beyond the time period for which it was originally granted. This is necessary because budget appropriations are normally granted for the fiscal year. By using a “carry-over”, an organisation may use unspent money in the next fiscal year. Carry-overs may be allowed after a qualitative evaluation and/or with quantitative restrictions. As part of an evaluation, the Central Budget Authority would approve or reject requests by ministries or agencies to carry-over funds on predefined expenditures programmes. Quantitative restrictions used include: a limit on the amount of carry-over allowed in any given year; a ceiling on the amount of accumulated carry overs; or limits on the draw-down of accumulated carry-overs.

The appropriateness of carry-over rights has been subject to debate. Proponents emphasise that carry-overs help to compensate for rigidities in budget execution procedures, provide additional flexibility and opportunities for efficiency gains for government organizations, mitigate the ‘December rush’ to use up unspent funds (often at some cost to value-for-money), and may help to reveal the real cost of programmes (see Table 6.1). However, others consider that carry-overs result in the accumulation of unspent appropriations, and limit the Central Budget Authority’s control of the budget system. For carry-overs to be most effective and to limit their misuse, budget systems should have a medium-term budget framework, devolved budget management powers, well-developed accounting and reporting systems, and sound internal control and external audit procedures.

Table 6.1
Arguments for and against the use of carry-overs

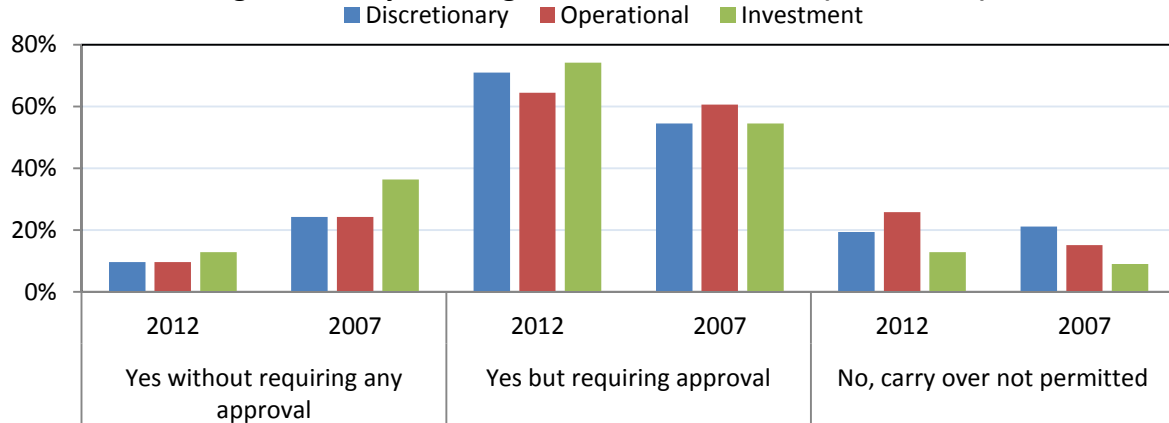
	Arguments for carry-overs	Arguments against carry-overs
Fiscal Discipline	While carry-overs typically account only for a small amount of government spending, they enable budgeted resources to be used more cost effectively.	Carry-overs limit the executive’s discretion over the timing of expenditures (e.g. fiscal stimulus and fiscal constraint).
Allocative Efficiency	Carry-overs avoid having to make repeated revisions to the budget and encourage active management of the overall rather than annual cost of a project.	Carry-overs encourage over-budgeting, conflict over the allocation of resources and, where necessary, may be better addressed through the use of multi-annual appropriations for certain programmes or capital expenditures.
Operational Efficiency	Carry-overs compensate for delays attributed to procurement procedures and / or ex ante spending controls and may promote more active and durable cost saving initiatives.	Where budget execution procedures are unnecessarily onerous they should be simplified, and carry-over should not be seen as a substitute for reforming an excessively rigorous control system.

Source: Adapted from Lienert and Ljungman (2009)

Most OECD countries permit the carry-over of unused funds, mostly subject to ex-ante approval from the Central Budget Authority (see figure 6.13-15 and table 6.7 in the Data Annex). Only three countries (Belgium, Greece and Mexico) do not permit carry-overs whatsoever and further three countries (Ireland, Italy and Luxembourg) do not permit carry-overs for discretionary and operational expenditures, while another two countries (Slovak Republic and Turkey) do not permit carry-overs for operating expenditures. Germany does not permit carry-overs for investment expenditures. On the other hand, two countries do not require a threshold or approval for carry-over of any of the three types of expenditure (Austria and Denmark), of which Austria requires approval by the ministry of finance to use the carried-over funds.

Compared to the situation in 2007 more countries do not permit carry-over of operating expenditures. Also fewer countries allow a carry-over without an approval (see figure 6.13 and table 6.7 in the Data Annex).

Fig. 6.13 Carry-over regimes in 2012 and 2007 (Q78/79/84)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 6.14 Restrictions on carry-over in 2012 (Q78/79/84)

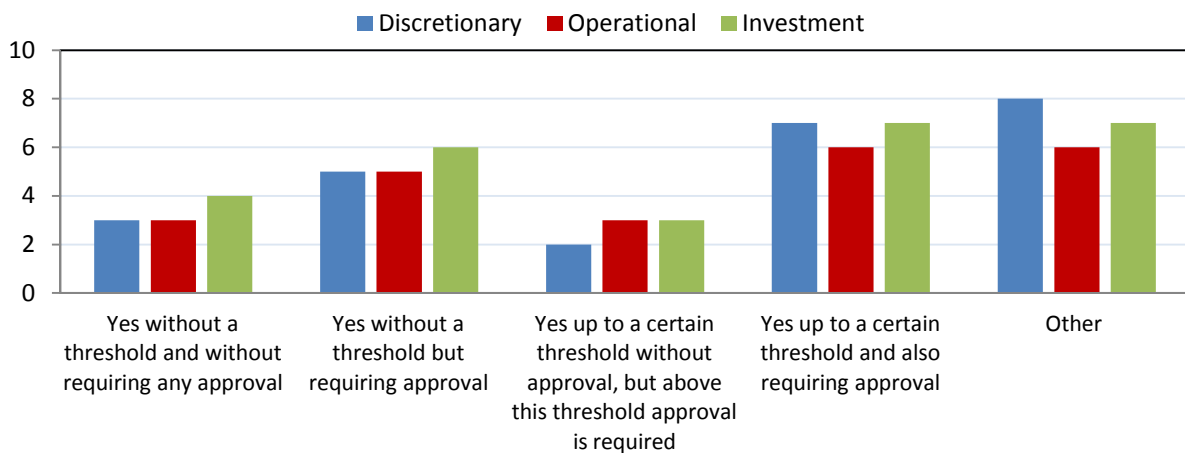
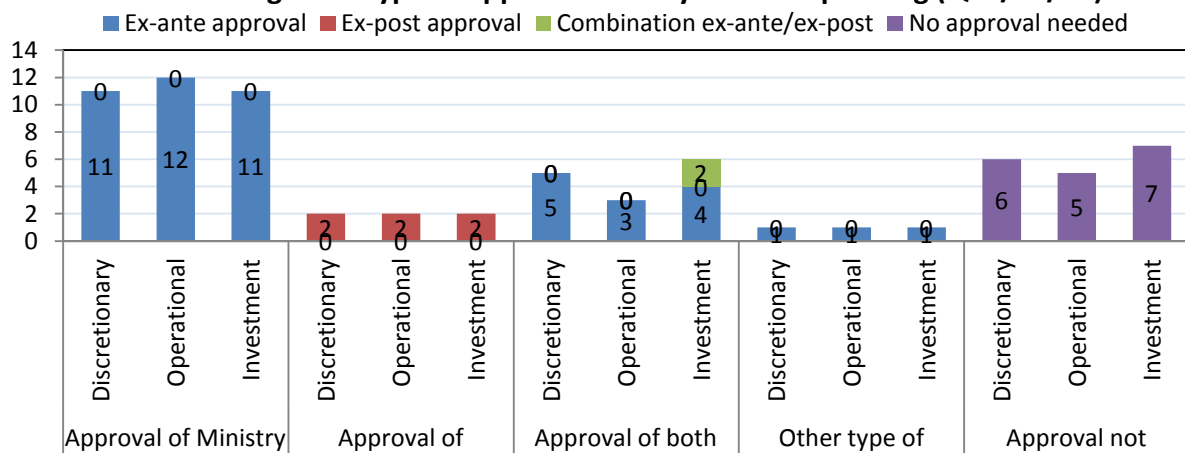


Fig. 6.15 Type of approval of carry over on spending (Q78/79/84)



Note: In this graph, "Other type of approval" is recognised only when neither MoF nor legislature is required to approve.

Three countries (Czech Republic, Israel and Slovak Republic) allow carry-over of respectively operating and investment expenditures, discretionary expenditures and investment expenditures without approval from the Executive or Legislature and without a threshold. In addition, two countries (Finland and Korea) do not require approval as carry over is only allowed when specified in the budget law and in Luxembourg most of the investment spending is managed via funds allowing unused funds to be transferred from one year to another (without approval). In the remaining cases some sort of approval is required from either the executive (Ministry of Finance, joint ministers or Cabinet), the legislature, or both. In addition numerical or other limits may apply. All approvals by the executive are according to ex-ante procedures while a few countries use an ex-post approval from the legislature in a combination with an ex-ante approval by the executive (Hungary, Italy, New Zealand and Turkey). A few countries also require ex-ante approvals from both the executive and the legislature (Australia, Canada, Ireland, Japan, Poland and for some part, Turkey). See table 6.7 in the Data Annex.

Borrowing against future appropriations (Q.73)

Borrowing against future appropriations is another practice that increases managerial flexibility. It allows agencies to spend their appropriation for the year in the knowledge that they will be able to borrow from next year's appropriation if unexpected spending needs arise. Opponents of this argue that this flexibility undercuts budgetary discipline and the Central Budget Authority's control of spending as well as going against the principle of annual appropriations sanctioned by the legislature. A vast majority of OECD countries do not allow ministers or governments to borrow against future appropriations, regardless of the type of expenditure: 87% in 2012 (78% in 2007) for operating expenditures and 81% (75% in 2007) for investments. Only Germany, New Zealand and Sweden allow such borrowing for both operating and investment expenditure, while Denmark allows it for operational expenditure and Hungary, Italy, Luxembourg allow it for investment expenditure. In most OECD member countries, budget-related laws prohibit borrowing against appropriations for future years, and the authority of the legislature to approve government borrowing is typically found in the constitution. See figure 6.16 and table 6.8 in the Data Annex.

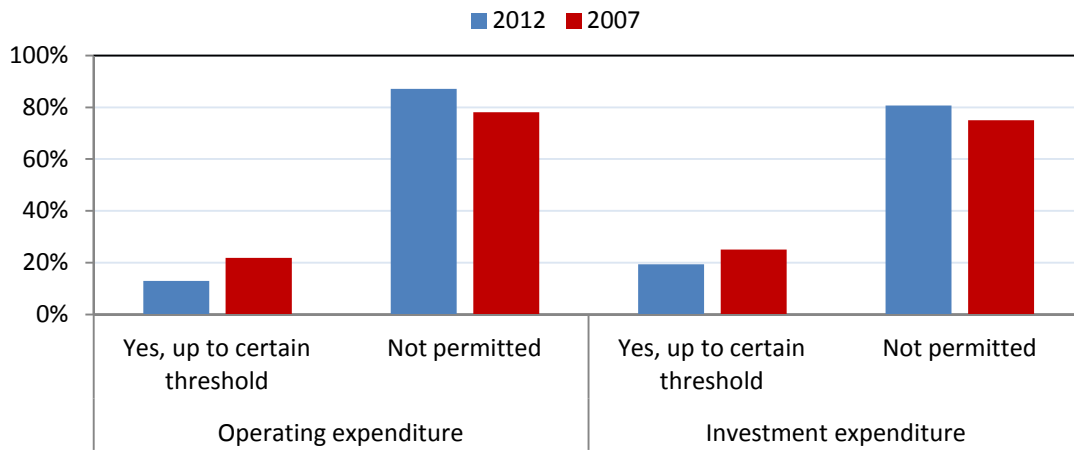
Box 6.2. Budget flexibility index

As a way of capturing the executive's budget flexibility the OECD has developed a composite index. The index looks at the flexibility of the executive to make changes to the budget during execution. Variables include (weights in parentheses): the extent to which lump sum appropriations are used (16.7%) and the number of line-items in the budget (16.7%); agencies' ability to carry over unused budget allocations between years (16.7%), borrow against future appropriations (16.7%) and reallocate between line-items (16.7%); the executive's ability to increase spending during budget execution (10%) without prior legislative approval and its ability to decrease spending during budget execution (6.7%). The index ranges between 0 (no flexibility) and 1 (high level of flexibility with fewer restrictions). See Annex A for a description of the methodology used to construct the index. The variables comprising the indexes and their relative importance are based on expert judgements.

If the executive's authority to change the approved budget is unreserved and unchecked, it can undermine fiscal sustainability. Potential risks include opportunities for the abuse of power by government managers, increased government deficits and weakened efficiency. Thus, any move to greater flexibility warrants clear oversight in order to hold managers accountable. While the indicators capture the procedural flexibility of the government to reallocate budget resources, they do not measure its impact on the provision of government goods and services, the internal management capacity to recognise when reallocations are necessary, or the soundness of decision-making processes that result in budget reallocations.

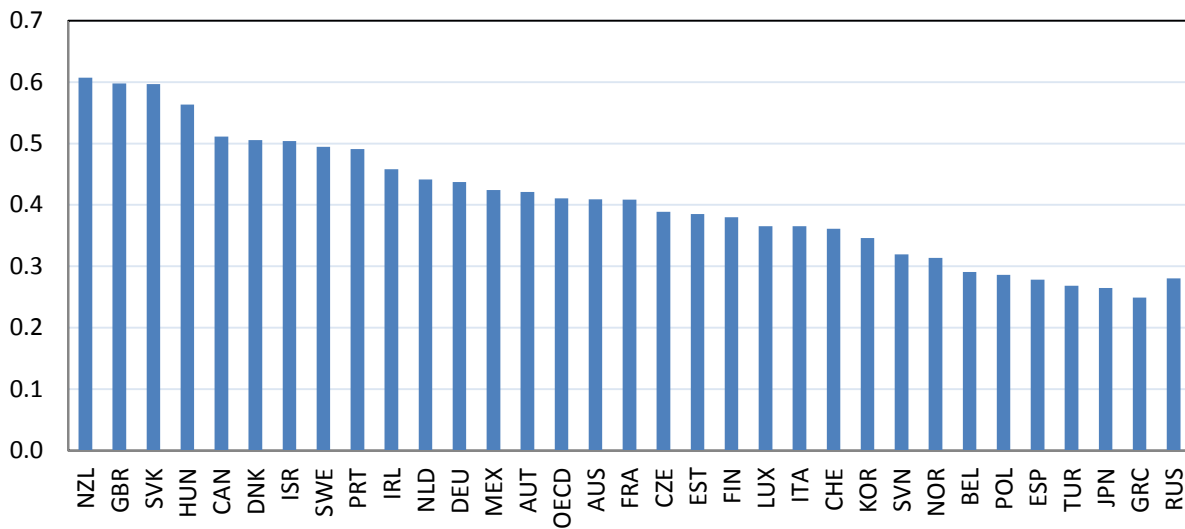
The index indicates that the countries with the most flexible budget practices are New Zealand, United Kingdom, Slovak Republic and Hungary (figure 6.17).

Fig. 6.16 Permission to borrow against future appropriations (Q73)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 6.17 Budget flexibility index



Note: This index looks at the different levels of flexibility provided to the executive during budget execution. However, it does not measure whether this flexibility is used effectively or appropriately.

Note: The OECD average is based on 31 member countries.

7. FOCUS ON RESULTS – PERFORMANCE BUDGETING

The public sector has traditionally been held to account for compliance with rules and procedures, including accounting for financial appropriations. However, in the last 20 years OECD countries have increasingly sought to develop a focus on the results achieved with the appropriations allocated through various approaches under the heading of ‘performance budgeting’. This area is the subject of a lot of activity across many OECD countries at present, including revisions and re-thinkings of established performance budgeting models, and there is currently no settled consensus on the optimal way of using performance information within the budgeting context. The issues arising range from (a) the level of information being used (with a more recent focus upon streamlining and focusing performance information, and retreating from a tendency to "over-engineer" performance budgeting products); (b) the problems inherent in measurement of public performance and (c) a broader question of whether the budgeting process lends itself well to performance monitoring, or whether other mechanisms of governance and accountability should play a more significant role.

This section provides a quick overview of the results of the 2011 OECD Performance Budgeting Survey. The objective of the survey was to obtain updated data on the types of performance information and instruments employed throughout the budgeting process, and to ascertain how specifically this information is being used in budgetary decision-making. For details, see OECD (2012a). The key findings of the Performance Budgeting Survey was:

- Comparing responses in 2011 and 2007 it appears that in negotiations between line ministries and CBAs performance information is generally used less for strategic planning and to a growing extent not used at all.
- Compared to 2007 results in 2011 show a marked increase in the role of Line Ministries and agencies as the main institutions responsible for setting performance targets.
- Performance budgeting frameworks are abundant in the OECD, but are generally flexible and not linked with allocation decisions.
- Performance budgeting is generally a decentralised practice within the central/federal government. The exceptions are Spending Reviews, where CBAs and Chief Executives play a more central role.
- Line ministries (e.g. different sectors) all generally use performance information in the same way. to increase spending and to reduce it or eliminate programmes to a lesser extent.

Performance budgeting frameworks are widely found in OECD countries and are generally flexible in nature. More than half of the countries have a standard performance budgeting framework in place that applies to all central government Line Ministries and Agencies. About a quarter answered that there is no standard framework but that Line Ministries/Agencies do have their own budgeting frameworks (Figure 7.1). Aggregated results (Figure 7.2) show that the different policy sectors use performance information mainly for setting allocations for programmes, for strategic planning, for proposing new areas of spending, for setting allocations for line ministries and agencies, and to reduce spending. However, in about a third of cases performance information does play a limited role in the budget negotiations with the CBA. In general it appears that that line ministries in 2011 use performance information less than in 2007 and more countries report that performance information is “not used” in budget negotiations. When performance targets are not met, oftentimes there are ‘no consequences’ (Figure 7.3). This would seem to suggest that performance information is not easily transformed into actions. When comparing 2007 to 2011 more intense monitoring appears to have decreased as a widely used consequence but the elimination of the program appears to have increased slightly, even if it is still rarely the case. Interestingly bad performance is made public occasionally in 2011. No data exists for this for 2007.

Fig. 7.1 Does the CBA have in place a standard performance budgeting framework which is applied uniformly across central government organisations?

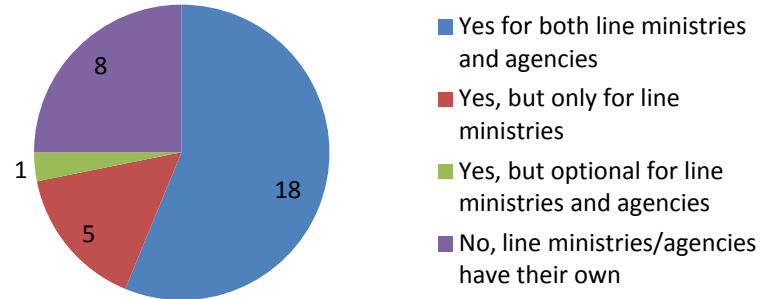


Fig. 7.2 How is performance information generally used by line ministries in their negotiations with the CBAs?

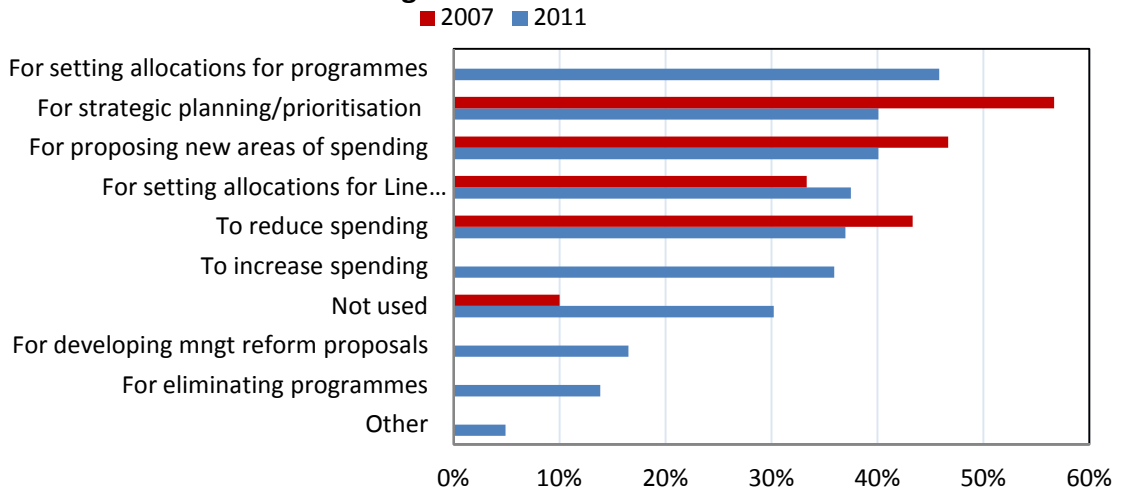


Fig. 7.3 What happens when performance targets are not met?



Table 7.1 Types of performance measures

Performance measures	Input measures	What goes into the system? Which resources are used?
	Output measures	What products and services are delivered? What is the quality of these products and services?
	Outcomes measures	Intermediate: What are the direct consequences of the output? Final: What are the outcomes achieved that are significantly attributable to the output?
	Contextual measures	What are the contextual factors that influence the output (<i>e.g.</i> processes, antecedents and external developments)
Ratio Indicators	Efficiency	Cost / Output
	Productivity	Output / Input
	Effectiveness	Output / Outcome (intermediate or final)
	Cost-effectiveness	Input / Outcome (intermediate or final)

Source: Adapted from Streck *et al.* (2006)

Box 7.1. Performance budgeting index

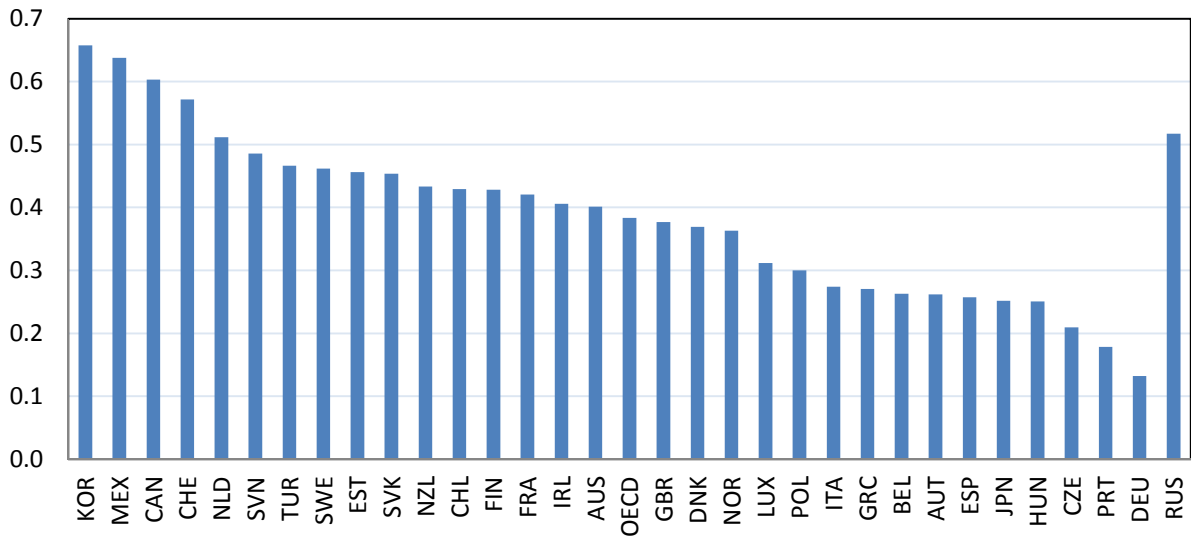
The approaches to developing and using performance information in the budget process vary across OECD member countries and there is no one single dominant model. For example, in most countries that use performance information in budgeting, there is a loose or indirect link between performance information and funding. These countries use performance measures and evaluations along with information on fiscal policy and policy priorities to inform, but not determine, budget allocations. Since 2007 it appears that in negotiations between line ministries and CBAs performance information is generally used less for strategic planning and to a growing extent not used at all. The same period also shows a marked increase in the role of Line Ministries and agencies as the main institutions responsible for setting performance targets. Performance budgeting is generally a decentralised practice within the central/federal government. The exceptions are Spending Reviews, where CBAs and Chief Executives play a more central role.

The index examines both the existence of a performance budgeting system, the use of performance information and consequences if the performance is not in line with targets. While most OECD countries have adopted one or other system of providing performance information, there is as yet no settled international consensus of how to use the information and what consequences should follow from non-compliance with performance targets. Therefore the weightings used emphasise aspects of the existence of a framework more than the specific use of it. Countries that receive a high score have created a comprehensive, government-wide framework for developing performance information (evaluations and performance measures), integrating performance information into budget and accountability processes, using it in decision making, and monitoring and reporting on results. However, this index does not measure how successfully any given system operates in practice. Success is better evaluated by examining whether policy execution is achieving the stated objectives. This cannot be captured in this index.

This composite index contains ten variables that cover information on the following aspect of performance information (weights in parentheses): whether the countries have a performance budgeting framework in place (21.7%), type of target setting (10.9%), responsible actors for reporting on results (10.9%), type of performance information used (10.9%), presentation of performance information to the legislative (10.9%), whether (and how) performance information is used in budget negotiations between the central budget authority and the line ministries (2%) and between the line ministries and the agencies (5%), how the performance information is used in the budget negotiations (13%) and to what degree non-achievement of targets trigger any consequences (15%). Annex C contains a description of the methodology used to construct this index, including the specific weights assigned to each variable. The index ranges between 0 (no performance budgeting system) and 1 (a comprehensive performance budgeting system). The variables comprising the indexes and their relative importance are based on expert judgments. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

The performance budgeting index gives highest score to Canada, Korea, Mexico and Switzerland (figure 7.4).

Fig. 7.4 Performance budgeting index



Note: This index examines the degree to which OECD member countries have put a performance budgeting system in place. However, it does not measure how successfully these systems operate in practice.

Note: The OECD average is based on 31 member countries. Chile, Iceland and USA did not respond.

8. BUDGET TRANSPARENCY (Q.6, 39, 51, 60-67)

The budget is the principal policy document of government, where the government's policy objectives are reconciled and implemented in concrete terms. Budget transparency – openness about policy intentions, formulation and implementation – is therefore at the core of a good governance agenda (OECD, 2002). The OECD (2002) Best Practices for Budget Transparency define budget transparency as *the full disclosure of all relevant fiscal information in a timely and systematic manner*. These Best Practices, which are based on the collective experiences of OECD member countries, are organized in three parts. Part 1 lists the principal budget reports that governments should produce and their general content. Part 2 describes specific disclosure to be contained in these reports. This includes both financial and non-financial performance information. Part 3 highlights practices for ensuring the quality, integrity and usefulness of the reports, including an effective role for the legislature and civil society.

Apart from the budget and supporting documentation, a variety of government reports exist which can contribute to transparency. The year-end report may be the government's main measure of accountability, but in-year (monthly, quarterly and semester) reports are also important to help identify budget implementation issues and develop appropriate responses in a timely manner. The OECD Best Practices on Budget Transparency also establishes guidelines for the timing and content of these reports.

Examples of available budget information and reporting in OECD countries (Q.6, 39, 51, 61)

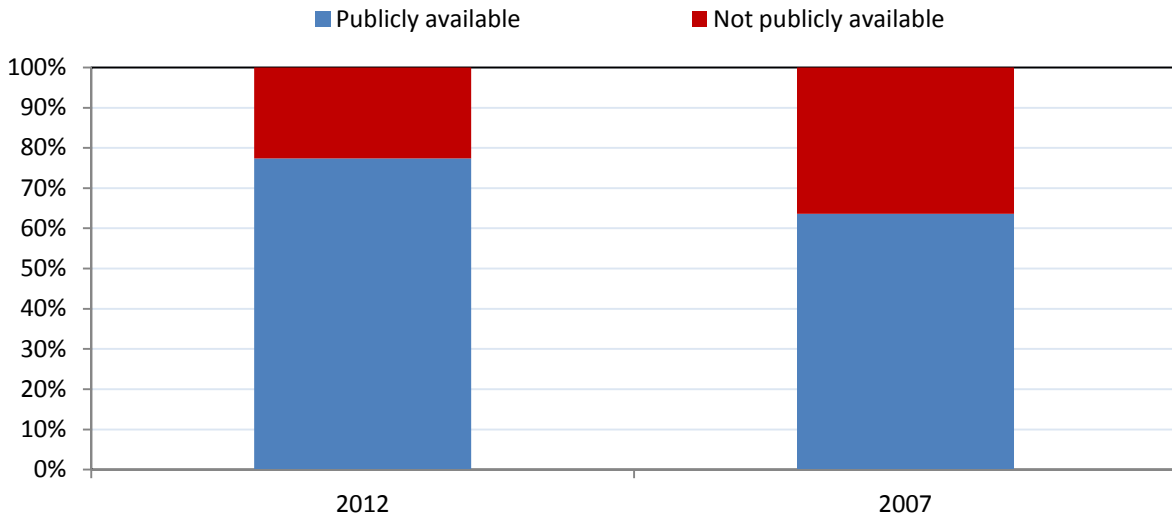
Disclosure of underlying assumptions and publicly available budget documents (51)

A key aspect of transparency is the extent to which the executive's budget discloses the underlying assumptions (macroeconomic and others) that set the fiscal framework within which government organisations formulate their spending proposals. Key assumptions include estimates of GDP growth, the current account, inflation and the interest rate. These estimates underlie forecasts for tax and non-tax revenues, and government debt-servicing obligations and requirements. Arguably there is no single factor more responsible for “de-railing” budget outcomes and projections of deficits or surpluses than the use of weak macroeconomic assumptions.

77% of the OECD countries responding to the Budget Practices and Procedures survey indicated that they publish the macroeconomic assumptions and the methodology used to establish them in the budget and supporting documentation (see figure 8.1 and table 8.1 in the Data Annex), while the remaining 23% do not make this information publicly available. Compared to the data from 2007 this is an improvement of transparency by 13 percentage points.

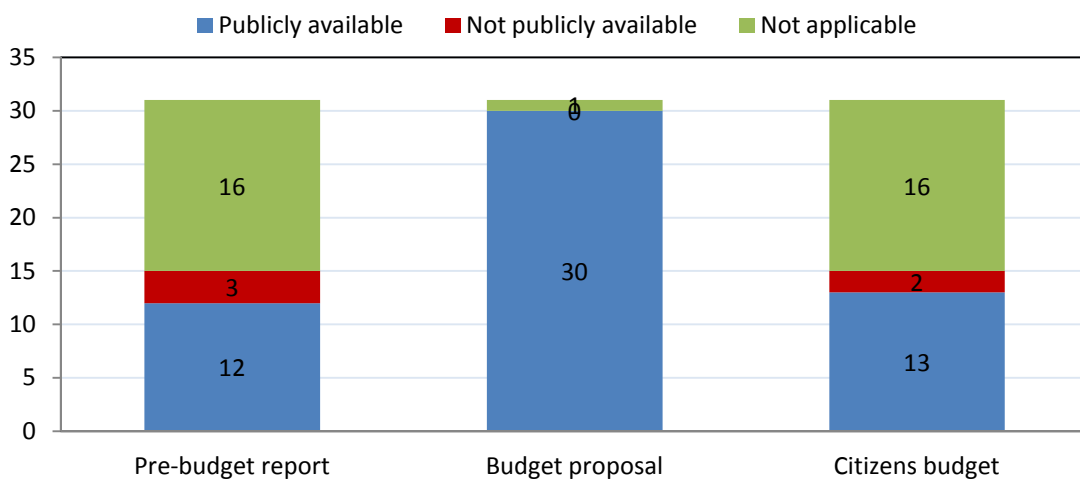
All the participating OECD countries make the executive's budget proposal that is submitted to the legislature publicly available except the United Kingdom (not applicable). On the other hand, only half of the countries produce a pre-budget report of which 12 countries make it publicly available. This is also the case for a citizens' budget which is publicly available in 13 OECD countries.

Fig 8.1 Are the economic assumptions underlying the budget and the methodology used to establish them published/publicly available?(Q51a)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 8.2 Publicly available budget documents (Q51)



Comprehensiveness of budget documentation (Q.39, 61)

It is important that comprehensive information is presented in the budget to enable policy debate. In addition to the economic assumptions underlying the budget, the OECD (2002) Best Practices on Budget Transparency states that the budget should include, among other things: a medium-term perspective; a detailed commentary on each revenue and expenditure programme; appropriations by administrative unit (e.g. ministry, agency); and non-financial performance data, including performance targets. In addition, the IMF (2007) Manual on Fiscal Transparency recommends that the budget should include a description of major expenditure and revenue measures, and their contribution to policy objectives.

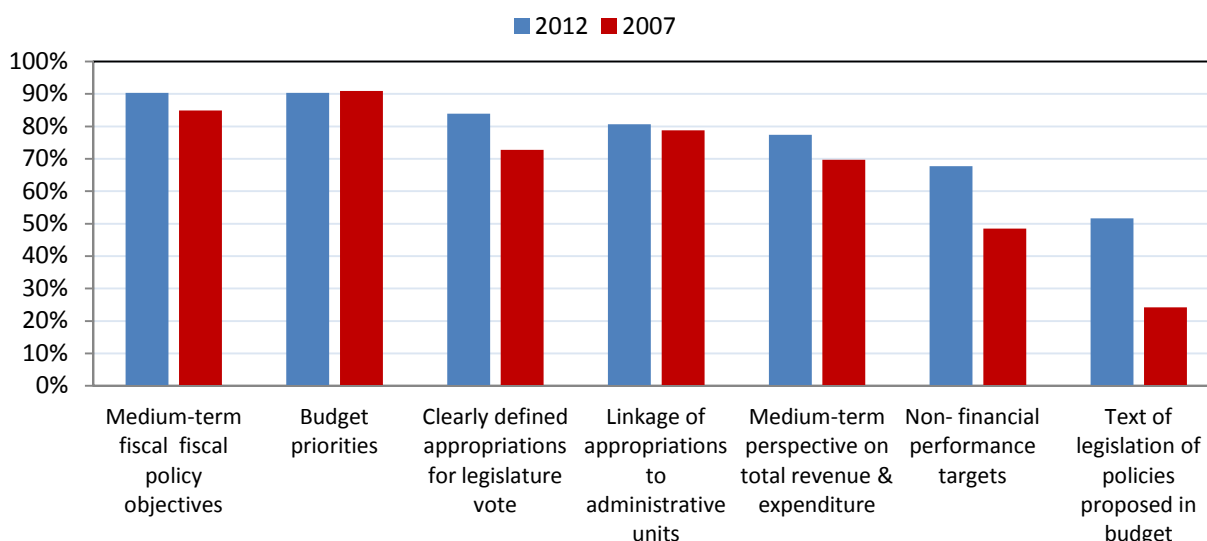
Below is a list of information that should be included in the budget and supporting documentation. Also important, are off-budget expenditures and public contingent liabilities.

- **Medium-term fiscal policy objectives (or statement):** Specifies the government's desired fiscal position articulated either in legislation or as part of a political commitment. It may also include commitments to fiscal transparency. A successful medium-term budget framework should include medium-term policy objectives.
- **Budget priorities:** Reflect the executive's strategic priorities for expenditure allocations for the budget year (and often the medium-term). It does not just include those related to specific government programmes, but also frames many macroeconomic policy decisions.
- **Medium-term perspective on revenue and expenditure:** An integral part of the Medium-term Budget Framework. However, it focuses more on estimating revenue receipts and expenditure rather than linking the two.
- **Text of legislation of policies proposed in the budget:** differentiates between existing and new policies within the executive's budget documentation, as well as describing the legislation for policies proposed for the new fiscal year.
- **Clearly defined appropriations (linked to administrative units):** Are the authority granted under law by the legislature to the executive to spend public funds to a set limit and for a specific purpose. Annual appropriations are made through annual budget laws or, in some countries, separate appropriation acts.
- **Non-financial performance targets for programmes and / or agencies:** Refers to specific outputs and outcomes that are to be achieved by government organisations. They can usually be accomplished in a shorter time period than goals and objectives, and are often an intermediate step in achieving the latter. Note, that no consensus exists on the way non-financial performance information should be used nor the degree to which it should be integrated into the budget process.

Almost all OECD countries (90%) present information on the executive's medium-term fiscal objectives and budget priorities. Denmark and Japan are the only ones that do not include either of the two. Spain includes only medium-term targets while Italy includes only budget priorities. While nearly all OECD countries include the executive's medium-term fiscal objectives, only 77% include a medium-term perspective on revenue and expenditure in the budget documentation. Belgium, Finland, Israel, Luxembourg, Norway and Spain include the objectives but no MTEF while Italy and Japan include a MTEF perspective but no medium-term objectives. Notwithstanding, the percentage of OECD countries that include a MTEF perspective has increased by seven percentage points from 2007. Austria, Canada, Greece, Japan and United Kingdom now report to include a medium-term perspective on total revenue and expenditure, while Belgium, Denmark and Norway report to have omitted the medium-term perspective in the budget. See figure 8.3 and table 8.3 in the Data Annex.

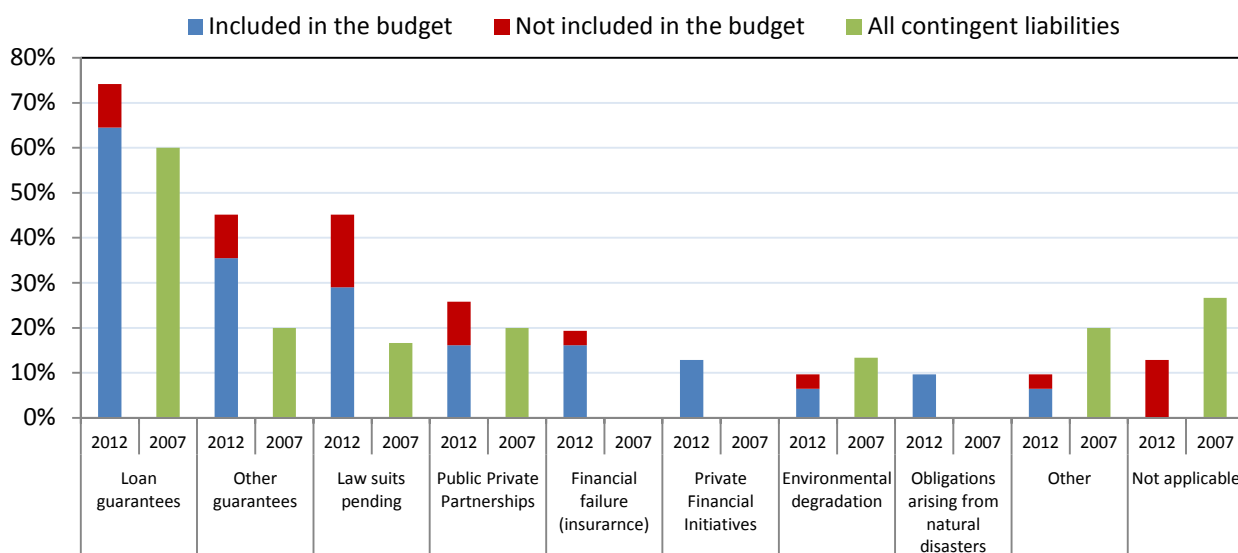
Other main changes from 2007 are seen in non-financial performance targets included in the budget document (increased from 48% to 68% of respondents) and in written text of policy legislation in the budget document (increased from 24% to 52%). About 80% of OECD countries present clearly defined appropriations to be voted by the legislature, and with clear linkages between appropriations to government organisations (*e.g.* ministries and agencies).

Fig. 8.3 Elements included in the budget document presented to the legislative (Q61)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

Fig. 8.4 Expenditure items considered as contingent liabilities (Q39)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007). "Included in the budget" refers to items listed as a line item or otherwise included in the approved budget.

Most OECD countries identify expenditure items that are considered as contingent liabilities. From a transparency perspective it is also important that those elements are disclosed in the budget documentation submitted to the legislature and that the documentation is made publicly available. Three-quarters of the responding OECD countries consider loan guarantees as contingent liabilities, of which about two-thirds include this item in the budget, either as a line item in budget documentation or otherwise. 45% of the responding countries also identify law suits and other guarantees as contingent liabilities, of which one-quarter and one-third of the items respectively is not included in the budget documentation. Only four countries (Belgium, Ireland, Japan and Spain) report that contingent liabilities are not applicable, down from eight countries in 2007.

In-Year Reporting (Q.6k)

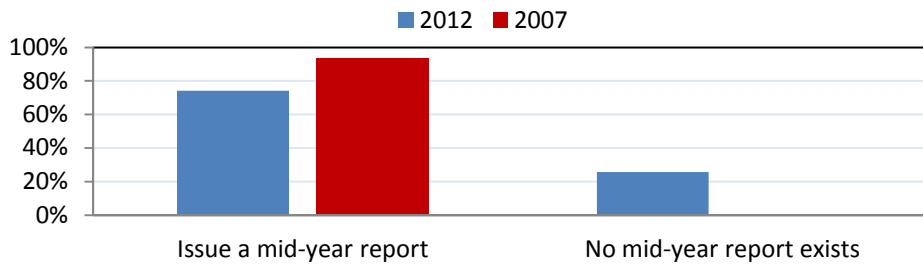
Periodic in-year reporting on budget execution and revision of budget estimates helps to detect and manage the impact of economic developments on the budget in a timely manner. This includes information on tax and non-tax revenues and spending on programmes and public services. Such reports identify any changes in the assumptions underlying the budget, as well as other relevant events that have transpired during the fiscal year. According to the OECD (2002) Best Practices for Budget Transparency, the economic assumptions underlying the budget should be reviewed and the impact of any changes on the budget disclosed at least every six months.

Three-quarters of the participating OECD countries issue a consolidated mid-year report. This may be a small reduction from 2007 but the questions are not completely comparable over year. The 2007 data includes data on monthly reporting which may be less comprehensive than a mid-year report. See figure 8.5 and table 8.5 in the Data Annex.

Year-end report (Q.6o)

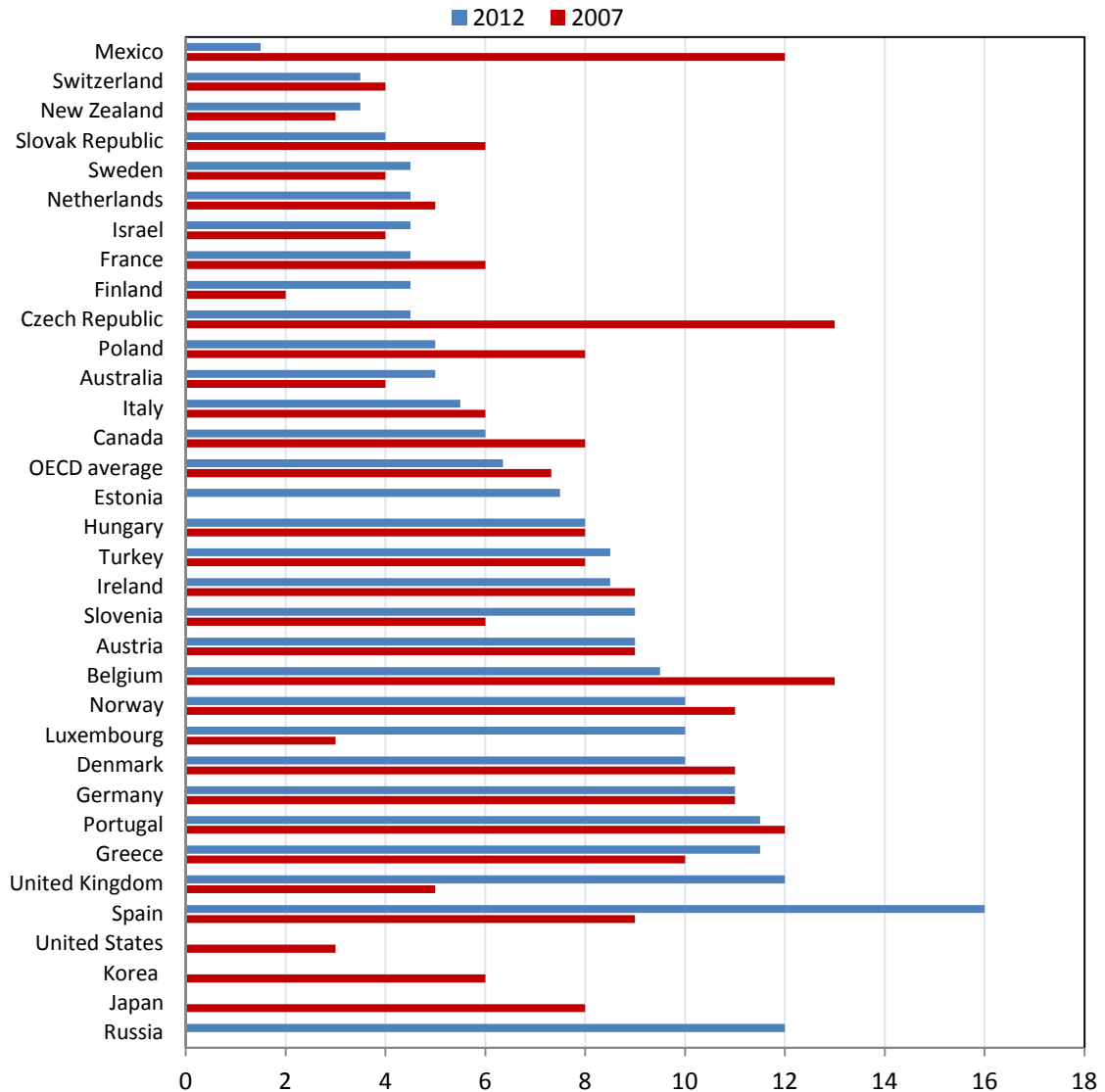
The year-end report is a government's key accountability document. The Best Practices recommend that it should be audited by the Supreme Audit Institution in accordance with generally accepted auditing practices, released within six months of the end of the fiscal year, and scrutinized by parliament. All OECD member countries have an institution mandated with auditing government accounts; however, there is great variation within OECD countries as to the time by which the audited annual report is disclosed after the end of the fiscal year (see Figure 8.6). For example, while New Zealand, Mexico and Switzerland produce an audited year-end report within 3 months of the end of the fiscal year, Greece, Portugal and United Kingdom's year-end reports are published 11-12 months after the end of the fiscal year. Spain published the audited report 16 months after the end of the fiscal year (six months after the audit institution receives the accounts). Korea and Japan note that publishing the audited accounts is not applicable. The OECD average of number of months after year-end that audited accounts are publicly disclosed has been reduced by one month, to 6.4 months after the end of the fiscal year.

Fig. 8.5 Existence of a consolidated central government mid-year report (Q6k)



Note: Based on the number of participating OECD countries (31 in 2012 and 30 in 2007). 2007 data are drawn from the OECD Budget Practices and Procedures Database, Q.56, and include data for monthly, quarterly and bi-annually reporting.

Fig 8.6 Number of months after year-end that audited accounts are publicly disclosed (Q6o)



Ensuring an effective role for the Legislature (Q.6, 60, 64-67)

Although conventional wisdom is that a strong role for Parliament equates an undermining of fiscal discipline, the experience in member countries simply does not show that to be the case. The OECD strongly believes that an effective role for the legislature is a key ingredient in establishing and maintaining fiscal discipline, while providing a necessary link with civil society and fostering accountability by the executive (Blöndal, 2002).

Legislatures are constitutionally mandated to hold governments to account. Nowhere is this more important than the budget process. Indeed the evolution of legislative “power of the purse” dates back to medieval times. Today’s legislatures scrutinize and authorize revenues and expenditures and ensure that the national budget is properly implemented. This is done through a variety of means, including committee review, plenary debates, and parliamentary questions and interpellations. It is worth noting that the general trend in OECD countries in terms of committee structures for reviewing the budget appears to be a dominant Budget/Finance Committee responsible for budget review which coordinates varying levels of input from sectoral committees. Ideally a strong Budget/Finance Committee promotes coordination and consistency in legislative budget action and facilitates fiscal discipline, while involving sectoral committees allows the legislature to draw on their specific expertise (Posner and Park, 2007; Schick, 2002).

Amendment powers (64-66)

There is nevertheless great variation in legislative influence over the budget in OECD countries, as demonstrated by a legislature’s amendment powers. At one end of the spectrum, the legislature in the United States has the power to rewrite the government’s proposed budget, at the other end are legislatures such as Greece or Ireland that can only approve or reject the budget. In Australia the legislature can only make amendments on new policies.

The legislature’s formal amendment powers may be defined as unrestricted, restricted or prohibited.

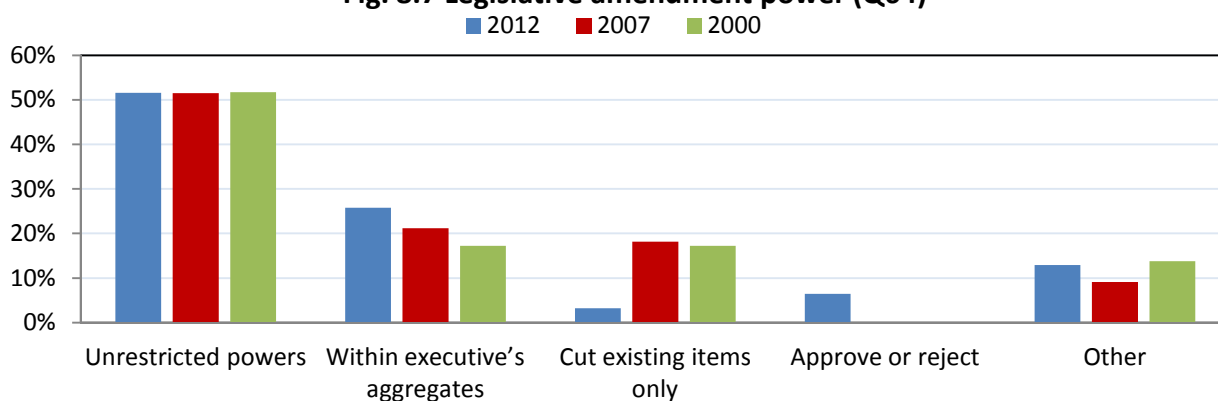
- **Unrestricted:** The legislature may increase or decrease the level of revenues and / or expenditures without the consent of the executive.
- **Restricted:** The legislature is only able to make budget amendments insofar as the budget balance (surplus or deficit) of the executive’s budget proposal is unchanged; or, alternatively, the legislature may only amend downwards any aggregates, often requiring overall reductions in expenditure.
- **Prohibited:** The legislature may not make any amendments to the executive’s budget proposal, and must either approve or reject the budget in its entirety (Wehner, 2006).

It is important to distinguish between formal powers of amendment, such as those outlined in primary and secondary law, and actual practice, reflecting customs and conventions. While legislatures may have formal legal powers to amend the government’s draft budget, their actual use may be curbed for reasons including fiscal rules and mandatory spending. Consultation and bargaining during the budget formulation stage may also reduce the size of the legislature’s actual amendments during the approval stage. And some countries, particularly those with Westminster based systems, are effectively restrained from using amendment powers as votes on the budget are considered as a vote of no confidence in the government. See figure 8.7 and table 8.6 in the Data Annex.

The percentage of OECD countries where the legislature holds unrestricted amendment power has stood still at 52% since 2000. On the other hand, the percentage of countries that can amend the budget within executive’s aggregates has slightly increased to 26%. The remaining is either allowed to cut existing

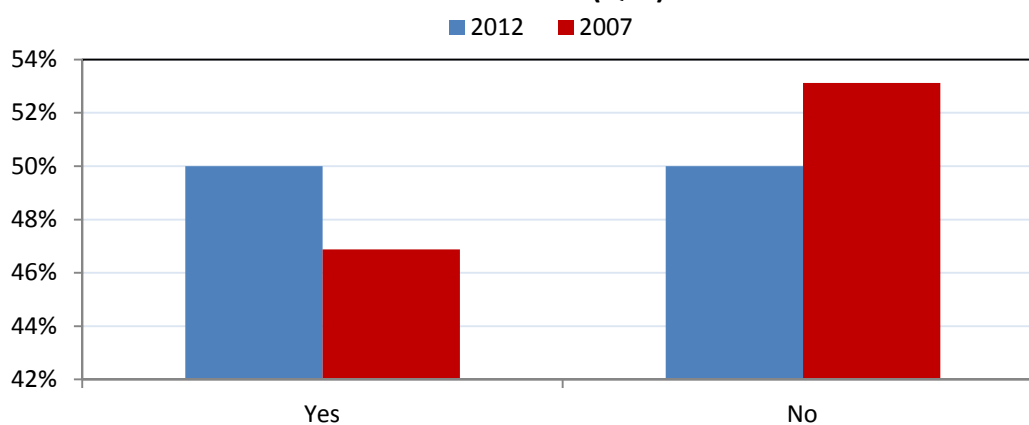
items only (United Kingdom), approve or reject the budget (Greece and Ireland) or other practices. In Australia the legislature has only amendment power on new policies. In Canada and Korea the legislature are allowed to amend the budget provided the executive's approval. In France the legislature can only reallocate within the total budget, the legislature can neither diminish the resources nor aggravate the balance. See figure 8.7 and table 8.6 in the data annex.

Fig. 8.7 Legislative amendment power (Q64)



Note: Percentage of participating OECD countries (31 in 2012, 33 in 2007 and 29 in 2000).

Fig. 8.8 Is a vote on the budget a vote of confidence in the Government? (Q66)



Note: Percentage of responding OECD countries (30 in 2012 and 32 in 2007). Israel did not answer the question in 2012.

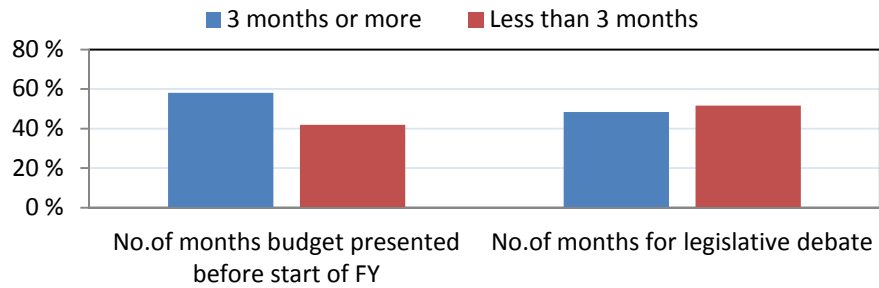
Time available for legislative debate (Q.6h+i)

The effectiveness of a given legislature in the budget process is also influenced by the time available for legislative debate and the level of resources that the legislature has at its disposal. It should be emphasized that the presentation of the budget and related documentation in the legislature is normally the first opportunity for public scrutiny of the government's spending priorities and legislative debate in both the plenary and committees facilitates public participation in the budget process.

Legislatures and their committees require an adequate amount of time to reflect upon and debate budget documentation prior to approval. This is particularly important in order to ensure that legislative committees (which exist in all OECD legislatures and which provide the most in-depth scrutiny of the budget) have sufficient time to review, debate, and propose amendments. The OECD (2002) Best Practices on Budget Transparency recommend that the executive's draft budget should be submitted far enough in advance to allow for its proper review by the legislature. This should be no less than three months prior to the start of the fiscal year and the budget should be approved by the legislature prior to the start of the fiscal year.

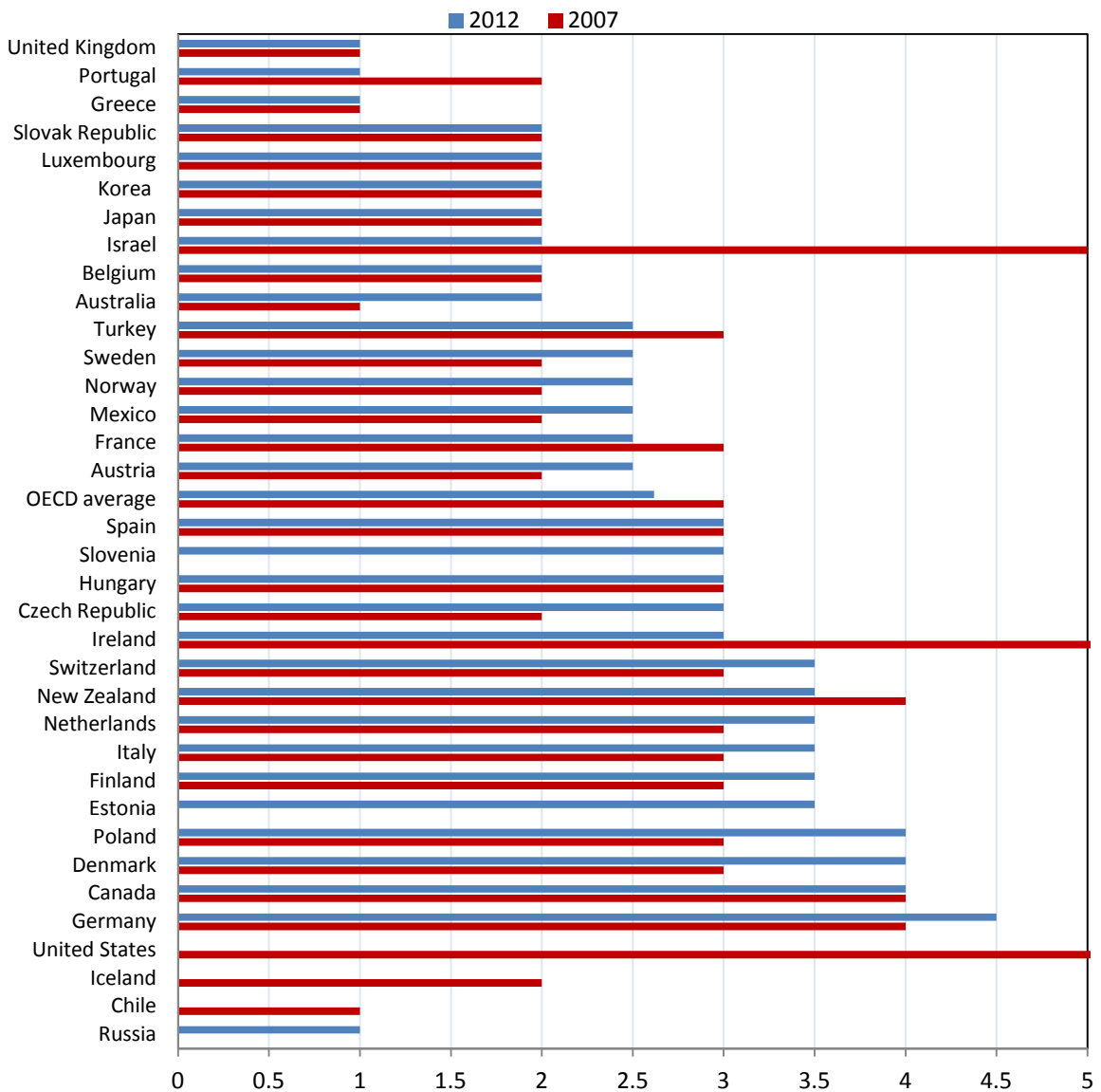
In 58% of the OECD countries, the budget is presented to the legislature at least three months before the start of the fiscal year, and the vast majority of OECD countries also approve the budget prior to the start of the fiscal year. Legislative debate on the budget ranges from one month in Greece, Portugal and United Kingdom to up to four months in Canada, Denmark, Germany and Poland. In a little less than half of OECD countries the legislature has at least three months to debate the budget, in 13 countries it has two months and in three it has only one month (see figures 8.9 and 8.10).

Fig. 8.9 Time table for presentation of budget and legislative debate, percentage of OECD countries (Q6h+i)



Note: Percentage of participating OECD countries (31 in 2012).

Fig. 8.10 Time available for legislative debate of the government's budget proposal (Q6h+i)



Reversionary budgets (Q.67)

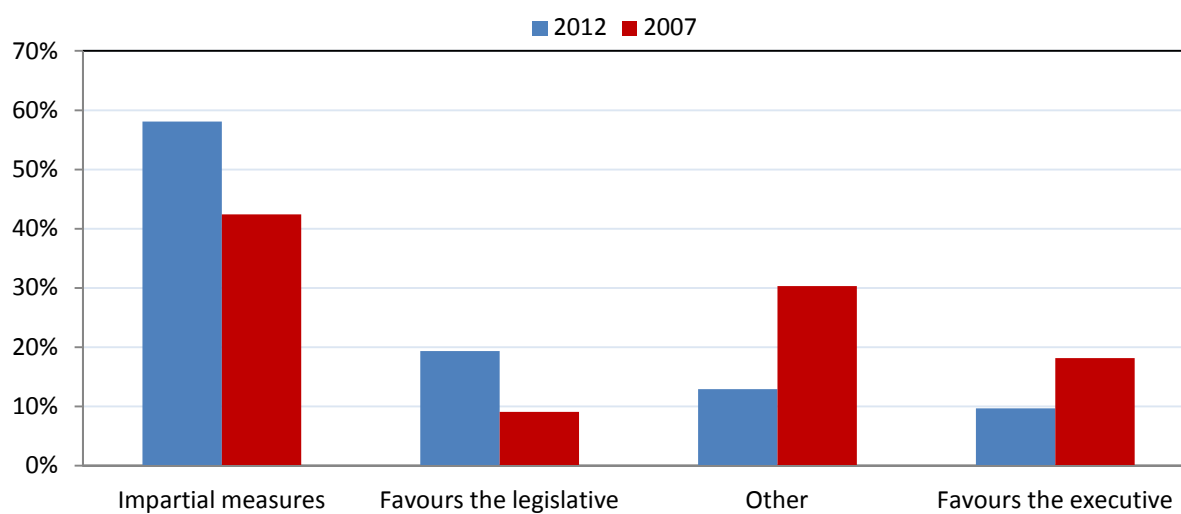
There is always a risk of a budget not being approved in advance of the start of the new fiscal year. For this reason rules regarding a reversionary budget are established in many countries. However, the details of the reversionary budget reflect more than just actions taken to safeguard the execution of public services. The provisional measures and the cost of non-approval and compromise provide insight into the balance of budget powers between the executive and legislature.

Provisional measures may be considered favourable to the executive if they validate its current budget proposal. Validation may be in the form of the executive's draft budget taking effect either in full or in part. Conversely, they may be considered favourable to the legislature if contingency measures require the executive to negotiate provisional measures with the legislature or prohibit unauthorised spending altogether. Provisional measures may be said to be impartial if the approved budget from the previous year is adopted for a specified period of time to enable negotiations between the executive and legislature to continue.

Despite the diversity among methods, all OECD countries have mechanisms in place to deal with the possibility of delays to the approval of the budget. In 10% of the OECD countries, the provisional budget rules are described by the Central Budget Authority as favouring the executive and encouraging restraint of the legislature budget amendment powers. For example, in Finland and Poland, the executive's budget proposal takes effect in full if the legislature does not approve the budget before the start of the fiscal year. In New Zealand, the executive's proposal comes into effect only on an interim basis, positioning the legislature to compromise on an outcome in accordance with the executive's preferences.

At the other end of the spectrum, the reversionary budget arrangements in 19% of the OECD countries may be considered to favour the legislature. In Ireland, Mexico and Switzerland, spending is prohibited altogether until the budget is passed. In Canada, Japan and Norway the legislature will vote other interim measures. Four countries are grouped under "Other": In Australia, 75-80 per cent of the Budget has ongoing legislative approval and will continue; the remainder that does not have approval will cease. Also in Italy the government shuts down and an emergency budget applies until (interim) agreement is reached. In Hungary, if the Parliament has not adopted the budget before the start of the fiscal year, the government is authorized to collect the revenues determined in the relevant legislation and, within the framework of the appropriations set out in the approved budget for the previous year, make the expenditures as commensurate. In Sweden, if the Legislature hasn't decided about an appropriation on interim basis, then the last budget remains in force. See figure 8.11 and table 8.8 in the Data Annex.

Fig. 8.11 Consequences if the budget is not adopted before the start of the fiscal year (Q67)



Note: Percentage of participating OECD countries (31 in 2012 and 33 in 2007).

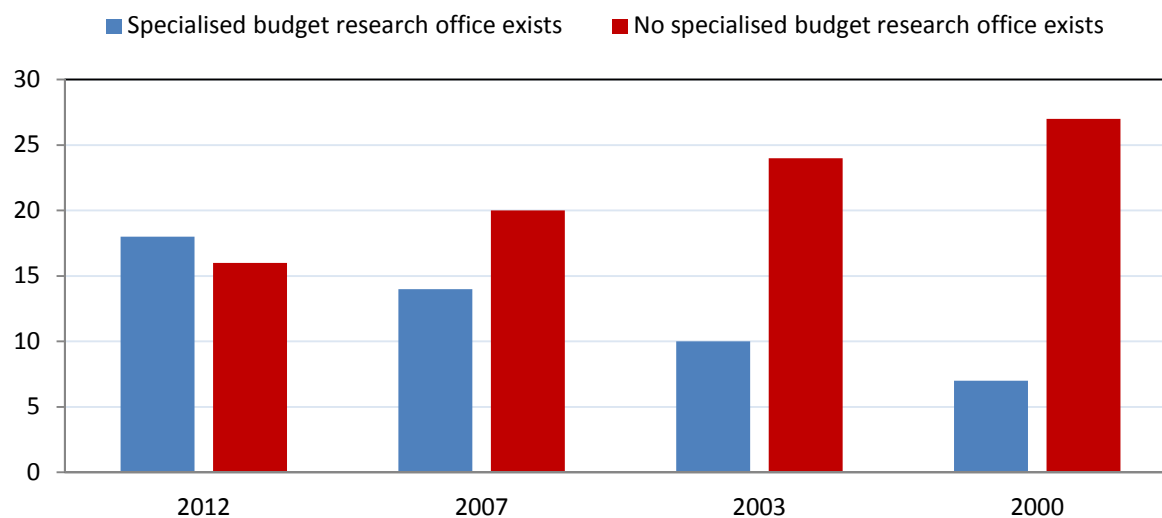
Analytical capacity (Q.60)

To meaningfully engage in the budget process rather than simply serving as a rubber stamp, legislatures require reliable, unbiased information as well as strong analytical capacity. Strengthening research capacity, hiring adequate committee staff, and allowing committees to consult or employ experts all serve to enhance legislative effectiveness and redress the capacity imbalance between the legislature and the executive. Most parliaments in OECD countries have access to several sources of technical capacity for budget analysis. Committee staff is perhaps the most commonly available resource; however, the number of staff available to assist the Budget/Finance Committee in undertaking specialised analysis of the budget and related matters varies widely.

There is a trend in OECD countries to establish specialised units that assist legislatures with budget-related research and analysis. In some cases, these units are located within parliament, often as part of parliament's research services. In others, they are independent. Examples of the former include the Scrutiny Unit in the United Kingdom Parliament, the Budgetary Control Department in the Research and Information Center in the Israeli Knesset, and the Department of Social and Economic Research in the Bureau of Research in the Chancellery of the Polish Sejm. Some larger legislatures, such as the French Parliament, maintain a large unit to assist the finance committee on work on the public finances. Examples of independent bodies are the United States Congressional Budget Office (CBO), the Korean National Assembly Budget Office (NABO), and the Netherlands Bureau for Economic Policy Analysis (CPB). The status of the Canadian Parliamentary Budget Officer (PBO) lies somewhere in-between; although legislation established the PBO with an independent mandate, it is affiliated with the Library of Parliament.

In the past decade, the number of specialised budgetary research units has more than doubled, and in some cases their size has increased. In 2000, only seven OECD legislatures had specialised budget research offices. This number increased to ten in 2003 and 14 in 2007. In 2010-12, several new bodies have been established in countries such as Australia, Austria, and Greece. Furthermore, the parliamentary institutions of some countries are in the process of establishing or developing a specialised budgetary research unit, such as Ireland and Spain. It should be noted that typically the work programme of both internally and externally based units is decided with the input of the Budget/Finance Committee. Moreover, while such units may serve other committees and individual Members, as well as undertake analyses on their own initiative, the Budget/Finance Committee's requests typically take priority. Across the OECD, these bodies differ in terms of size, constituents and core functions, but all help to simplify the complexity of the budget, eliminate the executive's monopoly of information in the budget process, and improve the budget's credibility and accountability. Key tasks, for example, may include analysis of the executive's budget proposal or the estimates, costing of legislation, and economic forecasting.

Fig. 8.12 Existence of a specialised budget research office attached to the legislature (Q60)



Note: Since 2007, Australia, Austria, France and Greece have established a legislative budget research office. In addition, Chile and USA previously have reported such offices and are included in the chart even if these countries did not respond to the 2012 OECD Budget Survey.

Note: All OECD members (34 countries) are included for all the years displayed. Data for Chile, Iceland and USA are from 2007. Estonia and Slovenia are registered in 2000-2007 as not having such office, like in 2012.

Source: OECD (2000, 2003, 2007, 2012), OECD International Budget Practices and Procedures Database and other research, www.oecd.org/gov/budget/database.

Independent Fiscal Institutions⁴

There is a clear trend within OECD member countries to establish independent fiscal institutions (typically referred to as fiscal councils or parliamentary budget offices), as one means of enhancing independent oversight and accountability in regard to the fiscal performance of the executive, and/or to improve the credibility of budgetary forecasts. In the mid-1990s academic economists floated the idea that countries could adapt some of the good experiences of independent central banking to the fiscal sphere. But it was the surge of government deficits and debts following the recent crisis that gave impetus to many of the new fiscal councils, with governments seeking to reinforce fiscal rules that had proved inadequate on their own to ensure prudent management of the public finances, and to signal their commitment to act virtuously after the crisis. This is particularly true in the Euro area where new regulations require member states to base their draft budgets on independent macroeconomic forecasts and to have independent bodies monitor compliance with national fiscal rules. Other recent examples, (Canada, Australia) were established to increase fiscal transparency and enhance the role of the legislature in the budget process. In addition to this “new generation” are a handful of much older institutions, such as the Congressional Budget Office (CBO) in the United States, the Belgian High Council of Finance, and the Netherlands Bureau for Economic Policy Analysis (CPB). As of 2013, most OECD countries (18) have established or are establishing an independent fiscal institution, up from eight in 2007 and 15 in 2012 (Figure 8.13 and Table 8.10 in the Data Annex).

The role and structure of these bodies varies considerably across countries. Some are under the statutory authority of the executive, while a smaller number are under the legislature. The CBO has the largest budget at USD 45M and a staff of around 250, while the Irish Fiscal Advisory Council operates for under a million Euros with three secretariat staff (Figure 8.14-8.15 and Table 8.12 in the Data Annex). Three institutions have budgets with multi-annual funding commitments, a practice which can enhance independence and help insulate the institution from political pressure (Australia, Netherlands, and United Kingdom). As described earlier in this paper, some (the Netherlands CPB, United Kingdom’s Office for Budget Responsibility) have been tasked with producing the official forecasts. Others produce alternative forecasts (United States and Canada); while others provide an opinion on the government’s forecasts (France) and still others (Australia) have no forecasting role at all. Apart from a role forecasting, typical tasks include analysis of the executive’s budget proposals; monitoring compliance with fiscal rules or official targets; costing of legislative proposals; and analytical studies on selected issues. Both the Netherlands CPB and the Australian Parliamentary Budget Officer (PBO) are also tasked with costing election platforms.

⁴ The data, collected via a set of questions for in-depth country notes on independent fiscal institutions beginning in 2011, focuses on institutions in 15 OECD member countries (see data annex for more information). In preparing the country notes, the OECD Secretariat consulted extensively with officials in the selected independent fiscal institutions, as well as with parliamentary officials, government officials, academics, and other stakeholders as appropriate. Updates were made for several countries in 2013 and new data is being collected for France, Finland and Italy, and will be collected for any new institutions, but was not complete at the time this publication was being prepared.

Fig. 8.13 Countries with independent fiscal institutions

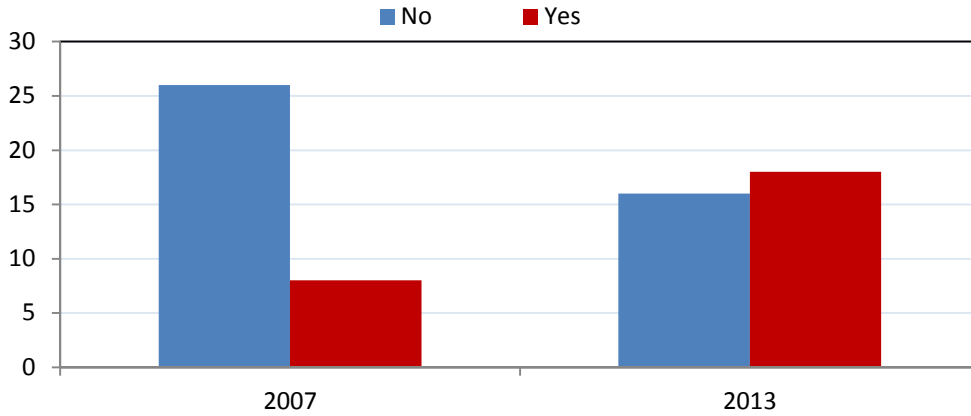


Fig. 8.14 Independent fiscal institutions - number of staff

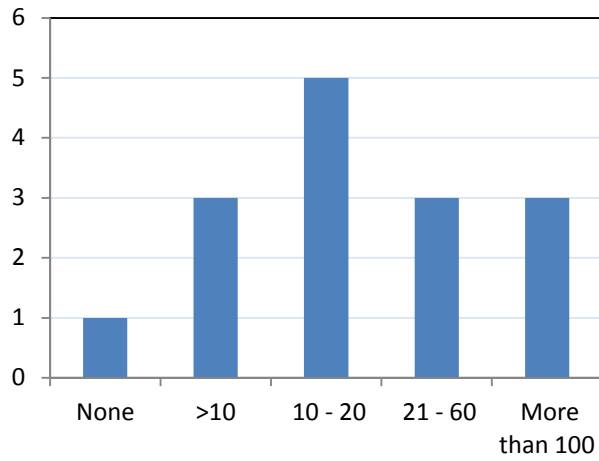
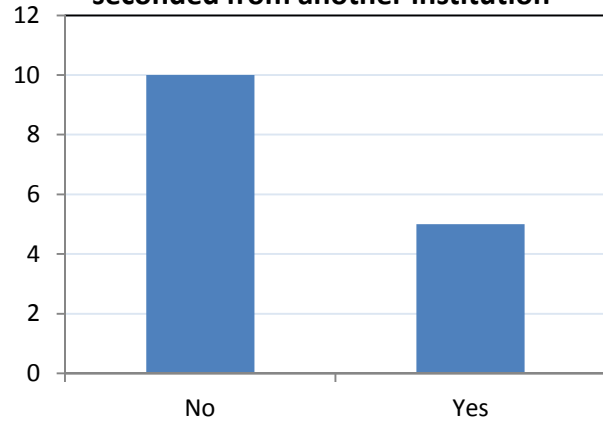


Fig. 8.15 Independent fiscal institution has staff that are seconded from another institution



A fiscal council's independence – real and perceived – is critical to its success. Independence is underpinned by a clear legal framework.⁵ The OECD's draft "Principles for Independent Fiscal Institutions" identify several factors that can enhance independence, such as:

- leadership appointments made on the basis of merit and technical competence, clearly defined term lengths (preferably independent of the electoral cycle), clearly defined criteria and process for dismissal, and control over the hiring process for staff;
- ability to set their own work programme within their mandate with the scope to produce reports and analysis at their own initiative;
- a separate budget line and multiannual funding commitments;
- guarantee of access to information in legislation (if necessary reaffirmed through protocols or memoranda of understanding); and
- full transparency in their work and operations.

This last relates to the intrinsic goal of fiscal councils to bring transparency to fiscal policy and allows them to build credibility with the public. Fiscal councils' influence in fiscal policy making is persuasive – rather than coercive by means of legal sanctions or other punitive measures. Their influence is largely exercised through contributions to the public debate – thus fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters. This underlines both the importance of fiscal councils' maintaining a transparent publishing model and the importance of their relationship with the legislature and the media as concrete avenues of influence. All of the fiscal councils in OECD member countries publish their reports making them available to the legislature, media, other stakeholders and the general public.⁶ Typically they also hold press conferences or send press releases around the release of major reports. Larger institutions typically have a designated press or communications officer who can help manage relationships with journalists, channel media questions, and ensure accuracy in reporting. Some monitor media coverage (US, Korea) and the Office of the Canadian Parliamentary Budget Officer has offered trainings for members of the media on how to understand and use the PBO's reports and databases.

Legislatures are constitutionally mandated with approving the budget and holding governments to account. Legislative discussions on the budget (which should include fiscal policy objectives, the macroeconomic framework and the policy basis for the budget, and major fiscal risks) provide a unique opportunity to consider fiscal councils' analysis – discussions which may in turn be reported on in the media. The vast majority of fiscal councils send reports to parliament and/or testify before relevant parliamentary committees, even when there is no formal requirement to do so (see Figure 8.16 and Table 8.11 in the Data Annex). While those fiscal councils that are under the statutory of the legislature naturally have the most frequent contact with legislative committees, other examples of fiscal councils making a targeted effort to contribute to the legislative debate abound. The UK's Office for Budget Responsibility provides evidence to Parliament through committee hearings and answers parliamentary questions, which are also published on the OBR website. The Irish Fiscal Advisory Council appears before the Joint Oireachtas Committee for Finance, Public Expenditure and Reform and publishes transcripts of these appearances on the Council's website. The Swedish Fiscal Policy Council participates in a public hearing held by the Riksdag's Finance Committee, which uses the FPC's report as a basis for its evaluation of the Government's policy.

⁵ The Netherlands CPB's independence within the executive is *de facto*, not *de jure*: — independence is not mentioned in its establishing legislation. However, a new decree in 2012 clarifies some aspects of the CPB and other bureaux' independence related to research and methodology.

⁶ Typically these institutions publish all of their work. Some exceptions exist, for example for the Australian Parliamentary Budget Office and the Korean National Assembly Budget office around publishing certain costings.

Fig 8.16 Independent fiscal institutions - relationship with the legislature

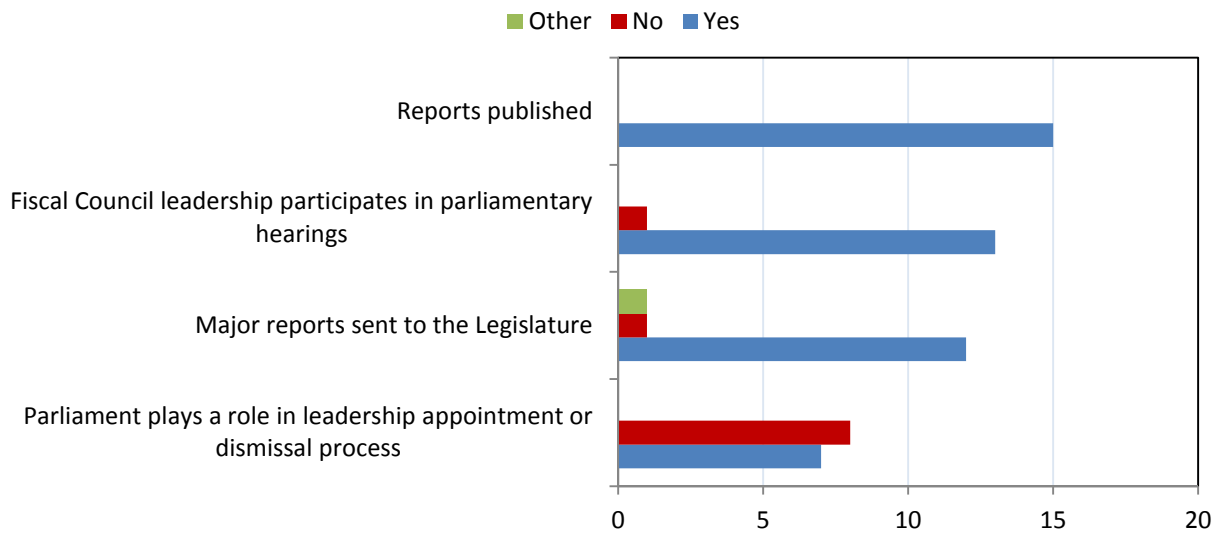
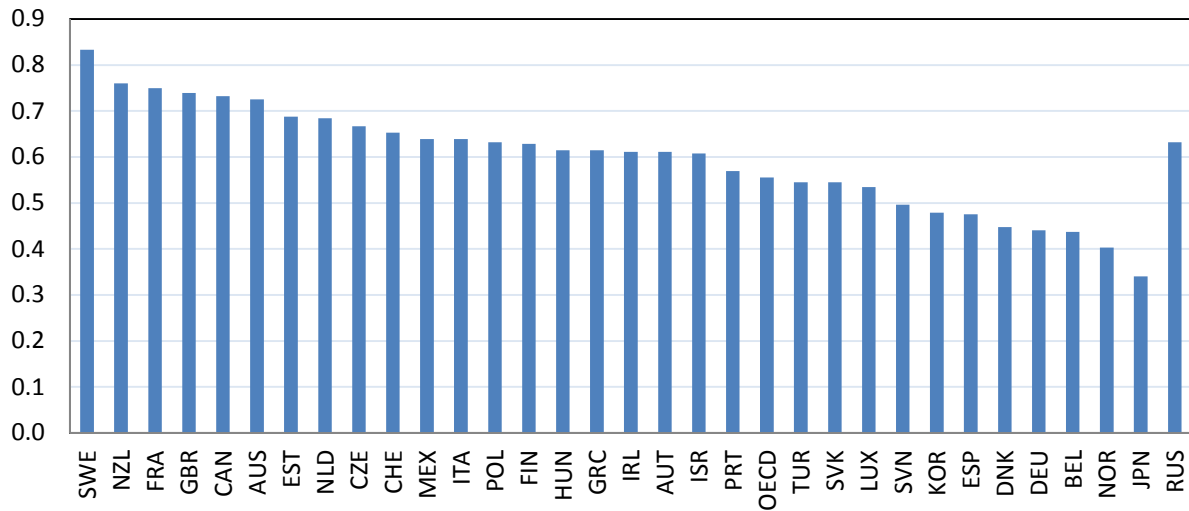


Fig. 8.13 Budget transparency index (2012)



Note: This index examines the degree to which OECD member countries have a transparent budgeting system in place. However, it does not measure how successfully these systems operate in practice.

Note: The OECD average is based on 31 member countries in 2012. Index data for 2009 are not available.

Source: OECD International Budget Practices and Procedures Database

Box 8.1. Budget transparency index

Publicly available, comprehensive budget documentation can make it easier for the public to understand fiscal policies and government priorities. Budget disclosures can contribute to fiscal discipline, the effective allocation of resources and operational efficiency. They can enable governments to be held accountable for producing realistic and sustainable budgets, and for the social and economic impact of planned policy measures. Because the availability of information within the budget document does not necessarily assure its accuracy, citizens and legislators must use the information to hold the government accountable for achieving better budget outcomes. In such ways, budget transparency also contributes to trust in government.

These Best Practices, which are based on the collective experiences of OECD member countries, are organized in three parts. Part 1 lists the principal budget reports that governments should produce and their general content. Part 2 describes specific disclosure to be contained in these reports. This includes both financial and non-financial performance information. Part 3 highlights practices for ensuring the quality, integrity and usefulness of the reports, including an effective role for the legislature and civil society.

The index looks at the degree to which the budget documentation and procedures correspond to the OECD Best Practices of Budget Transparency. The three parts of the Best Practices are weighted 50% for budget documentation and 25% each for specific disclosures and accountability and control elements. Variables in part I include: whether the executive budget proposal is made publicly available (4.2%); whether a comprehensive annual financial plan (4.2%) and a medium-term perspective on total revenue and expenditure (4.2%) are made public; how long time the legislative has for discussion and approval of the budget (4.2%); whether the budget includes text of legislation for policies proposed in the budget (4.2%), non-financial performance targets (4.2%) and linkage of appropriations to administrative units (4.2%); whether the appropriations are presented in gross values (4.2%); whether there is issued a pre-budget statement (4.2%), a consolidated, central government mid-year report (4.2%), a consolidated, central government end-of-year report (4.2%) and a long-term perspective on total revenue and expenditure (4.2%). Variables in part II include: if the budget includes specific disclosures on methodology and assumptions for establishing fiscal projections (3.1%) and sensitivity analyses of fiscal and/or macroeconomic models (3.1%), financial assets (3.1%) and liabilities (3.1%), contingent liabilities (6.3%) and tax expenditures (6.3%). Part III includes: to what degree the Supreme Audit Institution is independent (8.3%); if there is a specialised budget research office/unit attached to the Legislature to conduct analyses of the budget (8.3%); and when the supreme audit institution publishes its audit report on the consolidated, central government end- of -year report (8.3%). See Annex C for a description of the methodology used to construct the index. The variables comprising the indexes and their relative importance are based on expert judgments. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

The budget transparency index give highest score to France, New Zealand, Sweden and United Kingdom (figure 8.13).

BIBLIOGRAPHY

- Anderson, B. (2005), “The Value of a Nonpartisan, Independent, Objective Analytic Unit to the Legislative Role in Budget Preparation”, International Monetary Fund, Washington, D.C.
- Anderson and Minarek (2005). “Design Choices for Fiscal Policy Rules”, *OECD Journal on Budgeting*, Volume 5/4.
- Barnes, S., D. Davidsson and Ł. Rawdanowicz (2012). “Europe's New Fiscal Rules”, *OECD Economics Department Working Papers*, No. 972, OECD Publishing.
- Blöndal, J.R. and J. Kristensen (2002), “Budgeting in The Netherlands,” *OECD Journal on Budgeting*, Vol.1 No.3, pp.43 - 78
- Blöndal, J.R. (2003a), “Budget Reform in OECD Member Countries: Common Trends,” *OECD Journal on Budgeting*, Vol. 2, No. 4, pp. 7 – 26.
- Blöndal, J. R. and D. Bergvall (2007), “Budgeting in Austria,” *OECD Journal on Budgeting*, Vol. 7, No. 3, pp. 1 – 37.
- Blöndal J.R., (2008) Daniel Bergvall, Ian Hawkesworth and Rex Deighton-Smith ‘Budgeting in Australia’ in *OECD Journal on Budgeting* Volume 8 – No. 2. OECD
- D'Ambrosio, G.; Kattan, F.; Koybayashi, S. ; Levin, S. and Zilberman, D. (2013), *Towards an OECD Composite Indicator, Assessing the Strength of Fiscal Rules and Fiscal Institutions*, MPA Capstone Report, 2013
- European Commission 2010
- Inman, R. (1996). “Do Balanced Budget Rules Work? US Experience and Possible lessons for the EMU”, NBER Working Paper Series 5838.
- International Monetary Fund (IMF) (2001; 2007), *Manual on Fiscal Transparency*, International Monetary Fund, Washington, D.C.
- IMF (2009) “Fiscal Rules –Anchoring Expectations for Sustainable Public Finances”, Fiscal Affairs Department.
- IMF (2012). Fiscal Rules Database.
- Kim, J. M. and C.-K. Park (2006), “Top-down Budgeting as a Tool for Central Resource Management,” *OECD Journal on Budgeting*, Vol. 6, No. 1, pp.
- Koen and van den Noord, 2005
- Kopits, G. and S. Symansky (1998), *Fiscal Rules*, IMF Occasional Paper 162.
- Kraan, D.-K. (2004), “Off-Budget and Tax Expenditures,” *OECD Journal on Budgeting*, vol. 4, No. 1, pp. 121 – 142.
- Kraan, D.-K. *et al.* (2007a), “Budgeting in Turkey”, *OECD Journal on Budgeting*, Vol. 7, No. 2, pp. 7 - 58.
- Kraan, D.-K. *et al.* (2007b), “Budgeting in Hungary”, *OECD Journal on Budgeting*, Vol. 6, No. 3, pp. 1 - 61.
- Milesi-Ferretti (2003)

- Mühleisen *et al.* (2005), “How Do Canadian Budget Forecasts Compare With Those of Other Industrial Countries?” *IMF Working Paper*, WP5/66, International Monetary Fund, Washington, D.C.
- OECD (2002), “OECD Best Practices for Budget Transparency,” *OECD Journal on Budgeting*,
- OECD (2003), *Economic Survey: Korea*, OECD Publishing, Paris.
- Michela Nardo, Michaela Saisana, Andrea Saltelli and Stefano Tarantola. Anders Hoffman and Enrico Giovannini, *Handbook on constructing composite indicators: methodology and user guide*, OECD Statistics Working Paper, STD/DOC(2005)3.
- OECD (2007), “Fiscal consolidation: lessons from past experiences,” *OECD Economic Outlook*, No. 81, OECD Publishing, Paris.
- OECD (2007a), *Measuring Government Activity*, OECD Publishing, Paris.
- OECD (2011a), “Budgeting features that strengthen fiscal policy in OECD countries. Results from the OECD Budget Practices and Procedures Database”, GOV/PGC/SBO(2011)11, a draft report presented to the SBO Performance and Results Network, November 2011
- Burger, Philippe and Ian Hawkesworth (2011), “How to attain value for money: Comparing PPP and traditional infrastructure public procurement”, *OECD Journal on Budgeting*, Vol. 11/1/
- OECD (2012a), *OECD Economic Surveys: Euro Area 2012*, OECD Publishing
- OECD (2012b), “Budgeting levers, strategic agility and the use of performance budgeting in 2011-12”, GOV/PGC/SBO(2012)10, presented to the 8th Annual Meeting on Performance and Results, November 2012
- Posner and Park, 2007;
- Schaechter, A., T. Kinda, N. Budina and A Weber (2012). “Fiscal Rules in Response to the Crisis: Toward the ‘Next-Generation’ Rules”, *International Monetary Fund Working Paper*.
- Schick, 2002
- Schick, A. (2003). “The Role of Fiscal Rules in Budgeting”, *OECD Journal on Budgeting*, ISSN 1608-7143, Vol. 3, No. 3.
- Schick, A. (2010). “Post-Crisis Fiscal Rules: Stabilizing Public Finance while Responding to Economic Aftershocks”, *OECD Journal on Budgeting*, Vol. 2010/2.

DATA ANNEX

Table 2.1. Actors responsible for the development of the long-term fiscal projections¹

	2012	OECD countries
Central budget authority / finance ministry	15	Australia, Canada, Denmark, Estonia, Hungary, Ireland, Mexico, New Zealand, Norway, Poland, Slovak Republic, Slovenia, Sweden, Switzerland, Turkey
President's office	0	
Prime Minister's office	0	
Legislature or legislative body	0	
Other government body	13	Belgium, Czech Republic, Finland, France, Germany, Greece, Israel, Italy, Japan, Korea, Luxembourg, Portugal, Spain ²
Independent body (outside of legislature and executive)	3	Austria, Netherlands, United Kingdom
Other	0	

Notes:

1. Based on Q. 14a "Which of the following actors is primarily responsible for the development of the long-term fiscal projections?"
2. In Belgium, Czech Republic, Finland, Greece and Portugal this responsibility is carried out by other departments of Ministry of Finance. In France, Italy, Japan and Spain by another ministry or Cabinet Office. The other countries have located this responsibility outside the core ministries.
3. In Russian Federation the CBA is responsible for long-term fiscal projections.

Table 2.2. Time span and revisions of long-term fiscal projections

Frequency of revisions of long-term projections ²	Time span of long-term fiscal projections ¹					Total
	Up to 5 years	Between 6-10 years	Between 11-30 years	Between 31-50 years	Other or over 50 years	
Every year	Estonia, France, Greece, Mexico, Poland, Slovak Republic, Spain, Turkey		Japan	Belgium, Canada, Finland, Hungary, Portugal, Sweden, United Kingdom	Denmark	17
Every two years						0
Every three years				Austria, Czech Republic, Ireland, Italy, Luxembourg, Slovenia		6
Other		Israel		Australia, Germany, Korea, Netherlands, New Zealand, Norway, Switzerland		8
Total 2012	8	1	1	20	1	31
2007	1	21	3	25

Notes:

1. Based on Q. 14c "How many years do the long-term fiscal projections cover/span?"
2. Based on Q.14b. "How often are long-term fiscal projections generally revised/updated by this institution?"
3. Russian Federation has fiscal projections for 11-30 years and revises the projections every year.
4. Based on countries participating in the OECD Budget Surveys: 31 in 2012 and 33 in 2009. The 200t data are drawn from *Government at a Glance 2009*, table 17.1.
5. Australia updates the long term fiscal projections (40 years) at intervals of no longer than 5 years.
6. Korea updates the long term fiscal projections every 5 years.
7. Netherlands updates the long term fiscal projections at the start of every new government.
8. Germany, New Zealand, Norway and Switzerland update the long term fiscal projections at intervals of 4 years (normally).
9. Israel has no regular frequency of updating the projections.

Table 2.3. Links between the annual budget and the long-term fiscal projections¹

	2012	Countries
Yes, a link to the annual budget exists	12	Belgium, Denmark, Estonia, Greece, Italy, Mexico, Netherlands, Portugal, Slovak Republic, Slovenia, Spain, Turkey
No link to the annual budget	15	Australia, Austria, Czech Republic, France, Germany, Hungary, Ireland, Israel, Japan, Korea, Luxembourg, New Zealand, Norway, Sweden, Switzerland
Other	4	Canada, Finland, Poland, United Kingdom ²

Notes:

1. Based on Q.14d "Is it required that the budget be based on long-term fiscal projections?"
2. Canada bases the budget on long-term/medium-term forecast. Finland and Poland make long-term projections consistent with the medium-term framework. United Kingdom bases the budget on OBR's biannual forecasts.
3. In Russian Federation, it is required that the budget be based on long-term fiscal projections.

Table 2.4. Which of the following actors develop the macroeconomic estimates used in the budget?¹

	2007	2012	Countries
Central budget authority	21	11	Australia, Austria, Estonia, Hungary, Ireland, Korea, Mexico, New Zealand, Norway, Poland, Slovak Republic
Ministry of Finance (other departments)		6	Czech Republic, Finland, Greece, Sweden
President's office		0	
Prime Minister's office		0	
Legislature or legislative body		0	
Other government body		10	France, Italy, Japan, Slovenia, Spain, Switzerland, Turkey ²³
Independent body (outside of legislature and executive)	3	3	Luxembourg, Netherlands, United Kingdom
Private sector	2	1	Canada
Other	7	0	

Notes:

1. Based on Q.12. "Which of the following actors is primarily responsible for the development of the macroeconomic estimates underlying the budget projections?"
2. The responsibility is located in another ministry in Italy (Fiscal Department in Treasury), Japan (Cabinet Office), Spain (Economic and Competitiveness Ministry), Turkey (Ministry of Development).
3. In France: Le Direction generale du Tresor. In Slovenia: Institute of Macroeconomic Analysis and Development. In Switzerland: A group of experts with representatives from various ministries and the Central Bank.
4. In Russian Federation the CBA is responsible for formulating macroeconomic estimates.

Table 2.5. Time span of long-term macroeconomic estimates¹

	2012	Countries
Up to 5	18	Austria, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Korea, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Turkey
Between 6-10 years	2	Israel, Mexico
Between 11-30 years	2	Japan, New Zealand
Between 31-50 years	8	Australia, Belgium, Canada, Ireland, Luxembourg, Norway, Switzerland, United Kingdom
Over 50 years or other	1	Denmark

Notes:

1. Based on Q.14d “Is it required that the budget be based on long-term fiscal projections?”
2. Russian Federation prepares macroeconomic estimates for 11-30 years.

Table 2.6. Elements considered in long-term fiscal projections and link to the annual budget¹

Country	a. Economic growth rate	b. Unemployment trends	c. Short-term interest rates on government debt	d. Long-term interest rates on government debt	e. Exchange rate	f. Fiscal gap projections	g. Effects of significant policy reforms (e.g. pensions, health)	h. Immigration/emigration flows	i. Demographic changes (excluding migration) - ageing, population growth	j. Health care costs	k. Intergenerational accounting	l. Civil servants' pensions obligations	m. Unfunded pension liabilities	n. Answer is unknown (e.g. if produced by independent body and/or treated as classified material)	o. Other factors/variables
Australia	●	●	●	●	●	●	●	●	●	●		●	●		
Austria	●	●		●											
Belgium	●	●					●	●	●	●		●			
Canada	●	●	●				●	●	●			●	●		
Chile															
Czech Republic	●	●			●		●	●	●	●					
Denmark	●	●	●	●	●	●	●	●	●	●		●	●		
Estonia	●	●					●			●					
Finland	●	●	●	●	●	●	●	●	●	●		●	●		●
France	●	●	●	●	●	●	●	●	●	●		●			
Germany		●				●	●	●	●	●	●	●	●		
Greece	●	●	●	●	●	●	●			●		●	●		
Hungary	●	●	●	●	●	●	●					●			
Iceland															

Ireland	●	●		●			●	●		●	●		●				
Israel	●	●	●	●	●	●	●		●	●		●	●				
Italy	●	●	●	●		●	●				●						
Japan	●	●		●		●	●			●	●		●				
Korea	●	●	●	●				●		●	●		●	●			
Luxembourg	●	●	●	●	●	●	●	●	●	●	●	●	●				
Mexico	●	●	●	●	●	●	●	●	●	●	●	●	●				
Netherlands	●	●	●	●	●	●	●	●	●	●	●	●	●				
New Zealand	●	●	●	●		●	●	●	●	●	●		●	●			
Norway	●	●	●	●						●	●		●				
Poland	●	●	●	●	●		●			●	●						
Portugal	●	●	●	●	●	●	●			●	●		●				
Slovak Republic	●	●	●	●	●	●	●			●	●		●	●			
Slovenia	●	●	●	●			●			●			●	●			
Spain	●	●	●	●	●	●	●			●				●			
Sweden	●	●	●	●	●	●	●	●	●	●	●	●					
Switzerland	●		●	●		●	●	●	●	●	●						
Turkey	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
United Kingdom	●	●		●		●	●	●	●	●	●		●	●		●	
United States																	
Russian Federation	●	●			●	●				●							●
Total	30	30	23	26	17	21	28	18	26	26	6	22	14	1	1		
2007																	

Notes:

1. Based on Q.16. "Which of the following are regularly considered/included in the long-term fiscal projections underlying the budget?" and Q.14d "Is it required that the budget be based on long-term fiscal projections?"

*) Germany includes macroeconomic development (GDP, labour productivity).

**) Russian Federation includes "oil and gas sector projections (prices, volumes of export, production); capital investment; real sector statistics; amortization" as other factors affecting long-term fiscal projections.

Table 2.7. Are sensitivity analysis and independent reviews of the economic assumptions publicly available?¹

Country	Are sensitivity analyses of fiscal and/or macroeconomic models publicly available?	Are independent reviews/analyses of macroeconomic and/or fiscal assumptions publicly available?
Australia	●	○
Austria	○	●
Belgium	..	●
Canada	●	●
Chile		
Czech Republic	●	●
Denmark	○	○
Estonia	●	○
Finland	○	..
France	●	●
Germany	●	●
Greece
Hungary	○	○
Iceland		
Ireland	●	●
Israel	○	○
Italy	●	●
Japan	○	●
Korea	○	●
Luxembourg	●	●
Mexico	●	..
Netherlands	●	●
New Zealand	●	○
Norway	○	○
Poland	●	○
Portugal	●	●
Slovak Republic	○	●
Slovenia	●	..
Spain	○	●
Sweden	●	●
Switzerland	●	..
Turkey	○	○
United Kingdom	●	●
United States		
Russian Federation	●	●
● = Publicly available	18	17
2007 (all or partly)	14	
○ = Not publicly available	11	9
2007	19	
.. = Not applicable	2	5
2007	0	

Notes:

1. Based on Q.51a. "Please indicate whether the following are made publically available:", row b and c.
2. 2007 data are taken from the publication GOV/PGC/SBO(2011)11, table 2.2.

Table 2.8. Risk taken into account for entitlement spending¹

	2007	2012	Countries
All entitlement spending	7	10	France, Hungary, Israel, Italy, Mexico, Norway, New Zealand, Slovak Republic, Spain, Turkey
Above a certain threshold of spending		1	Czech Republic
Other	14	11	Australia, Austria, Canada, Denmark, Greece, Ireland, Luxembourg, Netherlands, Poland, Sweden, United Kingdom
Not taken into account	11	8	Belgium, Estonia, Finland, Germany, Korea, Portugal, Slovenia, Switzerland

Notes:

1. Based on Q.15a. "To what extent does the budget take into account risks/shocks to entitlement spending?"
2. Based on Q.10/2007. "To what extent are fiscal risks associated with entitlements evaluated in the budget documentation". The response options were slightly different from the response options in 2012 (10 relies "Only on ad hoc basis" is included in the column "Other" above).
3. Austria allocates unreserved funds/variable expenditure; Canada makes a global/general risk adjustment to cover risks/shocks to entitlement spending. Denmark and Sweden refer to the budgeting margin, which is a buffer between the expenditure ceiling and the capped expenditures. In Sweden the budgeting margin should amount to at least 1% of the capped expenditures in the current year, at least 1.5% for year t+1, at least 2% for year t+2 and at least 3% for year t+3. This comprises all expenditures except interest on central government debt.
4. Greece reports that risks are taken into account in particular cases, while Poland explains that in certain cases risks may be taken into account only to a limited degree, dependent on the particular programme. Ireland and Luxembourg evaluate risks on an ad hoc basis.
5. Australia includes risks/shocks where they can be predicted.
6. Netherlands and United Kingdom reports that the budget is based on projections provided by CPB and OBR, respectively, the independent institutions. UK refers that the OBR forecasts contain analysis of the key risks surrounding the economic outlook and the fiscal outlook.
7. Japan did not provide an answer.
8. Russian takes risks into account for all entitlements spending.

Table 2.9. Are there any fiscal rules that place limits on fiscal policy?¹

Country	of which Eurozone ²	No fiscal rules	Expenditure	Budget balance (deficit/ surplus)	Debt	Revenue
Australia			●	●	●	●
Austria	●		●	●●	●	
Belgium	●			●●●	●	
Canada				●		
Chile						
Czech Republic			●	●●	●	
Denmark			●	●●	●	
Estonia	●		●●	●●	●	
Finland	●		●	●●	●	
France	●		●●	●●	●	●
Germany	●			●●	●	
Greece	●		●	●●	●●	●
Hungary				●●	●●	
Iceland						
Ireland	●		●	●●	●●	
Israel			●	●		
Italy	●			●●●●	●	
Japan			●			
Korea			●			
Luxembourg	●		●	●●	●	
Mexico				●		
Netherlands	●		●	●●●	●●	●
New Zealand		●				
Norway				●		
Poland			●	●●	●●	
Portugal	●		●	●●	●	
Slovak Republic	●			●●	●	●
Slovenia	●		●	●●	●	
Spain	●		●●	●●	●	
Sweden			●	●●●	●	
Switzerland				●		
Turkey		●				
United Kingdom				●●	●●	
United States						
Russian Federation			●●	●		●
Total number of rules	15	2	22	53	28	5
2007	13		18	28	18	3
Total number of countries		2	19	27	22	5
2007			9	23	18	4

Key: ● = Yes; ○ = No

Notes:

1. Based on Q. 18 "Does the government have in place any fiscal rules that place limits on fiscal policy?"

2. Eurozone: subject to all rules of the Stability and Growth Pact, i.e. an annual budget deficit no higher than 3 percent of GDP (general government); and national gross debt lower than 60 percent of GDP or approaching that value.

Table 2.10 Fiscal rules adopted in OECD countries - a comprehensive overview

Country	Rules	Type of rule	temporary or permanent ?	legal basis	flexible during crisis	enforcement procedures	If expenditure rules, kinds of expenditures:	Comments
Australia	Balance Rules	f. Other budget balance rule	Permanent	Other	Yes	Other		The rule is a Government commitment as part of the Fiscal Strategy Statement required by the Charter of Budget Honesty Act 1998. No enforcement procedures are specified.
	Expenditure Rules	d. The rule targets a real expenditure growth rate	Temporary	Other	Yes	None	Discretionary; Mandatory; Extra-budgetary; Public corporations; Social security funds and Interest on debt	The rule is a Government commitment as part of the Fiscal Strategy Statement required by the Charter of Budget Honesty Act 1998
	Revenue rules	c. The rule imposes an upper limit on the tax-to-GDP ratio	Permanent	Other	Yes	Other		The rule is a Government commitment as part of the Fiscal Strategy Statement required by the Charter of Budget Honesty Act 1998. No enforcement procedures are specified.
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Temporary	Primary legislation	No	Other		The Government may not issue further debt if the limit is reached.
Austria	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Other	Yes	There is an automatic correction mechanism and Other		Internal Stability Pact (special instrument provided by constitution). Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International Treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Temporary	Other	Yes	Entity must implement measures	Discretionary; Mandatory and Interest on debt	Constitutions additional organic budget law
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	Other	Yes	Other		Internal Stability Pact (special instrument provided by constitution). Be subject to the excessive deficit procedure (EDP) of the SGP.

Belgium	Balance Rules	b. The rule targets a given improvement of the structural or cyclically-adjusted budget balance	Temporary	International Treaty	No	Enforcement procedures are not defined ex ante		
	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International Treaty	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent Temporary	Internal rules/policies International Treaty	Yes/No	Enforcement procedures are not defined ex ante and Other		Including two rules : an EU rule and a national one enshrined in internal policies. Be subject to the excessive deficit procedure (EDP) of the SGP.
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
Canada	Balance Rules	a. The rule targets a specific budget balance in nominal terms	Temporary	Internal rules/policies	Yes	Enforcement procedures are not defined ex ante		Not applicable
Czech Republic	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes	Other		In line with SGP
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Permanent	Primary legislation	Yes	None	Discretionary; Mandatory; Extra-budgetary and Interest on debt	
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.

GOV/PGC/SBO(2013)4/PROV

Denmark	Expenditure Rules	b. The rule targets a real expenditure ceiling	Permanent	Primary legislation	No	Automatic correction mechanism and Automatic sanctions	Discretionary and Mandatory	
	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Primary legislation	Yes	There is an automatic correction mechanism		
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
Estonia	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Internal rules/ policies International treaty	Yes	Enforcement procedures are not defined ex ante		
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Internal rules/ policies International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Permanent	Internal rules/ policies	Yes	Proposal presented to legislature	Mandatory	
	Expenditure Rules	e. The rule targets a specific expenditure to GDP ratio	Permanent	Internal rules/ policies	Yes	Proposal presented to legislature	Discretionary	
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	Primary legislation International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
Finland	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Primary legislation International treaty	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Primary legislation International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
	Expenditure Rules	b. The rule targets a real expenditure ceiling	Permanent	Internal rules/ policies	Yes	Other	Discretionary and Mandatory	Major mistrust towards the government's fiscal policy
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP

France	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty and Other	Yes	There is an automatic correction mechanism; A proposal with corrective measures must be presented to the Legislature and Other	Discretionary and Mandatory Discretionary and Mandatory	Including two rules : an EU rule and a national one enshrined in national law which is similar to the EU rule. Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Temporary	Primary legislation	No	None		
	Expenditure Rules	b. The rule targets a real expenditure ceiling	Temporary	Primary legislation	No	None		
	Revenue rules	a. The rule imposes constraints on the allocation of higher-than-expected revenues in good time	Temporary	Primary legislation	No	Enforcement procedures are not defined ex ante		
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
Germany	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Secondary legislation	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP

Greece	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Primary legislation	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	There is an automatic correction mechanism; The government entity responsible for the overrun must implement corrective measures; There are automatic sanctions and Other		Including two rules : an EU rule and the one set by the Troika (ECB, IMF, EU). Be subject to the excessive deficit procedure (EDP) of the SGP
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Permanent	International treaty	Yes	Automatic correction mechanism and Entity must implement measures	Discretionary; Mandatory; Extra-budgetary; Public corporations; Social security funds and Interest on debt	
	Revenue rules	a. The rule imposes constraints on the allocation of higher-than-expected revenues in good time	Temporary	International treaty	No	There is an automatic correction mechanism		
	Debt rules	b. The rule targets a specific debt-to-GDP ratio	Permanent	International treaty	No	The government entity responsible for the overrun must implement corrective measures; A proposal with corrective measures must be presented to the Legislature		
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP

Hungary	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes			Not responded
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Primary legislation	No	Enforcement procedures are not defined ex ante		
	Debt rules	b. The rule targets a specific debt-to-GDP ratio	Permanent	Constitutions	Yes	The government entity responsible for the overrun must implement corrective measures; Enforcement procedures are not defined ex ante		
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
Ireland	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Primary legislation	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Primary legislation	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Temporary	Internal rules/policies	Yes	None	Discretionary; Mandatory and Social security funds	
	Debt rules	c. The rule targets a given reduction in the debt-to-GDP ratio	Permanent	Primary legislation	Yes	Enforcement procedures are not defined ex ante		
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	Primary legislation	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
Israel	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Primary legislation	No	A proposal with corrective measures must be presented to the Legislature		
	Expenditure Rules	d. The rule targets a real expenditure growth rate	Permanent	Primary legislation	No	Proposal presented to legislature	Mandatory; Social security funds and Interest on debt	

Italy	Balance Rules	a. The rule targets a specific budget balance in nominal terms	Permanent	Constitutions	Yes	A proposal with corrective measures must be presented to the Legislature		
	Balance Rules	b. The rule targets a given improvement of the structural or cyclically-adjusted budget balance	Permanent	Constitutions	Yes	A proposal with corrective measures must be presented to the Legislature		
	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
Japan	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Temporary	Internal rules/policies	Yes	None	Discretionary and Mandatory	
Korea	Expenditure Rules	f. Other expenditure rule	Permanent	Internal rules/policies	Yes	None	Discretionary; Mandatory and Interest on debt	
Luxembourg	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Expenditure Rules	c. The rule targets a nominal expenditure growth rate	Temporary	Internal rules/policies	Yes	None	Discretionary; Mandatory; Extra-budgetary; Public corporations; Social security funds and Interest on debt	
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Including two rules: an EU rule and a national one which is stricter than the EU rule. Be subject to the excessive deficit procedure (EDP) of the SGP.
Mexico	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Primary legislation	Yes	A proposal with corrective measures must be presented to the Legislature		

Netherlands	Balance Rules	b. The rule targets a given improvement of the structural or cyclically-adjusted budget balance	Permanent	Primary legislation	No	There are automatic sanctions	
	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Primary legislation	No	There are automatic sanctions	
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Primary legislation	No	There are automatic sanctions	
	Expenditure Rules	b. The rule targets a real expenditure ceiling	Permanent	Internal rules/policies	No	Entity must implement measures and Proposal presented to legislature	Discretionary; Mandatory; Extra-budgetary and Social security funds
	Revenue rules	d. Other revenue rule	Permanent	Internal rules/policies	No	A proposal with corrective measures must be presented to the Legislature	
	Debt rules	c. The rule targets a given reduction in the debt-to-GDP ratio	Temporary	Primary legislation	No	There are automatic sanctions	
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	Primary legislation	No	There are automatic sanctions	
Norway	Balance Rules	f. Other budget balance rule	Permanent	Internal rules/policies	Yes	Other	In times of high unemployment, one may spend more than the expected real return on the Fund capital in order to stimulate production and employment. Conversely, it may be appropriate to tighten fiscal policy during periods of high economic activity.

Poland	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes			Not responded
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Expenditure Rules	d. The rule targets a real expenditure growth rate	Temporary	Primary legislation	No	None	Discretionary and Mandatory	
	Debt rules	c. The rule targets a given reduction in the debt-to-GDP ratio	Temporary	Primary legislation		There is an automatic correction mechanism; The government entity responsible for the overrun must implement corrective measures; A proposal with corrective measures must be presented to the Legislature; There are automatic sanctions and Other		Including two rules : an EU rule and a national one enshrined in national Constitutions which is similar to the EU rule. Be subject to the excessive deficit procedure (EDP) of the SGP.
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	Constitutions and International treaty	Yes/No			
Portugal	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Temporary	Primary legislation	No	None	Discretionary and Mandatory	
	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP

Slovak Republic	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP
	Revenue rules	d. Other revenue rule	Permanent	Primary legislation	No	There are automatic sanctions		
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	Constitutions	Yes	There is an automatic correction mechanism; The government entity responsible for the overrun must implement corrective measures; A proposal with corrective measures must be presented to the Legislature; There are automatic sanctions and Other		Includes two debt rules : an EU debt rule and a national one enshrined in national law which is similar to the EU rule. Be subject to the excessive deficit procedure (EDP) of the SGP
Slovenia	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes	There is an automatic correction mechanism and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Temporary	Secondary legislation	No	None	Discretionary; Mandatory and Interest on debt	
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.

Spain	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Constitutions Primary legislation	Yes	There is an automatic correction mechanism; The government entity responsible for the overrun must implement corrective measures; A proposal with corrective measures must be presented to the legislature and Other		Quasi-automatic sanctions
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	Constitutions Primary legislation	Yes	There is an automatic correction mechanism; The government entity responsible for the overrun must implement corrective measures; A proposal with corrective measures must be presented to the legislature and Other		Be subject to the excessive deficit procedure (EDP) of the SGP
	Expenditure Rules	d. The rule targets a real expenditure growth rate	Permanent	Primary legislation	No	None		Discretionary; Mandatory and Social security funds
	Expenditure Rules	e. The rule targets a specific expenditure to GDP ratio	Permanent	Primary legislation	No	None		Discretionary; Mandatory and Social security funds
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	Constitutions Primary legislation	Yes	There is an automatic correction mechanism; The government entity responsible for the overrun must implement corrective measures; A proposal with corrective measures must be presented to the legislature and Other		Be subject to the excessive deficit procedure (EDP) of the SGP

Sweden	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	International treaty	Yes			Not responded
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Balance Rules	f. Other budget balance rule	Permanent	Primary legislation	Yes	Enforcement procedures are not defined ex ante		
	Expenditure Rules	a. The rule targets a nominal expenditure ceiling	Permanent	Primary legislation	No	Entity must implement measures and Proposal presented to legislature	Discretionary; Mandatory; Extra-budgetary and Social security funds	
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
Switzerland	Balance Rules	b. The rule targets a given improvement of the structural or cyclically-adjusted budget balance	Permanent	Constitutions	Yes	There is an automatic correction mechanism and There are automatic sanctions		
United Kingdom	Balance Rules	c. The rule targets a specific budget balance as a percentage of GDP in cyclically-adjusted or structural terms	Permanent	Secondary legislation and International treaty	Yes/ No	Other		Including two rules : an EU rule and a national one enshrined in national law. The Government sets fiscal policy to ensure that it remains on track to meet the fiscal mandate.
	Balance Rules	d. The rule targets a specific budget balance as a percentage of GDP	Permanent	International treaty	Yes	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
	Debt rules	c. The rule targets a given reduction in the debt-to-GDP ratio	Permanent	Secondary legislation				The Government sets fiscal policy to ensure that it remains on track to meet the fiscal mandate
	Debt rules	d. The rule establishes a ceiling for the Government (or a subsector) debt in level or as a % of GDP	Permanent	International treaty	Yes/No	Other		Be subject to the excessive deficit procedure (EDP) of the SGP.
Russia	Expenditure rules	a. The rule targets a nominal expenditure ceiling	Permanent	Primary legislation	No	None	Discretionary and Mandatory	
	Expenditure rules	e. The rule targets a specific expenditure to GDP ratio	Permanent	Primary legislation	No	None	Discretionary and Mandatory	
	Revenue rules	a. The rule imposes constraints on the allocation of higher-than-expected revenues in good time	Permanent	Primary legislation	No	Enforcement procedures are not defined ex ante		

Table 3.1. Levels of ceilings of medium-term expenditure frameworks

Country	MTEF not in place	Ceiling level			
		Overall/ total expenditure	Other aggregate levels	Organisational level	Other level
Australia		●			
Austria		●	●		
Belgium	●				
Canada				●	
Chile					
Czech Republic					●
Denmark			●		
Estonia				●	
Finland		●			
France			●		
Germany		●	●	●	
Greece				●	
Hungary	●				
Iceland					
Ireland				●	
Israel	●				
Italy		●	●		
Japan		●			
Korea		●	●		
Luxembourg	●				
Mexico		●			
Netherlands		●	●		
New Zealand		●	●		
Norway		●			
Poland					●
Portugal			●		
Slovak Republic				●	
Slovenia		●			
Spain		●			
Sweden		●			
Switzerland		●			
Turkey				●	
United Kingdom				●	
United States					
Russian Federation		●	●	●	

OECD	4	15	9	8	2
2007	9	12		4 (ministry)	7

Key: ● = Yes; ○ = No

Notes:

1. Based on Q.25 "Does your government have a medium-term expenditure framework (MTEF) in place?" and Q.27a "How are medium-term expenditure ceilings set in the budget?"
2. Data for 2007 is retrieved from the publication GOV/PGC/SBO(2011)11, table 1.1.
3. In Poland medium-term expenditure ceilings are set for overall/total expenditures and on 22 functional areas of the central government, in a performance budget classification.
3. New Zealand practice a MTEF on line item level.
4. Luxembourg intends to establish a MTEF in 2013 in order to comply with EU requirements. Investments budgets are currently planned with a time horizon of 3 years and included in the budget proposal submitted to parliament.

Table 3.2. Legal basis, coverage and monitoring of MTEF

Country	Basis ¹	Approval ²	Mandatory expenditures included ³	Monitoring ⁴
Australia	◐	◑	●	◐
Austria	◑	◑	●	◐
Belgium				
Canada	○	◐	◑	◑
Chile				
Czech Republic	◑	◑	●	◐
Denmark	◑	◑	●	◑
Estonia	◐	◑	●	◑
Finland	◐	◑	●	◐
France	○	◑	●	◑
Germany	○	◑	●	◑
Greece	◑	◑	●	◐
Hungary				
Iceland				
Ireland	◐	◑	◑	◐
Israel				
Italy	◐	◑	●	●
Japan	◐	◑	●	●
Korea	◑	◑	●	◑
Luxembourg				
Mexico	◑	◑	●	◑
Netherlands	◑	◑	●	◑
New Zealand	◐	◑	◑	◑
Norway	◐	◑	●	●
Poland	◑	◑	●	◑
Portugal	◑	◑	●	●
Slovak Republic	○	◑	◑	●
Slovenia	●	◑	●	●
Spain	◑	◑	●	◐
Sweden	◑	◑	●	◑
Switzerland	◑	◑	●	◑
Turkey	◑	◐	●	◑
United Kingdom	○	●	●	◑
United States				
Russia	●	◑	●	◑

OECD	27	27	27	27
●	1	1	23	6
◐	4	14	3	11
◑	9	10	1	3
◒	8	2	0	7
○	5	0	0	0
2007				

Key: ● = Yes; ○ = No

●	Law - estimates	MoF	Yes	No formal monitoring
◐	Law - ceilings	Cabinet	No	Gov reports to Parliament
◑	Law - MTEF and ceilings	Legislature	Other	Independent monitoring
◒	Strategy/ policy on MTEF/ ceilings	Other		Other
○	Other			

Notes:

1. Based on Q.26. "Which of the following is the legal/policy basis for the MTEF?"
2. Based on Q.28. "Generally speaking, who approves the medium-term expenditure framework?"
3. Based on Q.29. "Are mandatory expenditures part of the medium-term expenditure framework?"
4. Based on Q.30. "How is the medium term expenditure framework monitored?"

Table 3.3 Length of medium-term expenditure ceilings¹

Level of ceilings	Length of ceilings/targets (including the budgeted fiscal year)					Total
	2 years	3 years	4 years	5 years	6 years or more	
Overall/ total expenditures		Czech Republic, Italy, Japan, Sweden	Australia, Austria, Finland, Germany, Netherlands, New Zealand, Slovenia, Switzerland	Korea, Mexico	Norway	15
Other aggregate levels (e.g by program or sector)	New Zealand	France, Italy, Spain	Austria, Denmark, Germany, Netherlands, Portugal	Korea		10
Organisational level (e.g. whether the ministry level or other)		Canda, Ireland, Slovak Republic, Turkey	Estonia, Finland, Germany, United Kingdom	Greece		9
Other level			New Zealand, Poland		Germany	3
Total	1	11	19	4	2	37
2007	0	7	6	5	0	18

Notes:

1. Based on Q.27b. "For each of the medium-term expenditure ceilings selected in Q27a please describe:"
2. The 2007 data is retrieved from the publication GOV/PGC/SBO(2011)11, table 1.2.
3. Some countries have more than one level of ceilings, notably Austria, Finland, Germany, Italy, Korea, Netherlands and New Zealand. In such cases only one lower level ceiling is counted per country.
4. Germany and New Zealand apply different lengths on various level of ceilings.
5. Russian Federation uses a three years MTEF.

Table 3.4 Frequency of revisions of medium-term expenditure ceilings¹

Level of ceilings	Frequency of revision of ceilings/targets (including the budgeted fiscal year)				Total
	More than once per year	Annually	Every 2-3 years	Other	
Overall/ total expenditures	Australia, Mexico	Austria, Czech Republic, Finland, Germany, Italy, Japan, Korea, New Zealand, Slovenia, Sweden, Switzerland		Netherlands, Norway	15
Other aggregate levels (e.g. by program or sector)		Austria, Denmark, Germany, Italy, Korea, New Zealand, Portugal, Spain	France	Netherlands	10
Organizational level (e.g. whether the ministry level or other)		Canada, Estonia, Finland, Germany, Ireland, Slovak Republic, Turkey		Greece, United Kingdom	9
Other level	Germany	Poland			2
Total	3	27	1	5	36
2007	0	14	1	5	20

Notes:

1. Based on Q.27b. "For each of the medium-term expenditure ceilings selected in Q27a please describe:" Canada did not answer.
2. The 2007 data is retrieved from the OECD Budget Practices and Procedures Database, Q.22.
3. Some countries have more than one level of ceilings, notably Austria, Finland, Germany, Italy, Korea, Netherlands and New Zealand.
4. Germany applies different revision frequencies on various level of ceilings.
5. Russian Federation revises its MTEF annually.

Table 4.1 Capital and operating budgets within central government¹

	2007		2012
	Number	Number	Countries
Capital and operating budgets are integrated	15	10	Belgium, France, Germany, Hungary, Japan, Netherlands, Poland, Slovenia, Sweden, Turkey
Other	3	2	Canada ⁴ , Denmark ⁵
Separate capital and operating budgets	15	19	Australia, Austria, Czech Republic, Estonia, Finland, Greece, Ireland, Israel, Italy, Korea, Luxembourg, Mexico, New Zealand, Norway, Portugal, Slovak Republic, Spain, Switzerland, United Kingdom

Notes:

1. Based on Q.34. "Does the CBA require that line ministries separate their capital from operating budget requests?"
2. In Canada, the process to obtain CBA approval for funding requires line ministries to indicate operating and capital costs; separate capital appropriations are required for total planned annual expenditures on capital greater than C\$5M.
3. In Denmark, cost of capital are incorporated into the operating budget as part of the accrual budgetting system. Major investment projects are appropriated separately.
4. Russian Federation has separate operating and investment budgets.

Table 4.2 Funding of capital budgets within central government¹

	Total	Capital and operating budgets are integrated	Other	Separate capital and operating budgets
Funding for the entire cost up-front	10	Belgium, Slovenia	Denmark	Australia, Israel, Italy, Mexico, New Zealand, Spain, Switzerland
Funding incrementally each year	13	Germany, Hungary, Japan, Netherlands, Sweden		Czech Republic, Estonia, Finland, Greece, Ireland, Luxembourg, Norway, Portugal
Determined on a case by case basis	3			Austria, Slovak Republic, United Kingdom
Other	5	France, Poland, Turkey	Canada	Korea
Total	31	10	2	19

Notes:

1. Based on Q.34. "Does the CBA require that line ministries separate their capital from operating budget requests?" and Q.35. "How are multi-year capital projects budgeted for?"
2. In Denmark, cost of capital is incorporated into the operating budget as part of the accrual budgeting system. Major investment projects are appropriated separately.
3. In Canada, the process to obtain CBA approval for funding requires line ministries to indicate operating and capital costs; separate capital appropriations are required for total planned annual expenditures on capital greater than C\$5M. Line ministries also indicate the years in which costs are to be incurred; appropriations are for the annual requirements.
4. In France, investment projects are budgeted with commitment authorizations. The entirety of commitment authorizations must be budgeted at the signing of the contract. The appropriation (disbursement) is made annually to keep pace with the contractual progress of the project.
5. In Poland, multi-year capital projects are usually financed in the form of multiannual programmes adopted by the Council of Ministers, reflected in a separate annex to the budget draft act. Other multi-year capital projects are funded incrementally each year until project is completed.
6. Turkey appropriates at institutional basis; the Council of Ministers distributes total appropriations to projects in investment programs.
7. Korea uses both up-front and annual funding.
7. Sweden has three different type of appropriations integrated in the budget: capital costs, operating costs and transfers according to law (e.g. child allowance).
8. Switzerland has separate capital and operating budgets for each agency but integrated for the budget as a whole.
9. Russian Federation has separate operating and investment budgets.

Table 4.3. Existence of a dedicated unit for public-private partnerships

Country	No	Yes, within the Ministry of Finance	Yes, as a separate agency under the Minister of Finance	Yes, within a line ministry	Yes, as a separate agency under a line ministry	Delegated to line ministries (no MoF unit)	f. Yes, other unit
Australia	●						
Austria	●						
Belgium	●						
Canada			●	●			
Chile							
Czech Republic		●					
Denmark				●		●	
Estonia	●						
Finland	●						
France		●					
Germany		●		●			●
Greece							●
Hungary				●		●	
Iceland							
Ireland		●	●				
Israel		●					
Italy	●						
Japan				●		●	
Korea		●	●	●	●		●
Luxembourg	●						
Mexico	●						
Netherlands		●		●			
New Zealand		●					
Norway	●						
Poland		●		●			
Portugal			●				
Slovak Republic	●						
Slovenia	●						
Spain	●						
Sweden	●						
Switzerland	●						
Turkey							●
United Kingdom		●					
United States							
Russian Federation		●		●			●
Total	14	9	3	9	1	4	4

Key: ● = Yes; ○ = No

Notes:

1. Based on Q.40a. "Does the Executive have a dedicated unit for public-private partnerships?"

Table 4.4. CBA approval of capital/infrastructure projects of line ministries¹

Country	Yes for all projects	Yes for those projects above a certain threshold	Yes on ad hoc basis	Yes, other	No	Threshold (TIP)
Australia	◀	▶				30 mill AUD
Austria		▶			◀	5 mill EUR
Belgium		▶			◀	5500 EUR
Canada		●				..
Chile						
Czech Republic		●				100 mill CZK
Denmark		●				..
Estonia					●	
Finland				●		
France	◀				▶	
Germany		●				2 mill Euro
Greece	●					
Hungary	◀				▶	
Iceland						
Ireland			●			
Israel	●					
Italy			●			
Japan					●	
Korea	●					
Luxembourg	●					
Mexico	●					
Netherlands					●	
New Zealand	◀	▶				..
Norway	◀	▶				..
Poland	◀	▶				..
Portugal	●					
Slovak Republic	◀	▶				665 000 EUR
Slovenia					●	
Spain	◀	▶				..
Sweden		●				..
Switzerland		▶			◀	Varying
Turkey	●					
United Kingdom		●				Varying
United States						
Russian Federation	●					

PPP	8	0	0	0	3	
TIP	0	9	0	0	2	
Both	7	6	2	1	4	
Total	15	15	2	1	9	0

Key: ◐ = PPP; ◑ = TIP; ◒ = Both

Notes:

1. Based on Q.42. "Is the Central Budget Authority required to approve capital/infrastructure projects of line ministries (even when these projects fall within the existing approved budget envelope of the responsible line ministry/agency)?"

Table 4.5. Use of an absolute value-for-money analysis (CBA/CEA) of capital/infrastructure projects¹

Country	Yes for all projects	Yes for those projects above a certain threshold	Yes on ad hoc basis	Yes, other	No	Not applicable
Australia	◐	◑				
Austria						●
Belgium						●
Canada	◐		◑			
Chile						
Czech Republic			◑	◐		
Denmark		◐		◑		
Estonia			◑			◐
Finland		●				
France	◐		◑			
Germany	●					
Greece	◐		◑			
Hungary			◐			◑
Iceland						
Ireland	●					
Israel		●				
Italy			●			
Japan	◐	◑				
Korea	◐	◑				
Luxembourg			●			
Mexico	●					
Netherlands	◐	◑				
New Zealand	◐	◑				
Norway		◑				◐
Poland	●					
Portugal	●					
Slovak Republic					◑	◐
Slovenia	◐	◑				
Spain			●			
Sweden		●				
Switzerland						●
Turkey	●					
United Kingdom	●					
United States						
Russian Federation	●					
PPP	9	1	1	1	0	3
TIP	0	7	5	1	1	1
Both	7	3	3	0	0	3
Total	16	11	9	2	1	7

Key: ◐ = PPP; ◑ = TIP; ● = Both

Notes:

1. Based on Q.43a. "In general, does your government apply an absolute value-for-money analysis (such as a cost-benefit or cost effectiveness analysis) that takes a whole-of-life (net present value) approach to prospective capital projects?"

Table 4.6. Use of an relative value-for-money analysis (comparators) of capital/infrastructure projects¹

Country	Yes for all projects	Yes for those projects above a certain threshold	Yes on ad hoc basis	Yes, other	No	Not applicable
Australia	◐	◑				
Austria					◑	◐
Belgium						●
Canada	◐		◑			
Chile						
Czech Republic				◐	◑	
Denmark					●	
Estonia			◑			◐
Finland			●			
France			●			
Germany	●					
Greece	◐					◑
Hungary			◐			◑
Iceland						
Ireland	●					
Israel		●				
Italy					●	
Japan					●	
Korea		◐		◑		
Luxembourg			●			
Mexico	◐				◑	
Netherlands		●				
New Zealand	◐				◑	
Norway						●
Poland						●
Portugal	●					
Slovak Republic					◑	◐
Slovenia	◑	◐				
Spain			●			
Sweden			●			
Switzerland			●			
Turkey					●	
United Kingdom	◐		◑			
United States						
Russian Federation					●	
PPP	6	2	1	1	0	3
TIP	1	1	3	1	5	2
Both	3	2	6	0	4	3
Total	10	5	10	2	9	8

Key: ◐ = PPP; ◑ = TIP; ● = Both

Notes:

1. Based on Q.43b. "In general, does your government apply a relative value-for-money analysis (such as public sector comparators) that takes a whole-of-life (net present value) approach to prospective capital projects?"

Table 4.7. Use of specific tools in value-for-money analysis¹

Country	Internal rate of return	Residual income	Net present value	Payback period	Qualitative expert opinion	Analysis of the capacity/willingness of users to pay	Not applicable
Australia			◐		◐	◐	◐
Austria		◐	◐	◐	◐	◐	◐
Belgium							
Canada	◐		●	◐	◐		
Chile							
Czech Republic	◐		●				
Denmark	●		●				
Estonia	◐	◐	◐		◐	◐	◐
Finland	●			●			
France	◐		◐		◐		◐
Germany		●	●		●	●	
Greece	◐		●			◐	
Hungary			◐				◐
Iceland							
Ireland							●
Israel			●		●	●	
Italy	◐	◐	◐	◐	◐	◐	◐
Japan			●				
Korea	●		●		●		
Luxembourg					●		●
Mexico	●		●		●		
Netherlands	◐		●		◐		
New Zealand			●		◐	◐	
Norway			◐	◐	◐	◐	◐
Poland	●		●	●	●	●	
Portugal	●	●	●	●			
Slovak Republic							
Slovenia	●		●				
Spain	◐	●	◐			◐	
Sweden	●		●	●			
Switzerland							
Turkey	●	●	●	●	●		
United Kingdom	◐	◐	●		●	●	
United States							
Russian Federation	●		●				
PPP	6	2	4	1	6	5	3
TIP	3	2	4	3	3	3	4
Both	9	4	17	5	8	4	2
Total	18	8	25	9	17	12	9

Key: ◐ = PPP; ◐ = TIP; ● = Both

Notes:

1. Based on Q.45. "Which of the following tools are used in the value-for-money analysis?"

Table 5.1. Central Budget Authority

Country	Location of CBA ¹	Head of CBA ²	Responsibilities of CBA ³													Other
			Drafting Budget Circular	Methodology for macro-economic projections	Methodology for fiscal projections	Determining ceilings for line ministries	Negotiating with line ministries	Developing Executive Budget Proposal	Testifying before Legislature	Authorisation of line ministries outlays	Monitoring performance of line ministries	Producing supplementary budgets	Producing mid-year reports	Producing end-of-year reports	Communications with public	
Australia	○	●	●	●	◐	○	◐	◐	◐	◐	◐	●	◐	◐	◐	
Austria	●	●	●	◐	◐	●	●	●	◐	●	◐	○	●	●	●	
Belgium	◐	●	●	◐	◐	●	●	●	◐	●	○	●	●	●	◐	
Canada	○	●	○	◐	●	●	◐	●	◐	◐	◐	●	◐	◐	◐	
Chile																
Czech Republic	●	●	●	◐	◐	●	●	●	●	◐	◐	●	●	●	●	◐
Denmark	●	◐	●	◐	◐	●	●	●	◐	◐	○	●	●	●	●	
Estonia	●	◐	◐	●	●	●	●	●	●	●	◐	●	●	●	◐	
Finland	●	●	●	◐	◐	◐	●	●	○	◐	◐	●	◐	◐	◐	
France	●	●	●	◐	◐	●	●	●	○	●	◐	●	◐	◐	◐	
Germany	●	●	●	◐	◐	●	●	●	◐	◐	●	●	●	●	●	
Greece	●	◐	●	◐	●	●	●	◐	◐	◐	◐	◐	●	●	◐	
Hungary	●	◐	◐	●	●	◐	◐	●	●	◐	◐	◐	●	●	◐	
Iceland																
Ireland	○	●	●	●	◐	●	●	●	●	●	●	●	●	●	●	
Israel	●	●	◐	◐	◐	●	●	●	◐	◐	◐	●	◐	◐	◐	
Italy	●	●	●	◐	◐	●	●	●	○	●	●	●	●	●	◐	
Japan	●	◐	◐	◐	◐	◐	●	●	○	◐	◐	●	◐	◐	◐	
Korea	●	◐	●	◐	◐	●	●	●	●	◐	◐	●	○	●	◐	
Luxembourg	●	●	◐	◐	◐	◐	◐	●	◐	◐	◐	◐	◐	◐	◐	
Mexico	●	◐	●	◐	●	●	●	●	●	●	◐	●	●	●	●	
Netherlands	●	●	●	◐	◐	●	●	◐	◐	●	●	◐	◐	◐	◐	
New Zealand	●	●	●	●	●	◐	●	●	◐	◐	◐	●	●	◐	◐	

Norway	●	●	●	●	●	◐	●	●	◐	◐	◐	◐	●	●	◐
Poland	●	◐	●	●	●	●	●	●	◐	●	●	●	●	●	◐
Portugal	●	●	●	◐	◐	◐	◐	◐	◐	●	◐	●	○	◐	●
Slovak Republic	●	◐	●	●	●	●	●	●	●	●	●	●	●	●	●
Slovenia	●	●	●	◐	●	●	●	◐	●	●	◐	◐	●	◐	●
Spain	●	◐	●	◐	◐	◐	●	●	◐	◐	◐	◐	◐	◐	◐
Sweden	●	●	●	◐	◐	●	●	◐	◐	●	◐	●	◐	◐	◐
Switzerland	●	●	●	◐	◐	●	●	●	◐	●	◐	●	●	●	●
Turkey	●	●	●	◐	◐	◐	◐	●	●	●	●	●	●	●	●
United Kingdom	●	◐	●	◐	◐	●	●	●	●	●	●	◐	●	●	◐
United States															
Russia	○	◐	●	●	●	●	●	●	●	●	◐	●	●	●	◐

OECD total	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31	0
●	27	20	25	8	10	21	25	25	10	16	7	23	19	17	10	
◐	0	10	4	11	17	5	5	6	9	9	17	6	7	12	14	0
◑	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
◒	1	1	1	12	4	4	1	0	8	6	5	1	3	2	7	0
○	3		1	0	0	1	0	0	4	0	2	1	2	0	0	

Key:

●	Ministry of Finance/Economy	Senior civil servant	Sole responsibility of CBA													
◐	President's Office	Political appointee														
◑	Prime Minister's Office		Shared responsibility between CBA and other institutions													
◒	Independent agency															
◓	Other central government institution	Other	Not a responsibility of CBA													
○	CBA is split		Not applicable													

Notes:

1. Based on Q.1a. "Where is the function of the Central Budget Authority (CBA) located in your government?"
2. Based on Q.2. "Please indicate whether the head of the CBA is:"
3. Based on Q.3. "In practice, please indicate which of the below activities are responsibilities of the CBA."
4. CBA is split on Department of the Treasury and Department of Finance and Deregulation (Australia)
5. CBA is split on Department of Finance and Treasury Board Secretariat (Canada)
6. CBA is split on Department of Finance and Department of Public Expenditure and Reform (Ireland)
7. CBA is split on Ministry of Finance and Ministry of Economic Development (Russian Federation)
8. Denmark explains that there is not a clearly defined CBA within the Ministry of Finance; therefore there is not as such a head of the CBA other than the Minister of Finance and the Permanent Secretary (senior civil servant).

Table 5.2. Content of the annual budget memorandum / circular / instruction¹

Country	No such document	Rules for budget process and main forms	Macroeconomic assumptions to be used	Information on government priorities	Spending ceilings / targets
Australia		●			
Austria		●			●
Belgium		●			●
Canada		●			
Chile					
Czech Republic		●	●		●
Denmark		●	●	●	●
Estonia		●	●	●	●
Finland		●	●	●	
France		●	●	●	
Germany		●		●	●
Greece		●			●
Hungary		●	●		
Iceland					
Ireland		●	●		●
Israel		●	●	●	
Italy		●			●
Japan		●		●	●
Korea		●	●	●	●
Luxembourg		●	●	●	●
Mexico		●	●		●
Netherlands		●	●	●	●
New Zealand		●			
Norway		●			●
Poland		●			
Portugal		●			
Slovak Republic		●			
Slovenia		●	●	●	●
Spain		●		●	
Sweden		●	●	●	●
Switzerland		●	●		●
Turkey		●			
United Kingdom		●	●	●	
United States					
Russia		●			●
OECD	0	31	16	14	18
2007		31	14	10	17

Key: ● = Yes; ○ = No

Notes:

1 Based on Q.32. "What type of information is contained in the annual budget circular/memorandum issued by the CBA to guide line ministries' preparations of budget proposals/budget estimates?"

2. Canada has established rules and templates for expenditure estimates, but not for the budget.

3. The 2007 data is retrieved from the publication GOV/PGC/SBO(2011)11, table 3.2.

Table 5.3. Expenditure ceilings accompanying ministry's initial spending request¹

	2007	2012	Countries (2012)
Total/overall expenditure of the line ministry	12	20	Austria, Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Poland, Slovak Republic, Slovenia, Spain, Switzerland
Other aggregate levels (e.g. programme or sector)	15	12	Belgium, Denmark, Germany, Italy, Korea, Luxembourg, New Zealand, Portugal, Slovenia, Sweden, Turkey, United Kingdom
Agency level or other organisational level		2	Mexico, Poland
No such limits	6	4	Australia, Canada, France, Hungary

Notes:

1. Based on Q.31. "Does the government impose budget ceilings on the initial spending requests of each line ministry?"
2. The 2007 data are retrieved from the publication GOV/PGC/SBO(2011)11, table 3.3.
3. Some countries have more than one level of ceilings, notably Denmark, Germany, Italy, Korea, Luxembourg, Poland and Slovenia.
4. Russian Federation sets ceilings for total/overall expenditure, other aggregates and for agencies.

Table 5.4 Resolution of disputes between ministries in the budget formulation process¹

	2007	2012	Countries
Resolved by the President		0	
Resolved by the Prime Minister	4	6	Australia, France, Greece, Japan, Portugal, Turkey
Resolved by the cabinet	4	12	Czech Republic, Estonia, Germany, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Sweden, Switzerland
Resolved by the finance minister	14	7	Denmark, Israel, Italy, Korea, Slovenia, Spain, United Kingdom
The issue is sent to a ministerial committee	3	1	Belgium
Other	8	5	Austria, Canada, Finland, Hungary, Ireland
OECD	33	31	

Notes:

1. Based on Q.33. During the budget negotiation process, who has the final/ultimate decision making power to resolve/settle disputes?"
2. The 2007 data are retrieved from the publication GOV/PGC/SBO(2011)11, table 3.4.
3. Russian Federation resolves disputes with the President.

Table 6.1. Number of line item appropriations contained in the budget

Country	Number of line item appropriations in the Executive Budget Proposal		Comments
	2007	2012	
Australia	175	900	Budget Paper 4 (Agency Resourcing) outlines appropriations proposed for the Budget year. The 2012 document is 154 pages long and contains many lines per page, with multiple appropriation items per line. Less than 1000.
Austria	1800	74	
Belgium	394	2124	Budget 2012: 2456 line item appropriations (332 are mentioned only pro memorie)
Canada	200	190	
Chile			
Czech Republic	1000	900	The lowest possible detail in the Act on State Budget is budget indicator(divided into line items of budget classification). Each chapter (14 line ministries and 22 other institutions with separate budgets) holds approximately 40 budget indicators but it varies by chapter. Less than 1000.
Denmark	1300	1755	
Estonia		1600	
Finland	476	541	
France	130	180	
Germany	6000	6000	
Greece	700	2000	Around 1.000 line items each for appropriations of expenditures and revenues.
Hungary	900	920	
Iceland	1096		
Ireland	843	800	
Israel	1479	900	Less than 1000.
Italy	1500	4742	
Japan	603	..	The CBA do not know the number.
Korea	90	96	
Luxembourg		4400	
Mexico	110	2100	Four dimensions: Ministry, Budgetary program, Responsible Unit, Chapter of expenditure. More than 2000.
Netherlands	200	122	
New Zealand	800	1000	
Norway	1400	1673	
Poland	200	234	
Portugal	742	46000	
Slovak Republic	1000	6	2 revenue lines and 4 expenditures lines.
Slovenia	8500	462	
Spain	4593	15749	
Sweden	500	500	
Switzerland	1090	1000	
Turkey	34583	40000	
United Kingdom	1000	40	Only new items in the Budget/Autumn Statement (20 to 40 items depending). In the Supply Estimates voted by Parliament there is a huge level of detail by organisation.
United States	1514		
Russian Federation		12000	

OECD average	2417	4567
2007		

Key: ● = Yes; ○ = No

Notes:

- 1. Based on Q. 50. "50a. How many line item appropriations are contained in the Executive Budget Proposal?"
- 2. The 2007 data are retrieved from the publication GOV/PGC/SBO(2011)11, figure 4.1

Table 6.2 Do agencies receive lump sum appropriations for operating expenditure?

	2007	2012	Countries
Yes, they receive a lump-sum with no limits	7	7	Australia, Germany, Ireland, New Zealand, Norway, Sweden, United Kingdom
Yes, they receive a lump-sum but with sub-limits	8	11	Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, Hungary, Italy, Luxembourg, Portugal, Slovak Republic
Other	8	5	France, Netherlands, Poland, Slovenia, Switzerland

Notes: Based on Q.70a. "Generally speaking, do agencies receive lump sum appropriations for their operating expenditure?"

1. In France, the operators of the government shall be notified of an appropriation which is paid several times over the year.
2. In the Netherlands, in general the agencies are financed by the commissioner(s) of the agency via a model of price * quantity. However, some (parts of) agencies are financed via lump-sums.
3. In Poland, each agency/executive organisation receives a lump sum appropriation covering expenditures linked to target imposed by the central Government.
4. In Slovenia, some agencies receive a lump sum appropriation covering both operational and capital expenses, with sub-limits on expenditures for salaries.
5. In Switzerland, lump sum appropriations only exist for MPM-agencies. The budget of MPM-agencies consists typically of two lump sum appropriations (operating and capital expenditures) and separate line items for transfers (i.e. to states).
6. Some countries (Greece, Israel, Korea, Mexico) have reported lump sum appropriations but marked all options for sub-limits. Japan answer that the budget shall be used strictly in accordance with the document. Those are understood to not practice lump-sum. Austria, Spain and Turkey report no lump-sum appropriations.
7. Luxembourg restricts sub-limit appropriations to some of the administrations (mainly secondary schools) and the Etablissements publics.
8. Russian Federation sets sub-limits on all options.
9. The 2007 data are retrieved from the publication GOV/PGC/SBO(2011)11, table 4.3.

Table 6.3 Which sub-limits are set for lump sum appropriations for operating expenditure?

	2012	Countries
Limits on wages	9	Belgium, Canada, Czech Republic, Denmark, Estonia, Hungary, Luxembourg, Portugal, Slovak Republic
Limits on capital spending	3	Canada, Italy, Slovak Republic
Limits on travel	0	
Limits on office expenses	1	Belgium
Other limits	4	Czech Republic, Denmark, Estonia, Finland

Notes: Based on Q.70b. "As you selected option b above, please indicate which sub-limits are in place"

1. In Czech Republic, the line ministries receive limits for wages and for research, development and educational programmes.
2. In Denmark, a limit on debt is a part of the accrual budgetting system.
3. Estonia practices limits on wages and operating costs.
4. In Finland, only certain expenses can be paid with lump-sum appropriations, such as wages and rents.

Table 6.4 Restrictions for ministers to reallocate funds within their responsibility

Country	Reallocations not permitted	Yes, permitted up to a certain threshold	Yes, permitted without any limit/threshold	Other type of permission	Approval of Ministry of Finance/Economy	Approval of legislature	Other type of approval
Australia		●			○	○	○
Austria	●						
Belgium		●			○	○	●
Canada			●		○	●	○
Chile							
Czech Republic		●			●	○	○
Denmark		●			●	●	○
Estonia		●			○	○	○
Finland			●		○	●	○
France		●			●	○	○
Germany		●			●	●	●
Greece		●			●	○	○
Hungary		●			●	◐	●
Iceland							
Ireland			●		●	●	○
Israel			●		●	●	○
Italy		●			●	◐	◐
Japan		●			●	◐	○
Korea		●			●	○	○
Luxembourg				●	●	○	○
Mexico			●		●	○	○
Netherlands			●		●	●	○
New Zealand		●			○	◐	●
Norway	●						
Poland				●	●	○	●
Portugal			●		●	○	○
Slovak Republic			●		●	○	○
Slovenia		●			○	○	●
Spain		●			●	○	●
Sweden	●						
Switzerland		●			○	●	○
Turkey		●			●	○	○
United Kingdom			●		○	○	○
United States							
Russian Federation				●	●	○	○
Total	3	17	9	2	19	12	8
● = Ex-ante approval					19	8	7
◐ = Ex-post approval					0	4	1
○ = No approval needed					9	16	20

Notes:

1. Based on Q.72a. "Can line ministers re-allocate funds within their own budget envelope?".
2. Based on Q.72b. "Please indicate what institution(s) must grant approval for line ministers to re-allocate funds in their budget envelope"
2. The 2007 data are retrieved from the publication GOV/PGC/SBO(2011)11, table 4.1.

Table 6.5 Restrictions for the executive to increase spending after the budget has been approved by the legislature (Q74/76/79/82)

Country	No, not permitted	Yes without a threshold and without requiring any approval	Yes without a threshold but requiring approval	Yes up to a certain threshold without approval, but above this threshold approval is required	Yes up to a certain threshold and also requiring approval	Other	Approval of Ministry of Finance/Economy	Approval of legislature	Other type of approval
Australia	D		O; I			M	●	○	○
Austria				O; I	M; D		●	○	○
Belgium	M;O;I		D				○	◐	●
Canada						M;D;O;I	●	●	○
Chile									
Czech Republic	M; D			O; I			●	●	●
Denmark	D;O	M	I				●	●	○
Estonia		M				D; O; I	○	○	○
Finland	D; O; I		M				●	○	●
France	M;D;O;I								
Germany			M			D; O; I	●	●	○
Greece	M; D; O		I				●	◐	○
Hungary	M		I	D; O			○	◐	●
Iceland									
Ireland	M		D; O; I				●	●	○
Israel	M;D;O;I								
Italy					M;D;O;I		●	◐	○
Japan			M;D;O;I				●	◐	○
Korea	M;D;O;I								
Luxembourg	D		M; O; I				●	●	○
Mexico		D; O; I	M				●	○	○
Netherlands	D; O; I	M							
New Zealand			M;D;O;I				○	◐	●
Norway	M; D	O; I							
Poland	M;D;O;I								
Portugal	M					D; O; I	●	○	○
Slovak Republic		I				M; D; O	●	○	●
Slovenia						M;D;O;I	○	○	●
Spain			M; I		D; O		●	●	○
Sweden				M; D; O; I			●	●	○
Switzerland			M;D;O;I				●	●	○
Turkey	O		M; D; I				●	◐	○
United Kingdom			D; O; I		M		●	○	○
United States									
Russian Federation			I			M; D; O	●	●	○

Total	17	6	16	4	4	7	25	25	25
● = Ex-ante approval							20	9	7
● = Ex-post approval							0	7	0
○ = No approval needed							5	9	18

Notes:

1. Based on Q.74a/76a/79a/82a. "Is an increase in mandatory/discretionary/operational/investment spending by the Executive possible after the budget has been approved by the Legislature?"
2. Based on Q.74b/76b/79b/82b. "Please indicate what institution(s) must grant approval in this occurrence"
3. In Australia: If an increase of mandatory spending and investment spending, the approval by ministry of finance/ economy is ex- ante, whereas if an increase of operational spending, the approval of ministry of finance/ economy is not needed. If an increase of operational spending and investment spending, the approval of legislature is ex- ante, whereas if an increase of mandatory spending, the approval of legislature is not needed.
4. In Canada: If an increase of discretionary, operational and investment spending, other type of approval is ex- ante, whereas if an increase of mandatory spending, other type of approval is not needed
5. In Czech Republic: If an increase of operational spending, other type of approval is ex- ante, whereas if an increase of investment spending, other type of approval is not needed
6. In Germany: If an increase of operational spending, other type of approval is ex- ante, whereas if an increase of mandatory, discretionary and investment spending, other type of approval is not needed
7. In Japan: If an increase of investment spending, the approval of legislature is ex- ante, whereas if an increase of mandatory, discretionary and operational spending, the approval of legislature is ex-post.
8. In Luxembourg: If an increase of mandatory spending, the approval of legislature is ex- ante, whereas if an increase of operational and investment spending, the approval of legislature is not needed. If an increase of operational and investment spending, other type of approval is ex- ante, whereas if an increase of mandatory spending, other type of approval is not needed.
9. In Portugal: Approval is only needed for Discretionary and operational expenditure increases.
10. In Spain: If an increase of mandatory spending, the approval of legislature is ex- ante, whereas if an increase of discretionary, operational and investment spending, the approval of legislature is not needed. If an increase of discretionary, operational and investment spending, other type of approval is ex- ante, whereas if an increase of mandatory spending, other type of approval is not needed.
11. In Turkey: If an increase of discretionary and investment spending, other type of approval is ex- ante, whereas if an increase of mandatory spending, other type of approval is not needed.
12. In United Kingdom: If an increase of discretionary spending, the approval of legislature is ex- ante, whereas if an increase of mandatory, operational and investment spending, the approval of legislature is not needed.

Table 6.6 Restrictions for the executive to cut spending after the budget has been approved by the legislature (Q75/77/80/83)

Country	No, not permitted	Yes without a threshold and without requiring any approval	Yes without a threshold but requiring approval	Yes up to a certain threshold without approval, but above this threshold approval is required	Yes up to a certain threshold and also requiring approval	Other	Approval of Ministry of Finance/Economy	Approval of legislature	Other type of approval
Australia	M		D; O; I				●	●	○
Austria	M	D; O; I							
Belgium	M	D;O;I							
Canada	M		D; O; I				●	●	●
Chile									
Czech Republic	M; D					O; I	●	●	○
Denmark	M	D;O;I							
Estonia	M	D; O; I							
Finland	M;D;O;I								
France				M;D;O;I			●	○	○
Germany	M		O			D;I	●	○	○
Greece			M;D;O;I				●	○	○
Hungary	M		O; I	D			●	◐	●
Iceland									
Ireland			M;D;O;I				●	●	○
Israel	M	D;O	I				●	○	○
Italy	M		D		O; I		●	◐	○
Japan			M;D;O;I				●	●	○
Korea	M					D; O; I	○	○	○
Luxembourg	M	D; O; I							
Mexico		M;D;O;I							
Netherlands	M;D;O;I								
New Zealand			D; O; I	M			○	◐	●
Norway	M;D;O;I								
Poland		D; O; I	M				○	●	○
Portugal	M	D; O; I							
Slovak Republic		M;D;O;I							
Slovenia						M;D;O;I	●	○	●
Spain		M;D;O;I							
Sweden	M	D; O; I							
Switzerland	M;D;O;I								
Turkey	M	D; I	O				●	○	○
United Kingdom	M; D; I		O				●	○	○
United States									
Russian Federation			I			M; D; O	●	●	○

Total (countries)	21	13	13	3	1	4	17	17	17
● = Ex-ante approval							14	6	4
▼ = Ex-post approval							0	3	0
○ = No approval needed							3	8	13

Notes:

1. Based on Q.75a/77a/80a/83a. "Does the Executive have the authority to cut/cancel/rescind mandatory/discretionary/operational/investment spending once the budget has been approved by the Legislature?"
2. Based on Q.75b/77b/80b/83b. "Please indicate what institution(s) must grant approval in this occurrence"
3. In Canada: If a cut of discretionary spending, the approval by ministry of finance/ economy is ex- ante, whereas if a cut of operational and investment spending, the approval of ministry of finance/ economy is not needed. If a cut of discretionary spending, the approval of legislature is ex- ante, whereas if a cut of operational and investment spending, the approval of legislature is not needed. If a cut of discretionary spending, other type of approval is ex- ante, whereas if a cut of operational and investment spending, other type of approval is not needed.
4. In Greece: If a cut of investment spending, the approval of legislature is ex- post, whereas if a cut of mandatory, discretionary and operational spending, the approval of legislature is not needed.
5. In Hungary: If a cut of discretionary spending, the approval by ministry of finance/ economy is ex- ante, whereas if a cut of operational and investment spending, the approval of ministry of finance/ economy is not needed.
6. In Russian Federation: If a cut of mandatory and discretionary spending, the approval of legislature is ex- ante, whereas if a cut of operational and investment spending, the approval of legislature is not needed.

Table 6.7 Restrictions for ministers to carry over unused funds on discretionary, operational and investment spending, within their responsibility (Q78/81/84)

Country	No, carry over not permitted	Yes without a threshold and without requiring any approval	Yes without a threshold but requiring approval	Yes up to a certain threshold without approval, but above this threshold approval is required	Yes up to a certain threshold and also requiring approval	Other	Approval of Ministry of Finance/Economy	Approval of legislature	Other type of approval
Australia						D; O; I	●	●	○
Austria		D; O; I					○	○	○
Belgium	D;O;I								
Canada				O; I	D		●	●	●
Chile									
Czech Republic		O; I	D				○	○	○
Denmark		D; O; I							
Estonia			I		D; O		●	○	○
Finland						D; O; I	○	○	○
France				D; O; I			●	○	○
Germany	I					D;O	●	○	○
Greece	D; O; I								
Hungary			D; O; I				○	◐	●
Iceland									
Ireland	D; O				I		●	●	○
Israel		D	O;I				●	○	○
Italy	D; O				I		●	◐	○
Japan			D; O; I				●	●	○
Korea						D; O; I	○	○	○
Luxembourg	D; O					I	○	○	○
Mexico	D; O; I								
Netherlands					D; O; I		●	○	○
New Zealand					D; O; I		○	◐	●
Norway					D; O; I		●	○	○
Poland						D; O; I	●	●	●
Portugal			D;O;I				●	○	○
Slovak Republic	O	I				D	●	○	●
Slovenia						D; O; I	○	○	●
Spain					D; O; I		●	○	○
Sweden				D; O; I			●	○	○
Switzerland			D; O; I				●	○	●
Turkey	O					D; I	●	●	●
United Kingdom					D; O; I		●	○	○
United States									
Russian Federation					D; O; I		●	○	○

Total (countries)	9	5	7	3	9	9	27	27	27
● = Ex-ante approval							19	6	8
☐ = Ex-post approval							0	3	0
○ = No approval needed							8	18	19

Notes:

1. Based on Q.78a/81a/84a. "For discretionary/operational/investment spending, can line ministers carry over unused funds or appropriations from one year to another?"
2. Based on Q.78b/81b/84b. "Please indicate what institution(s) must grant approval in this occurrence"
3. In Australia: If restrictions for ministers to carry over unused funds on discretionary spending, the approval of legislature is ex- ante, whereas if restrictions for ministers to carry over unused funds on operational or investment spending, the approval of legislature is not needed.
4. In Austria: The carry over is possible without any approval, the USE of unused funds has to be approved by MoF.
5. In Finland: If the item is a transferable appropriation, carry over is possible without approval.
6. In Korea: Items specified in the law may be carried over. The amount contracted but not disbursed within the year for unavoidable reason can be carried over. Ex-post report to MoF and National Audit Office.
7. In Luxembourg: Most of the investment spendings are managed via funds where unused funds are kept from one year to another.
8. In Turkey: If restrictions for ministers to carry over unused funds on discretionary spending, the approval of legislature is ex- ante, whereas if restrictions for ministers to carry over unused funds on investment spending, the approval of legislature is ex-post. If restrictions for ministers to carry over unused funds on discretionary spending, other type of approval is ex- ante, whereas if restrictions for ministers to carry over unused funds on investment spending, other type of approval is not needed.

Table 6.8 Is it possible for ministries/agencies to borrow against future appropriations?

	Operating expenditure	Investment expenditure
Australia	○	○
Austria	○	○
Belgium	○	○
Canada	○	○
Chile		
Czech Republic	○	○
Denmark	◐	○
Estonia	○	○
Finland	○	○
France	○	○
Germany	◐	◐
Greece	○	○
Hungary	○	◐
Iceland		
Ireland	○	○
Israel	○	○
Italy	○	◐
Japan	○	○
Korea	○	○
Luxembourg	○	◐
Mexico	○	○
Netherlands	○	○
New Zealand	◐	◐
Norway	○	○
Poland	○	○
Portugal	○	○
Slovak Republic	○	○
Slovenia	○	○
Spain	○	○
Sweden	◐	◐
Switzerland	○	○
Turkey	○	○
United Kingdom	○	○
United States		
Russian Federation	◐	◐
● = Yes, without any limit/ threshold	0	0
2007	0	0
◐ = Yes, up to certain threshold	4	6
2007	7	8
○ = Not permitted	27	25
2007	25	24

Notes: Based on Q.73. "For operating and investment expenditures, can the line ministries or agencies overspend in one year and compensate by underspending in the following year (e.g. borrow against future appropriations)?"

Table 8.1. Are the economic assumptions underlying the budget and the methodology used to establish them published/publicly available?1

Country	Are the methodology and the economic assumptions for establishing fiscal projections publicly available?1
Australia	●
Austria	●
Belgium	●
Canada	●
Chile	●
Czech Republic	●
Denmark	●
Estonia	●
Finland	●
France	●
Germany	●
Greece	○
Hungary	●
Iceland	●
Ireland	●
Israel	●
Italy	●
Japan	○
Korea	○
Luxembourg	●
Mexico	●
Netherlands	●
New Zealand	●
Norway	○
Poland	●
Portugal	○
Slovak Republic	○
Slovenia	●
Spain	○
Sweden	●
Switzerland	●
Turkey	●
United Kingdom	●
United States	●
Russian Federation	●
● = Publicly available	24
○ = Not publicly available	7
.. = Not applicable	0
2007 (all or partly)	21
2007	12
2007	0
2007	0

Notes:

1. Based on Q.51a. "51b. Please indicate the channels through which this selected budgetary information is made available to the public?"; row a.

Table 8.2. Public available budget documents

Country	Pre-budget report	Budget proposal	Citizens budget
Australia	○	●	●
Austria	○	●	●
Belgium	○	●	○
Canada	○	●	●
Chile			
Czech Republic	○	●	○
Denmark	○	●	○
Estonia	●	●	●
Finland	○	●	●
France	●	●	◐
Germany	○	●	○
Greece	●	●	○
Hungary	◐	●	○
Iceland			
Ireland	●	●	○
Israel	●	●	●
Italy	○	●	●
Japan	○	●	○
Korea	○	●	●
Luxembourg	●	●	○
Mexico	●	●	●
Netherlands	○	●	●
New Zealand	●	●	●
Norway	○	●	●
Poland	○	●	○
Portugal	●	●	○
Slovak Republic	○	●	○
Slovenia	◐	●	○
Spain	◐	●	○
Sweden	●	●	●
Switzerland	○	●	○
Turkey	●	●	◐
United Kingdom	●	○	○
United States			
Russian Federation	●	●	●
● = Publicly available	12	30	13
2007			
◐ = Not publicly available	3	0	2
2007			
○ = Not applicable	16	1	16
2007			

Notes:

1. Based on Q.51a. "Please indicate whether the following are made publicly available:", row e, f and l.

Table 8.3 Elements included in budget documents presented to the legislature¹

Country	Medium-term fiscal policy objectives	Macroeconomic assumptions	Budget priorities	financial plan (all revenues/ expenditures, off budget expenditures and extra budgetary funds)	revenues and expenditures for all levels of government (including regional and local)	Comprehensive table of tax expenditures	Non- financial performance targets	Medium-term perspective on total revenue & expenditure	Long-term perspective on total revenue and expenditure (10+ years)	Clearly defined appropriations for legislature vote	Linkage of appropriations to administrative units	Text of legislation of policies proposed in budget
Australia	●	●	●	●	○	●	●	●	○	●	●	○
Austria	●	●	●	○	○	○	●	●	○	●	●	●
Belgium	●	●	●	○	○	●	○	○	●	●	●	○
Canada	●	●	●	○	○	●	●	●	○	●	●	○
Chile												
Czech Republic	●	●	●	●	●	●	○	●	○	●	●	●
Denmark	○	○	○	○	○	○	○	○	○	○	○	●
Estonia	●	●	●	●	●	●	●	●	○	●	●	●
Finland	●	●	●	●	○	●	●	○	○	●	●	●
France	●	●	●	○	○	●	●	●	○	●	●	○
Germany	●	●	●	○	○	○	○	●	○	●	○	○
Greece	●	●	●	●	●	●	●	●	○	●	●	○
Hungary	●	●	●	○	○	●	○	●	○	●	●	●
Iceland												
Ireland	●	●	●	●	○	●	●	●	○	●	●	○
Israel	●	●	●	○	○	●	○	○	○	○	●	●
Italy	○	○	●	●	○	●	●	●	○	●	○	●
Japan	○	○	○	○	○	○	○	●	●	○	○	○
Korea	●	●	●	○	○	●	●	●	○	●	●	○
Luxembourg	●	●	●	●	●	○	○	○	○	●	●	●
Mexico	●	●	●	●	●	○	●	●	●	●	●	●
Netherlands	●	●	●	●	○	●	●	●	○	○	○	○
New Zealand	●	●	●	○	○	●	●	●	○	●	●	○
Norway	●	●	●	○	●	○	●	○	○	●	●	●

Poland	●	●	●	●	○	○	●	●	○	○	○	○
Portugal	●	●	●	○	○	●	○	●	○	●	●	●
Slovak Republic	●	●	●	●	●	●	●	●	○	●	●	○
Slovenia	●	●	●	○	●	○	●	●	○	●	●	○
Spain	●	○	○	○	○	●	●	○	○	●	●	●
Sweden	●	●	●	●	○	●	●	●	●	●	●	●
Switzerland	●	●	●	●	○	○	●	●	○	●	●	○
Turkey	●	●	●	●	●	●	●	●	●	●	●	●
United Kingdom	●	●	●	○	○	●	○	●	●	●	●	●
United States												
Russian Federation	●	●	●	●	○	●	●	●	○	●	●	●
Total OECD	28	27	28	15	9	21	21	24	6	26	25	16
2007	28	30	30				16	23		24	26	8

Key: ● = Yes; ○ = No

Notes:

1. Based on Q.61. "In the presentation of central Government budget documents to the Legislature, which of the following elements are included?"

Table 8.4. Expenditure items considered as contingent liabilities and included in the budget (Q39a and b)

Country	Loan guarantees	Law suits pending	Public Private Partnerships	Financial Initiatives	Environmental degradation	Obligations arising from natural disasters	Financial failure (insurance)	Other guarantees	Other
Australia	Yes	Yes						Yes	
Austria	Yes	Yes						Yes	
Belgium									
Canada	Yes	No			No		No		No
Chile									
Czech Republic	Yes							Yes	
Denmark	No		No						
Estonia	Yes	Yes		Yes			Yes	Yes	
Finland	Yes			Yes				Yes	
France	Yes	No						Yes	Yes
Germany	Yes								
Greece	Yes	No							
Hungary	No							No	
Iceland									
Ireland									
Israel	Yes	Yes	Yes						
Italy			Yes						
Japan									
Korea	No								
Luxembourg	Yes		Yes						
Mexico		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Netherlands	Yes							Yes	
New Zealand	Yes	Yes		Yes	Yes	Yes	Yes	Yes	
Norway									
Poland	Yes	Yes	No				Yes	Yes	
Portugal	Yes	No	No					No	
Slovak Republic		No							
Slovenia	Yes								
Spain									
Sweden	Yes						Yes		
Switzerland	Yes	Yes						No	Yes
Turkey	Yes		Yes						
United Kingdom	Yes	Yes					Yes	Yes	
United States									
Russia									
OECD	23	14	8	4	3	3	6	14	3
Yes, included	20	9	5	4	2	3	5	11	2
No, Not included	3	5	3	0	1	0	1	3	1

Notes:

1. Based on Q.39a "Which of the following are considered contingent liabilities?" and Q.39b "For each of the selected types of contingent liabilities in Q39a, indicate whether they require legislative authorization and whether they are included in the budget documentation."

2. The 2007 data does not include 'Financial initiatives', 'Obligation arising from natural disasters' and 'Financial failure' in the answer choices; for 30 countries.

Table 8.5 OECD countries that issue a consolidated, central government mid-year report (Q6)

Country	Mid-year report	Year-end report
Australia	●	●
Austria	●	●
Belgium	○	●
Canada	●	●
Chile		
Czech Republic	●	●
Denmark	●	●
Estonia	●	●
Finland	○	●
France	●	●
Germany	○	●
Greece	●	●
Hungary	●	●
Iceland		
Ireland	●	●
Israel	○	●
Italy	●	●
Japan	○	○
Korea	○	●
Luxembourg	●	●
Mexico	●	●
Netherlands	●	●
New Zealand	●	●
Norway	●	●
Poland	●	●
Portugal	○	●
Slovak Republic	●	●
Slovenia	●	●
Spain	○	●
Sweden	●	●
Switzerland	●	●
Turkey	●	●
United Kingdom	●	●
United States		
Russia	○	●
OECD		
● Issue a report	23	30
○ No report exists	8	1

Notes:

1. Based on Q.6k. "When does the central/federal government issue a consolidated, central government mid-year report?"
2. Based on Q.6m. "When does the central/federal government issue a consolidated, central government end-of-year report?"

Table 8.6 What are the formal powers of the legislature to amend the budget proposed by the executive?

Country	Amendment power
Australia	○
Austria	●
Belgium	●
Canada	○
Chile	
Czech Republic	◐
Denmark	●
Estonia	◐
Finland	●
France	○
Germany	●
Greece	◑
Hungary	●
Iceland	
Ireland	◑
Israel	◐
Italy	◐
Japan	●
Korea	○
Luxembourg	●
Mexico	●
Netherlands	◐
New Zealand	●
Norway	●
Poland	◐
Portugal	●
Slovak Republic	●
Slovenia	◐
Spain	◐
Sweden	●
Switzerland	●
Turkey	●
United Kingdom	◑
United States	
Russia	○

OECD	
● Unrestricted powers	16
▸ Within executive's aggregates (i.e. no net changes)	8
◀ Cut existing items only	1
☒ Approve or reject	2
○ Other	4

Notes:

Based on Q.64. "What are the formal powers of the Legislature to amend the budget proposed by the Executive?"

1. Australia: By convention, the Legislature approves the annual appropriation bills without amendment. It has unrestricted powers to amend new policies proposed by government, which are outlined in separate appropriation legislation.
2. Canada: The Legislature may ask for certain changes in the budget bill. The Executive may either accept or refuse the proposed changes. A Budget/Estimate vote that does not pass the legislature would be considered a vote of non-confidence, and could result in the dissolution of Parliament and a general election.
3. France: The Parliament can neither diminish the expenditures nor aggravate the balance. It can, however, reduce one part of public revenues by increasing another. It can not in any way increase public expenditure (needs to pledge at the executive).
4. Korea: The legislature can increase expenditure only if the executive consents.
5. Russia: The Legislature may make amendments within the budgetary framework. Total expenditures and surplus/deficit can be changed only after Government approval.

Table 8.7. Is a vote on the budget considered a vote of confidence in the Government?

Country	Confidence vote
Australia	●
Austria	○
Belgium	●
Canada	●
Chile	
Czech Republic	○
Denmark	○
Estonia	●
Finland	●
France	●
Germany	●
Greece	●
Hungary	○
Iceland	
Ireland	●
Israel	..
Italy	●
Japan	○
Korea	○
Luxembourg	○
Mexico	○
Netherlands	●
New Zealand	●
Norway	○
Poland	○
Portugal	○
Slovak Republic	○
Slovenia	○
Spain	○
Sweden	●
Switzerland	○
Turkey	●
United Kingdom	●
United States	
Russia	○
OECD	30
● Yes	15
○ No	15
● Other	0

Notes:

Based on Q.66. "Notwithstanding the formal powers of the Legislature to modify the budget, is a vote on the budget considered a vote of confidence in the Government?"

Table 8.8. Do the provisional procedures if the budget is not approved by the legislature before the start of fiscal year favour the executive or the legislature?

	2007	Number	2012 Country
Favours the executive	6	3	Finland, New Zealand, Poland
Impartial measures	14	18	Austria, Belgium, Czech Republic, Denmark, Estonia, France, Germany, Greece, Israel, Korea, Luxembourg, Netherlands, Portugal, Slovak Republic, Slovenia, Spain, Turkey, United Kingdom
Favours the legislature	3	6	Canada, Ireland, Japan, Mexico, Norway, Switzerland
Other	8	4	Australia, Hungary, Italy, Sweden
None	2	..	

Key: Favours executive captures the following options from the OECD Survey “executives proposal takes effect” and “executive proposal takes effect in the interim period”; Impartial measures captures “Last year’s budget takes effect on an interim basis”; Favours legislature captures “Expenditure without legislature approval are not allowed” and “Interim measures voted by the legislature”; Other captures “Government shuts down, emergency budget applies until (interim) agreement is reached” and None captures “Other”.

Notes:

Based on Q.67. "If the budget is not approved by the Legislature before the start of the fiscal year, which of the following OECD Internet Survey System describes the consequences?".

1. Australia: 75-80 per cent of the Budget has ongoing legislative approval and will continue. The remainder that does not have approval will cease.
2. Hungary: If the Parliament has not adopted the budget by the beginning of the calendar year, the Government shall be authorised to collect the revenues determined in the relevant legislation and, within the framework of the appropriations set out in the budget law for the previous year, and make the expenditures as commensurate.
3. In Italy, government shuts down, emergency budget applies until (interim) agreement is reached.
4. Sweden: the Legislature decides about each appropriation to the extent needed until the budget is approved. If the Legislature hasn't decided about an appropriation then the last budget remains in force.
5. Russia favours impartial procedures.

Table 8.9. Existence of a specialised budget research unit attached to the legislature.

Country	Are there a specialised budget research office/unit attached to the Legislature?	The number of full-time equivalent staff
Australia	●	24
Austria	●	3
Belgium	○	
Canada	●	14
Chile	●	
Czech Republic	○	
Denmark	○	
Estonia	○	
Finland	○	
France	●	40
Germany	○	
Greece	●	7
Hungary	●	3
Iceland	○	
Ireland	○	
Israel	●	30
Italy	●	35
Japan	●	10
Korea	●	125
Luxembourg	○	
Mexico	●	59
Netherlands	●	11
New Zealand	○	
Norway	○	
Poland	●	3
Portugal	●	5
Slovak Republic	○	
Slovenia	○	
Spain	○	
Sweden	●	45
Switzerland	○	
Turkey	○	
United Kingdom	●	14
United States	●	
Russia	○	

OECD		
● = Yes, there is a specialised budget research office/unit	18	26.8
○ = No	16	
2007		
● = Yes, there is a specialised budget research office/unit	14	58.5
○ = No	18	

Key: ● = Yes; ○ = No

Notes:

1. Based on Q.60a. "Is there a specialised budget research office/unit attached to the Legislature to conduct analyses of the budget?" and Q.60b. "Please estimate the number of full-time equivalent staff employed by this office/unit"
2. Since 2007, Australia, Austria, France and Greece have established a legislative budget research office. In addition, Chile and USA previously have reported such offices and are included in the table even if these countries did not respond to the 2012 OECD Budget Survey.
3. The new Parliamentary budget research units in Australia and Austria are planning to have 30 and 8 staff respectively.
4. Finland and Norway have a very limited staff to provide technical assistance on budget matters (respectively 1 and 3 staff).
5. Greece established its Parliamentary budget research unit in June 2011, but is reported to have interrupted its operations because several staff resigned.

Table 8.10 Independent fiscal institutions in OECD countries

Country	Institution name	Established	Annual budget	Is funding commitment multiannual?	Number of secretariat staff	Are any staff seconded from another institution?
Australia	Parliamentary Budget Office (PBO)	2011	AUD 2.4M over four years with additional short-term funding during election period	~	Recruitment of 30-35 staff ongoing	TM
Austria	Government Debt Committee (GDC)	1970	Data not available	TM	3	~
Belgium	High Council of Finance (HCF)	1936	Data not available	TM	14	~
Canada	Parliamentary Budget Officer (PBO)	2008	CAD 2.8M	TM	15	TM
Denmark	Economic Council	1962	DKK 23.5M	TM	30	TM
Ireland	Fiscal Advisory Council	2011	EUR 0.8M (FY 2013)	TM	3	~
Korea	National Assembly Budget Office (NABO)	2003	USD 12.7M	TM	125	TM
Mexico	Centro de Estudios de las Finanzas Públicas (CEFP)	1998	50.9M pesos (FY 2009)	TM	59	TM
Netherlands	Bureau for Economic Policy Analysis	1945	EUR 13.5M	~	117	TM
Portugal	Conselho das Finanças Públicas (CFP)	2011	EUR 2.65M (FY 2013)	TM	Recruitment of 15-20 staff ongoing	~
Slovak Republic	Council for Budget Responsibility (CBR)	2012	EUR 2M (FY 2013)	TM	Recruitment of 15-20 staff ongoing	TM
Slovenia	Fiscal Council	2009	EUR 100,000 (FY 2012)	TM	None	~
Sweden	Fiscal Policy Council (FPC)	2007	SEK 7.55M	TM	5	TM
United Kingdom	Office for Budget Responsibility (OBR)	2010	GBP 1.75M	~	17	TM
United States	Congressional Budget Office (CBO)	1974	USD 45.2M	TM	250	TM
Total countries					15	15
● = Yes					3	5
○ = No					12	10

Note: Data on the annual budget is for FY 2010 unless otherwise specified in the table.

Updates were made for several countries in 2013 and new data is being collected for France, Finland and Italy, and will be collected for any new institutions, but was not complete at the time this publication was being prepared.

Table 8.11 Independent fiscal institutions in OECD countries

Country	Institution name	Reports published	Fiscal council's key reports sent to the legislature	Leadership of fiscal council participates in parliamentary hearings	Parliament plays a role in appointment or dismissal process for leadership of the fiscal council
Australia	Parliamentary Budget Office (PBO)	●	●	●	●
Austria	Government Debt Committee (GDC)	●	●	●	○
Belgium	High Council of Finance (HCF)	●	○	○	○
Canada	Parliamentary Budget Officer (PBO)	●	●	●	○
Denmark	Economic Council	●	●	●	○
Ireland	Fiscal Advisory Council	●	●	●	●
Korea	National Assembly Budget Office (NABO)	●	●	●	●
Mexico	Centro de Estudios de las Finanzas Públicas (CEFP)	●	●	●	●
Netherlands	Bureau for Economic Policy Analysis	●	●	●	○
Portugal	Conselho das Finanças Públicas (CFP)	●	●	●	○
Slovak Republic	Council for Budget Responsibility (CBR)	●	●	●	●
Slovenia	Fiscal Council	●			○
Sweden	Fiscal Policy Council (FPC)	●	●	●	○
United Kingdom	Office for Budget Responsibility (OBR)	●	●	●	●
United States	Congressional Budget Office (CBO)	●	●	●	●
Total countries		15	15	15	15
● = Yes		15	12	13	7
○ = No		0	1	1	8
● = Other		0	1	0	0
Data not available		0	1	1	0

Note: Data on reports sent to the legislature and participation in parliamentary hearings not available for Slovenia, although, according to its Rules of Procedure, the Slovenian Fiscal Council sends the minutes of their meetings to the Parliamentary Committee on Finance and Monetary Policy. In Austria, the Government Debt Committee's report is forwarded to the National Council by the Federal Minister of Finance. While the very new Slovak Republic's Council for Budget Responsibility will almost certainly participate in hearings of the Budget and Finance Committee, they had not yet been asked to do so when the country note was being prepared. It is interesting to note that the CBR has already received a request from a parliamentary caucus to provide an opinion on a legislative proposal. While parliamentary committees in Belgium could invite the High Council on Finance Chairman to testify, in practice this is exceedingly rare.