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## Fiscal Rules at a Glance: Country Details from a New Dataset

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**IMF Working Paper**

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**Abstract**

This paper provides country-specific information on fiscal rules in use in 81 countries from 1985 to end-September 2012. It serves as background material and update of the July 2012 Working Paper “Fiscal Rules in Response to the Crisis—Toward the ‘Next Generation’ Rules: A New Dataset” and is also available in an easy accessible electronic data visualization tool (<http://www.imf.org/external/datamapper/FiscalRules/map/map.htm>). The dataset covers four types of rules: budget balance rules, debt rules, expenditure rules, and revenue rules, applying to the central or general government or the public sector. It also presents details on various characteristics of rules, such as their legal basis, coverage, escape clauses, as well as key supporting features such as independent monitoring bodies.

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### **Acronyms**

BBR	Budget balance rule
CG	Central government
DR	Debt rule
ER	Expenditure rules
EU	European Union
FRL	Fiscal responsibility law
GG	General government
IFI	International Financial Institution
MTBF	Medium-term budgetary framework
MTEF	Medium-term expenditure framework
PAYGO	Pay-as-you-go rule
RG	Regional government
RR	Revenue rule

## I. INTRODUCTION

This paper provides country-specific information on fiscal rules in use in 81 countries from 1985 to end-September 2012.<sup>1</sup> It accompanies and updates the July 2012 Working Paper “Fiscal Rules in Response to the Crisis—Toward the ‘Next Generation’ Rules: A New Dataset” (Schaechter, Kinda, Budina, and Weber) and the electronic data visualization tool.<sup>2</sup> The dataset covers four types of rules: budget balance rules, debt rules, expenditure rules, and revenue rules, applying to the central or general government or the public sector. It also presents country-specific details on various characteristics of rules, such as their legal basis, coverage, escape clauses, and takes stock of key supporting features that are in place, including independent monitoring bodies. The electronic dataset codes this information for easy cross-country comparisons and empirical analysis. It includes additionally information on institutional supporting arrangements, namely multi-year expenditure ceilings and fiscal responsibility laws.

A fiscal rule is a long-lasting constraint on fiscal policy through numerical limits on budgetary aggregates. This implies that boundaries are set for fiscal policy which cannot be frequently changed. That said the demarcation lines of what constitutes a fiscal rule are not always clear. For this dataset and paper, we followed the following principles:

- In addition to covering rules with targets fixed in legislation, we consider also those fiscal arrangements, as fiscal rules for which the targets can be revised, but only on a low-frequency basis (e.g., as part of the electoral cycle) as long as they are binding for a minimum of three years. Thus, medium-term budgetary frameworks or expenditure ceilings that provide multi-year projections but can be changed annually are not considered to be rules.
- We only consider those fiscal rules that set numerical targets on aggregates that capture a large share of public finances and at a minimum cover the central government level. Thus, rules for subnational governments or fiscal sub-aggregates are not included here.
- We focus on *de jure* arrangements and not to what degree rules have been adhered to in practice.

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<sup>1</sup> Rules that were adopted by end-September 2012 but are not yet put in place, for which a clear transition path has not been determined and those for which the operational details have not yet been spelled are included in the descriptive part of the dataset but not in the coding.

<sup>2</sup> The dataset is available here: <http://www.imf.org/external/datamapper/FiscalRules/map/map.htm>

How to interpret the country-specific information? The tables in Section II contain all national rules and a cross-reference to Section III if the country also operates under supranational fiscal rules. The date when a rule took effect is shown in brackets. The most recent rules are shown first. When a characteristic of the rule was changed over time, the year of the change is shown in the respective column. A description of each rule and the time period to which it applied is included in the bottom part of each table. Supranational fiscal rules are described in Section III.

## II. FISCAL RULES: COUNTRY INFORMATION

### Antigua and Barbuda

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

*Supranational rules* (dates in brackets):

Eastern Caribbean Currency Union (1998)

For a description of the rules and the key characteristics see Section III.

### Argentina

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

Budget balance rule (2000)	Statutory	General government	Yes	No	Yes	No
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Expenditure rule (2000)	Statutory	General government	Yes	No	Yes	No
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*National rules* (dates in brackets):

Fiscal rules are set out in the Fiscal Responsibility Law (FRL) adopted in 1999 and then revised in 2001 and 2004 to allow for a longer transition period to established numerical targets. From 2009, the rules and the FRL were de facto suspended.

**BBR (2000-08):** All jurisdictions are required to balance revenue and expenditure, excluding investment in basic social and economic infrastructure and IFI-financed projects.

**ER (2000-08):** Primary expenditure cannot grow more than nominal GDP or at most stay constant in periods of negative nominal GDP growth.

In the case of the provinces, the FRL established a borrowing constraint whereby debt servicing costs could not exceed 15 percent of the current revenues after deduction of revenue-sharing (coparticipación) transfers to municipalities. All administrations were encouraged to create fiscal countercyclical funds.

The Federal Fiscal Responsibility Council was created in 2000 to oversee the application of the law and to monitor implementation of the rules; it was empowered to impose penalties for non-compliance that ranged from public disclosure of any breaches to the partial withholding of budgetary transfers from the Federal government (other than revenue-sharing resources).



## Armenia

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (2008)	Political commitment	Central government	No	No	No	No

**National rules** (dates in brackets):

**DR (since 2008):** The public debt may not exceed 60 percent of GDP in any given year. If the ratio of public debt over the previous year's GDP exceeds 50 percent, the deficit in the following year should be lower than 3 percent of the average GDP of the previous three years.

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## Australia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rules (1985, 2009)	Political Commitment (1985), Statutory (2009)	Central government	Yes (1985); No (2009)	No	No	No
Revenue rules (1985, 1998)	Political Commitment (1985), Statutory (1998)	Central government	Yes (1985); No (1998)	No	No	No
Budget balance rules (1985, 1998)	Political Commitment (1985), Statutory (1998)	Central government	Yes (1985); No (1998)	No	No	No
Debt Rule (1998)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**ER (from 2009):** As part of the deficit exit strategy, the Australian Government committed to return the budget to surplus by restraining real growth in spending to 2 percent a year once the economy recovered to grow above trend. Once the budget returns to surplus, and while the economy is growing at or above trend, the government will maintain expenditure restraint by retaining a 2 percent annual cap on real spending growth, on average, until surpluses are at least 1 percent of GDP.

**BBR, RR, DR (since 1998):** In 1998 the fiscal policy framework was formalized in the Charter of Budget Honesty Act. It provides a framework for the conduct of government fiscal policy by requiring the fiscal strategy to be based on principles of sound fiscal management and by facilitating public scrutiny of fiscal policy and performance. The key elements of the fiscal strategy are to achieve budget surpluses, on average, over the medium term; keep taxation as a share of GDP below the level of 2007-08, on average; and to improve the government's net financial worth over the medium term. The medium-term strategy does not require that the budget remains in surplus every year over the economic cycle.

In its 1985-86 Budget, the Australian Government set out the "trilogy" commitments for the life of the Parliament (three years):

**BBR (1985-88):** Reduce the budget deficit in dollar terms in 1985-86 and as a proportion of GDP over the life of the Parliament.

**ER (1985-88):** Not raise government expenditure as a proportion of GDP in 1985-86 and over the life of the Parliament.

**RR (1985-88):** Not raise tax revenue as a proportion of GDP in 1985-86 and over the life of the Parliament.

## Austria

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (1999)	Statutory	General government	Yes	No 1/	No	No

**National rules** (dates in brackets):

**BBR (since 1999):** Deficit targets for the federal, regional and local governments, contained in an Austrian Stability Pact (ASP) were set up informally in 1996 and formalized in 1999, within a multiyear budgetary setting, which was reformed over the years. Due to the economic crisis, budget goals were revised in March 2011. This was accompanied by strengthening the enforcement mechanism of the ASP, consisting of shifting the focus back to attaining budgetary goals in individual years, enhancing the role of the Court of Auditors and making the launch of the sanctioning procedure automatic.

Four-year expenditure ceilings for the federal government were adopted in 2007 and took effect with the 2009 budget. Expenditure ceilings are divided into fixed (about 80 percent of expenditure) and flexible ones. The latter concern areas which depend on cyclical fluctuations, such as social security allocations. While the ceilings are in principle set for a 4-year rolling horizon, they have so far been binding only for the budget year. Thus, they are considered here as a medium-term expenditure framework rather than a fiscal rule.

**BBR (from 2017):** Parliament passed on December 7, 2011, an amendment to the federal budget law stipulating that, from 2017 onward, the structural deficit at the federal level (including social insurance) shall not exceed 0.35 percent of GDP. The amendment is conceptually similar to the German debt brake rule but has so far not been able to be anchored in the constitution. Operational details are still being prepared in separate laws and regulations, which including a general government structural deficit limit of 0.45 percent of GDP as of 2017 (split into 0.35 percent of GDP for the federal level (including social security) and 0.10 percent of GDP for all states and municipalities). Ex post deviations will be accumulated in compensation accounts and if the (negative) balance in the account exceeds 1.25 percent of GDP for the federal level or 0.367 percent of GDP for states and municipalities, a correction has to be initiated at times when the output gap is negative and narrowing or is positive. In the transition period (2012-16), the ASP determines the fiscal targets in terms of headline rather than structural deficits.

1/ An independent research institute has provided the macroeconomic forecasts so far, but there was no legal obligation of the government to use these projections. As of the federal budget framework for 2014-2017 there is a legal obligation to base the budget and the framework on GDP-estimates of an independent research institute (ref: BHG 2013 (para 2 (5) lit 1) and para 122 (6)).

**Supranational rules** (dates in brackets):

EU (1995) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## Belgium

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (1993)	Coalition agreement	Central government	Yes	Yes	No	No
Revenue rule (1992)	Coalition agreement	Central government	Yes	Yes	No	No

**National rules** (dates in brackets):

**ER (1993-98):** Real growth of primary expenditure of CG ought to be equal or be less than 0 percent.

**RR (1992-99):** Growth of revenues has to be "in line with" GDP growth (though the coalition partners had different interpretations of this wording). Both rules were set in coalition agreements.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## Benin

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.

## Botswana

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2003)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**ER (since 2003):** Ceiling on the expenditure-to-GDP ratio of 40 percent. 30 percent of total expenditure should be directed toward development spending, which includes all capital spending and the recurrent spending for health and education.

## Brazil

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (2000)	Statutory	General government	Yes	No	No	Yes
Expenditure rule (2000)	Statutory	General government	Yes	No	No	Yes

**National rules** (dates in brackets):

A Fiscal Responsibility Law is in place since May 2000. The law sets out a number of numerical fiscal indicators:

**DR, ER (since 2000):** (i) Personnel expenditure is limited to 50 percent of net current revenue for the federal government, and 60 percent for states and municipalities. Within each level of government the law further specifies limits for the executive, legislative, judiciary and other offices, where applicable, (ii) permanent spending mandates cannot be created without permanent revenue increases or spending cuts, (iii) Congress sets debt limits for all levels of government. The government sets numerical multiyear targets for the budget balance (for the current year and indicative targets for the next two years), expenditure and debt. In case of noncompliance, corrective measures need to be taken and can result in sanctions (the Fiscal Crimes Law details penalties for mismanagement, ranging from fines to loss of job). Escape clauses exist for real GDP growth below 1 percent over four quarters, and natural disaster but can only be invoked with Congressional approval. There is also the "golden rule" principle set in the Constitution (new borrowing should be at most equal to public investment).

## Bulgaria

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rules (2006, 2009, 2012)	Statutory (2012), Political commitment (2006-)	General government	No	No	No	No
Expenditure rules (2006, 2012)	Statutory (2012), Political commitment (2006-2009)	General government	No	No	No	No
Debt rule (2003)	Statutory	General government	Yes	No	No	No

**National rules** (dates in brackets):

**BBR (from 2012):** The deficit cannot exceed 2 percent of GDP (also included in the Financial Stability Pact and established through an amendment to the Organic Budget Law, which took effect in January 2012). Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism.

**BBR (2009-11):** Deficit to be contained and brought progressively below 3 percent of GDP.

**BBR (2006-08):** Flexible rule to keep the budget balanced or in surplus.

**ER (from 2012, 2006-09):** Ceiling on the expenditure-to-GDP ratio of 40 percent. From 2006 to 2009 the rule was a political commitment approved by the Council of Ministers within the multiannual financial framework. The rule was discontinued in 2010 and 2011, after its breach in 2009. It was renewed in 2012 and its binding character was strengthened since it is part of the Financial Stability Pact (it is established also with an amendment to the Organic Budget Law, effective since January 2012).

**DR (from 2003):** The State Debt Law has three types of limits: (i) annual additions to the debt stock; (ii) new sovereign guarantees; and (iii) the outstanding debt. The outstanding GG debt cannot exceed the debt level recorded at the end of the previous year if the debt-to-GDP ratio exceeds 60 percent. This rule has not been binding for Bulgaria since the rule was adopted in 2003.

**Supranational rules** (dates in brackets):

EU (2007).

For a description of the rules and the key characteristics see Section III.

### Burkina Faso

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.

### Cameroon

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):

Central African Economic and Monetary Community (2002)

For a description of the rules and the key characteristics see Section III.

## Canada

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (1998)	Political commitment	Central government	No	Yes	Yes	No
Debt rule (1998)	Political commitment	Central government	No	Yes	Yes	No
Expenditure rules (1998)	Political commitment	Central government	No	Yes	Yes	No

**National rules** (dates in brackets):

**BBR, DR, ER (1998-2005):** In 1998, the debt repayment plan set out a "balanced budget or better" policy which, however, was not legislated rules at the federal level. A Contingency Reserve and an economic prudence factor are built into the federal budget and may be devoted to debt reduction if not needed. In 2006, the government abandoned the "balanced budget or better" rule with targets of C\$3 billion debt reduction, coupled with eliminating net general government debt by 2021 and federal debt by 2013/14 (later changed to 2011/12). From 1991-96, the Federal Spending Control Act limited all program spending except self-financing programs. Overspending in one year was permitted if offset in following two years. Compliance with the Act was assessed by Auditor General.



## Cape Verde

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (1998)	Statutory	Central government	No	No	No	No
Debt rule (1998)	Political commitment	Central government	No	No	No	No

**National rules** (dates in brackets):

**BBR (since 1998):** Ceiling on domestic borrowing of 3 percent of GDP.

**DR (since 1998):** Debt ceiling of 60 percent of GDP. Regarding domestic borrowing, the annual budget authorizes the amount for net domestic financing for the year. The government needs to return to parliament and seek another authorization if it wants net domestic financing to exceed the budget authorization amount. However, there is an absolute ceiling of 3 percent of GDP. That amount cannot be exceeded unless the parliament votes to change the underlying budget legislation which would be a more complicated process. This functions as a binding limit which the government watches carefully. The 60 percent debt limit is not binding (public debt is currently above it with no action being taken). There is enough transparency in the public accounts of Cape Verde so that breaches of the domestic borrowing limit would eventually be detected and become an accountability issue.

The government can increase spending above what has been approved in the budget as long as the spending is financed by external concessional resources. This is a prerogative that parliament delegates to the government as part of the budget law.

## Central African Republic

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**Supranational rules** (dates in brackets):

Central African Economic and Monetary Community (2002)

For a description of the rules and the key characteristics see Section III.

## Chad

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):  
 Central African Economic and Monetary Community (2002)  
 For a description of the rules and the key characteristics see Section III.

## Chile

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

Budget balance rule (2001)	Political commitment (2001), Statutory (2006)	Central government	No	Yes	No	No
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**National rules** (dates in brackets):

**BBR (since 2001):** Structural balance with independent body providing key inputs. Under the structural balance rule, government expenditures are budgeted ex ante in line with structural revenues, i.e., revenues that would be achieved if: (i) the economy were operating at full potential; and (ii) the prices of copper and molybdenum were at their long-term levels. The implementation of the rule has changed somewhat since 2009. From 2001-07 a constant target for the structural balance (surplus of 1 percent of GDP) was defined; in 2008 a new constant target was specified (surplus of 0.5 percent of GDP). In 2009, while the target was a zero structural surplus, a de facto escape clause was used to accommodate countercyclical measures. Further, the current administration (2010-14) has specified a target path (to converge to 1 percent of GDP structural deficit by 2014). An independent committee of experts was called on (May 2010) to propose recommendations to improve the fiscal rule; based on this, the government published in October 2011 a second generation structural balance rule (<http://www.dipres.gob.cl/572/article-81713.html>).

## Colombia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2011)	Statutory	Central government	No	No	No	Yes
Expenditure rule (2000)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**BBR (since 2011):** Structural balance rule for CG (approved by Congress in June 2011) sets a path for fiscal consolidation that lowers the structural deficit for the CG to 2.3 percent of GDP in 2014 and sets a ceiling for the deficit of 1 percent effective in 2022. The rule also allows for fiscal expansion when the expected output growth rate is at least 2 p.p. lower than the long-term growth rate (allowing for countercyclical fiscal policy in cases of emergencies and/or large macro shocks); and creates a sovereign wealth fund (SWF) to save windfall revenue from natural resources. Annual targets are framed by a medium-term fiscal framework. There is an escape clause specified in art. 11: "In case of extraordinary events threatening the macroeconomic stability of the country, enforcement of the fiscal rule may be temporarily suspended, subject to the favorable opinion of CONFIS" (an internal fiscal council headed by the Finance Minister).

**ER (since 2000):** on current expenditure growth on CG.

## Congo, Republic of

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
-						

**Supranational rules** (dates in brackets):

Central African Economic and Monetary Community (2002)

For a description of the rules and the key characteristics see Section III.

## Costa Rica

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2001)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**BBR (since 2001):** Costa Rica has at present a type of golden rule according to which borrowing can be used only to finance investment spending. This rule is included in Article 6 of the FML. The use of cash accounting may lead in practice to the application of a modified golden rule in that the financing of gross (rather than net) investment by borrowing is permitted.

## Cote d'Ivoire

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.

## Cyprus

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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A number of reforms are underway. These include the introduction of a medium-term budgetary framework by 2014, which will institutionalize expenditure rules and the introduction of binding fiscal rules through primary legislation. Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (2004) and euro area (2008)

For a description of the rules and the key characteristics see Section III.

## Czech Republic

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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A Medium-Term Expenditure Framework (MTEF), but no fiscal rule is in place. The framework covers two years beyond the budget year. At present, the central government and state funds are covered by the expenditure rule. The government may change the MTEF for the originally second and third years when a state budget bill is introduced. In principle, this is possible only in specifically defined cases, which are enumerated in the Budgetary Rules Act. These include for example significant deviations from the macro-economic forecast, natural disasters, changes in revenue from the EU funds, etc. In practice, frequent changes have been made, so that the framework is not considered a rule.

**Supranational rules** (dates in brackets):

EU (2004)

For a description of the rules and the key characteristics see Section III.

## Denmark

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rules (1994, 2007, 2009)	Political commitment	General government	No	No	No	No
Revenue rule (2001)	Political commitment	General government	No	No	No	Yes
Budget balance rule (1992)	Political commitment (2007); Coalition agreement (1992-2006)	General government	No	No	No	No

**National rules** (dates in brackets):

**ER (since 2009):** Target in Denmark's 2009 Convergence Program is that public consumption as a share of cyclically adjusted GDP should be reduced to 26.5 percent by 2015. There are no targets for the intermediate years.

**ER (2007-2008):** The rule stipulates the target of public consumption as a percentage of cyclically adjusted GDP and real growth in public consumption.

**ER(1994-2006):** Real public consumption growth capped at 0.5 percent per year, 1.0 percent during 2002-05).

**RR (2001-2011):** Direct and indirect taxes cannot be raised. Derogation from the rule is allowed if a tax rate is raised for environmental reasons or to fulfill Denmark's EU obligations and if extra revenue is used to reduce other taxes. In April 2012, the government also put forward a proposal for a budget law that includes multiannual expenditure ceilings covering all levels of government to tighten spending control and to prepare for the effects of demographic aging. The ceilings are to be underpinned by sanctions and be controlled by the Danish Economic Councils.

**BBR (since 1992):** The rule stipulates the target of the structural balance as a percentage of GDP in the medium term. No predefined escape clauses, but the target has been revised several times. The government's so-called 2010 plan from January 2001 included a target surplus towards 2010. The 2015 plan from August 2007 included a surplus range through 2010 and a target of at least balance in 2011 to 2015. The convergence programme for 2009 has a target of at least balance in 2015 and in the convergence programme for 2011, the government targets a structural general deficit of less than 1/2 percent in 2015 and a balanced structural budget by 2020.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its Constitution or in durable legislation, as well as an automatic correction mechanism by 2014. The fiscal compact was ratified in May 2012 and the government has included a structural budget balance rule and correction mechanism in the budget law proposal in April 2012.

**Supranational rules** (dates in brackets):

EU (1992)

For a description of the rules and the key characteristics see Section III.

## Dominica

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):

Eastern Caribbean Currency Union (1998)

For a description of the rules and the key characteristics see Section III.

## Ecuador

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

Expenditure rule (2010)	Statutory	General government	No	No	No	No
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Budget balance rule (2003)	Statutory	Central government	Yes	No	No	No
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Debt rule (2003)	Statutory	General government	Yes	No	No	No
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**National rules** (dates in brackets):

**ER (since 2010):** The rule states that permanent expenditure cannot be higher than permanent revenue though both are unclearly defined. Exceptionally, non-permanent revenue may be used to pay for permanent spending if the government deems necessary. This rule is on a statutory basis and not enforced and not monitored outside the government. It was adopted in 2010 and applied to the 2011 and 2012 budgets.

**BBR (2003-2009):** Annual reduction in the non-oil deficit until a balanced budget is achieved.

**DR (2003-2009):** Reduction to 40 percent of GDP. The rule applies only ex ante. It does not bind outcomes and does not apply for supplements during the course of the year.

The reforms introduced by the 2002 Fiscal Responsibility, Stabilization and Transparency Law set fiscal deficit limits, i.e. annual growth of primary central government expenditure must not exceed 3.5 percent in real terms (excluding capital spending), the fiscal deficit as a percentage of GDP (excluding oil export revenue) must decrease by 0.2 percent each year, and public debt must not exceed 40 percent of GDP. The FRL and BBR and DR rules were superseded by a new 2010 FRL.

## Equatorial Guinea

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):  
 Central African Economic and Monetary Community (2002)  
 For a description of the rules and the key characteristics see Section III.

## Estonia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (1993)	Coalition agreement	General government	Yes	No	No	No

**National rules** (dates in brackets):

**BBR (since 1993):** Balanced budget for GG. A debt rule applies only for local governments (since 1997). The rule recently evolved to take into account the cyclical component: in 2007 and 2008 the authorities switched to targeting nominal surpluses because it became increasingly clear that the requirement for a nominal budget balance was not sufficient to rein in the overheating tendencies in the economy. Currently, given the still negative output gap, the government targets small deficits.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (2004)

For a description of the rules and the key characteristics see Section III.



## Finland

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rules (1995, 2011)	Coalition agreement	Central government	No	No	No	No
Expenditure rule (2003)	Coalition agreement	Central government	No	No	No	No
Budget balance rule (1999)	Coalition agreement	Central government	No	No	No	No

**National rules** (dates in brackets):

**DR (since 2011):** There is a political commitment to achieve a substantial reduction in the CG debt-GDP ratio by the end of the parliamentary term (2015). Moreover, the government is committed to adjust if the CG debt/GDP ratio is not shrinking or if the CG deficit stands above 1 percent of GDP.

**DR (1995-2006):** CG debt must be reduced over the legislative period.

**ER (since 2003):** The rule sets annual limits to government expenditure for the four-year terms of office of the government. Limits are set in real terms for primary non-cyclical expenditure (about 75 percent of total central government spending, about 37 percent of total general government spending).

**BBR (since 1999):** A target (rule) for CG structural balance in place since 1999. However, over 2007-2011, the government targeted structural surplus of 1 percent of potential GDP. Cyclical or other short-term deviations allowed, if they do not jeopardise the reduction of the CG debt ratio. CG deficit must not exceed 2.5 percent of GDP. The government decided in Feb, 2009 that it can temporarily deviate from the CG deficit target if structural reforms are undertaken to improve GG finances (in the medium or longer term). Since 2011, a target (rule) for CG nominal balance (1 percent deficit).

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (1995) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## France

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Revenue rule (2011)	Statutory	Central government and social security	No	No	Yes	No
Revenue rule (2006)	Constitutional	Central government and social security	No	No	Yes	No
Expenditure rule (1998)	Statutory (2011)	Central government and social security	No	No	Yes	No

**National rules** (dates in brackets):

**RR (since 2011):** The Multi-Year Public Finance Planning Act sets binding minimum targets for the net impact of new revenue measures (€11 billion in 2011 and additional €3 billion in 2012, 2013 and 2014).

**RR (since 2006):** Central government and social securities to define ex ante the allocation of higher than expected tax revenues.

**ER (since 1998):** Targeted increase of expenditure in real terms, or targeted increase of expenditure excluding interest payments and pensions in nominal terms. The stricter provision applies.

The draft Organic Law, adopted in September 2012, transposes the "fiscal compact" signed March 1, 2012 and the a structural budget balance rule into French law.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## Gabon

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):  
 Central African Economic and Monetary Community (2002)  
 For a description of the rules and the key characteristics see Section III.

## Germany

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rules (1969, 2011)	Constitutional	Central government	Yes (2011)	No	No	Yes
Expenditure rule (1982)	Political commitment	Central government + regional government	No	No	No	No

**National rules** (dates in brackets):

**BBR (from 2011):** A new structural balance rule was enshrined in the constitution in June 2009. After a transition period, starting in 2011, it will take full effect in 2016 for the Federal government and 2020 for the states. The rule calls for a structural deficit of no more than 0.35 percent of GDP for the Federal government and structurally balanced budgets for the Laender. For the Federal government the adjustment of the structural deficit to 0.35 percent of GDP in broadly equal steps by 2016 has started in 2011; for the Laender a transition had not yet started in earnest in 2011.

**BBR (1969-2010):** Until 2011, a "golden rule" for the CG was in place (since 1969), aimed to limit net borrowing to the level of investment except in times of a "disturbance of the overall economic equilibrium." The Laender had similar requirements in their constitutions.

**ER (since 1982):** Expenditure cannot grow faster, on average, than revenue (until 2008 expenditure growth ceiling of annually 1 percent on average); rule applies to the CG and RG.

**Supranational rules** (dates in brackets):  
 EU (1992) and euro area (1999)  
 For a description of the rules and the key characteristics see Section III.

## Greece

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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A number of institutional reforms are underway, including establishing a medium-term budgetary framework with expenditure ceilings. Under the "fiscal compact", the government commits to adopt a structural budget balance rule (deficit not exceeding 0.5 percent of GDP) and automatic correction mechanism in its constitution or equivalent legislation by 2014.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (2001)

For a description of the rules and the key characteristics see Section III.

## Grenada

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):

Eastern Caribbean Currency Union (1998)

For a description of the rules and the key characteristics see Section III.

## Guinea-Bissau

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.

## Hong Kong SAR

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (1997)	Political Commitment	General government	No	No	No	No

**National rules** (dates in brackets):

**BBR (since 1997):** The budget should always display an operating surplus, i.e. an excess recurrent revenue over recurrent expenditure (a golden rule).

## Hungary

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2010)	Statutory	General government	No	No	Yes (2010)	No
Budget balance rule (2004, 2010)	Statutory	General government	No	No	Yes (2009)	No

**National rules** (dates in brackets):

**ER, BBR (2010-2011):** In November 2008, Hungary adopted a law that foresaw a primary budget balance rule and a real debt rule to take effect in 2012. Transition BBR and ER rules called for a reduction of the budget deficit (in percent of GDP) and limited real expenditure growth in 2010 and 2011. These rules were abandoned with the Economic Stability Law (December 2011), which eliminated the 2008 fiscal responsibility law.

**BBR (2004-2009):** Primary budget surplus balance target.

**DR (from 2016):** The new Constitution, adopted in April 2011 and taking effect in 2012, contains a separate public finance chapter, renewing the entire rules-based set-up by establishing a constitutional debt limit of 50 percent of GDP. Linked to this, a separate provision specifies that until this debt ceiling is achieved the "public debt stock must be reduced". Details of this debt rule were further specified in the above mentioned Economic Stability Law. The implementation of the new constitutional rule - requiring a cut in state debt every year until it falls to below 50 percent of GDP - will only come into effect in 2016 and the debt reduction is temporarily suspended when real GDP contracts.

The Fiscal Council, initially established in 2009, to monitor the implementation of the BBR, was significantly weakened following the 2011 reorganization which reduced its budget and eliminated its dedicated staff.

Under the "fiscal compact", the government commits to adopt a structural budget balance rule (deficit not exceeding 0.5 percent of GDP) and automatic correction mechanism in its constitution or equivalent legislation.

**Supranational rules** (dates in brackets):

EU (2004)

For a description of the rules and the key characteristics see Section III.

## Iceland

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2004)	Political Commitment	Central government	No	No	No	No

**National rules** (dates in brackets):

**ER (2004-2008):** De facto expenditure rule. Real expenditure growth limit of the central government (2 percent for public consumption and 2.5 percent for transfers). In practice, the fiscal rule served as guidepost during the period although in some years these limits were exceeded and were discontinued (after the bank crisis) from 2009 onwards. Under the IMF-supported Stand-By Arrangement, the authorities committed to achieving specific primary balance targets in 2009-11.

## India

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2004)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**BBR (2004-2008):** Current primary balance target defined in the Fiscal Responsibility and Budget Management Act. Originally the target was to reduce the fiscal deficit to 3 percent of GDP by 2008. During the crisis the deadlines were moved further out and eventually the rule was suspended in 2009. In 2011, given the process of ongoing recovery, Economic Advisory Council publicly advised the Government of India to reconsider reinstating the provisions of the FRBMA. The escape clause in the fiscal rule law (FRBMA) allows the government not to comply with the targets in exceptional circumstances "as the central government may specify."

## Indonesia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (2004)	Coalition agreement	General government	No	No	No	No
Budget balance rule (1967)	Coalition agreement	General government	No	No	No	No

**National rules** (dates in brackets):

**DR (since 2004):** Total central and local government debt should not exceed 60 percent of GDP.

**BBR (since 1967):** The consolidated national and local government budget deficit is limited to 3 percent of GDP in any given year.

These rules are set out in the State Finance Law and Government Regulation 23/2003.

## Ireland

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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A Fiscal Advisory Council has been in place since July 2011, and will be put on a statutory basis in the forthcoming Fiscal Responsibility Bill (end-June 2012). The Bill will also codify the core elements of the Fiscal Compact into law, including a commitment by government to observe the 0.5 percent of GDP structural deficit ceiling, and the debt reduction rule (i.e. that debt in excess of 60 percent will be reduced by 1/20th every year). Multi-annual expenditure ceilings are already in place on an operational basis, but will be formally provided for in additional legislation expected by year-end.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.



## Israel

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2005)	Statutory	Central government	No	No	No	No
Budget balance rule (1992)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**ER (since 2005):** The Deficit Reduction Law (DRL), adopted in 1991, was amended in 2004 to also include a provision for limiting real growth of the central government fiscal expenditure (1.7 percent from 2007). For the biannual budget adopted July 2009, the rules were relaxed to allow a real growth of expenditure of 3 percent for 2009. The Deficit Reduction and Budgetary Expenditure Limitation Laws (2010) make spending growth a function of public debt—rising, as the gap falls between actual debt and the objective of reducing it to 60 percent of GDP; and rising with trend GDP—measured as a 10 year moving average—and with projected inflation. This formula caps real spending growth in 2011 at 2.6 percent.

**BBR (since 1992):** The DRL sets ceilings for the central government fiscal deficits for the near term. The budget deficit ceilings were set in 2006 at 2, 1.5, and 1 percent of GDP for 2007-09 and relaxed in the biannual budget adopted in July 2009 to allow a budget deficit of 6 and 5.5 percent of GDP for 2009 and 2010. The Deficit Reduction and Budgetary Expenditure Limitation Laws (2010) set a path to 2014 (1 percent of GDP deficit). In July 2012, the government revised the deficit targets as follows: 3 percent (2013), 2.75 percent (2014), 2.5 percent (2015), 2 percent (2016), and 1.5 percent (2019).

The DRL specifies that the more restrictive of the expenditure and deficit rules applies when there is a divergence between the two.

## Italy

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**BBR (from 2014):** A constitutional amendment was approved in April 2012 that introduces the principle of a balanced budget in structural terms with details and implementation principles to be specified in secondary legislation by end-February 2013, in line also with requirements under the "fiscal compact." The same constitutional amendment calls for the establishment of an independent parliamentary body for the monitoring of the fiscal developments and the compliance with the fiscal rule.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## Jamaica

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2010)	Statutory	Central government + public bodies	Yes	No	No	Yes
Debt rule (2010)	Statutory	Central government + public bodies	Yes	No	No	Yes

**National rules** (dates in brackets):

Jamaica's fiscal responsibility framework approved in March 2010 includes two rules:

**BBR (since 2010):** to reduce the fiscal balance to nil by the end of the financial year ending on March 31, 2016.

**DR (since 2010):** to reduce the total debt to one hundred percent or less of the gross domestic product by the end of the financial year ending on March 31, 2016.

The framework also includes a target to reduce the ratio of wages paid by the government as a proportion of the gross domestic product to nine percent or less by the end of the financial year ending on March 31, 2016. This is not considered as an expenditure rule in the database since it covers only a sub-aggregate of expenditure. The framework envisages beyond the end of the financial year ending on March 31, 2016, to maintain or improve on the targets specified above. The targets specified above may be exceeded on the grounds of national security, national emergency, or such other exceptional grounds, as the Minister may specify in an order subject to affirmative resolution.

## Japan

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rules (2006, 2010)	Political commitment	Central government	No	No	No	No
Balance budget rule (1947, 1998)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**ER (since 2011):** The Fiscal Management Strategy in effect since 22 June 2010, introduced a Medium-term Fiscal Framework, including an "Overall Expenditure Limit" (the amount of the General Account Expenditure, excluding debt repayment and interest payment, should not exceed that of the previous fiscal year). Reconstruction-related expenditures shall be managed separately from other expenditures, accompanied with their financial resources (cutting other expenditures, non-tax revenues including sales of government's assets, and tax revenues by special taxes for reconstruction).

**ER (2006-2008):** In 2006, the government set numerical targets (cabinet decision) by spending category (e.g., public investment, social security etc). The 2006 targets were intended to be valid through FY2011 and indeed were valid for FY2007 and FY2008 budgets. But the targets were abandoned for FY2009 due to the crisis.

**BBR (1998):** The Fiscal Structure Reform Act was adopted in 1997 and scrapped in the following year. The act specified the need to reduce overall GG deficit (excl. SSF) to no more than 3 percent of GDP and that JGB are not issued for current spending.

**BBR (since 1947):** Since 1947, the Public Finance Law (Article 4) included a golden rule under which current expenditure shall not exceed domestic revenues. Since 1975, except the period of 1990-1993, the government requested a waiver of this rule.

**PAYGO (since 2011):** The Fiscal Management Strategy introduced in 2010 (with effect of 2011) a pay-as-you go rule, which implies that any measure that involves increases in expenditure or decreases in revenue need to be compensated by permanent reductions in expenditures or permanent revenue-raising measures. Since pay-as-you-go rules do not set numerical limits on large budgetary aggregates, they are typically considered procedural rules and thus not included in the dataset.

## Kenya

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (1997)	Political commitment	Central government	No	No	No	No
Revenue Rule (1997)	Political commitment	Central government	No	No	No	No

**National rules** (dates in brackets):

**DR (since 1997):** Policy goals for debt ratios. However, these have proved to be non-binding and subject to change. Currently, the debt-to-GDP ratio in NPV terms to be below 40 percent and/or total nominal debt to be below 45 percent of GDP (a goal of their medium term debt-management strategy). Moreover, the government overdraft at the central bank is limited to 5 percent of previous year revenue.

**RR (since 1997):** Maintaining revenue at 21-22 percent of GDP.

## Kosovo

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (2010)	Statutory	General government	No	No	No	No
Expenditure Rule (2006)	Political commitment	General government	No	No	No	No

**National rules** (dates in brackets):

**DR (since 2010):** A debt limit of 40 percent of GDP exists since the adoption of the Law on Public Debt in 2010 but it does not provide operational guidance since the debt ratio is far below that ratio.

**ER (2006-2008):** Ceiling on current expenditure growth of 0.5 percent per year in real terms. Initially, it was applied to overall spending; later it was modified to apply current spending, but the rule was not adhered to. From 2009 the rule was formally in force only for municipalities.

## Latvia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its Constitution or in durable legislation, as well as an automatic correction mechanism.

**Supranational rules** (dates in brackets):

EU (2004)

For a description of the rules and the key characteristics see Section III.

## Lithuania

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

Expenditure rule (2008)	Statutory	General government	Yes	No	No	No
Revenue rule (2008)	Statutory	General government	Yes	No	No	No
Debt rule (1997)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**ER (since 2008):** If the GG budgets recorded a deficit on average over the past 5 years, the annual growth of the budget appropriations may not exceed 0.5 percent of the average growth rate of the budget revenue of those 5 years.

**RR (since 2008):** The GG deficit of the budget shall be reduced by excess revenue of the current year.

**DR (since 1997):** Limits set on CG net borrowing.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its Constitution or in durable legislation, as well as an automatic correction mechanism.

**Supranational rules** (dates in brackets):

EU (2004)

For a description of the rules and the key characteristics see Section III.

## Luxembourg

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (1990, 2004)	Coalition agreement	Central government (1990), General government (2004)	No	Yes	No	No
Expenditure rules (1990)	Coalition agreement	Central government	No	Yes	No	No

**National rules** (dates in brackets):

**DR (since 2004):** GG debt is to be kept at a level substantially below limits foreseen in the SGP.

**DR (1990-2003):** The CG should maintain public debt at a low level. New public debt can be issued to finance rail infrastructure projects (a hybrid between a debt rule and a golden rule).

**ER (since 1990):** In the course of the legislative period (per coalition agreement), public expenditure growth is maintained at a rate compatible with the medium-term economic growth prospects which is quantified. Since 2010, the target is to bring expenditure growth back to the medium-term growth prospects once the countercyclical response to the crisis has been phased out.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## Mali

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
-						

**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.

## Malta

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (2004) and euro area (2008)

For a description of the rules and the key characteristics see Section III.

## Mauritius

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

Debt rule (2008)	Statutory	General government	Yes	No	No	Yes
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**National rules** (dates in brackets):

**DR (since 2008):** Fiscal rule defined in the 2008 Public Debt Management Act (PDMA). The PDMA puts a legally mandated ceiling of 60 percent on the debt-to-GDP ratio. The ceiling was expected to be 50 percent of GDP starting in 2013, but the authorities recently changed the date to 2018.

## Mexico

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2006)	Statutory	Central government	Yes	No	No	Yes

**National rules** (dates in brackets):

**BBR (since 2006):** Balanced budget on a cash basis. It applies to the federal public sector which includes the central government, social security, and key public enterprises (e.g., the oil company PEMEX and the electricity company CFE). It includes a reference price for oil that is set by a formula and also a system of oil funds. Starting with the 2009 fiscal year, the definition was changed to exclude the investment outlays of the state-owned oil company Pemex. This change reflects general reforms aimed at boosting investment in oil projects and the inclusion of all Pemex's investment projects as budgetary investment. The escape clause was used in 2010, 2011 and 2012. The 2006 Law includes sanctions for noncompliance. The escape clause establishes that if non-oil revenues are below their potential due to a negative output gap, there can be a deficit equivalent to the shortfall.

## Namibia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2010)	Coalition agreement	Central government	No	No	No	No
Debt rule (2001)	Coalition agreement	Central government	No	No	No	No

**National rules** (dates in brackets):

**ER (since 2010):** Public expenditure levels below 30 percent of GDP.

**DR (since 2001):** Public debt-to-GDP ratio of 25–30 percent annually.



## Netherlands

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (1994)	Coalition agreement	General government	Yes	Yes	No	No
Revenue rule (1994)	Coalition agreement	General government	Yes	Yes	No	No

**National rules** (dates in brackets):

**ER (since 1994):** Real expenditure ceilings are fixed for total expenditure (covering CG, health care and social security; covers about 90 percent of GG expenditure) and sectoral expenditure for each year of government's four-year office term. Coverage of expenditure was changed in recent years: from 2007-10 interest payments were excluded; since 2009, expenditure is defined in net terms, i.e. gross expenditure minus non-tax revenues, from 2009-10 expenditure excluded unemployment and social assistance benefits. If overruns are forecast, the Minister of Finance proposes corrective action.

**RR (since 1994):** At the beginning of the electoral period, the coalition agrees on the desired development of the tax base and tax rates. The multi-year path then depends entirely on economic developments. Any additional tax relief needs to be compensated through a tax increases and vice versa. Since 2011 (based on the Sept. 2010 Coalition Agreement) a few changes took effect: (i) a signaling margin for the GG deficit of 1 percent of GDP deviation from the planned deficit path was adopted, triggering additional consolidation measures, (ii) the coverage was changed as described above, (iii) a windfall formula for revenue was adopted, requiring to use 50 percent to reduce debt (applies only when the MTO has been achieved and the actual GG balance shows a multi-annual surplus) and the rest to reduce the burden from taxes and social security contributions. The Central Planning Bureau provides the independent macroeconomic assumptions.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## New Zealand

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (1994)	Statutory	General government	No	No	No	No
Debt rule (1994)	Statutory	General government	No	No	No	No

**National rules** (dates in brackets):

The Fiscal Responsibility Act (FRA) sets out the principles for responsible fiscal management. The FRA also includes principle rules for the budget and debt. The FRA requires governments to sets out specific fiscal targets for 3-year and 10-year objectives, typically in percent of GDP.

**BBR (since 1994):** The government needs to run operating surpluses annually until "prudent" debt levels are achieved. Once these are achieved on average total operating balances should not exceed total operating revenues.

**DR (since 1994):** Reduce debt to prudent levels and, once this is achieved, maintain prudent debt levels on average over a reasonable period. Moreover, achieve and maintain levels of total net worth that provide a buffer that may impact adversely on total net worth in the future. In case of deviations from the principles, the government needs to specify the reasons.

**ER (planned):** On April 26, 2012, the Minister of Finance announced that the government would introduce to parliament a proposal to amend the Public Finance Act and limit spending to growth at the rate of inflation and population.

## Niger

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.

## Nigeria

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2007)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**BBR (since 2007):** Annual overall deficit ceiling of 3 percent of GDP.

## Norway

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2001)	Political commitment	Central government	No	No	No	No

**National rules** (dates in brackets):

**BBR (since 2001):** Non-oil structural deficit of the central government should equal the long-run real return of the Government Pension Fund - Global (GPF) assumed to be 4 percent. The fiscal guidelines, which also govern the GPF, allow temporary deviations from the rule over the business cycle and in the event of extraordinary changes in the value of the GPF.

## Pakistan

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2005)	Statutory	Central government	No	No	No	Yes
Debt rule (2005)	Statutory	Central government	No	No	No	Yes

**National rules** (dates in brackets):

The Fiscal Responsibility Law adopted in 2005 sets out the principles of sound management of public finances. Numerical targets were laid out for the budget balance and debt but in practice fiscal policy has not been guided by these targets.

**BBR (since 2005):** Balanced (current) budget by 2008 and surplus thereafter.

**DR (since 2005):** Debt-to-GDP ratio to be reduced to 60 percent by 2013, by reducing public debt by no less than 2.5 percent of GDP per year.

## Panama

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rules (2002, 2009, 2012)	Statutory	General government	No	No	No	Yes
Debt rules (2002, 2009)	Statutory	General government	No	No	No	Yes

**National rules** (dates in brackets):

**BBR (from 2012):** The revised Fiscal Social Responsibility Law (June 2012) and the Savings Fund of Panama Law (2012) introduce the concept of an "adjusted balance" of the non-financial public sector (NFPS) for which a statutory limit is set. The adjusted balance of the NFPS is defined as the NFPS balance minus the annual deposits into the newly created Savings Fund of Panama (FAP). Starting in 2015, yearly contributions of the Panama Canal Authority to the budget in excess of 3.5 percent of GDP are to be transferred into the FAP. Should deposits fall short of the 3.5 percent but are higher than 3 percent of GDP, the government can borrow the difference. From 2012-14, the rule fiscal applies to the non-adjusted balance since the FAP accumulates funds only from 2015. The new budget deficit limits are 2.9 percent of GDP for 2012, 2.8 percent for 2013, 2.7 percent for 2014, 2.0 percent for 2015, 1.5 percent for 2016, 1.0 percent for 2017, and 0.5 percent from 2018 onwards. New escape clauses have been introduced (state of emergency and economic slowdown).

**BBR (mid-2009 to mid-2012; DR (since mid-2009):** The new FRL sets fiscal rules that limit the deficit of the nonfinancial public sector (excluding Panama Canal Authority) at 1 percent of GDP and target public debt of 40 percent of GDP by 2015. The following escape clauses were included (i) natural disaster (ii) national state of emergency, (iii) economic recession. The deficit target was adjusted in June 2009 to a deficit ceiling of 2-2.5 percent of GDP, with the gradual transition period extended to 4 years. Under the new rules, the NFPS ceiling is relaxed if U.S. GDP grows by 1 percent or less for two consecutive quarters and the monthly index of economic activity in Panama grows at 5 percent or less on average over a six-month period. At the same time, the target date to reduce public debt-to-GDP ratio below 40 percent of GDP is moved from 2014 to 2017.

**BBR, DR (since 2002):** adopted as part of the Fiscal Responsibility Law (FRL). Nonfinancial public sector deficit ceiling of 1 percent of GDP (excluding Panama Canal Authority), but waiver in case of real GDP growth of less than 1 percent. In that case, adjustment of the deficit ceiling to 3 percent of GDP in the first year and then gradual transition to the original ceiling within a 3 year period. Debt-to-GDP target of 40 percent by 2014. The rule was suspended from September 2004-05. The Law was replaced with a new Social and Fiscal Responsibility Law adopted in June 2008, becoming effective January 2009 and modified in June 2009 to deal with the economic crisis.

## Peru

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2000)	Statutory	Central government	Yes	No	No	Yes
Expenditure rule (2000)	Statutory	Central government	No	No	No	Yes

**National rules** (dates in brackets):

**BBR (since 2000):** Deficit ceiling for the non-financial public sector. The ceiling was set at 2.0 percent of GDP for 2000 and 2003, 1.5 percent of GDP for 2001 and 2004, and 1.0 percent in 2002 and since 2005.

**ER (since 2000):** Real growth current expenditure ceiling of 2 percent (2000-02), 3 percent (2003-08) and 4 percent since 2009.

The application of any of the fiscal rules may be suspended for up to three years when (a) real GDP is declining, with the ceiling on the deficit being raised up to 2.5 percent of GDP, with a minimum annual reduction of 0.5 percent of GDP until the 1 percent deficit ceiling is reached; and (b) in other emergencies declared by the Congress at the request of the Executive. The Executive must specify in its request the ceilings to be applied during the period of exception for the deficit and expenditure rules, with the minimum annual reduction of 0.5 percent of GDP on the deficit applying also in this case.

## Poland

<b>Type of National Rules</b> (Start date in brackets)	<b>Key Characteristics</b> (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2011)	Statutory	Central government	No	No	No	No
Budget balance rule (2006)	Political commitment	Central government	No	No	No	No
Debt rule(1999)	Constitutional	General government	Yes	No	No	No

**National rules** (dates in brackets):

**ER (since 2011):** Overall increase in CG discretionary spending and all newly enacted spending cannot exceed 1 pps in real terms (based on CPI inflation) (defined in the Public Finance Act as a temporary rule, but envisaged to be replaced by a permanent rule once the excessive deficit procedure has been abrogated).

**BBR (2006-07):** 4-year nominal anchor of 30 billion PLN deficit for the CG budget. The Public Finance Act (PFA) requires local governments to have balanced current budget starting from 2011.

**DR (since 1999):** Debt ceiling for GG of 60 percent of GDP, established in Constitution and Public Finance Act. The latter includes triggers for corrective actions when the debt ratio reaches thresholds of 50, 55, and 60 percent of GDP.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism.

**Supranational rules** (dates in brackets):

EU (2004)

For a description of the rules and the key characteristics see Section III.

## Portugal

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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The new budgetary framework law (May 2011) approved a fiscal rule establishing that the general government structural balance cannot be less than the medium-term objective in the Stability and Growth Pact. It also includes requirements for a correction of the multiannual plan whenever deviations from the target occur. The rule will come into effect in 2015. Since 2002 a balanced budget rule is in place for all services with financial and administrative autonomy which, however cover only about 13 percent of general government finances. An independent Fiscal Council was established at end-2011. Among its responsibilities will be assessing whether the fiscal rule (when it is implemented) is being complied with.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## Romania

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

Expenditure rule (2010)	Statutory	General government	Yes	No	Yes	Yes
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**National rules** (dates in brackets):

**ER (since 2010):** Total GG expenditure growth should not exceed projected nominal GDP for next three years until budget balance is in surplus. Moreover, personnel expenditure limits are binding for two years as set out in MTBF. A Fiscal Council was established in mid-2010 which was one of the main objectives of the FRL. It issues opinions and recommendations on official macroeconomic and budgetary forecasts, the annual budget laws and assesses the compliance of the medium-term fiscal strategy with the principles and rules specified in the FRL.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism.

**Supranational rules** (dates in brackets):

EU (2007)

For a description of the rules and the key characteristics see Section III.



## Russia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2007)	Statutory	General government	Yes	No	No	No

**National rules** (dates in brackets):

**BBR (2007-08):** Russia's legal fiscal framework relies on the non-oil balance as a key fiscal indicator. The budget includes a long-term non-oil deficit target of 4.7 percent of GDP. This was suspended in April 2009 as a result of the global financial crisis through end-2014.

## Senegal

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.

## Serbia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2011)	Statutory	General government	No	No	Yes	No
Debt rule(2011)	Statutory	General government	No	No	Yes	No

**National rules** (dates in brackets):

In October 2010, Serbia introduced fiscal responsibility law provisions in the Budget System Law from 2009. These include numerical fiscal rules and the adoption of a fiscal council to scrutinize the government's fiscal assumptions, policy, and performance. The fiscal rules comprise:

**BBR (since 2011):** The maximum fiscal deficit-to-GDP ratio in year  $t$  is calculated as  $d(t)=d(t-1) - 0.3 [d(t-1)-d^*] - 0.4[g(t) - g^*]$  where  $d^*$  is the medium-term deficit which is set a 1 percent of GDP,  $g$  is the real GDP growth rate, and  $g^*$  is the medium-term GDP growth (set a 4 percent). Thus, the rule corrects for past deficit deviations and allows a partial operation of automatic fiscal stabilizers.

**DR (since 2011):** General government debt, excluding the liabilities arising from the restitution cannot exceed 45 percent of GDP. The decision for a Fiscal Council was adopted by parliament in March 2011. Its tasks are to assess the credibility of the fiscal policy in terms of compliance with established fiscal rules and to provide the publicity and responsibility in fiscal policy implementation.

## Slovak Republic

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (2012)	Statutory	General government	Yes	No	No	Yes

**National rules** (dates in brackets):

**DR (since 2012):** In December 2011, a constitutional bill was adopted, taking effect March 1, 2012, which caps public debt at 60 percent of GDP (Eurostat debt concept). The bill also calls for setting up a Fiscal Council to monitor and evaluate fiscal performance. Automatic sanction mechanisms take effect when debt-to-GDP ratio reaches 50 percent. The Minister of Finance would be obliged to clarify the increase to parliament and suggest measures to reverse the growth. At 53 percent of GDP, the cabinet shall pass a package of measures to trim the debt and freeze its wages. At 55 percent, expenditures would be cut automatically by 3 percent and next year's budgetary expenditures would be frozen, except for co-financing of EU funds. At 57 percent of GDP, the cabinet shall submit a balanced budget. Should the debt climb to 60 percent of GDP, the cabinet will face a confidence vote in parliament. The law also includes numerically defined escape clauses for a major recession, banking system bailout, natural disaster, and international guarantee schemes. After 2017, the debt limit will be lowered to 50 percent of GDP, while the debt brakes will start to operate when the debt to GDP ratio approaches 40 percent of GDP.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism by 2014.

**Supranational rules** (dates in brackets):

EU (2004) and euro area (2009)

For a description of the rules and the key characteristics see Section III.

## Slovenia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Debt rule (2000)	Coalition agreement	General government	No	Yes	No	No

**National rules** (dates in brackets):

**DR (2000-2004):** The debt-to-GDP ratio of GG and non-financial public entities (classified outside GG) cannot exceed 40 percent of GDP.

In 2011, a new expenditure framework was introduced for the general government (in cash terms). It lays down expenditure ceilings, on a rolling basis, by limiting expenditure growth to potential GDP growth (both in nominal terms) and restraining it further as long as the primary deficit and the general government debt (as percent of GDP) exceed their target values. The parameters determining the degree of this further restraint are revisable. The ceilings are fixed for the first two years (t-1 and t) and indicative for the following two years (t+1 and t+2). They are set by the end of April of year t-1 in the budgetary memorandum. For the dataset, these ceilings are not included as a rule since they are binding for less than three years, the threshold stated in the paper to be considered an expenditure rule.

**Supranational rules** (dates in brackets):

EU (2004) and euro area (2007)

For a description of the rules and the key characteristics see Section III.

## Spain

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2011)	Statutory	Central government and local governments	No	No	No	No
Budget balance rules (2003, 2006)	Statutory	General government	No	No	No	Yes

**National rules** (dates in brackets):

The Balanced Budget Constitutional Amendment (September 2011) and the new Organic Budget Law introduced new structural deficit, debt, and expenditure rules.

**ER (since 2011):** Nominal expenditure growth for central and local governments shall not exceed Spain's nominal medium-term GDP growth. Interest and non-discretionary expenditure on unemployment benefits are excluded.

**BBR (from 2020):** Structural deficits for CG and RG cannot exceed limits set by EU; balanced budgets for LG; rules come in force from 2020 (constitutional amendment from Sept. 2011).

**BBR (2006-11):** The budgetary objectives account for economic cycle with the gov. determining a lower and an upper threshold of real GDP growth. In "normal" conditions (GDP growth between the lower and upper limit), balanced budget. In weak economic times (currently below 2 percent GDP growth), the overall deficit must not exceed 1 percent of GDP (2 percent in 2007-09). In strong economic times (GDP growth above 3 percent), the budget should be in surplus. In addition, a deficit of up to 0.5 percent of GDP is allowed to finance public investment under certain conditions. Exceptional budget deficits must be justified (e.g., natural disasters, exceptional slowdown, etc.) and accompanied by a medium-term financial plan in order to correct this situation within the next 3 fiscal years. In the case of the central government this plan must be submitted to parliament. In the case of Autonomous Communities, the plan must be submitted to the CPFF. The "exceptional circumstances" and "special conditions" clauses were activated in 2008 and the provision to presenting plans to correct within 3 years were put on hold without a specific time frame.

**BBR (2003-05):** In "normal" economic conditions, balanced budget, embedded in a MT fiscal framework (3 years, but not binding) consistent with the EU Stability Program.

**DR (from 2020):** Not higher than 60 percent of GDP, taking effect from 2020 (constitutional amendment from Sept. 2011).

**Supranational rules** (dates in brackets):

EU (1992) and euro area (1999)

For a description of the rules and the key characteristics see Section III.

## Sri Lanka

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2003)	Statutory	Central government	No	No	No	No
Debt rule (2003)	Statutory	Central government	No	No	No	No

**National rules** (dates in brackets):

**BBR (since 2003):** Deficit targets over a multiyear horizon.

**DR (since 2003):** Falling debt ceilings over a multiyear horizon.

Fiscal Management (Responsibility) Act adopted in early 2003, with the aim to containing the overall budget deficit to 5 percent and debt to 85 percent by the end of 2006. The target could not be achieved and target dates were first modified in 2005, and repeatedly postponed thereafter.

## St. Kitts and Nevis

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**Supranational rules** (dates in brackets):

Eastern Caribbean Currency Union (1998)

For a description of the rules and the key characteristics see Section III.

## St. Lucia

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**Supranational rules** (dates in brackets):

Eastern Caribbean Currency Union (1998)

For a description of the rules and the key characteristics see Section III.

## St. Vincent and the Grenadines

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses

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**Supranational rules** (dates in brackets):  
 Eastern Caribbean Currency Union (1998)  
 For a description of the rules and the key characteristics see Section III.

## Sweden

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2000)	Statutory (2010)	General government	No	No	Yes (2007)	No
Expenditure rule (1997)	Statutory (2010)	Central government and social security	No	No	Yes (2007)	No

**National rules** (dates in brackets):

**BBR (since 2000):** A surplus target for the GG over the cycle. From 2000-07, the surplus target was 2 percent of GDP. Since 2007, it is 1 percent of GDP. The fulfillment is measured by several indicators without a clear weighting scheme (they include the average GG balance since the adoption of the target, a seven-year moving average, and the annual structural balance).

**ER (since 1997):** Nominal expenditure ceiling for CG and pension system set for a three-year period with the outer year added annually. Ceilings cannot be adjusted except for technical issues. A budgetary margin is used as a buffer. Interest expenditure is excluded from the ceiling. The independent Fiscal Policy Council was created in 2007.

Under the "fiscal compact" signed March 1, 2012, the government commits to adopt a structural budget balance rule in its constitution or in durable legislation, as well as an automatic correction mechanism.

**Supranational rules** (dates in brackets):  
 EU (1995)  
 For a description of the rules and the key characteristics see Section III.

## Switzerland

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rule (2003)	Constitutional	Central government	Yes	No	No	Yes

**National rules** (dates in brackets):

**BBR (since 2003):** The structural budget has to be balanced. Operationally this implies that one-year-ahead ex ante central government expenditure need to equal predicted revenues, adjusted by a factor reflecting the cyclical position of the economy. Any deviations of actual spending from the ex post spending ceiling, independent of their cause, are accumulated in a notional "compensation account." If the negative balance in that account exceeds 6 percent of expenditure (about 0.6 percent of GDP) the authorities are required by law to take measures sufficient to reduce the balance below this level within three years. Effective 2010, the rule was enhanced to tackle also deficits that may arise from "extraordinary expenditure and revenue" not covered under the structural balance rule. Deficits accumulate in an "amortization account" and need to be eliminated over the next six years by running structural budget surpluses (via reducing expenditure). The negative balance in the amortization account only needs to be reduced once the compensation account is balanced or in surplus. Escape clause: Government can approve by supermajority a budget deviating from the rule in "exceptional circumstances."

## Togo

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
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**Supranational rules** (dates in brackets):

West African Economic and Monetary Union (2000)

For a description of the rules and the key characteristics see Section III.



## United Kingdom

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rules (1997, 2009, 2010)	Statutory	Public sector	No	Yes (2010)	Yes (2010)	No
Debt rule (1997, 2009, 2010)	Statutory	Public sector	No	Yes (2010)	Yes (2010)	No

**National rules** (dates in brackets):

**BBR (since May 2010):** Achieve cyclically adjusted current balance by the end of the rolling, five-year forecast period (currently by FY2016/17).

**BBR (2009-2010):** Require a year-on-year reduction in public sector net borrowing to FY2015/16, so that public sector net borrowing as a percentage of GDP is more than halved over the four years to FY2013/14 (from FY2009/10).

**BBR (1997-2008):** Golden rule over the cycle: GG borrowing only allowed for investment, not to fund current spending. Performance against the rule is measured by the average surplus on the current budget in percent of GDP over the economic cycle.

**DR (since 2010):** Achieve a falling public sector net debt-to-GDP ratio by FY 2015/16.

**DR (2009-2010):** Ensure that public sector net debt as a percentage of GDP is falling in FY2015-16.

**DR (from 1997-2008):** Sustainable investment rule: public sector net debt in percent of GDP should be held at a stable and prudent level over the cycle. Other things equal, net debt will be maintained below 40 percent of GDP over the cycle.

There is a FRL to support these rules. From Nov 2008-Dec. 2009, the government departed temporarily from the fiscal rules and adopted a temporary operating rule: "to set policies to improve the cyclically adjusted current budget each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full." The Office for Budget Responsibility, which was established in 2010, provides economic and fiscal forecasts for the budget and examines and report on the sustainability of public finances.

**Supranational rules** (dates in brackets):

EU (1992)

For a description of the rules and the key characteristics see Section III.

## United States

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rules (1990, 2011)	Statutory	Central government	Yes	No	Yes	No
Budget balance rule(1986)	Statutory	Central government	Yes	No	Yes	No

**National rules** (dates in brackets):

**ER (from 2011):** In August 2011, Congress enacted discretionary spending caps, saving about \$900 billion over the next decade. If Congress does not take legislative action, additional automatic spending cuts (the so-called sequester) are scheduled to take effect from January 2013 to produce savings of US\$1.2 trillion over a decade with one-half coming from defense spending and the other half from domestic programs, excluding Social Security, Medicaid, parts of Medicare, and certain other entitlement programs.

**ER (1990-2002):** Annual appropriations limit adopted under the Budget Enforcement Act (BEA) of 1990 for discretionary spending (allowed to lapse in at the end of FY 2002). The rule was not adhered to from 1998 onwards under the large budget surpluses.

**BBR (1986-90):** The Gramm-Rudmann-Hollings (GRH) bill, passed in late 1985, specified a series of annual deficits targets with a balanced budget to be achieved in 1991. The balanced budget target was moved up in 1987 to 1993. If legislated policy was projected to miss the deficit target an automatic "sequestration" process (i.e., an enforcement process) would ensue (the latter process was modified in 1987 after the first version of the GRH was found unconstitutional by the Supreme Court).

**PAYGO (1990-2002):** The PAYGO rule was adopted under the BEA and allowed to lapse at the end of FY 2002. The rule applied to newly legislated entitlement spending or tax changes, i.e. a new proposal must be budget neutral. **PAYGO (from 2010):** The Statutory Pay-As-You-Go Act of 2010 stipulates that deficit-raising policies must be financed by other measures over a specified time period. However, a number of programs were exempt (e.g., legislation with an "emergency" designation, Social Security, and the Bush tax cuts for the middle class). Pay-as-you-go rules were used to ensure compliance of additional measures with budget neutrality. Since they do not set numerical limits on large budgetary aggregates, they are typically considered procedural rules and thus not included in the coding of this dataset.

### III. SUPRANTIONAL FISCAL RULES: KEY CHARACTERISTICS

#### Central African Economic and Monetary Community

*Member States:* Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon

Type of Supranational Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Coverage	Monitoring of Compliance Outside Government	Formal Enforcement Procedure	Well-Specified Escape Clauses	BB target in cyclically- adjusted/ structural terms or over the cycle	Rule(s) exclude public investment or other priority items from ceiling
Budget balance rules (2002, 2008)	Central government	Yes	Yes	No	No	Yes
Debt rule (2002)	Central government	Yes	No	No	---	Yes

**Supranational rules** (dates in brackets):

**BBR (from 2008):** In 2008 the CEMAC Commission introduced two supplementary criteria: (i) the basic structural fiscal balance in percent of nominal GDP should be in balance or surplus—this concept is derived from the main criterion by replacing actual oil revenue with its three-year moving average; and (ii) the non-oil basic fiscal balance in percent of non-oil GDP should be in balance or in surplus.

**BBR (since 2002):** The basic fiscal balance, defined as total revenue net of grants minus total expenditure net of foreign-financed capital spending, should be in balance or surplus.

**DR (since 2002):** The stock of external plus domestic public debt should be kept below 70 percent of GDP.

### Eastern Caribbean Currency Union

*Member states:* Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and Grenadines

Type of Supranational Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Coverage	Monitoring of Compliance Outside Government	Formal Enforcement Procedure	Well-Specified Escape Clauses	BB target in cyclically- adjusted/ structural terms or over the cycle	Rule(s) exclude public investment or other priority items from ceiling
Budget balance rule (1998)	General government	Yes	No	No	No	No
Debt rule (1998)	General government	Yes	No	No	---	No

**Supranational rules** (dates in brackets):

**DR (from 1998):** The member countries aim at reducing public debt to 60 percent of GDP by 2020.

**BBR (1998-2005):** Overall deficit target of 3 percent of GDP.

## European Union

*Member States:* Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

Type of Supranational Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Coverage	Monitoring of Compliance Outside Government	Formal Enforcement Procedure	Well-Specified Escape Clauses	BB target in cyclically-adjusted/ structural terms or over the cycle	Rule(s) exclude public investment or other priority items from ceiling
Budget balance rule (1993,	General government	Yes	Yes	Yes (2005)	Yes 1/	No
Debt rule (1993)	General government	Yes	Yes (2012)	Yes (2005)	--	No

**Supranational rules** (dates in brackets):

**BBR (from 1992):** The Maastricht criteria include a limit of 3 percent of GDP for the fiscal deficit. If the deficit exceeds that limit an excessive deficit procedure is normally opened ("corrective arm"). With the 2005 reform of the Stability and Growth Pact (SGP), an excessive deficit procedure (EDP) may not be opened when two conditions are simultaneously met: (i) the deficit exceeds only temporarily and exceptionally 3 percent of GDP, and (ii) if the deficit is close to the 3 percent deficit threshold. The 2011 governance reform added further flexibility for countries with a debt-to-GDP ratio below 60 percent. The ECOFIN Council sets a timeframe with the annual fiscal effort to be at least 0.5 percent of GDP in structural terms. Deadlines for the correction of the excessive deficit can be extended by the ECOFIN council in case of adverse economic developments. Insufficient progress can lead to closer surveillance and sanctions (0.2 percent of GDP non-interest-bearing deposit at the launch of the EDP) and fines (0.2 to 0.5 percent of GDP in case of no effective action) for euro area members. A qualified majority of the Council is needed to open an excessive deficit procedure; a reversed qualified majority is needed to impose sanctions. In addition to the ceiling for the headline deficit, medium-term budgetary objectives (MTO) are set for the structural budget balance ("preventive arm"). Until 2005, MTOs were defined as a budgetary position "close to balance or in surplus." As part of the 2005 reform of the SGP, country-specific MTOs were introduced with MTOs not to be less than 1 percent of GDP deficit (in structural terms). When euro area members have not reached their MTO, they should make annual efforts of at least 0.5 percent of GDP to reach them. No enforcement procedures related to MTOs were in place in the past, but with the 2011 governance reform, lack of action to correct a significant deviation from the MTO can lead to the imposition on an interest bearing deposit (0.2 percent of GDP) for euro area member states.

**DR (from 1992):** The Maastricht criteria include a limit of 60 percent of GDP for general government debt. With the November 2011 governance reform, a required annual pace of debt reduction was introduced (based on a benchmark of 1/20th of the distance between the actual debt ratio and the 60 percent threshold on average over three years), starting three years after a country has left the current excessive deficit procedure (EDP). If progress is insufficient during the transition period, an excessive deficit procedure can be opened, with sanctions and fines (for euro area members). Opening an excessive deficit procedure requires a qualified majority of the ECOFIN council.

**ER (from 2012):** With the November 2011 governance reform, the annual growth of primary expenditure—excluding unemployment benefits and subtracting revenue discretionary increases—should not exceed long-term nominal GDP growth. This benchmark applies only when a country is not in excessive deficit procedure and is thus part of assessing adequate progress toward the MTO (i.e., structural budget balance target). No excessive deficit procedure can be opened when the rule is violated but sanctions can be applied to euro area members (0.2 percent of GDP interest-bearing deposit).

For more details on the rules and enforcement procedures, see [http://ec.europa.eu/economy\\_finance/economic\\_governance/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/index_en.htm).

1/ The 3 percent deficit criterion is in headline terms. The medium-term budgetary objectives (MTO) are defined in structural terms.

## West African Economic and Monetary Union

*Member States:* Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Senegal, Togo

Type of Supranational Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Coverage	Monitoring of Compliance Outside Government	Formal Enforcement Procedure	Well-Specified Escape Clauses	BB target in cyclically- adjusted/ structural terms or over the cycle	Rule(s) exclude public investment or other priority items from ceiling
Budget balance rule (2000)	Central government	Yes	Yes	Yes	No	Yes
Debt rule (2000)	Central government	Yes	Yes	Yes	No	No

**Supranational rules** (dates in brackets):

**BBR (since 2000):** The overall fiscal balance (excluding foreign-financed capital expenditures) should be balanced or in surplus.

**DR (since 2000):** Public debt should not exceed 70 percent of GDP.