



MINISTRY OF FINANCE

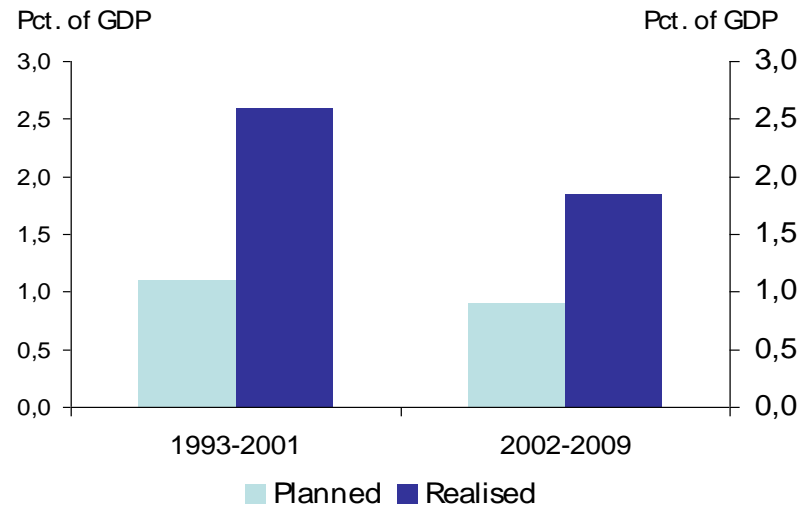
SBO Luxembourg, 6-7 June

Proposal for Expenditure Ceilings in Denmark



Challenges

Real growth in public consumption



Political ownership of targets in MTEF

- Targets not formally decided by political system

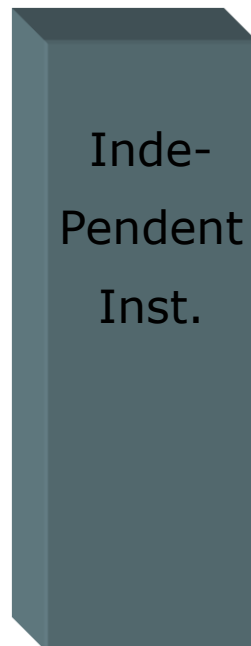
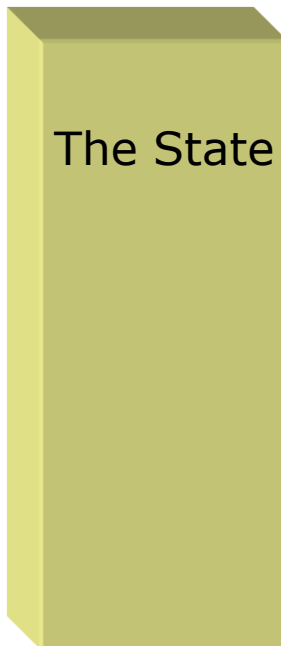
Expenditure creep from budget to final accounts

- Local gov'ts overrun spending agreement with central gov't

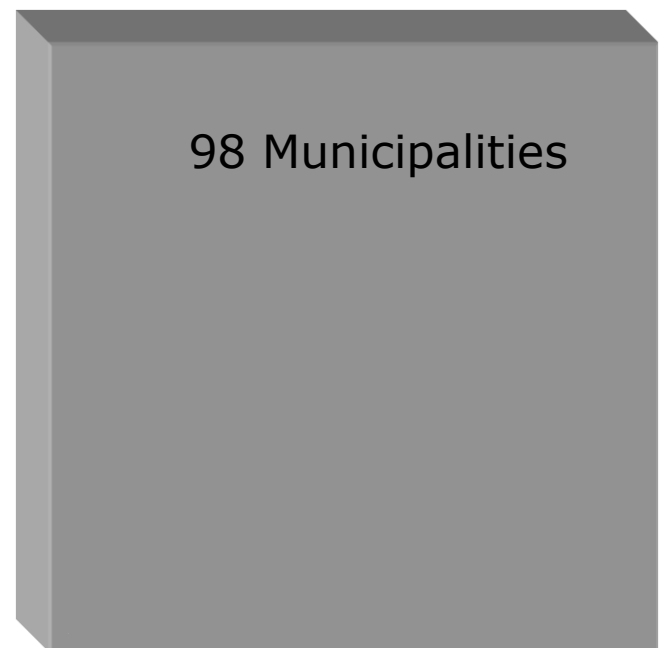


Public Sector in DK

Central Government



Local Governments





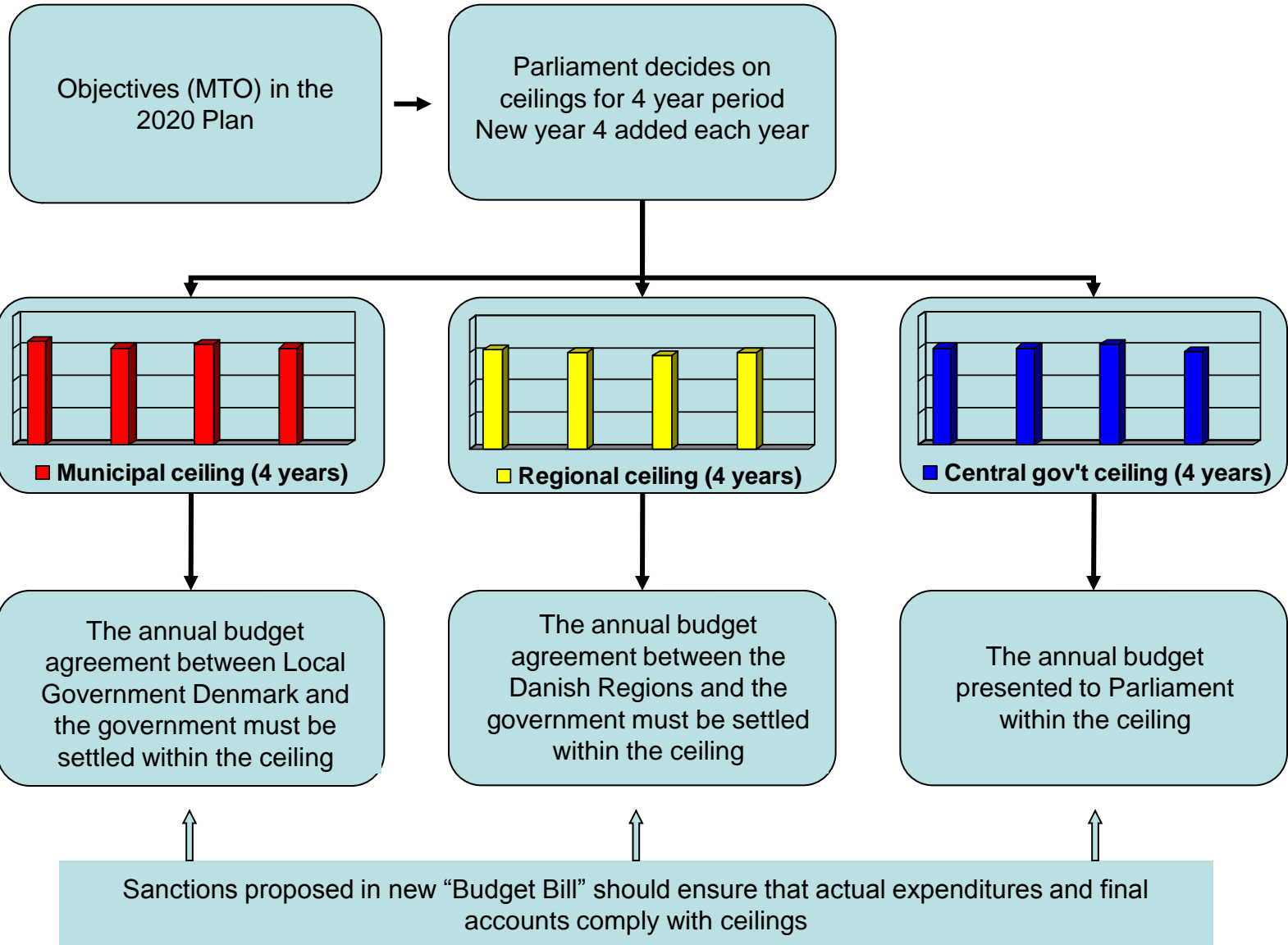
MTEF in Denmark

Existing medium term expenditure framework:

- Government plan entailing objectives on an usually 8-year horizon
- Updated 3-4 years before end-date
- This year: 2015-plan turns into 2020-plan

Objectives (2015/2020-plans):

- structural balance for public finances in 2015/2020 (MTO according to Stability and Growth Pact)
- Long-term fiscal sustainability (indicator at least zero)
- Expenditures policy: Real growth in public consumption
 - 2015-plan: 1 pct. per year
 - 2020-plan: 0,8 pct. per year in 2014-2020





New “Budget Bill”: Ceilings

Definition of ceilings:

- excludes cyclical expenditures, debt interest and infrastructure
- excludes general grants etc.

Process for deciding ceilings:

- government proposal each Spring for new 4th year ceilings
- debate in Parliament on public expenditures and a fiscal policy
- Parliamentary decision on ceilings for year 4
- Ceilings included in Government’s budget proposal



New “Budget Bill”: Changes to Ceilings

Technical or policy adjustments to ceilings:

- price adjustments etc.
- reallocations between ceilings for local/central gov.

Changes to expenditures outside ceilings “counted” under ceilings:

- Tax expenditures
- Policy changes to unemployment benefits etc.



New “Budget Bill”: Sanctions

Local Governments:

- General grants reduced to offset budget overruns (100%/0%)
- Next years general grants reduced to offset overruns on final accounts (40 %/60%)

Central Government:

- Government has 30 days to counter projected overruns
- If not: Mandatory across-the-board cuts to offset overruns
- Overruns on final accounts: Mandatory across the board cuts of appropriations and ceiling for subsequent year



New “Budget Bill”: Other Elements

Better in-year control

Ban on net supplementary appropriations

Earmarked buffer within ceiling for entitlements overruns

Greater role for independent “Economic Council”