Centrifugal federalism under European economic governance: Implementing ESA standards in Belgium

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1) Introduction

- In order to join the EMU, the Maastricht Treaty required governments to limit their deficit and debt to respectively 3% and 60% of GDP.

- Issue raised? **Datas’ credibility and comparability:** « Would a 3 percent deficit in Belgium be equivalent to one in Italy or France? »

- Answer? European System of national and regional Accounts (ESA) as a **common methodological framework**

- Eurostat has to **closely monitor** the implementation of this national accounting standard.
2) Research question and hypotheses

- **Research question**: how does Belgium comply with ESA standards?

- Even if a uniform application across and within member states could (naïvely) be expected with regard to the legal status of the abovementioned instruments, policy implementation literature shows that gaps can occur between “law in the books” and “law in action”

- **Competing hypotheses**:
  - As a supposed “champion of European integration”, Belgium could be expected to properly implement European national accounting standards
  - Domestic factors (such as Belgium’s institutional architecture) could prevent the comprehensive implementation of this European standard
3) National accounting in Belgium

Belgium (S.13)
3) National accounting in Belgium: problems faced

- For a long time, both monitoring agencies were understaffed

- Consequence? **Weak enforcement capacity** and case-by-case (rather than comprehensive) analysis:

- Development of **by-passing strategies** to keep public investment expenditures off-balance, mainly at state and local level (responsible for nearly 90% of total public investment in Belgium)
4) The evolution of Eurostat’s monitoring prerogatives

- 1st Greek crisis (2004): no major change

- Revision of the SGP (2005):
  - Regular **dialogue visits**: identification of risks or potential problems about the quality of the reported data
  - Methodological visits, in case of **substantial** risks or potential problems

- 2nd Greek crisis (2009) as a **turning point** ➔ Dramatic increase of Eurostat’s monitoring capacity and prerogatives ("from supervisor to auditor")
  - **Increased resources** (staffing as well as budget)
  - **Auditing power** during methodological visits
  - **Possible fines** against states that misrepresent deficit and debt data
5) Impact on national accounting in Belgium
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- Central government (S.1311)
- State governments (S.1312)
- Local governments (S.1313)
- Social Security Funds (S.1314)

Impact on national accounting in Belgium (S.13)
Conclusion

- Even in the case of European primary law and regulations, compliance is not a natural result but an iterative process involving a network of actors. Regulators need resources to enforce rules.

- In the case of Belgium, domestic factors (and particularly the combination of the NAI’s lack of resources and the institutional architecture’s complexity) long prevented a comprehensive implementation of ESA standards.

- In 2014, Eurostat clearly took control over the making of Belgium’s national accounts. Outward sign of Europeanization.
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