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Europeanization and the influence of the European Union's economic and fiscal policy reforms on national budgetary processes

KATI KEEL

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Euroopastumine ning Euroopa Liidu majandus- ja fiskaalpoliitika reformide mõju riikide eelarveprotsessidele

KATI KEEL

KIRJASTUS

Contents

List of Publications

The list of author's publications, on the basis of which the thesis has been prepared:

I **Keel, K**. (2021). The impact of EU´s macroeconomic and fiscal surveillance measures on the budgeting process of Estonia. Halduskultuur: The Estonian Journal of Administrative Culture and Digital Governance 21(2), 22-42 (**ETIS 1.1**)

II Raudla, R.; **Keel, K**.; Pajussaar, M. (2018). The Creation of the Fiscal Council in Estonia: Exploring the Explanations for Its Institutional Design. Public Budgeting & Finance, 38 (2), 61−80 (**ETIS 1.1**)

III Raudla, R.; Bur, S.; **Keel, K**. (2019). The Effects of Crises and European-Level Fiscal Governance Reforms on the Budgetary Processes of Member States. JCMS Journal of Common Market Studies, 58 (3), 740−756 (**ETIS 1.1**)

Author’s Contribution to the Publications

Contribution to the papers in this thesis are:

I The author of this dissertation is the sole author of the article.

II The author was involved in conducting the empirical research.

III Author contributed to the development of the framework regarding the EU level reforms and Europeanization literature.

Abbreviations

EU	European Union
SGP	Stability and Growth Pact
CSR	Country-specific recommendation
ECOFIN	Economic and Financial Affairs Council
EFB	European Fiscal Board
EMU	Economic and Monetary Union
MIP	Macroeconomic imbalance procedure
MoF	Ministry of Finance
MTBF	Medium-term budgetary framework
MTEF	Medium-term expenditure framework
OECD	Organisation of Economic Co-operation and Development
TFEU	Treaty on the Functioning of the European Union
TSCG	Treaty on Stability, Coordination and Governance

Introduction

Fiscal discipline in the European Monetary Union (EMU) has been in the heart of the European Union's (EU) economic and fiscal policies and has historically been seen as a core ability of the member states to maintain sustainable public finances and address macroeconomic imbalances (Barbier-Gauchard et al, 2021). Likewise, over time there has been a growing belief in the idea that strict fiscal rules limiting the discretion of political actors can ensure fiscal discipline (Doray-Demers and Foucault, 2017). This line of thinking was incorporated into the Maastricht Treaty already in 1992 and has gradually been enforced through the Stability and Growth Pact (SGP) and its successive reforms. The SGP is the EU's main tool for safeguarding low budgetary deficits as well as sustainable sovereign debts in the member states and has evolved considerably over time. Yet, similarly with various policy fields that enjoy shared competences between the EU and national levels, its application is far more complex. On one hand, reforms of the SGP have tried to push for better enforcement and, on the other hand, sought to make the framework more sensitive to diverse economic contexts (Van der Veer, 2021). Moreover, the credibility of the EU's framework has been questioned on numerous occasions and the subsequent reforms of the SGP have created diverse views. For example, it has been argued that the reforms in 2005 initially weakened the EU's enforcement powers, whilst subsequent changes starting from 2011 have been seen as significantly strengthening the centralized control of the European Commission (Ibid). Whilst the intention of the EU's fiscal rules is to discipline national governments and policy actors, they should not be seen in isolation, as national governments have gradually also adopted their own fiscal rules (Barbier-Gauchard et al, 2021).

After the global financial crisis in 2008-2010, the European Union stepped up its efforts to cope with the aftermath of the crisis by addressing the sovereign debt problems and by enhancing the promotion of fiscal discipline in the member states. As a direct consequence, starting from 2011 the governance framework of the European Union's economic and fiscal policy went through several changes. The Stability and Growth Pact – the core of the EU's fiscal governance framework – was reinforced by the Six-Pack[1], the Two-Pack[2], the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, and the rules were firmly grounded into the European Semester process. The core policy elements of the reforms undertaken at time included: more emphasis on medium-term budgetary planning and more transparent budgetary processes, reinforcing budgetary and fiscal surveillance and coordination for the Eurozone countries, broadened scope of economic surveillance to include macroeconomic imbalances, strengthening the corrective arm of the SGP, creating independent monitoring of compliance with fiscal rules at the national level, multilateral assessment of the member states' budgetary plans that follows a common timeline (European Commission, 2020) and, for those member states who are contracting parties of the

[1] Six-pack stands for the package of five regulations and one directive aiming at strengthening the economic and fiscal governance in the EU and the euro area: Regulation 1175/2011 amending Regulation 1466/97; Regulation 1177/2011 amending Regulation 1467/97; Regulation 1173/2011; Directive 2011/85/EU; Regulation 1176/2011 and Regulation 1174/2011.

[2] Two-pack stands for two regulations: Regulation 473/2013 and Regulation 472/2013.

Fiscal Compact[3], a requirement to lay down balanced budget rules in their domestic legislation.

Although it has been more than 10 years since the latest major changes were made to the EU's legislative framework, research into the institutional consequences of these reforms is still emerging (e.g. see Catania, 2011; Quaglia, 2013; Popescu, 2015; Ioannou et al, 2015; Calmfors, 2015; Barnes et al, 2016; Claeys et al, 2016; Eyraud et al, 2017; Raudla et al, 2018; Raudla and Douglas, 2020; Haas et al, 2020; Verdun and Zeitlin, 2018; Karremans, 2021; Horvath, 2018; Crespy, 2020; Van der Veer, 2021). On one hand, there are studies that criticise the enforcement of the SGP (e.g. Schmidt, 2020) or the lack of democratic legitimacy of the framework (Bremer and Bürgisser, 2022; Csehi and Schulz, 2021), whilst other studies (e.g. Genschel and Jachtenfuchs, 2018 in Van der Veer, 2021) argue that it interferes and centralises control over the "core state powers". In terms of budgetary processes, the existing literature rather focuses on the role of national parliaments (Steinbach, 2019; Majone, 2014; Jancic, 2016; Verdun and Zeitlin, 2018; Hallerberg et al, 2018; Csehi and Schulz, 2021) or on the specific core elements of the SGP reforms (Eyraud and Wu, 2015; Raudla et al, 2018; Raudla and Douglas, 2021; Raudla and Douglas, 2022). The European Semester and its ability to trigger policy change in the member states has also received considerable attention in the academic literature (e.g. Darvas and Leandro, 2015; Mariotto and Franchino, 2020; Efstathiou and Wolff, 2019; Mariotto, 2022; Bokhorst, 2021; Verdun and Zeitlin, 2018). However, there is a lack of qualitative studies in the Europeanization literature about the effects of the latest EU's economic and fiscal governance reforms on the budgetary processes of the member states. Europeanization literature has mostly focussed on other policy fields – e.g. monetary, cohesion, environmental, social, and transport policy. Regarding fiscal policy, the Europeanization literature has looked at fiscal governance and the development of fiscal institutions in East Central Europe before and after EU accession (Halleberg and Yläoutinen, 2010) or focused more specifically on the Eurozone (e.g. LeMay-Boucher and Rommerskirchen, 2015) or fiscal consolidation (Kickert and Randma-Liiv, 2015).

Given the current times of fiscal uncertainty as well as ongoing discussions and negotiations on revising and improving the Stability and Growth Pact rules once again, it is of utmost importance to understand the impacts these past reforms have had on the member states in the first place. The purpose of this thesis is to build on the existing knowledge on Europeanization in order to explain and better understand the empirical implications different fiscal and economic policy measures of the EU have had on the member state's budgetary processes. Since several studies (e.g. Combes et al, 2017; Barbier-Gauchard et al, 2021) have indicated that the impact of fiscal rules may vary in different environments, the thesis aims to attain the set objectives through in-depth case studies, focusing on a limited number of member states. As the EU level reforms, together with the financial crisis, have been seen as influential phenomena in shaping national fiscal policies, understanding their effects is vital to draw conclusions for future actions (Pataccini et al, 2019).

To guide the discussions of this thesis, Europeanization is used as an underpinning theoretical concept. Since the mid-1990s, a growing number of studies have analysed whether, how and under what conditions the EU influences its member states – starting

[3] Out of the 27 Contracting Parties to the Treaty on Stability, Coordination and Governance, 22 are formally bound by the Fiscal Compact. 19 Euro area Member States plus Bulgaria, Denmark and Romania, who chose to opt in; Communication from the European Commission COM(2017) 1200 – The Fiscal Compact: Taking Stock.

from affecting domestic policies and institutions to reshaping beliefs, identities, norms and collective understandings (Börzel and Risse, 2007; Pollac, 2010) (for an overview see **I**). In light of these questions, Europeanization has quickly become one of the central concepts in the EU studies (Börzel and Panke, 2013). The EU´s influence on various national policies is probably one of the most studied fields in the Europeanization literature (Featherstone, 2003; Graziano and Vink, 2013). On the one hand, there are signs that domestic institutions have managed to stay resistant to the pressures of Europeanization (Anderson, 2002; Schmidt, 2006). On the other hand, it has been argued that, in one way or another, member states still react to the demands of the EU (Kassim, 2003) but the institutional adjustment can differ considerably from one country to another (Featherstone and Radaelli, 2003; Graziano and Vink, 2007). Moreover, interactions between the EU and the domestic institutions vary (Wallace, 2010), depending on the policy field and policy instrument used (Bache, George and Bulmer, 2011). Due to the increasing role played by the EU in economic and fiscal policy-making, understanding and explaining the developments in fiscal governance, whether in a single country or the EU as a whole, has become increasingly important both in empirical as well as in theoretical terms. As budgeting is one of the fundamental processes in the public sector and widely considered a core state competence, this could also bring in an interesting and more nuanced view for the Europeanization literature. Hence, the thesis looks specifically at the interactions between existing institutional arrangements in budgetary decision-making and external pressures coming from the EU. For this purpose, the thesis takes a top-down approach in its understanding of Europeanization (Börzel and Panke, 2013; Sanders and Bellucci, 2012).

The main research question addressed in the thesis is: **How have the EU level reforms in economic and fiscal governance from 2011-2013 influenced budgetary processes[4] in the member states and how to explain the outcomes**. More specifically, the following research questions are addressed:

- How has the creation of national fiscal councils, the introduction of the structural budget deficit rule, the requirement to adopt medium term expenditure frameworks and the revamped European Semester shaped budgetary processes in the member states?
- Which institutionalist traditions highlighted in the Europeanization literature have, based on conducted case studies, an explanatory power to unveil the impact of the EU's economic and fiscal policy on the member states´ budgetary processes?

The main body of argument is developed in three original articles that focus on selected measures of the EU's economic and fiscal governance framework, namely the structural budget deficit rule, creation of national Fiscal Councils, requirement to adopt medium term expenditure frameworks and the European Semester (including peer evaluation, annual evaluation of the draft national state budgets and multilateral surveillance).

The first article (**I**) addresses Estonia as an in-depth single case study and brings all the different EU fiscal policy framework elements together under one umbrella. The goal

[4] The thesis identifies budgetary process as the rules that govern the preparation, adoption and implementation of the budget (Hallerberg et al., 2009)

is to identify possible interactions and mutual influences between various EU level measures. In terms of Europeanization, the article develops a general theoretical framework to analyse these various measures and their possible domestic impacts on the budgetary process of Estonia. Similar theoretical assumptions are also present in the following papers. **The second article** (**II**) continues the approach of a single in-depth case study by examining more closely the creation of the Fiscal Council in Estonia. The paper focuses on the creation and institutional design of the Fiscal Council and offers a more nuanced view on the actors' motives in creating an institution due to pressures from the EU level. **The third article** (**III**) presents a comparative case study focusing on Finland, Austria and Portugal in order to explore how the experience of the crisis and the fiscal governance reforms at the EU level have influenced budgetary processes in those member states. The paper ties together Europeanization, fiscal governance and public crisis management literature. As the experiences of the crises provided the general setting into which the EU level reforms were inserted, the three approaches and their potential effects were examined together.

The introduction of the thesis is structured as follows. After the introduction and the methodology, chapter 2 provides an overview of the history and policy context of the EU's economic and fiscal governance framework. Drawing on different streams of institutionalist research, it discusses how and through which mechanisms Europeanization can trigger domestic change in the national budgetary processes. Chapter 3 addresses additional context specific factors that influenced the budgetary processes but were not sufficiently covered by previous discussion. Chapter 4 gives conclusive remarks and avenues for further research.

1 Methodology

To answer the research questions, the thesis is built up as a comparative synthesis of empirical findings from the articles and the case studies. The articles were based on in-depth empirical case studies, all touching upon various elements of the EU's fiscal governance framework. Qualitative research design was chosen since case studies allow us to investigate research questions more in-depth, hence allowing to understand the impacts on a national level together with context dependent knowledge (Yin, 2009; Yin, 2012). Moreover, as establishing causality in Europeanization research – e.g. to what extent different changes at a national level are genuinely triggered by EU-level policies – remains a challenge (Radaelli and Exadaktylos, 2009), adopting a case study approach can help to overcome this bias. However, the shortcoming of case studies is that they do not allow statistical generalization, as there is a risk of not having a representative amount of cases included (Gerring, 2004). Even though wider theoretical generalizations from case studies are possible (Yin, 2012), they need to take into account different situational circumstances and have to be approached with caution.

The selection of cases was based on the following reasoning. The selected countries cover different administrative traditions. Furthermore, all selected countries are rather similar in their size and can be considered to be small EU member states (Lehtonen, 2009). The size of a state is a relevant factor since it has been argued that small states can be more dependent on European integration than the large ones (Wivel, 2010). Hence, choosing small countries allows us to assume that the EU influence on these member states could be more extensive than in the large ones.

The sources of data for all the case studies in the thesis were document analysis (draft laws and explanatory memorandums, country specific policy documents, staff working documents, reports and analysis published by the European Commission during the European Semester process) and semi-structured interviews conducted with public officials. For the three articles, altogether 50 interviews were conducted in 2014–2018. These consist of 18 interviews with public officials from Estonia (from the MoF, the Bank of Estonia, and the Parliament); 8 interviews with Finnish officials (from the Finance Ministry, Parliament and the Prime Minister's Office); 10 interviews conducted with officials, former officials and country experts from Portugal (from the Finance Ministry, Parliament, Fiscal Council); and 14 interviews done in Austria (former or current officials from the Finance Ministry, line ministry, Fiscal Council, Parliament, Prime Minister's Office, country expert).

Estonia serves as a central case study in the thesis, being in focus in two different papers. For the first paper (**I**) that develops the general framework on Europeanization, Estonia can be seen as having favourable conditions for Europeanization to occur. Estonia provides an interesting case in terms of budgetary processes and fiscal policies since Estonia has long been praised as the role model for fiscal conservatism (Raudla and Kattel, 2011). This has been driven by the fundamental belief among Estonian policy-makers that balanced budgets (and low debt) help to ensure macroeconomic stability (Ibid). Yet, until 2014 and before the implementation of the Fiscal Compact, Estonia did not have a fiscal rule stipulating budget balance or a deficit target in their domestic legislation (Raudla et al, 2018). Moreover, the budgetary process in Estonia has been characterized as containing a very small number of veto points and being highly centralized, with the minister of finance having historically extensive agenda-setting and negotiating powers (Raudla, 2010). Hence, we could assume these three aspects would interplay and trigger additional reforms in budgetary processes. Furthermore, research on the implementation of the European Semester suggests that Estonia might have a better implementation record of country-specific recommendations than other member states (Haas et al, 2020). Therefore, in light of the research questions, the Estonian case can help to understand what could be the overall potential impacts of the EU's fiscal governance measures on budgetary processes and what the drivers behind these impacts are. For the second paper (**II**), Estonia also provides an interesting case study as the paper looks at the creation of the national Fiscal Council in a situation where policy actors did not see a need for an institution, did not want it, but still had to create it.

The final paper (**III**) brings all the aforementioned aspects together into a comparative study of Austria, Portugal and Finland. The selection of cases for the comparative case study was based on the following considerations. All three countries are small eurozone countries, which enhances comparability. At the same time, they all experienced different degrees of crisis, therefore offering views on different economic contexts: Portugal went through a deep fiscal crisis, which necessitated the involvement of the Troika, while Austria experienced a moderate fiscal squeeze and Finland an even milder one (**III**).

2 Europeanization and budgetary decision-making

“*For a quarter of a century, the Stability and Growth Pact has provided a shared basis for EU fiscal policies and an essential underpinning for the Economic and Monetary Union. Yet the Pact's shortcomings have also been all too evident, whether one looks at the development of public debt in the EU, at investment levels or our economic growth performance over the past two decades. Moreover, the challenges we face today are a world away from those of the 1990s. Public debt has surged and so have our investment needs, be it for the green and digital transitions, security and defence or the resilience of our industrial supply chains.*”
Paolo Gentiloni, Commissioner for Economy, April 2023

This quote comes from Paolo Gentiloni, the Commissioner responsible for economic affairs. One of his distinct responsibilities as the Commissioner is to apply the Stability and Growth Pact by using the flexibility allowed by the rules to support investment while also safeguarding fiscal responsibility. The European Commission initially launched a review of the EU’s economic and fiscal governance framework in February 2020. However, the review was put on hold due to the COVID-19 pandemic and relaunched again in 2021. New legislative proposal by were published in April 2023. As during the past three years Europe has faced multiple crises that have also strained public finances, the context of how the EU fiscal rules operate has changed significantly. The quote by Commissioner Gentiloni certainly sets the tone for the assessment of the EU’s economic and fiscal policy rules in the future, which are currently being negotiated and at one point will be agreed upon by the member states. Both the EU and the member states are still facing times of great fiscal and economic uncertainty while trying to develop new paths to reform the EU’s economic, fiscal and budgetary rules. In order to better understand the institutional as well as policy impacts the current EU’s economic and fiscal policy reforms have had on member states and their budgetary processes, it is important to map out how the EU’s economic and fiscal rulebook has been developed over time through several successive reforms.

2.1 Policy context of the EU’s economic and fiscal governance reforms – past and present

Already in 1992, the Maastricht Treaty laid the grounds of the single currency area by fostering fiscal discipline[5]. The developed framework for economic governance at that time involved a single monetary policy and decentralized fiscal policies – the result of the only political compromise possible at that time, as member states were reluctant to give up their fiscal sovereignty (European Fiscal Board, 2020). The fiscal rules were first introduced into the Maastricht Treaty mainly under the pressure from Germany and the Netherlands, mostly for domestic reasons (Heipertz and Verdun, 2004). That is not surprising, as it has been argued that countries occupying a higher rank in the European financial hierarchy have more capacity to influence the development of regulatory frameworks (Pataccini et al, 2019). Ever since, the EU has gradually developed a broader and increasingly complex framework of economic and fiscal policy coordination with the

[5] The Maastricht Treaty set a limit of 3% of GDP for nominal deficits and 60% of GDP for debt, or at least the debt had to approach that level at a satisfactory pace.

emphasis on ensuring better enforcement and compliance with the rules (Larch et al, 2020). Over time the framework has advanced in waves and changes have been introduced for example in response to new economic challenges or different crises, together with the experience of past implementation (European Commission, 2020).

Ideally, fiscal rules should combine necessary flexibility to allow for proper policy choices together with much needed simplicity and enforceability to discipline government behaviour (Morris et al, 2006). Hence, the Stability and Growth Pact[6] (SGP) was put in place in 1997 for the practical implementation of the Maastricht Treaty and to strengthen the coordination, monitoring and surveillance of national fiscal policies. Moreover, sanctions were foreseen for breaches of the 3% deficit limit, unless they were the result of exceptional circumstances (Ibid). The SGP also required the member states to adopt a medium-term orientation for fiscal policies and to prepare stability and convergence programmes to reflect this (European Fiscal Board, 2019). The budgetary rules were seen as rather simple and easy to understand, but their shortcomings quickly became apparent when they were put into practice. The 3% that was supposed to act as a ceiling became more of a target for many member states. Moreover, the nominal deficit targets of the SGP proved difficult for some member states in a recessionary environment and even caused pro-cyclical tightening (European Fiscal Board, 2020). At the same time, the task of sanctioning was left collectively to the countries themselves, i.e. it was up to the Council to decide on the pace of progress back to below 3% (Ibid; Morris et al 2006.). The most prominent failure of this system emerged in 2003 when the Council failed to give Germany and France instructions on how to exit excessive deficits.

Therefore, the SGP went through a major reform in 2005 with the overall aim to take the economic conditions of every member state more into account. By framing the deficit rule in nominal terms, the EU's rules had not been able to take into account the fact that during economic decline government budget balances would worsen even without discretionary interventions on the part of governments (Larch and Santacroce, 2020). Shifting the focus to the cyclically-adjusted budget balance was intended to fix that problem (Ibid). Accordingly, since the reform in 2005, a stronger emphasis was put on the structural fiscal effort, along with other changes introduced to the framework. Notably, the member states were required to set a medium-term objective (in the form of a structural balance) at the centre of their fiscal policy, towards which each country must move at a sufficient pace (improving the fiscal position by 0.5% of GDP per year under normal circumstances). In addition, the excessive deficit procedure was clarified and a possibility was created for the Commission to take into account different circumstances, i.e. to take a more analytical approach when assessing compliance with the rules. (Explanatory memorandum of Estonian Ministry of Finance, 2022)

However, the financial and economic crisis that hit the EU in 2008 exposed additional vulnerabilities of the rules. For example, not all member states were implementing counter-cyclical fiscal policies by building up fiscal buffers during the good times in pre-crises years (Eyraud and Wu, 2015). On the other hand, Estonia stood out by implementing tough austerity measures during the crises period in 2008-2009 and thereby aggravating the economic recession (Raudla and Douglas, 2020). Moreover, the European Fiscal Board concluded in 2019 that towards the end of 2009, the sovereign debt crisis in Greece also highlighted the overall weaknesses in national governance,

[6] EU Council Regulations 1466/97 and 1467/97

which were not addressed by the original Maastricht architecture (European Fiscal Board, 2019). Accordingly, the immediate response to the fiscal crisis was framed by the need to design even more stringent rules (Doray-Demers and Foucault, 2017).

Consequently, the crises triggered a series of additional measures to strengthen the EU's economic and fiscal governance framework even further. What is important to bear in mind is that those reforms were prepared and agreed upon in the context of a crisis. Therefore, they also aimed to considerably strengthen the existing rules in order to restore market confidence (Ibid; European Fiscal Board, 2020). Fundamental to the efforts were the successive legislative packages known as the 6-pack and 2-pack back in 2011 and 2013. The 6-pack added elements that were intended to strengthen the rules (e.g. expenditure benchmark, macroeconomic imbalance procedure, debt reduction benchmark, significant deviation procedure, financial sanctions, common principles for national budgetary frameworks, introduction of European Semester), as well as some elements that added flexibility and brought in more discretion (e.g. structural reform and investment clauses) (for an overview see European Fiscal Board, 2019). The latter were inserted to foster growth-friendly policies by relaxing fiscal requirements for those member states that were implementing structural reforms or wanted to enhance government investments (Ibid). The 6-pack was soon after followed by the intergovernmental Fiscal Compact (as a part of the Treaty on Stability, Coordination and Governance) that was signed in 2012 and entered into force on the 1st of January 2013. It followed the same logic as the previous reforms, namely strengthening compliance with the EU's fiscal rules (Larch et al, 2021). The Fiscal Compact required from the contracting parties (19 euro area member states, as well as Bulgaria, Denmark and Romania) to lay down a structural budget balance rule in their domestic legislation. It has been argued the negotiations leading to the Fiscal Compact involved significant power asymmetry, as for example Portugal, Ireland, Italy, Greece and Spain were facing bankruptcy and were therefore more vulnerable to the EU level authorities (Doray-Demers and Foucault, 2017).

In 2013, the EU's fiscal governance framework was strengthened even further. The adoption of the 2-pack reinforced budgetary surveillance and coordination for Eurozone countries. The main elements that were introduced with the 2-pack included additional measures to strengthen the budgetary surveillance in the Eurozone – e.g. giving the European Commission monitoring and assessing powers of the euro area members´ draft budgetary plans, introducing a common budgetary timeline, additional rules on structural deficit, and finally, strengthening of the national fiscal councils (European Commission, 2020). As mentioned above, with the aftermath of the recent reforms, new layers of flexibility were introduced to the framework to soften what was felt like an unbalance between debt sustainability and economic stabilization. This however led to increasing the complexity of the rules. Therefore, unsurprisingly, the past developments have increasingly led to appeals to simplify the EU's fiscal and economic policy framework and to ensure more transparency in the implementation of the rules (see e.g. European Fiscal Board, 2019; European Commission, 2020; Eyraud and Wu, 2015; Kamps and Leiner-Killinger, 2019).

Table 1: History of the EU's economic and fiscal governance framework (Source: author; based on European Fiscal Board, 2019)

Year	Reform	Aim of the reform	Main elements
1992	Maastricht Treaty	Laying the grounds of the single currency area by fostering fiscal discipline.	• Setting a limit of 3% of GDP for nominal deficits and 60% of GDP for debt, or at least the debt had to approach that level at a satisfactory pace
1997	Stability and Growth Pact	Practical implementation of the Treaty. Toughen the coordination, monitoring and surveillance of national fiscal policies.	• Corrective arm, centred on the excessive deficit procedure • Preventive arm, centred on the annual submission of stability programs
2005	Amending the Stability and Growth Pact	Take the economic conditions of every member state more into account. Create more flexibility.	• Focus to cyclically-adjusted budget balance • Country-specific medium-term budgetary objectives • Clarified excessive deficit procedure + a possibility for the Commission to take into account different circumstances when assessing compliance with the rules
2011	6-pack enters into force	Strengthen the rules, the enforcement of the rules and the EU level governance of the rules + add more flexibility to foster growth-enhancing policies.	• European Semester • National fiscal frameworks • Expenditure and debt reduction benchmarks • New Macroeconomic Imbalance Procedure (MIP) • Financial sanctions • Structural reform and investment clauses • General escape clause + unusual event clause
2013	The Treaty on Stability, Coordination and Governance	Foster fiscal responsibility.	• The signatories are required to lay down a structural budget balance rule in their domestic legislation
2013	2-pack enters into force	Enhanced policy coordination within the euro area.	• National independent fiscal institutions • Draft budgetary plans • A common budgetary timeline • Enhanced surveillance

The European Commission initially launched its latest review of the EU's economic governance framework in February 2020, focusing in particular on the 6-pack and 2-pack legislation. However, due to the COVID-19 pandemic, the review process was temporarily put on hold and was restarted again only in October 2021. While the pandemic and following policy responses at member state levels certainly had and will continue to have consequences for the subsequent discussions and decisions, the Commission itself already identified a number of strengths and shortcomings in the current EU's fiscal and economic governance framework. For example, in February 2020 the European Commission published a Communication assessing the effectiveness of the economic governance framework (European Commission, 2020). According to the Commission's own assessment, the framework has been effective in decreasing public debt levels, adjusting macroeconomic imbalances and supporting coordination of economic policies (Ibid). Nevertheless, continuous high public debt levels in certain member states are still eminent (European Commission, 2020). Moreover, at that time, the fiscal surveillance framework was considered to be rather effective in inspiring member states to return to sound budgetary positions, since the collective debt-to-GDP ratio began to decline in 2015 (Ibid). Also, the Commission highlighted that the member states' fiscal policies at large remained pro-cyclical (Ibid), despite all the previous reforms and policy lessons. Additionally, the framework has not been overly successful in protecting the level of public investment during times of fiscal consolidation (Ibid). The complexity of the EU's fiscal rules and their lack of transparency were also considered problematic.

Compliance with the EU's fiscal rules is also monitored by the European Fiscal Board (EFB), which has assessed the member states' practices in its annual reports. Along the same lines, the EFB went even further in 2020 by highlighting that in 2019 the number of member states considerably deviating from the rules was the highest since the reforms of 2011-2013 were introduced (European Fiscal Board, 2020). They agreed with the Commission's assessment that many governments did not build fiscal buffers when the economic conditions were favorable (Ibid). Hence, much of the policy criticism of the EU's economic and fiscal framework actually remained the same as it had been prior to the latest reforms.

The COVID-19 pandemic in spring 2020 turned the tables upside down and bought a radical change to the overall policy context. The crisis was met with enormous fiscal expansions in all member states (European Fiscal Board, 2020). Moreover, as the general escape clause of the SGP was triggered and activated[7], the governments acquired significant leeway to react to the crisis as they saw fit, since they were not bound by strict EU level fiscal rules. However, as mentioned above, even before the pandemic and the Russian war of aggression caused significant disorder in public finances, the effectiveness of the EU's economic and fiscal rules had been questioned. Therefore, it remains highly valuable to understand how the reforms introduced between 2011 and 2013 have impacted budgetary processes at the national level.

Thus, as the intention is to take a step towards understanding the EU's influence on national budgetary processes by looking specifically at the interactions between existing institutional arrangements in budgetary decision-making and external pressures coming from the EU, the Europeanization literature is an appropriate starting point for the analysis. Since the mid-1990s, a growing number of studies have analysed whether, how

[7] The general escape clause of the SGP is in place since spring 2020 and is currently intended to be maintained until the end of 2023.

and under what conditions the EU influences its member states – starting from affecting domestic policies and institutions to reshaping beliefs, identities, norms and collective understandings (Börzel and Risse, 2007; Pollac, 2010) (for an overview see **I**). In light of these questions, Europeanization has quickly become one of the central concepts in the EU studies (Börzel and Panke, 2013). Europeanization therefore provides a solid framework for analysing how EU level fiscal governance reforms from 2011-2013 have come into effect and influenced national budgetary processes. Europeanization literature also helps to understand which various domestic factors could influence the EU's economic and fiscal policy impact at the member state level.

2.2 Europeanization and domestic change in the budgetary processes

All the conducted case studies indicate that the EU's fiscal and economic governance framework has led to changes and shifts in the domestic budgetary processes (**I; II; III**). At the same time, the influences have varied. Therefore, the immediate follow-up question is how and through which mechanisms those changes happened and what triggered the domestic change.

Considerable amount of literature on Europeanization shares a common suggestion that Europeanization must be inconvenient, meaning that the level of domestic change depends on the "misfit" between EU and domestic institutions, policies or processes (Börzel and Risse, 2000; Radaelli, 2003; Risse et al, 2001). Cowles, Caporaso, Risse (2001), Heritier et al (2001) and also Börzel and Risse (2003, 2007) argue that the "fit" between EU and the domestic level explains why the impact of Europeanization differs from one state to another and why some states experience stronger adaptational pressure. Hence, the lower the compatibility between the European and domestic processes, policies, and institutions, the larger the potential changes (Börzel ja Risse 2003, 2007). At the same time, if the misfit between the EU requirement and existing policies is too large, the policy actors are likely to resist actual changes or changes may be difficult to materialize into actual practices (Börzel and Risse 2003, 2007). Therefore, transformation most probably takes place when the misfit between domestic arrangements and EU requirements is moderate (Börzel and Risse 2003, 2007). However, adaptational pressures do not trigger domestic change automatically (Graziano and Vink, 2013). As budgeting is one of the core processes in the public sector and widely considered a core state competence, then even with strict and coercive measures prescribed by the EU rules, they may not always lead to fundamental changes in the budgetary processes (**III**). Therefore, it is no surprise that across different EU level measures, the impact of Europeanization and the degree of domestic change varies (**I; III**) and misfit alone is not a sufficient factor to induce and explain domestic change (Börzel and Risse 2003, 2007; Knill and Lehmkuhl, 2002).

The adaptational pressures and the degree of influence coming from external rules or commitments strongly depends on domestic institutional factors (Börzel and Risse, 2003; Bache, George and Bulmer, 2011; Graziano and Vink, 2013; Schmidt, 2002). Thus, even if EU rules prescribe specific instruments and institutions, they may not necessarily lead to considerable changes in policies. Europeanization literature draws upon various new institutionalist approaches and theoretical concepts in order to explain countries' responses to the pressures from the EU level. The following sections examine which institutionalist traditions highlighted in the Europeanization literature have, based on conducted case studies, an explanatory power to unveil the EU's economic and fiscal policy impact on the member states' budgetary processes.

2.3 Europeanization and rational choice institutionalism

Rational choice institutionalism emphasises Europeanization as a process in which domestic actors purposefully promote their interest (Börzel and Risse, 2000). In doing so, they might face increasing political opportunities and/or constraints. Hence, a misfit or an incompatibility between the EU and domestic level could open up new opportunities for redistribution of power at the domestic level (Ibid). Whether EU pressures lead to domestic redistribution of power depends on the ability of the domestic actors to use the opportunities and avoid the constraints (Börzel and Risse 2000, 2007). Whether redistribution of power will take place and whether domestic actors are capable of using the presented opportunities is argued to depend on the number of veto points and facilitating institutional structures (Börzel and Risse, 2007). Veto points in the state's institutional structure can restrain or complicate domestic adoption (Haverland, 2000; Héritier et al, 2001): the more widely the power in the national decision-making process is distributed and the more various actors have their say in deciding the policy direction, the harder it is to find consensus to undertake changes (Börzel and Risse, 2003). This is mainly because multiple veto points in the domestic decision-making process provide actors with entry points to block any unwanted changes (Bentzen, 2009). On the other hand, the existence of certain formal institutions might offer domestic actors various recourses and also trigger domestic change (Börzel and Risse, 2000). Moreover, from the perspective of rational choice (e.g. Shepsle, 1989) the actors could also be interested in the persistence of existing routines (Knill and Lenschow, 2005) and attempt to minimize the impacts of EU rules on actual practices.

Based on these considerations, we would therefore have several expectations in the context of EU's fiscal policy reforms. First, we would expect that the actors responsible for transposing the requirements would indeed **opt for minimizing alternatives** – going for the "easiest" or "cheapest" solution available. However, based on empirical findings, we can see this has not always been the case. There are two cases in the **Estonian** context, where this did not happen (**I**; **II**) – when transposing the structural budget balance target into the national legislation as well as when designing the national Fiscal Council.

For the former, according to the Fiscal Compact, the contracting parties were required to have a legislate structural deficit rule in their domestic legislation (according to the Fiscal Compact the annual structural balance should not exceed −0.5% of GDP). The structural budget balance rule has clearly had an effect on the Estonian budgetary process, since it was introduced in the legislation only due to the Fiscal Compact. The focus had previously been on the nominal balance (**I**). Yet, Estonia established stricter rules than prescribed by the Fiscal Compact (**I**), going beyond the minimal requirements. Estonia included the structural budget balance rule in the revised State Budget Act adopted in 2014 and established a stricter rule than prescribed by the EU and required the structural budget position to be in balance or in a surplus (**I**; Explanatory memorandum of draft budget law, 2013). Based on the conducted interviews it could be argued that applying a more ambitious structural balance target could be a **strategic reaction** to the annual evaluation of the draft national state budget plans by the European Commission. Hence, it also provides a good example of how two different measures (also in terms of their coerciveness) coming from the EU's fiscal governance framework were interlinked (**I**).

Regarding the Fiscal Council, the Estonian government also decided not to adopt the “easiest” alternative when designing the national Fiscal Council nor did it create the weakest institution possible (**II**). The “easiest” alternative would have been to locate the Fiscal Council within the Ministry of Finance. Instead, the new State Budget Act (adopted in 2014) foresaw that the Fiscal Council would be an independent body, supported in its activities by the Bank of Estonia (**II**). This demonstrates the need to look deeper into the **potential motives** guiding the institutional designers when choosing between various solutions. The existing institutional setting and path dependence (**II**) provided much clearer explanations why the Fiscal Council was attached to the Bank of Estonia, rather than any other existing body (Ibid). The decision to attach the Fiscal Council to the Bank of Estonia was influenced by how the capacities of macroeconomic analysis had historically evolved in Estonia (**II**). Yet, the in-depth case analysis also showed, that the bureaucratic agents were also creating a possible new veto point into the budgetary process as an ally for themselves, as they feared that future (left-leaning) governments might be more prone to violating the structural balance rule (**II**). Hence, having a stronger Fiscal Council was viewed as a potential ally of the MoF or an additional safeguard in guarding fiscal discipline (Ibid). Hence, it indicates that in order to understand and explain the institutional design of the Fiscal Council in Estonia, one needs to look into the explanatory perspectives from different strands of institutionalist research simultaneously, since none of the analytical lenses alone provide a complete explanation (**II**).

Furthermore, the empirical findings from Portugal and Austria regarding implementing the requirement to establish credible, effective medium-term budgetary frameworks (hereinafter: MTBF) provide an interesting input to the debate. In principle, MTBF is an arrangement in the budgetary process setting requirements for the following: certain financial information to be presented at a specific time in the fiscal year; procedures for making multi-year forecasts and plans for revenue and expenditures; and obligations to set expenditure limits beyond the next annual fiscal year (Harris, Hughes, Ljungman and Sateriale, 2013). It therefore provides all the systems and rules that the government must follow in the budgetary process. While it can be assumed that the underlying intention set out in the directive on requirements for national budgetary frameworks was to push for establishing a strong MTBF framework that is strict and binding for the annual budget, it left certain manoeuvring room for the member states on how binding the framework actually should be. The empirical findings from Portugal and Austria suggest that there was a strong element of rational thinking linked with the adoption of MTBF in both countries, even though they also did not opt for minimizing alternatives (**III**). For example, the Portuguese government already anticipated in advance the potential requirements that were later included in the EU-wide directives and adopted the legal provisions pertaining to the MTBF beforehand. Yet, the combination of the crisis experience and the Troika’s demands facilitated the process (Ibid). Austria on the other hand was building on reforms that were already planned several years before and the EU level requirement on MTBF-s did not change their course (**III**).

Secondly, as discussed above, EU fiscal policy measures can also potentially influence national budgetary processes by **shifting the distribution of power and resources between domestic actors** (Börzel and Risse 2000, 2003). Hence, based on existing literature we would also expect EU fiscal policy measures to influence national budgetary processes less directly, by altering the “rules of the game”. In this regard and based on existing Europeanization literature we would assume that the changes introduced by the

EU's fiscal governance framework might **benefit executive powers** instead of parliamentary powers (Kassim at al, 2000; Börzel and Risse, 2007). The strategic impact of the EU's fiscal policy framework on the budgeting processes was observed in Estonia **(I)**, Portugal **(III),** Austria **(III)** and Finland (**III**), especially due to the requirement to introduce structural deficit targets (**I; III**), the need to create national Fiscal Councils (**I**) and as a result of the European Semester (**I**).

To begin with, the introduction of the structural budget balance rule has increased the authority and influence of the Ministry of Finance in all of these countries (**I; III**). In Estonia, it happened mainly due to the complexities in calculating, explaining and evaluating the structural budget position (**I**). On the other hand, the focus on structural budget balance has also brought in additional actors to the domestic budgetary process, namely the Fiscal Council and the European Commission. This is also mainly triggered by the complexity of calculating the cyclical position of the budget and by the fact that the EU annually evaluates draft state budget plans through the European Semester process (**I**). In many cases, the Ministry of Finance and the European Commission have evaluated the cyclical position of the Estonian annual budget somewhat differently. Consequently, it has enabled the Fiscal Council to enter and mediate the debate and gain additional visibility in the process as well as allowed the MoF officials to share the blame for any potential mistakes (**I; II**). In a similar vein, European-level fiscal governance reforms in Portugal caused the previously bottom-up budget process to become more top-down, as the experience of the crisis together with the EU's fiscal governance reforms strengthened the role of the Ministry of Finance (**III**). Moreover, the empirical analysis shows somewhat similar arguments in explaining the outcome: given that the structural deficit target is highly complex, it offered the Ministry of Finance an informational advantage in budget discussions vis-a-vis the spending ministries (**III**). In addition, compliance with the EU level spending rules in combination with the crisis experience brought in the need to monitor the expenditures of the line ministries more tightly, giving the Ministry of Finance additional tools to exercise that power (e.g. the need to create a single treasury account, increasing the use of frozen appropriations, **III**). EU's fiscal governance reforms also reinforced a top-down approach and strengthened the Ministry of Finance in Austria, where the complexity of the structural deficit target provided the Ministry of Finance with additional arguments in budgetary negotiations with line ministries (**III**).

The introduction of national Fiscal Councils has also entailed strategic impacts in the national budgetary processes. In Austria and Portugal, the existence of Fiscal Councils helped to reinforce the positions of the Ministry of Finance in budget negotiations (**III**). In Estonia, the creation of the national Fiscal Council has added a new actor to the budgetary process and without the external pressure and EU level legislation, Estonia would not have created such a body (**I; II**). In addition, the Fiscal Council has also slightly shifted the powers and resources between the actors in the budgetary process: the Fiscal Council has increased its own authority e.g. through media and by providing the Cabinet and the Parliament with additional background materials (**I**). As already briefly discussed above, the motives of the Estonian policy-makers for creating a potentially strong body, attached to the Bank of Estonia, and affecting the power balance between the actors in the budgetary process, makes an interesting empirical puzzle – especially bearing in mind that the Ministry of Finance itself held strong veto-powers in designing the institution (**I**). The Ministry of Finance was above all motivated to create a potential ally and an "insurance mechanism" to prevent future governments and politicians from violating fiscal rules (**II**), even though this meant constraining some of its own powers. This was nevertheless done under the assumption that the Fiscal Council would "lock in" their current policy preferences and was designed carefully so that the Fiscal Council would not be too closely involved in politics (**II**). Therefore, it can be argued that the policy-makers still pursued their own interest when designing the new body. Once it became clear that the new body needed to be established, the officials from the Ministry of Finance chose the Bank of Estonia because the officials from both organisations shared same ideological understandings of fiscal conservatism (**II**).

2.4 Europeanization and sociological institutionalism

The second dominant stream in the Europeanization literature follows the **constructivist perspective** and emphasizes the importance of reshaping existing domestic norms and collective understandings (Kelley, 2004; Börzel and Risse, 2007) that, although deeply rooted, are entirely not fixed (Bentzen, 2009). From this perspective, policy designers are likely to analyse similar policies in other countries, either with the goal of emulating a "normative ideal" or with the goal of (positive or negative) lesson-drawing (Offe, 1996; Rose, 1991). Hence, Europeanization can lead to domestic change also through the process of socialization and collective learning, resulting in the development of new identities and/or ideas (Börzel and Risse, 2003). Learning from other states and diffusing the ideas and norms can broaden the choice of alternatives considered by the actors in the domestic policy-making process in order to solve various policy problems (Knill, 2005). Börzel and Risse (2000) argue that the existence of "change agents" also influences the likelihood of a change in norms or beliefs.

Hence, following the constructivist perspective, we would expect that changes introduced by the EU's fiscal governance framework have **reshaped existing domestic norms that guide the budgetary process** and changed the beliefs of national actors, which in turn have led to changes in the policies. As the groundwork for the EU level rulebook was established by the Maastricht Treaty and was at that time mainly done because of the pressures coming from Germany and the Netherlands, it would be difficult to claim that the original setting for the EU's fiscal rules benefited from shared beliefs across the member states (Doray-Demers and Foucault, 2017). However, since then and with the successive reforms, the EU's fiscal framework and the guiding norm of fiscal discipline established a solid place for itself in the EU's institutional setting (Ibid).

The socialization mechanism is credible if it shows that policy actors were influenced by the EU level norms. The EU's Fiscal Compact certainly facilitated an **ideational shift in Estonia**, as the government moved its focus from nominal deficits to structural deficits (**I**; Raudla et al, 2018). As the policy makers have explained themselves, this would not have happened without the EU's policies (**I**). However, the question remains, why this was not the case after the 2005 SGP reforms that also intended to shift the focus to the cyclically-adjusted budget balance? One of the explanations certainly lies in the Fiscal Compact itself, as it required transposing the structural budget balance rule into the domestic legislation, therefore enforcing stronger coercion and national ownership. Yet, according to the officials in the Estonian Ministry of Finance, thorough discussions on the structural balance emerged only after the EU started to put a stronger emphasis on the surveillance of the structural positions of the member states through the obligation to present to the European Commission draft budgetary plans (**I**). This seems to support the arguments by Simmons and Elkins (2004) that regular intergovernmental meetings at multiple EU levels and peer pressure can incentivize national policy actors to change their perspectives (Doray-Demers and Foucault, 2017). It also shows that the existence of "change agents" and fora for policy learning and multilateral discussion influence the likelihood of a change in norms or beliefs. Moreover, as Estonia wanted to **maintain its positive public image**, it hoped that the national structural balance (rather than deficit) rule would provide an additional safeguard, just in case the calculations by the Ministry of Finance and the European Commission differ (**I**). This confirms that the "logic of appropriateness" and the desire to look good in the eyes of the European Commission strongly influenced the decision to be more ambitious than needed even in the case of a strictly coercive EU rule. Interestingly, while in most countries in Europe the fiscal governance reforms brought about the tightening of fiscal policy, in Estonia in contrast it enabled some relaxation (and acceptance of nominal deficits) since the government could now point to complying with structural balance as a sign of being fiscally responsible (Raudla et al, 2018).

In Finland, the implications were somewhat different. Although the introduction of EU level rules on the structural deficit target brought in the need for more formalistic procedures and increased the need for stricter coordination of the budgetary policies by different levels of government, the approach induced by the EU requirements clashed with the more informal and consensus-based approach that was prevalent in Finland before the reforms (**III**). Hence, even though the EU rules were seen as inconvenient at the time, the domestic norms and collective understandings did not necessarily restrict the adoption of more formalized rules if the informal consensus and existing traditions in place already followed the logic of the new rules.

However, the design of the Fiscal Council in Estonia provides a contrasting example. The EU's normative discourse on the role of Fiscal Councils and the experience of other countries had only very limited impact on the design of the Fiscal Council in Estonia. For example, the affiliation of the Fiscal Council with the central bank was not considered advisable in the EU level discourse (**II**), suggesting (and as discussed in the previous chapter) that national considerations prevailed over the "outside" reflections.

2.5 Europeanization and historical institutionalism

Historical institutionalism might at first seem like an unlikely suspect in explaining the domestic impacts of Europeanization, since the latter is understood as processes of change while the former emphasizes stability and persistence. Nevertheless, historical institutionalism has found wide reflection in the Europeanization literature, especially in its early stages (e.g. see Panke, 2007; Bulmer, 2009; Bache et al, 2011; Ertugal, 2021). Still, it has mostly been regarded as a narrow approach to Europeanization, concentrating only on formal elements (Grünhut, 2017) rather than looking at the behaviour and motives of different policy actors. Historical institutionalism stresses the importance of existing institutions and policy trajectories in the creation of policies (Hall and Taylor, 1996). However, when explaining the different national impacts certain EU measures can entail, understanding the lack of change might also become an important element to consider (Panke, 2007). Hence, looking into some reflections from historical institutionalism might be useful when explaining the varying domestic impacts the EU's economic and fiscal policy measures have had in the context of national budgetary processes, especially in those cases where rational choice or sociological institutionalist approaches do not fully explain the outcome at the national level.

The focus of the historical institutionalist approach has been on the analysis of the sequences of domestic adaptations in connection to EU level political discourses, strategies, institutions, and policies (Graziano and Vink, 2013). Domestic change is explained in connection to concepts such as path dependency and positive feedbacks (Ibid). When a government or an organization decides to take a certain path, there is a tendency for those initial policy choices to persist (Hall and Taylor, 1996; Pierson, 2000 in Raudla et al, 2017). Hence, the earlier policy choices and institutional settings influence successive decisions and modes of interactions between the policy actors through lock-in and feedback effects (Ibid). Budgeting is seen as one of the core processes in the public sector and is often characterized by well-established practices and deeply entrenched procedures. Thus, even though the new EU rules prescribe specific instruments and institutions they may not necessarily lead to considerable changes in the budgetary processes. Instead, the budgetary actors might prefer the persistence of existing routines and practises (**III**). Path dependencies can however be impaled by critical junctures, moments of political openness when the constraining effects of institutions can weaken and form new and enduring legacies (Hogan, 2019; Benz and Sonnicksen, 2017). Another important element in the discussion is the concept of layering. Layering as a concept has been widely used in research on institutional and policy change (Capano, 2018). Layering is defined as a mode of gradual change (Thelen, 2009; Mahoney and Thelen, 2010), as "crafting of new elements onto an otherwise stable institutional framework" (Thelen, 2004; Ibid). In terms of Europeanization and budgetary processes, our case studies show that layering, path-dependency, as well as critical junctures have all played a specific role in explaining the domestic influences of the EU's fiscal and economic policy framework (**I; II; III**).

To begin with, it could be argued that the EU's economic and fiscal policy framework itself is an example of gradual levels of successive reforms, each wave either fostering the enforcement of the rules or adding some new elements into the framework. Since the Maastricht Treaty, the EU has gradually developed a broader and increasingly more complex framework of economic and fiscal policy coordination with the emphasis on ensuring better enforcement and compliance with the original rules. Since the SGP was originally established, the following reforms from 2005 and afterwards seem to entail elements of layering, as the emphasis has always been on strengthening the existing rules as well as learning from past mistakes. Moreover, the new elements added to the framework (e.g. stronger emphasis on the structural fiscal effort; requirement to set medium-term objectives; additional flexibility clauses, creation of national Fiscal Councils – to name a few) have also been introduced gradually.

Yet, a more interesting question is, whether it has also had similar gradual impacts on the national level budgetary processes. From our case studies, the most prominent example of how historical institutionalism can play an important explanatory role is the creation of the Fiscal Council in Estonia (**I, II**). As already explained above, understanding the design and creation of the Fiscal Council in Estonia needs a much more nuanced approach and is not fully explained by rational choice or sociological institutionalist approaches. According to rational choice institutionalism, the Fiscal Council would have been created under the MoF, as this would have been the "easiest" alternative, also allowed by the EU legislation. Instead, Estonia chose to attach the Fiscal Council to the Bank of Estonia - an organization that is known for its competencies in macroeconomic analysis and forecasting. By doing so, the MoF added into the budgetary process a new potentially powerful actor, who also has a strong authority to call into question the macroeconomic forecasts and the chosen course of budgetary policies (**I**; **II**). That being said, there were still motives to create a so called "insurance mechanism" to prevent future politicians from violating the fiscal rules and hence to "lock in" current policy preferences (**II**). Sociological institutionalism, on the other hand, would have assumed that while transposing the EU level requirement and creating a Fiscal Council, the actors would have analyzed similar organizations in other countries, either with the aim of finding a "normative ideal" or with the goal of lesson-drawing (Ibid.). However, in the existing normative discussions at that time, attaching a Fiscal Council to a central bank was not recommended, since there were fears that views of the central bank might influence the positions of the Fiscal Council (Calmfors and Wren-Lewis, 2011; Debrun et al, 2013 in **II**). Also, from a comparative perspective, attaching the Fiscal Council to a central bank was seen as an unfamiliar approach, though not entirely unique (**II**). Thus, to fill the gaps in explaining the design of the Fiscal Council in Estonia, we had to look at the previously existing configuration of political institutions and their interlinkages that played an important role in swaying the decision to attach the Fiscal Council to the Bank of Estonia (**II**). As argued in article **II**, path-dependency played an important role in the creation of the Fiscal Council in Estonia (**II**) next to other factors. Namely, given the institutional choices made in the early 1990s and the economic policy trajectories since then (Hope and Raudla, 2012; Raudla and Kattel, 2011 in **II**), the Bank of Estonia has become an organization with the strongest capacities for macro-economic analysis (**II**). Although there were different alternatives on the table (e.g. to attach the Fiscal Council to the Parliament or to a university or a commercial bank), they were eventually abandoned as that would have meant considerable capacity building. Moreover, the MoF already had had close cooperation and deep collaboration with the Bank of Estonia for years, especially when it came to macroeconomic forecasting and economic and fiscal policy discussions. Hence, the MoF hoped that these existing relationships would extend also to the Fiscal Council. (Ibid)

3 Additional context specific factors that have influenced national budgetary processes

Overall, the discussion so far has shown that specific domestic impacts of the EU's economic and fiscal framework on the national budgetary processes cannot solely be explained by one single stream of Europeanization literature. As highlighted in the previous chapters, the arguments coming from rational choice, sociological and historical institutionalisms have all played (more or less) an important role also in terms of the EU's influence on national budgetary processes. However, the empirical findings clearly illustrate that a more nuanced and context specific approach is needed to fully explain the impacts of Europeanization in the context of budgetary processes (**I; II; III**), especially when looking at the multiple measures holistically.

Based on previous synthesis and case studies, the thesis points to additional context specific factors that emerge in the empirical findings and have had an impact on national budgetary processes and, hence, would deserve more attention. Namely, **the nature and complexity of the rules** that can provide actors (in our cases, MoF-s) with additional arguments in the budgetary negotiations with line ministers (**I; III**) and, the **crisis experience** (**III**). Falkner et al. (2005) and Falkner et al. (2007) have also argued that Europeanization research requires a context-sensitive approach to explain why different factors matter in different settings (Ibid).

3.1 The combination of EU level rules with the crisis experiences

An important element that should be looked at in the discussion is the general setting into which the EU-level reforms were inserted. With regard to the EU's fiscal and economic governance reforms, this was the crisis experienced during 2008–2010. The crisis experience can make the shifts in budgetary processes more likely than they would be "in times of normalcy" (**III**). This is well supported by the claims of historical institutionalism, which provides a convincing argument also in the context of Europeanization by stressing the importance of a crisis as a condition for change as well as other historical factors creating windows of opportunity for reforms (Bentzen, 2009). As emphasized by Schmidt (2002), the changes produced by the EU rules in the member states depend, among other things, on the countries' vulnerability to global as well as European economic forces and the existing legacies (**III**). Therefore, these two factors might be strongly intertwined (**III**, Raudla et al 2019).

The sovereign debt crisis forced some countries to demand EU financial support, creating a second form of coercion (Doray-Demers and Foucault, 2017). As the crisis forced some member states to support other member states, the crisis experience also reinforced power-asymmetry by pushing lender countries to impose stronger fiscal rules (Ibid). Moreover, in response to a crisis, it is easier for policy actors to question the status quo, argue for change, and overcome resistance (**III**). Likewise, the experience of a crisis can create a sense of urgency among policy-makers, motivating them to depart from the incremental reform path and push for swifter change (Ibid). It is also argued that the deeper the crisis – i.e. the more severe the fiscal pressures in a country – the bigger the "window of opportunity" for more comprehensive reforms (Raudla et al, 2015 in **III**). We would hence expect that the member states who were receiving EU assistance after 2010 would more easily adopt stronger fiscal governance frameworks, regardless of the policy actors' own preferences or deeply rooted norms.

Our case studies indicate that, in line with this theoretical prediction, the more severe the experience of the crisis, the greater the pressure for the government to reform its budgetary processes (**III**). Portugal, which had faced the most severe crisis, introduced extensive reforms of their budgetary process. On the other hand, Finland did not adopt any major reforms and in Austria, where the fiscal squeeze was moderate, the crisis did not trigger reforms as comprehensive as in Portugal, but it did influence the implementation of the reforms that had been enacted before the onset of the crisis. (**III**)[8]

In Portugal, the vulnerability to the crisis brought in the Troika, as Portugal was forced to ask a bailout from the EU and the IMF. This, in turn, gave the Troika strong leverage to impose changes in the budgetary process. For example, Portugal's budgetary process became more top-down (in contrast to the previously bottom-up approach), as there was no other way to impose consolidation demands by the Troika (**III**). Moreover, due to the Troika's intervention, there was also a need for more detailed control over the implementation of the budget, and therefore the pre-crisis ideas of giving line ministries more flexibility were abandoned (Ibid). All this in turn increased the role of the MoF and the trend continued even when the adjustment programme ended in 2014 *(Ibid.*). The strengthening of the role of the MoF is, on the one hand, well in line with the Europeanization literature, which argues that the EU's influence might benefit executive powers instead of parliamentary powers (Kassim at al, 2000; Börzel and Risse, 2007). On the other hand, historical institutionalism brings in the notion of critical junctures (as the crisis experience can be) that can lead to new and permanent legacies, persisting even after the crisis has passed. The Portuguese example also illustrated that regardless of the preferences or beliefs of the policy actors, the crisis experience provided an additional impetus and/or conditionality for wider reforms that otherwise would not have been considered.

Moreover, Portugal also introduced a MTBF as a legal provision at the request of the Troika and as a direct result of the crisis already in 2011 – at a time when it had not yet even entered into force as an EU requirement (**III**). On the one hand, this again endorses that the experience of the crisis can push policy actors to implement accelerated reforms. However, retrospectively it has been acknowledged that the requirement remained a mere paper exercise and quickly lost credibility in later years, as the expenditure ceilings were difficult to comply with during the crisis period (Ibid). Austria had a similar experience with the MTBF, as introducing the MTBF during the crisis period made it challenging to stick to the expenditure ceilings (Ibid). However, in the case of Austria, the MTBF had already been part of the budget reform plans even before the crisis. Hence, it cannot be argued that the crisis or EU level rules had in any way triggered it. However, crisis experience undermined the use of that instrument in both cases, despite the fact that the EU level rules encouraged it. (Ibid). More detailed discussion of the functioning of the MTBFs in these countries can be found in Raudla et al. (2022).

In terms of Europeanization literature, this brings in several additional avenues to explore. If crisis experience can reinforce power asymmetry in the Europeanization process and bring an additional level of coercion into the picture, it can act as a strong policy specific contextual element, which needs to be considered when analysing policy actors' behaviour in response to Europeanization pressures. At least in the context of EU's economic and fiscal policies. Hence, the crisis experience can be an additional factor

[8] Impacts in Estonia have not been discusses in this paper, as they have been thoroughly adressed in ohter studies (e.g. Raudla et al, 2017).

that can facilitate domestic change. There is at least one type of situation where this can occur and where policy actors can be vulnerable to this type of additional pressures – namely when a member state requests or needs additional financial support from the EU. However, as the example of Portugal illustrates, not all reforms triggered by the crisis experience are lasting or permanent. Therefore, the crisis experience should rather be viewed as an additional contextual factor to consider or to embed into the analysis of a specific case.

3.2 The nature and complexity of the rules

In terms of policy complexity, the Europeanization literature discusses different modes of EU governance and their possible domestic impacts (e.g. Knill and Lenschow, 2005; Wallace, 2010), but does not address issues that might rise from the specific policy content and its possible implications. Yet, this might serve as one of the possible explanations of certain outcomes in our case studies (**I; III**).

Continuous legislative changes have made the EU's fiscal governance rules increasingly complex. The Stability and Growth Pact has been reformed several times (e.g. in 2005, in 2011 and in 2013). As a result, the growing complexity of the EU's fiscal policy rules is already embedded to the history of the Stability and Growth Pact (Eyraud and Wu, 2015). It has been argued that repeated attempts to adjust the EU's fiscal framework to a multitude of situations over the past years have made it complex and incoherent (Kamps and Leiner-Killinger, 2019). The European Fiscal Board and the IMF have also identified several causes of complexity in the existing EU's framework (Ibid; European Fiscal Board, 2019). With the new set of EU level reforms created between 2011-2013, more complex fiscal rules were introduced to guarantee better enforcement in a wider range of situations – e.g. the structural balance rule and expenditure benchmark were seen as suitable and good tools to avoid careless fiscal policies in good economic times (Ibid).

However, it has become clear that increasing complexity comes with its own challenges as well as implications, also impacting national budgetary processes. For example, complex rules are more difficult to communicate to the public, can be more ambiguous and can lead to constant debates between different policy actors (**I; III**). Before the crisis, it was generally thought that keeping the EU's fiscal rules simple and clear would help implementation through market discipline and public oversight (Eyraud and Wu, 2015). However, the 2008-2010 crisis experience indicated that too simplistic rules lacked flexibility to adapt to large shocks and did not encourage sufficiently counter-cyclical fiscal policies (European Fiscal Board, 2019). Hence, the 6-pack and the Fiscal Compact brought in additional elements for ensuring such needed flexibility, for example adding new escape clauses in case of severe economic downturns, as well as new structural indicators *(*Eyraud and Wu, 2015*).* While at that time calls were made to have more sophisticated rules, it has been argued that they are harder to communicate and explain to the wider public and can be subject to measurement biases (**I**; European Fiscal Board, 2019). For example, starting from the reforms back in 2005 and up until today, the introduction of the structural balance rule has led to continuous debates on how to best measure the exact impact of the economic cycle on the budgetary position (**I**; Kamps and Leiner-Killinger, 2019). Hence, the nature (including the complexity) of the rules might affect the strategic influence Europeanization can have on budgetary processes (**I**).

For example, and as already explained in the previous chapter, according to our case studies, the introduction of the structural budget balance rule increased the authority and influence of the Ministries of Finance in the member states (at the expense of national Parliaments), hence directly facilitating to shift the power balance in the budgetary processes (**I; III**). This was clearly observed in Estonia, Portugal and Austria. One of the explanations brought out by the policy actors themselves in those countries was that due to the complexity of calculating, explaining and evaluating the structural budget position, MoF has an informational advantage in the budget discussions (Ibid). Therefore, in terms of Europeanization and in the context of budgetary processes, it could be argued that the complexity of the rules can serve an additional external mediating factor, inducing strategic effects on the budgetary processes and therefore also contributing to influencing the power-balance between the actors involved.

4 Conclusions

The main aims of the thesis were first, to understand how the EU level reforms in economic and fiscal governance from 2011-2013 have influenced budgetary processes in the member states and secondly, how to explain the outcomes. The research questions were addressed through in-depth case studies, focusing only on a limited number of member states. Moreover, the focus was on selected measures of the EU's economic and fiscal governance framework, namely the structural budget deficit rule, creation of national Fiscal Councils, the requirement to adopt medium term expenditure frameworks and the European Semester (annual evaluation of the draft national state budgets and multilateral surveillance). To achieve the set objectives, the thesis built on the existing knowledge of Europeanization literature as it allowed to discuss how and through which mechanisms EU policies can trigger domestic change in the national budgetary processes, drawing on different streams of institutionalist research and their ability to explain the empirical findings.

Firstly, how has the creation of national fiscal councils, the introduction of the structural budget deficit rule, the requirement to adopt medium term expenditure frameworks and the revamped European Semester shaped budgetary processes in the member states?

To begin with, the case studies demonstrate somewhat significant changes in the budgetary processes in all of the studied countries triggered by the EU level reforms. Although the concrete impacts vary and it is not clear if the EU level reforms have always led to desirable shifts in the core budgetary processes of the member states (**I; III**). Regarding the **budgetary process of Estonia**, the structural budget balance rule has clearly had an effect on the Estonian budgetary process, since it was introduced into the legislation only due to the Fiscal Compact. Furthermore, according to the officials of the Ministry of Finance, thorough discussions on the structural balance clearly emerged only after the EU started to observe the structural positions of the member states' budgets through the European Semester process (**I**). Hence, it has had both strategic and cognitive impacts on the budgetary process (**I**). On the one hand, after the adoption of the structural budget balance rule, the authority and influence of the officials of the Ministry of Finance has increased, directly influencing the power balance in the budgetary process, as could be expected following the Europeanization literature. On the other hand, the focus on the structural budget balance has also brought in additional actors to the domestic budgetary process – the Fiscal Council and the European Commission as different policy actors have evaluated the cyclical position of the national state budgets somewhat differently (**I**). Consequently, it has allowed the national Fiscal Councils to enter and mediate the debate at the national level and gain additional visibility in the national budgetary processes (**I; II**). Secondly, the national Fiscal Council was introduced to the Estonian budget process only due to external pressure coming from the EU level legislation (**I**), leading to strengthened independent monitoring of fiscal policy. The creation of the national Fiscal Council shows both the institutional and strategic impacts of Europeanization on the budgetary process (Ibid). For instance, the Fiscal Council has slightly shifted the power and resources between the actors in the budgetary process – but at the same time, the Fiscal Council has also increased its own authority in the process, e.g. through media and by providing the Cabinet and the Parliament additional background materials (Ibid).

At the same time, the comparative study of **Portugal**, **Austria** and **Finland** showed that the combination of EU level fiscal governance reforms together with the crisis experience have brought about increased centralization of budgetary processes in all three countries (**III**). In Austria and Portugal, the combination of the crisis experience and the EU level reforms have strengthened the role of the Ministry of Finance in the budgetary process (**III**) – as was the case also in Estonia. However, in these three countries, the EU level reforms have not induced major changes in the adoption phase of the budget (Ibid.). Moreover, all three cases showed that the introduction of MTBFs did not have the effects it was intended to induce. For example, in Portugal and Austria, the introduction of MTBF in the middle of the crisis meant they had to be revised and became a mere paper exercise, with an undermined credibility (**III**). In Finland, a system of consensus-based multi-year spending limits was already in place before the EU level reforms. Therefore, the formalized general government fiscal plan approach with structural deficit targets was rather seen as a strange institutional layer that did not fit well with the existing approach (Ibid). Regarding the introduction of independent Fiscal Councils, in Austria and Finland new monitoring tasks were assigned to existing bodies. Even though in Portugal a new Fiscal Council was established, the interviewed officials in all three countries rather agreed that the new EU level requirements did not bring about significant changes to the core budget processes (**III**). Nevertheless, it could be argued, that the introduction of national Fiscal Councils has entailed some strategic impacts in the national budgetary processes as in Austria and Portugal, the existence of Fiscal Councils help to reinforce the positions of the Ministry of Finance in budget negotiations (**III**). Finally, similarly to the Estonian experience, the structural deficit rule was characterised as being complex, constantly debated, triggering diverging assessments from different actors involved in the budgetary process and giving additional bargaining power to the finance ministries (Ibid). All in all, the comparative analysis also illustrated that the more severe the experience of the crisis, the greater was the pressure for the government to reform budgetary processes (**III**).

Turning to the second research question – which institutionalist traditions highlighted in the Europeanization literature have, based on conducted case studies, an explanatory power to unveil the impact of the EU's economic and fiscal policy on member states' budgetary processes?

Europeanization literature relies upon various new-institutionalist approaches and theoretical concepts in order to explain countries' responses to the pressures from the EU level and, provided a good starting point for examining the various national effects on budgetary processes. However, the research showed that none of the new-institutionalist streams alone were not sufficient to explain the domestic impacts of the EU level fiscal policies.

Case studies showed that policy actors, while responding to pressures coming from the EU level, and facing opportunities and constraints when transposing the EU level requirements to the national level, were not always opting for minimizing alternatives when designing national level policies. In other words, going for the "easiest" or "cheapest" solution available. Alternatively, there were examples when domestic change was better explained through the process of socialization and diffusion of collective ideas and norms or through the prism of path-dependency or layering. We could not yet identify any concrete patterns that would follow different EU level measures and their impacts on budgetary processes. Rather, our case studies and the following synthesis of the findings indicated that in many ways the impacts of the EU level rules on the budgetary processes of the member states need a **case-by-case in-depth analysis** that would take thoroughly into account the context surrounding the reforms – be it national or policy specific. Moreover, in many cases the concrete impact of a specific measure on national budgetary processes was influenced by multiple interrelated motives. For example, the Estonian government decided not to adopt the "easiest" alternative when designing the national Fiscal Council nor did they create the weakest institution possible. Instead, the Fiscal Council was designed as an independent body, supported in its activities by the Bank of Estonia. Yet, the bureaucratic agents were still creating possible new veto point into the budgetary process as an ally for themselves, to guard fiscal discipline. Moreover, existing institutional setting and path dependence provided much clearer explanations why the Fiscal Council was attached to the Bank of Estonia, rather than any other existing body. **(II)** This clearly illustrates the need to look into the explanatory perspectives from different strands of institutionalist research simultaneously, since none of the analytical lenses alone provided a complete explanation. Similar conclusions emerged when looking at implementation of the structural deficit rules or establishment of the MTBF-s.

In addition, based on the case studies, the thesis points to additional context specific factors that have had impacts on national budgetary processes and hence, might deserve more attention in future research. Namely, the nature and complexity of the rules can provide actors (in our cases, MoF-s) with additional arguments in the budgetary negotiations and, the crisis experience can reinforce power asymmetry in the Europeanization process and bring an additional level of coercion into the picture.

As the generalizability of case study research used in this thesis is rather limited, further research can be envisaged at least in two directions. First, in order to evaluate better the impacts of the EU's economic and fiscal governance framework on the budgetary processes of the member states, more in-depth case studies on the various policy elements of the whole set of EU's economic and fiscal policy measures would be necessary. Moreover, it would be extremely interesting to examine holistically the combined impacts of the multiple policy instruments of the latest EU level fiscal and economic policy reform packages, in order to identify the synergies and interlinkages between the various policy elements. It would also be insightful to explore how different policy elements (also in terms of their coerciveness) can mutually reinforce or influence each other. Secondly, in order to analyse in-depth how budgeting in the EU member states has changed, it would be necessary to analyse more systematically and with a broader trajectory, what the impacts of these various EU level rules have been. This analysis could incorporate the possibility for a varying explanatory power of different theoretical perspectives at different time-periods. Finally, to draw more comprehensive conclusions in terms of the Europeanization literature, a larger number of comparative case studies should be conducted to test the findings.

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Abstract

Europeanization and the influence of the EU's economic and fiscal policy reforms on national budgetary processes

Fiscal discipline in the European Monetary Union (EMU) has been in the heart of the EU's economic and fiscal policies and has historically been seen as a core ability of the member states to maintain sustainable public finances and address macroeconomic imbalances (Barbier-Gauchard et al, 2021). Likewise, over time there has been a growing belief in the idea that strict fiscal rules limiting the discretion of political actors can ensure fiscal discipline (Doray-Demers and Foucault, 2017). After the global financial crisis in 2008–2010, the European Union stepped up its efforts to cope with the aftermath of the crisis by addressing the sovereign debt problems and enhancing the promotion of fiscal discipline in the member states. As a direct consequence, starting from 2011 the governance framework of the European Union's economic and fiscal policy went through several changes. The Stability and Growth Pact – the core of the EU's fiscal governance framework – was reinforced by the Six-Pack, the Two-Pack, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, and the rules were firmly grounded into the European Semester process.

Although it has been more than 10 years since the latest major changes were made to the EU's legislative framework, research into the institutional consequences of these reforms is still emerging. On one hand, there are studies that criticise the enforcement of the SGP (e.g. Schmidt, 2020) or the lack of democratic legitimacy of the framework (Bremer and Bürgisser, 2022; Csehi and Schulz, 2021), whilst other studies (e.g. Genschel and Jachtenfuchs, 2018 in Van der Veer, 2021) argue that it interferes and centralises control over the "core state powers". In terms of budgetary processes, the existing literature rather focuses on the role of national parliaments (Steinbach, 2019; Majone, 2014; Jancic, 2016; Verdun and Zeitlin, 2018; Hallerberg et al, 2018; Csehi and Schulz, 2021) or on the specific core elements of the SGP reforms (Eyraud and Wu, 2015; Raudla et al, 2018; Raudla and Douglas, 2021; Raudla and Douglas, 2022). The European Semester and its ability to trigger policy change in the member states has also received considerable attention in the academic literature (e.g. Darvas and Leandro, 2015; Mariotto and Franchino, 2020; Efstathiou and Wolff, 2019; Mariotto, 2022; Bokhorst, 2021; Verdun and Zeitlin, 2018).

However, in the Europeanization literature, there is a lack of qualitative studies on the effects of the latest EU's economic and fiscal governance reforms on the budgetary processes of the member states. Due to the increasing role played by the EU in the economic and fiscal policy-making, understanding and explaining the developments in the fiscal governance, whether in a single country or EU as a whole, has become increasingly important both empirical, as well as in theoretical terms.

The purpose of the thesis is to build on the existing knowledge on Europeanization in order to explain and better understand the empirical implications the different EU's fiscal and economic policy measures have had on member state's budgetary processes. The thesis aims to attain the set objectives through in-depth case studies, focusing on a limited number of member states (Estonia, Portugal, Finland and Austria).

The main research question addressed is: How have the EU level reforms in economic and fiscal governance from 2011–2013 influenced budgetary processes in the member states and how to explain the outcomes. More specifically, the following research questions were addressed:

- How has the creation of national fiscal councils, the introduction of the structural budget deficit rule, the requirement to adopt medium term expenditure frameworks and the revamped European Semester shaped budgetary processes in the member states?
- Which institutionalist traditions highlighted in the Europeanization literature could have, based on conducted case studies, an explanatory power to unveil the impact of the EU's economic and fiscal policy on the member states´ budgetary processes?

To answer the research questions, the thesis is built up as a comparative synthesis of empirical findings from the articles and the case studies. The articles were based on in-depth empirical case studies, all touching upon various elements of the EU's fiscal governance framework. Qualitative research design was chosen since it allows to investigate research questions more in-depth, hence allowing to understand the impacts at the national level together with context dependent knowledge (Yin, 2009; Yin, 2012). Moreover, as establishing causality in Europeanization research – e.g. to what extent different changes at the national level are genuinely triggered by EU-level policies – remains a challenge (Radaelli and Exadaktylos, 2009), adopting the case study approach can help to overcome this bias.

The analysis demonstrated somewhat significant changes in the budgetary processes in all of the studied countries triggered by the EU level reforms. However, the concrete impacts vary and it is not clear if the EU level reforms have always led to desirable shifts in the core budgetary processes of the member states. While Europeanization literature provided a good starting point for examining the various national effects on budgetary processes, the research showed that none of the new-institutionalist streams alone was sufficient to explain domestic impacts of the EU level fiscal policies. Rather the thesis indicated that in many ways the impacts of the EU level rules on the budgetary processes of the member states need case-by-case in-depth analysis that would take thoroughly into account the context surrounding the reforms and explore perspectives from different strands of institutionalist research simultaneously.

Lühikokkuvõte

Euroopastumine ja Euroopa Liidu majandus- ja fiskaalpoliitika reformide mõju riikide eelarveprotsessidele

Eelarvedistsipliini hoidmine Euroopa rahaliidus (EMU) on olnud ELi majandus- ja eelarvepoliitika keskmes ning seda on ajalooliselt peetud liikmesriikide peamiseks võimeks säilitamaks riigi rahanduse jätkusuutlikkus ja tegelemaks makromajandusliku tasakaalustamatusega (Barbier-Gauchard et al, 2021). Samuti on aja jooksul kasvanud uskumus, et ranged eelarve-eeskirjad, mis piiravad poliitiliste osalejate kaalutlusõigust, tagavad piisava eelarvedistsipliini (Doray-Demers ja Foucault, 2017). Pärast ülemaailmset finantskriisi aastatel 2008–2010 suurendas Euroopa Liit oma jõupingutusi kriiside tagajärgedega toimetulekuks, tegeledes riigivõla probleemidega ja tõhustades eelarvedistsipliini edendamist liikmesriikides. Selle otsese tagajärjena on Euroopa Liidu majandus- ja eelarvepoliitika juhtimisraamistikku alates 2011. aastast sisse viidud mitmeid muudatusi. Stabiilsuse ja kasvu pakti – ELi eelarvejuhtimise raamistiku tuumikut – tugevdati 6-pakti, 2-pakti ning majandus- ja rahaliidu stabiilsuse, koordineerimise ja juhtimise lepinguga ning reeglite koordineerimiseks loodi Euroopa poolaasta protsess.

Kuigi viimastest suurematest muudatustest ELi õigusraamistikus on möödunud juba üle 10 aasta, on nende reformide institutsionaalsete tagajärgede uurimine alles algusjärgus. Ühelt poolt on uuringuid, mis kritiseerivad stabiilsuse ja kasvu pakti jõustamist (nt Schmidt, 2020) või raamistiku demokraatliku legitiimsuse puudumist (Bremer ja Bürgisser, 2022; Csehi ja Schulz, 2021), samas kui teised uuringud (nt Genschel ja Jachtenfuchs, 2018 viidatud Van der Veer, 2021) väidavad, et raamistik sekkub liigselt ja tsentraliseerib kontrolli riikide põhipädevuste üle. Eelarveprotsesside vaatest keskendub olemasolev kirjandus siiski pigem kas rahvusparlamentide rollile (Steinbach, 2019; Majone, 2014; Jancic, 2016; Verdun ja Zeitlin, 2018; Hallerberg et al, 2018; Csehi ja Schulz, 2021) või stabiilsuse ja kasvu pakti üksikutele elementidele (Eyraud ja Wu, 2015; Raudla et al, 2018; Raudla ja Douglas, 2021; Raudla ja Douglas, 2022). Euroopa poolaastale ja selle võimele käivitada liikmesriikides poliitilisi muutusi on akadeemilises kirjanduses samuti palju tähelepanu pööratud (nt Darvas ja Leandro, 2015; Mariotto ja Franchino, 2020; Efstathiou ja Wolff, 2019; Mariotto, 2022; Bokhorst, 2021; Verdun ja Zeitlin, 2018).

Siiski puuduvad euroopastumise kirjanduses kvalitatiivsed uuringud, mis keskenduksid ELi majandus- ja fiskaaljuhtimise reformide mõjudele justnimelt liikmesriikide eelarveprotsesside vaatest. ELi kasvava rolli tõttu majandus- ja eelarvepoliitika kujundamisel on muutunud üha olulisemaks nii empiiriliselt kui ka teoreetiliselt mõista ja selgitada vastavaid arenguid, olgu see siis üksiku riigi või ELi kui terviku vaatest.

Käesoleva doktoritöö eesmärk on olemasolevatele euroopastumise teadmistele tuginedes selgitada ja paremini mõista ELi erinevate fiskaal- ja majanduspoliitiliste meetmete mõju liikmesriikide eelarveprotsessidele. Doktoritöö püüab seatud eesmärki saavutada juhtumiuuringute kaudu, keskendudes piiratud arvule liikmesriikidele (Eesti, Portugal, Soome ja Austria).

Peamine analüüsi suunav uurimisküsimus on: kuidas on ELi majandus- ja fiskaaljuhtimise reformid aastatel 2011–2013 mõjutanud liikmesriikide eelarveprotsesse ning kuidas neid riigipõhiseid mõjusid selgitada. Täpsemalt käsitletakse töös järgmisi uurimisküsimusi.

- Kuidas on riiklike eelarvenõukogude loomine, struktuurse eelarvepuudujäägi reegli kehtestamine, keskpika perioodi kuluraamistiku vastuvõtmise nõue ja uuendatud Euroopa poolaasta mõjutanud liikmesriikide eelarveprotsesse?
- Millised euroopastumise kirjanduses keskmes olevad institutsionaalsed lähenemised omavad läbiviidud juhtumiuuringute põhjal piisavat seletavat jõudu hindamaks ELi majandus- ja fiskaalpoliitikate mõjude tulemusi riikide eelarveprotsessidele?

Uurimisküsimustele vastamiseks on doktoritöö üles ehitatud erinevate juhtumiuuringute tulemuste sünteesina. Kokku viidi läbi 3 põhjalikku empiirilist juhtumiuuringut (kaks Eesti kohta ning üks võrdlev uuring Austria, Portugali ja Soome kohta), mis kõik puudutasid ELi majandus- ja fiskaalpoliitikate raamistiku erinevaid elemente. Kvalitatiivne uurimismeetod lubab uurimisküsimusi põhjalikumalt analüüsida, võimaldades seega täpsemalt mõista riigisiseseid mõjusid koos ümbritseva kontekstiga (Yin, 2009; Yin, 2012). Kuna euroopastumise uurimisel on põhjuslike seosete tuvastamine – ehk see millisel määral on erinevad muutused riiklikul tasandil tõepoolest tingitud ELi tasandi poliitikatest – äärmiselt keeruline (Radaelli ja Exadaktylos, 2009), aitab kvalitatiivne meetod neid raskusi paremini ületada.

Analüüs näitas, et ELi tasandi reformide tõttu on eelarveprotsessid kõigis uuritud riikides mõnevõrra siiski muutunud või mõjutatud. Kuid konkreetne mõju on riigiti erinev ja ei ole selge, kas ELi tasandi reformid on alati toonud kaasa riikide eelarveprotsessides soovitud muutused. Kuigi euroopastumise kirjandus annab hea lähtepunkti erinevate siseriiklike mõjude tuvastamiseks eelarveprotsessides, näitasid tulemused siiski pigem seda, et ükski institutsionaalne suund ei olnud eraldiseisvalt piisav selleks, et selgitada kõiki ELi tasandi majandus- ja fiskaalpoliitikate mõjusid. Pigem vajab EL reeglite mõjude analüüs riikide eelarveprotsessidele paljuski siiski juhtumipõhist süvaanalüüsi, mis võtaks põhjalikult arvesse reforme ümbritsevat spetsiifilist konteksti ja uuriks samaaegselt erinevate institutsionaalsete uurimissuundade vaatenurki.

Appendix: Publications I-III

Publication I
Keel, K. (2021). The impact of EU´s macroeconomic and fiscal surveillance measures on the budgeting process of Estonia. Halduskultuur: The Estonian Journal of Administrative Culture and Digital Governance 21(2), 22–42.

Publication II

Raudla, R.; Keel, K.; Pajussaar, M. (2018). The Creation of the Fiscal Council in Estonia: Exploring the Explanations for Its Institutional Design. Public Budgeting & Finance, 38 (2), 61−80.

Curriculum vitae

Personal data

Name:	Kati Keel
Date of birth:	17.09.1989
Place of birth:	Estonia
Citizenship:	Estonian

Contact data

E-mail:	kati.keel@gmail.com

Education

2015–2023	Tallinn University of Technology, PhD studies in Public Administration
2020–2021	KU Leuven (BE), Master of European Public Politics, exchange studies
2013–2015	Tallinn University of Technology, MA, Public Administration (*cum laude*)
2011–2012	University of Helsinki, Faculty of Social Sciences, exchange studies
2008–2013	Tallinn University of Technology, BA, Public Administration

Language competence

Estonian	Native
English	Fluent
Finnish	Fluent
French	Beginner
Russian	Beginner

Professional employment

2018–…	Permanent Representation of Estonia to the European Union, Counsellor
2014–2018	Estonian Ministry of Social Affairs, Adviser at the European and International Co-ordination Department
2012–2014	Estonian Ministry of Social Affairs, Chief Specialist at the European and International Co-ordination Department
2012–2012	Estonian National Social Insurance Board, Chief Specialist

Elulookirjeldus

Isikuandmed

Nimi:	Kati Keel
Sünniaeg:	17.09.1989
Sünnikoht:	Eesti
Kodakondsus:	Eesti

Kontaktandmed

E-post:	kati.keel@gmail.com

Hariduskäik

2015–2023	Tallinna Tehnikaülikool, doktoriõpingud, avalik haldus
2020–2021	KU Leuven (BE), Master of European Public Politics, vahetusõpingud
2013–1025	Tallinna Tehnikaülikool, MA, avalik haldus (*cum laude*)
2011–2012	Helsingi Ülikool, Sotsiaalteaduskond, vahetusõpingud
2008–2013	Tallinna Tehnikaülikool, BA, avalik haldus

Keelteoskus

Eesti keel	emakeel
Inglise keel	kõrgtase
Soome keel	kõrgtase
Prantsuse keel	algtase
Vene keel	algtase

Teenistuskäik

2018–...	Eesti Vabariigi alaline esindus Euroopa Liidu juures, erialadiplomaat
2014–2018	Sotsiaalministeerium, nõunik, eurokoordinatsiooni- ja välissuhete osakond
2012–2014	Sotsiaalministeerium, peaspetsialist, eurokoordinatsiooni- ja välissuhete osakond
2012–2012	Sotsiaalkindlustusamet, peaspetsialist