

Fiscal Council

# Year 2017 Action Plan of the Fiscal Council

January 2017

In harmony with Article 44 of the Fundamental Law of Hungary, the Fiscal Council (henceforward: the Council/FC) is an organisation supporting the activities of the National Assembly that shall evaluate primarily the substantiation of the central budget and the implementation of the government debt rule also in 2017. Apart from the Fundamental Law its tasks shall be determined by Act CXCIV of 2011 on the Economic Stability of Hungary (henceforward: Stability Act). Accordingly, the Council shall formulate its opinion on

- a) the draft central budget bill as well as the draft of the amendment of the current budget act,
- b) the state of the execution of the central budget and the expected trend of government debt - every six months,
- c) decides on granting the FC's prior consent to submit the uniform budget bill and – in cases stipulated by the Stability Act – the uniform bill about the amendment of the budget act to submit it for final voting.

As members of the Fiscal Council, the Governor of the Central Bank of Hungary (MNB) and the President of the State Office of Hungary (SAO) shall put at the disposal of the Council their respective analyses and findings related to the issues discussed by the Fiscal Council, in harmony with the stipulations of Indent (2) § 23. of the Stability Act – also in 2017.

By continuing its well established practice, the Council shall continue relying on the work of external experts, professional research institutions and advisory bodies, beside the analyses prepared by the SAO and MNB, in formulating the FC's adequately substantiated analyses and opinion when judging the foundations of the budget bill and evaluating the related macroeconomic baseline course predictions.

The 2017 researches shall be an integral part of the earlier ones. On the other hand – with respect to fiscal stability and the requirement of sustainable growth – shall be focusing on competitiveness, on how to improve its conditions and the ways of the contribution of small and medium size businesses to the growth.

In the course of fulfilling its duties, the Council shall continue to utilise also in 2017 the analyses prepared by the SAO and the MNB as well as the commissioned white papers of other research institutions.

## **1 Preparing the 2017 Action Plan**

1.1. As regards the compilation of the 2016 annual activity report and the 2017 Action Plan of the Fiscal Council

a) Professional compilation and harmonisation

Deadline: January 2017

Responsible: acting head of the FC Secretariat

b) Sending the documents to the Council members for comments and recommendations

Deadline: January 2017

Responsible: Chairman of the FC

1.2. Discussing the tasks of the Fiscal Council at the board meetings

a) Exchange of views concerning

- the order of the Council's work,
- the fulfilment of the 2016 tasks, the tasks scheduled for 2017 and within this, the fields to rely on regarding the researches that would contribute to laying the foundation for the Council's reflection,
- other, topical matters.

b) Approval of the 2016 Activity Report and the 2017 Action Plan by the Council

Deadline: 19th January 2017

Responsible: for the preparation of the meeting – the acting head of the FC Secretariat

1.3. As regard the 2017 annual Activity Report of the Fiscal Council

a) compilation and harmonisation by experts

Deadline: November 2017

Responsible: the acting head of the FC Secretariat

b) sending out the document to the members of the Council for comments

Deadline: November 2017

Responsible: Chairman of the FC

c) discussing the document and its approval by the Council

Deadline: December 2017

Responsible, for the preparation of the meeting: the acting head of the  
FC Secretariat

## **2 Mandatory Tasks**

2.1. The FC shall formulate its opinion on

a) the draft budget bill of Hungary for the year 2018, according to the  
stipulations of § 24 of the Stability Act

Deadline: within 10 day following the receipt of the draft compiled by the  
Government

Responsible: for the preparation of the meeting and of the draft decisions –  
the acting head of the FC Secretariat;  
for sending the opinion: the Chairman of the Council

b) according to Indent (5) § 24 of the Stability Act the Council may comment on  
the bill submitted to the National Assembly

Deadline: subject of ad-hoc decision (The Stability Act does not stipulate a  
deadline for such cases)

Responsible: for the preparation of the meeting the draft decisions – the  
acting head of the FC Secretariat;  
for sending the comments: the Chairman of the FC

c) shall examine the compliance of the uniform budget bill according to the  
stipulations of Indents (4)-(5) Article 36 of the Fundamental Law (the  
government debt rule) and shall formulate an opinion on whether to submit the

bill for final voting (granting prior consent according to §25/A. of the Stability Act)

Deadline: within three days following the receipt of the document<sup>1</sup>

Responsible: for the preparation of the meeting the draft decisions – the acting head of the FC Secretariat;  
for sending the consent: the Chairman of the FC

d) harmonisation of the Chairman's exposés related to the budget bill [§16. of the Stability Act, Indent (5) § 97 of the House Rules]

Deadline: pending on occurrence

Responsible: for the preparation the acting head of the FC Secretariat

2.2. As regards any bills concerning the amendment of Act C of 2016 about the 207 central budget of Hungary that would change the revenue and/or the expenditure grand totals and/or would increase the deficit, the Fiscal Council

a) shall give its opinion, in harmony with § 24 of the Stability Act

Deadline: within 10 days following the receipt of the Government's draft

Responsible: for the preparation of the meeting and the draft decisions – the acting head of the FC Secretariat;  
for sending the opinion: the Chairman of the FC

b) shall examine the compliance of the bill with the government debt rule and shall decide on granting its prior consent to submit the bill for final voting, in harmony with the stipulations of § 25 and 25/A of the Stability Act

Deadline: within one day following the receipt of the uniform proposal forwarded by the Speaker of the National Assembly

Responsible: for the preparation of the meeting and the draft decisions – the acting head of the FC Secretariat;

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<sup>1</sup>In case the FC states in its Opinion that the adoption of the uniform budget (act) bill would infringe with the government debt rule (i.e. the FC doesn't grant its prior consent for submitting the act/bill for final voting) the FC shall deliver its opinion within one day following the receipt of the repeated proposal of the Government.

for sending the consent: the Chairman of the FC

2.3. In harmony with Point c) Indent (1) § 23 of the Stability Act the Fiscal Council shall formulate its opinion on the state of the execution of the central budget act and the expected trend of the government debt (discussion of the evaluation concerning the processes of the first half of 2017)<sup>2</sup>

Deadline: September 2017 (FC meeting)

September-October 2017 (workshop)

Responsible: for the preparation of the meeting and the draft decisions,  
possibly for organizing the workshop – the acting head of the FC  
Secretariat  
for sending the FC opinion to the competent persons – the  
Chairman of the FC

### **3 Supporting the Council's Activities**

The SAO and MNB shall give professional support to the Fiscal Council [Indent (2) § 23 of the Stability Act] by supplying the FC with analyses regarding the issues discussed by the Council as well as ensuring professional consultations.

#### **3.1. On behalf of the SAO**

- Aspects for formulating an opinion on the draft of the 2018 central budget bill of Hungary
- Aspects for formulating an opinion on the uniform bill of Hungary's 2018 central budget prior to submitting it for final voting
- Analysis of the macroeconomic relations of the 2016 budget processes
- Analysis of the fiscal processes in the first half of 2017

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<sup>2</sup> The Action Plan counts with continuing the practice followed in the previous two years, i.e. the National Assembly shall discuss and adopt the 2018 budget bill already in the first half of the year. In this case the evaluation of the first half of 2016 shall take place accordingly.

### 3.2. On behalf of MNB

- Analysis of the draft of the 2018 budget bill
- Analysis for the submission of the 2018 budget act prior to final voting
- Half-year analysis about the public finance processes
- Monthly MNB analyses

3.3. Organising FC consultations about the analyses – in the manner intended of the SAO and MNB – respectively organising workshops.

Deadline: continuous

Responsible: for the preparation – the acting head of the FC Secretariat

## 4. Additional tasks

4.1. The Fiscal Council may express an opinion [points d)-e) indent (1) § 23 of the Stability Act] concerning the proposed amendments affecting issues regarding its functions (Stability Act, Public Finance Act, etc.) and those serving the laying of the foundations of the central budget.

Deadline: if and when they occur

Responsible: for the preparation of the meeting and the draft decisions – the acting head of the FC Secretariat

for sending out the opinion: the Chairman of the FC

4.2. Commissioning the researches and analyses supporting the work of the FC (as listed in the Appendix), discussing these documents and organising workshops.

### Carried over from 2016:

- The expected trend of the 2015-2018 labour market situation and processes, their respective effect on growth and public finance (prepared by: MTA KRTK KTI)
- The operation of small and medium size businesses and their fiscal relations, the types and effect of own account employment related to social services. (Prepared by: MTA KRTK KTI)
- The operation and fiscal relations of small and medium size businesses (prepared by MTA KRTK KTI)

### Updates:

- Medium term forecast about the macroeconomic and public finance processes (prepared by Economic and Social-Statistical Analysing and Research Centre of the Corvinus University)
- Review of the medium term processes of world economy and their effect on Hungarian economy (growth) and public finance (prepared by Kopint-Tárki and OG Research)

**New researches:**

- Situation of the public finance and 2017-2018 outlook (analysis for the 2018 central budget bill), (prepared by Századvég and GKI)
- Skills in shortage in Hungary and economic growth (Prepared by EcoVista)

Deadlines: a) according to contract, as stipulated in the appendix

b) for discussion, organizing workshop: 3rd quarter of 2017

c) Responsible: for the preparation the acting head of the FC Secretariat

4.3. Monitoring the macroeconomic characteristic and the public finance processes

Deadline: Continuous

Responsible: the acting head of the FC Secretariat

## **5. Tasks of International Relations**

5.1. Participation of the Chairman of the Council at the mid-year consultations of the Independent Fiscal Institutions

Deadline: continuous

Responsible for the preparation: the acting head of the FC Secretariat

5.2. Meeting the heads of the Fiscal Advisory Council and the Parliamentary Budget Office of Austria in Budapest, to promote the relationship of our institutions (following a joint agreement rescheduled from 2016).

Deadline: 19th January 2017

Responsible for the preparation: the acting head of the FC Secretariat



5.3. Further strengthening of the cooperation of the fiscal responsibility institutions of the Visegrád group

Deadline: continuous

Responsible: Chairman of the FC

## **6. Tasks of the FC Secretariat**

Under the guidance of the Chairman of the Fiscal Council it is the head of the Secretariat - assigned by the Chairman - who is responsible for organising the execution of the tasks of the Secretariat. The Secretariat prepares the body's meetings, its decisions with the necessary coordination, the draft of the documents to be issued by the Chairman, the draft of the memos, ensures that these documents were distributed and maintains the FC website.

Deadline: according to the rules of procedure (and the decision of the FC Chairman)

Responsible: the assigned head of the Secretariat

Budapest, 19th January 2017

Domokos László  
Member of the Fiscal Council

Matolcsy György  
Member of the Fiscal Council

Kovács Árpád  
Chairman of the Fiscal Council

Appendix: Research Plan

### FC Research Plan 2017

Topic/Firm	Commission		Date of Delivery	Date of Payment
	Subject (title)	Scheduled fore		
<b>I. Medium term analysis</b> 1. MTA KRTK	The labour market situation in 2015-2018 and the expected trend of processes, its effect on growth and public finance	Fourth quarter of 2016	30st May 2017	Third quarter of 2017
<b>II. Updating of former medium term analyses</b> 1. BCE Economic and Social-Statistical Analysing and Research Centre 2. Kopint-Tárki 3. OG Research	Medium term forecast about the macroeconomic and public finance processes  Review of the medium term processes of world economy and its effect on Hungarian economy (growth) and public finance	First quarter of 2017	Second quarter of 2017	Third quarter of 2017
<b>III. For the compilation of the opinion on the 2017 central budget bill</b> 1. Századvég 2. GKI	Macroeconomic and public finance situation and outlook 2017-2018 (analysis for the 2018 draft central budget bill)	January 2017	First quarter of 2017	Second quarter of 2017
<b>IV. Competitiveness</b> 1. MTA KRTK  2. EcoVista	The operation of small and medium size businesses and their fiscal relations, the types and effect of own account employment related to social services.  Professions in shortage in Hungary and economic growth	Fourth quarter of 2016  Third quarter of 2017	31st May 2017  Fourth quarter of 2017	Third quarter of 2017  Fourth quarter of 2017

Beyond the above the following analyses are prepared regularly by Századvég and GKI and forwarded by FC to the Committee on the Budget of the National Assembly – financed by the Office of the National Assembly:

- Continuous macroeconomic information on the state of the Hungarian economy and within it the state of public finance and its perspectives (50 pages of analysis by the end of each quarter)
- Evaluation of the global, European and domestic processes (**with special emphasis on the consequences of Brexit**) and a three year outlook on the basis of this evaluation (20 pages study by the last day of each half year)