Adopted by Resolution 15/2013.12.03.
of the Fiscal Council KVT-141-2/2013

PRELIMINARY APPROVAL OF THE FISCAL COUNCIL

for the submission of the text of bill T/12974 on the amendment of Act CCIV of 2012 on the 2013 central budget of Hungary, for final vote

I.

Antecedents, legal basis and publicity of the preparation of the Opinion

In harmony with the stipulations of Indent (2), Article 44 of the Basic Law of Hungary and on the basis of Paragraphs 23 and 24 of Act CXCIV of 2011 on the Economic Stability of Hungary, the Fiscal Council (hereinafter: the Council) formulated its opinion on the draft bill T/12974 concerning the amendment of Act CCIV of 2012 on the 2013 Central Budget of Hungary. The Government indicated the asset contribution for the Integration Organisation of the Cooperative Banks as the fundamental reason of this amendment.

As regards the authenticity and feasibility of the draft aiming at the amendment of the respective act, the Council had no fundamental objections that would have justified the indication of fundamental non-concurrence concerning the document submitted with the purpose of requesting an opinion. In its resolution the Council found that the public finance deficit, together with the growing expenditures, can remain below 3 percent and the stipulations of the stability act can be observed. At the same time, the Council noted that the maintainability of the targeted deficit is related to the asset contribution' accountability calculated by ESA methodology, thus the FC considered it important to continue the strict budgetary financial management and refraining from using the Country Protection Fund. Additionally, the Council also called the attention to the fact that frequent amendments of the law would spoil the technical accountability of the budget even when the individual amendments by themselves are professionally justified.

After the Government submitted its amendment under file number T/12974, the National Assembly debated it together with the related amendment T/12974/2 – that has not influenced the size of the public debt – and adopted the amendment, the Speaker of the National Assembly submitted the document as an appendix of his letter OE-706/2013 to the Council, asking for the prior approval of the Council to present the amendment for final vote.

In its resolution 14/2013.11.29. the Council stated that the amendments concerning the expenditure total and the balance of the central budget shall increase the amount of public debt. Notwithstanding, in the course of executing Act CCIV of 2012 on the 2013 central budget of Hungary, amended by the examined bill of amendment, the proportion of the public debt calculated with fixed rate of exchange, compared to the total of the gross national product (GDP) shall decrease by the end of 2013, when compared to the said proportion at the end of 2012. Thus, in harmony with the respective stipulations of the Basic Law of Hungary the public debt rule can be observed.
On the basis of Indent (1) of Paragraph 26 of the Act CXCIV of 2011 on the Economic Stability of Hungary, the Council has granted its preliminary approval for submitting bill T/12974 on the amendment of Act CCIV of 2012 on the 2013 central budget of Hungary - corrected by the proposed amendments that shall not influence the measure of public debt that had been voted for by the National Assembly - for the final vote.

The Chairman of the Council informed in a letter the Speaker of the National Assembly about the resolution of the FC and took measures to make the resolution public.

Following this step, on the basis of Paragraph 107 of National Assembly Resolution 46/1994. (IX.30.) on Certain House Rule Regulations, the Government submitted an amendment proposal prior to the final vote, to the unanimous proposal T/12974/5 concerning the amendment of the bill T/12974, on the amendment of Act CCIV of 2012, concerning the 2013 central budget of Hungary. This amendment shall increase the expenditure total of the budget by approximately HUF 36 billion.

The amendment was justified by the fact that on 12th November 2013, the Court of Justice of the European Union eliminated the EU committee resolution 2011/88/EU of 9th July, 2010 concerning MOL Nyrt (MOL Group). According to this resolution the earlier paid amount of HUF 35, 3 billion has to be paid back (together with the possible interest).

In his letter of OE-706-2/2013 the Speaker of the National Assembly has repeatedly asked the Council to give its prior approval to submitting the amendment for the final vote.

In its resolution the Council declared itself concerning the feasibility of the public debt rule and in its justification called the attention to other risks beyond the public debt rule. The decision of the Council was formulated and is being published as follows.

II.

The Resolution of the Council

At its meeting held on 3rd December 2013 the Council adopted the following, unanimous resolution:

1. The Council shall establish that in the course of executing Act CCIV of 2012 on the 2013 central Budget of Hungary, together with the amendments, the proportion of public debt calculated with fixed rate of exchange to the total gross domestic product (GDP) is expected to slightly decrease by the end of 2013 when compared to the proportion at the end of 2012. This means that the public debt rule can be met, in harmony with the stipulations of the Basic Law of Hungary.
2. On the basis of Indent (1) of Paragraph 26 of Act CXCIV of 2011 on the Economic Stability of Hungary, the Council has granted its preliminary approval for submitting for the final vote bill T/12974 on the amendment of Act CCIV of 2012 on the 2013 central budget of Hungary, corrected by the proposed amendments that shall also influence the measure of public debt and that had been voted for by the National Assembly.
3. The Fiscal Council shall authorise the Chairman of the Council to inform the Speaker of the National Assembly about its resolution, without delay.

III.

Justification of the Council's Decision

The original Bill T/12974 on the amendment of Act CCIV of 2012 on the 2013 Central Budget of Hungary suggested changes in the 2013 central budget that would result in the increase of the cash-flow budgetary deficit and public debt, amounting to HUF 39 billion in the 2013 central budget. The purpose was to establish budgetary cover, mostly for the execution of the National Assembly's resolutions concerning the creation of the framework of the integration of cooperative banks and, to a lesser degree, to promote the realisation of the Government's ideas concerning the expansion of public assets.

The Opinion of the Fiscal Council concerning the draft bill was adopted by FC resolution 13/2013.11.07. This recorded that in case the draft bill shall be voted, the public debt, as per Indent (5), Article 36 of the Basic Law of Hungary, shall be observed.

Two, from among the accepted amendments of the draft bill concerned procedural rules while one concerned the expenditure total that, at the same time, shall increase both the cash flow deficit and the public debt. According to the latter, in harmony with the sentence of the Court of Justice of the European Union, the earlier illegally paid amount of HUF 35, 3 billion (plus the accidental interest that could be paid even without the amendment of the respective law) has to be paid back to MOL Nyrt (MOL Group). It is expected that by the end of the year the GDP proportionate public debt, according to the stability act, shall decrease, i.e. the observing of the public debt rule shall not be in danger.

The Ministry for National Economy (NGM) supplied detailed calculations and documentation for the Fiscal Council concerning the amendment of the budget act.

When formulating its opinion the Council has taken into consideration the latest macroeconomic processes and those of the public finance, together with the available

forecasts. It was on the basis of these documents that the Council gave its consent for submitting the draft bill for final vote.

At the same Time the Council deemed it necessary to note that the amendments concerning the expenditure total of the central budget and its balance, according to the bill T/12974 and its amendment prior to submission for the final vote shall increase the cash flow deficit of the 2013 central budget by HUF 75 billion. At the time of formulating the opinion of the Council concerning its prior agreement, no official standpoint was known yet regarding the budgetary expenditure that would assist the execution of the integration of cooperative banks (HUF 135 billion) representative for the calculation of this amount according to ESA methodology. From the aspect of the feasibility of the 2013 targeted deficit this implies uncertainties, despite the mid-year legislative and governmental measures. Hence, in the remaining period of the current year the Government should pay regard to the above, especially concerning the utilisation of the centralised reserves.

Budapest, 3rd December, 2013

Domokos László	Dr Kovács Árpád
Member of the Fiscal Council	Chairman of the Fiscal Council