

## **Opinion of the Fiscal Council**

### **for the final voting on bill T/4477 amending Act C of 2014 on the 2015 central budget of Hungary**

#### **I.**

#### **Antecedents, legal foundation and publicity of the Opinion**

According to the stipulation of § 25 of Act CXCV of 2011 on the Economic Stability of Hungary (henceforward: Stability Act) the Fiscal Council (further: the Council or FC) shall formulate its opinion on the central budget, the budget's amendment respectively, its standpoint concerning the Council's preliminary consent required by Indent (3) Article 44 of the Fundamental Law of Hungary, that is necessary for the adoption of the bill. In the course of this process the Council shall examine if the uniform motion is in harmony with the stipulations of Indent (5), Article 36 of the Fundamental Law regulating the measure of government debt.

By its Resolution 3/2015.04.14. the Council delivered its opinion on the draft bill T/4477 concerning the amendment of Act C of 2014 on the 2015 central budget of Hungary. In its Opinion the council established that the measures described by the draft bill shall increase the deficit however, "it considered that the 2, 4 percent GDP-proportionate targeted deficit of the public finance – calculated by EU methodology – can be met, despite the higher expenditures". In its justification the Council pointed out that as a result of the changes in the cash flow deficit and the taking over of the debts, government debt shall increase by 0, 2 percent of the GDP but, "even with the effect of the above, the stipulation of the Fundamental Law concerning the requirement to decrease the GDP proportionate government debt can be fulfilled."

As an attachment to his letter of OE-40/622-1/2015 dated 27th of May 2015 the Speaker of the National Assembly forwarded to the Chairman of the Fiscal Council the uniform motion T/4477/15 concerning the amendment of Act C of 2014 on the 2015 central budget bill of Hungary. In this letter the Speaker asked for the opinion of the Council, according to § 25 of the Stability Act as regards the motion's compliance with the government debt rule and asked for the preliminary consent of the Council – in harmony with the stipulations of Indent (3) Article 44 of the Fundamental Law – to pass the bill for final vote.

## **II.**

### **Resolution of the Fiscal Council**

At its meeting held on 8<sup>th</sup> of May 2015 – based on having supervised the uniform motion T/4477/15 on the amendment of Act C of 2014 on the 2015 central budget of Hungary – the Council passed the following Resolution by a uniform decision:

1. The Council established that the amendment as per the motion T/4477, concerning the revenue and expenditure totals (and the balance) of the central budget, shall increase the size of government debt. Even so, in the course of the implementation of Act C on the 2015 central budget of Hungary – taking into consideration the amendments – the size of the GDP proportionate government debt expected by the end of year 2015 shall be in harmony with the decreasing stipulation set by Indent (5) Article 36 of the Fundamental Law.
2. The Council hereby gives its preliminary consent stipulated by Indent (3) Article 44 of the Fundamental Law to pass the uniform motion T/4477/15 for final vote.
3. The Council hereby authorises its Chairman to immediately inform the Speaker of the National Assembly of this resolution of the FC.

## **III.**

### **Justification of the Council's decision**

The uniform motion T/4477/15 on the amendment of Act C of 2014 on the 2015 central budget of Hungary raises the expenditure grand total of the central budget by HUF 62 billion while, the revenue grand total by HUF 47 billion. As a result the cash flow deficit shall rise by HUF 15 billion. Former decisions of the Government and of the National Assembly make the

amendment necessary. The amendments appearing in the uniform motion create the resources for purchasing ownership shares in the Hungarian subsidiary of Erste Bank, for the supporting of the development of local governments that had not participated in debt consolidation and for increasing the expenditure appropriations of the Ministry of Defence to cover the expenditures arising from Hungary's military cooperation in Kurdistan. Additionally, the increased appropriations shall serve the top central investments, the implementation of the 2015 phase of the Liget Budapest project and supporting disabled workers to find new jobs.

Apart from the above the uniform motion shall establish the legal foundation to assist the financial stability of BKV Zrt. (Budapest Public Transportation System) by taking over the company's long accumulated debt and burdening with this the government debt. This solution shall not increase the cash flow deficit of the budget. Thus, the amendments on the whole shall increase the GDP proportionate ESA deficit of the public finance by 0, 15 percent while the GDP proportionate government debt shall increase by 0, 2 percent.

In its Opinion accepted by resolution 3/2015.04.14 concerning the draft bill, the Council recorded that in case of accepting the bill the debt rule, as per Indent (5) Article 36 of the Fundamental Law, shall be fulfilled (even with the risks identified by the said Opinion).

On the basis of the above the Council hereby grants its acquiescence to submit the uniform motion T/4477/15 for final vote.

Budapest, May 28 2015

Domokos László  
Member of the Fiscal Council

Dr Kovács Árpád  
Chairman of the Fiscal Council