

Fiscal Council

KVT/3-1/2019

2019 Action Plan of the Fiscal Council

According to Article 44 of the Fundamental Law the Fiscal Council (henceforward: the Council/FC) is an organisation supporting the activities of the National Assembly that primarily shall evaluate the grounding of the central budget and the effectiveness of the government debt rule also in 2019. Apart from the Fundamental Law of Hungary its tasks are defined by Act CXCV of 2011 on the Economic Stability of Hungary (henceforward: Stability Act). Thus the Council shall formulate its opinion on the followings:

- a) the draft central budget bill, the draft of amendments of the budget act included and, within this¹, on the size of the budget deficit and the its compliance with Indent (2) § 3/A of the Stability Act²,
- b) every half year about the state of the execution of the central budget act and the expected trend of government debt,
- c) the FC shall decide on granting its preliminary consent to submit the budget bill and the amendment of the budget act prior to the final voting – in harmony with the stipulation of Indent (3) Article 44 of the Fundamental Law.

According to Indent (2) § 23 of the Stability Act the Governor of the Central Bank of Hungary (MNB) and the president of the State Audit Office of Hungary (ÁSZ/SAO) – both as members of the Fiscal Council – shall provide the FC the analyses (studies) and findings prepared by their respective institutions and related to the issues discussed in the FC.

Following its established practice, apart from the analyses (forecasts) prepared by ÁSZ and MNB, when formulating its opinion stipulated by Point c) Indent (1) § 23, Indent (2) § 24, and § 25 and 25/A the Council shall rely also on the related works of external experts, professional research institutions and advisory bodies to adequately set the foundations of the above opinion – the evaluation of the macroeconomic basic course related to the budget bill included.

Consequently, the researches concerning the year 2019 shall look beyond the issues related to the draft central budget bill and the evaluation of the execution of the budget bill every six months and also focus on external and internal processes that are inter-related to the revenue

¹ This rule was registered in the Stability Act by § 59 of Act XL of 2018 on 26th of July 2018 thus firming the practice followed by the FC so far.

² This means the harmony of the governmental sector with the medium range fiscal goal as well as the stipulation that its deficit shall not exceed the 3 % of the gross domestic product (GDP).

and expenditure sides of public finance (according to the experiences gained in 2018, analyses supporting the establishment of the conditions and tools of sustainable development should be further expanded).

1. Report on year 2018 and the Action Plan for year 2019

1.1. As regards the 2018 Annual Report and the draft 2019 Action Plan of the Fiscal Council

a) Compilation of the document by experts

Deadline: December 5th, 2018

Responsible: Acting Head of the FC Secretariat

b) Sending the documents

ba) for consultations with experts

Deadline: December 5th, 2018

Responsible: Acting Head of the FC Secretariat

bb) to the members of the Council for seeking their opinion and possible recommendations

Deadline: December 13th, 2018

Responsible: the Chairman of the Council

1.2. Discussing the tasks of the Fiscal Council at a college meeting

a) Exchange of opinions

– about the work schedule of the Council,

– about the execution of the 2018 tasks, the tasks of year 2019 and within this, about the research fields to be commission to assist the laying of the solid foundation for the Council to build their respective opinion on,

– about other, topical issues.

b) Approving the 2018 Annual Report and the 2019 Action Plan by the Council

Deadline: the week beginning with January 2nd, 2019

Responsible for the preparation of the meeting: the Acting Head of the FC Secretariat

2. Mandatory Tasks

2.1. According to the stipulations of § 24 of the Stability Act the FC shall

- a) formulate its opinion⁴ about the draft ³of the 2020 Central Budget bill of Hungary

Deadline: within 10 days following the receipt of the draft document⁴ from the Government

Responsible: - for the preparation of the draft decisions and organising the meeting – the
Acting Head of the FC Secretariat,
- for sending the opinion – the Chairman of the FC

- b) According to the stipulation of Indent (5) § 24 of the Stability Act the Council may attach notices to the draft bill⁵ submitted to the National Assembly

Deadline: based on a case by case decision (the Stability Act does not establish a time limit)

Responsible: - for the preparation of the draft decisions and organising the meeting – the
Acting Head of the FC Secretariat,
- for sending the notices – the Chairman of the FC

- c) According to the stipulation of § 25/A of the Stability Act the Council shall examine the compliance of the uniform budget proposal with Indents (4)-(5) of Article 36 of the Fundamental Law of Hungary (government debt rule) and shall formulate its opinion for submitting the document for final voting (granting preliminary consent in harmony with Paragraph 25/A of the Stability Act)

Deadline: within three days⁶ following the receipt of the document

Responsible: - for the preparation of the draft decisions and organising the meeting – the
Acting Head of the FC Secretariat,
- for sending the consent – the Chairman of the FC

- d) Coordination of the Chairman's exposes and the draft of his comments prior to the final voting [§ 16 of the Stability Act, Indent (5) § 97 of the House Rules]

³ According to the Indent (4) §13 of the Public Finance Act it is the Minister responsible for public finance who shall prepare the draft bill on the central budget. Within ten days following the receipt of the draft bill the Council may make observations respectively – in case it has fundamental objections as regards the document, its authenticity or viability – the FC may indicate its disagreement.

⁴ Within 10 days following the receipt of the draft bill the Council may make observations respectively – in case it has fundamental objections as regards the document, its authenticity or viability – it may indicate its disagreement (Indent (2) § 24 of the Stability Act).

⁵ In harmony with the stipulation of Indent (2) § 22 of the Public Finance Act the Government shall present the central budget bill to the National Assembly by October the 15th – in the year of general elections by 31st of October. (Over the last years the Government adopted the practice of submitting the central budget bill already in the first half of the year.)

⁶ In case the Opinion of the FC says that the adoption of the uniform budget bill/proposal would be in conflict with the government debt rule (the Council does not grant its preliminary consent), the body should formulate its Opinion on the repeated proposal of the Government within one day.

Deadline: according to the arising task

Responsible: for the preparations – the Acting Head of the Secretariat

2.2. In case the draft budget bill of the 2019 central budget of Hungary implies the amendment of Act L of 2018 regarding the revenue and/or the expenditure grand total of the central budget and/or would increase the size of the deficit, the FC

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

Deadline: within 10 days following the receipt of the draft document from the Government,

Responsible: - for the preparation of the draft decisions and organising the meeting – the Acting Head of the FC Secretariat,

- for sending the opinion – the Chairman of the FC

b) according to the stipulations of § 25 and 25/A of the Stability Act the FC shall examine the compliance of the draft bill with the government debt rule and decides on granting the body's preliminary consent to submit the draft bill

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

Responsible: - for the preparation of the draft decisions and organising the meeting – the Acting Head of the FC Secretariat,

- for sending the consent – the Chairman of the FC

2.3. According to Point c) Indent (1) § 23 of the Stability Act the Fiscal Council shall formulate its opinion on the execution of the central budget act and the expected trend of government debt, every six month.

2.3.1. Evaluation of the 2018 fiscal processes

Deadline for the FC meeting: second quarter of 2019

Responsible for preparing the meeting and the draft resolutions: the Acting Head of the FC Secretariat,

- For sending the Opinion to those concerned: Chairman of the FC

2.3.2. Evaluation of the fiscal processes of the first half of 2019

Deadline for the FC meeting: September 2019

for the meeting: October 2019

Responsible: for the preparation of the meeting, the draft resolutions and for organising the workshop: the Acting Head of FC,

- for sending the Opinion to those concerned: Chairman of the FC

3. Supporting the Activities of the Council

Both the SAO and MNB shall render professional support to the Fiscal Council [Indent (2) § 23 of the Stability Act] by preparing analyses for the FC and ensuring opportunities for professional consultations as regards the issues on the agenda of the Council.

3.1. From the SAO

- Aspects for formulating the FC opinion on the draft of the 2020 central budget bill
- Half-yearly analyses about the fiscal processes in the first half of year 2018 and 2019
- Other analyses supporting the opinion formulating powers of the Fiscal Council

3.2. From MNB

- Analysis of the draft of the 2020 budget bill
- Half-yearly analyses about the public finance processes (the first half year in 2018 and 2019)
- Monthly and other MNB analyses

3.3. In accordance with the intentions of SAO and MNB, Fiscal Council consultations, respectively organising workshops about the analyses prepared by them

Deadline: continuous

Responsible for the preparation: the Acting Head of the FC Secretariat

4. Additional tasks

4.1. The Fiscal Council may provide an opinion [Points d)-e) § 23 of the Stability Act] about amendments concerning its activities (Stability Act, Public Finance Act, etc.) and law amendments concerning the foundations of the central budget.

Deadline: as it occurs

Responsible for the preparation of the draft resolutions: the Acting Head of the FC Secretariat
for sending the Opinion: the Chairman of the FC

4.2. Commissioning researches dealing with the topics (see the Appendix) assisting the work of the FC and organising workshops to discuss the papers

4.2.1. Budget

- a) Analysis of the execution of the budget act every six months
- b) Formulating an opinion on the draft budget bill for year 2020

4.2.2. External conditions of the budget

- a) Effects of the world economy
- b) Labour market background

4.2.3. Internal factors of the budget

- a) Interrelations of sustainable development and public finance
- b) Financing the big entitlement systems

Deadline for the contracts: see the Appendix

for discussions and workshops: Third quarter of 2019

Responsible for the preparation: the Acting Head of the FC Secretariat

4.3. Monitoring the macroeconomic characteristic features and the public finance processes

Deadline: continuous

Responsible: Acting Head of the FC Secretariat

5. Tasks of International Relations

- 5.1. Participation of the Chairman of the Council at the interim workshops of the independent fiscal institutions (IFIs), the EU and the OECD, additionally the meetings of European Network of Independent Fiscal Institutions (EUIFI)
- Deadline: continuous
- Responsible for the preparations: the Acting Head of the FC Secretariat
- 5.2. Meeting and exchange of experiences with Ms. Eva Zamrazilová the Chairperson of the Czech Fiscal Council in Budapest about the bilateral relations and outlining the frames and contents of future cooperation
- Deadline: according to consultation
- Responsible for the preparation: the Acting Head of the FC Secretariat
- 5.3. Reviewing the conditions of setting up a secretariat in Budapest that would be responsible for the everyday performance of the tasks of the Network of EU Independent Fiscal Institutions of the EU member states (EUIFIs) and the secretarial work (organisational, technical) assisting the liaising among the concerned IFIS, in the framework of the FC Secretariat
- Deadline: first half of 2019
- Responsible: the Chairman of the FC
- 5.4. Visit of Mr. José Luis Escrivá, Chair of the Network of EU Independent Fiscal Institutions in Budapest to discuss the possibilities of deploying the secretarial tasks of the Network to Budapest and talk about the related tasks
- Deadline: according to consultation
- Responsible for the preparation: the Acting Head of the FC Secretariat
- 5.5. Consultations with the representatives of international institutions (European Commission, IMF, credit rating companies, etc.)
- Deadline: according to demands
- Responsible: the Chairman of the FC

6. Tasks of the FC Secretariat

It is the Acting Head of the Secretariat who is organising the realisation of the tasks of the Secretariat, under the guidance of the Chairman. In the course of his job the Acting Head is responsible for the preparation of the body's meetings, the FC decisions with the required conciliations, the drafts of the documents to be issued by the Chairman, co-ordinates the tasks, compiles the drafts of the FC Opinions and memorandums, supervises the sending of the approved documents and the maintenance of the FC website.

Deadline: according to the rules of procedure, the action plan and the decisions of the FC Chairman

Responsible: the Acting Head of the FC Secretariat

Adoption of the Action Plan

Hereby I ask the Fiscal Council to approve the year 2019 Action Plan, the Research Plan included, according to the attached draft resolution.

Budapest, 8th January, 2019

Kovács Árpád
Chairman of the Fiscal Council

Resolution 1/2019.01.08. of the Fiscal Council

Acting on the proposal of the Chairman of the FC, at its meeting held on 8th January, 2019 the Fiscal Council examined and adopted the year 2019 Action Plan, the Research Plan included.

The FC calls the attention of the Chairman of the Council to forward the Action Plan to the Speaker of the National Assembly.

Deadline: with no delay

Responsible: the Chairman of the FC

Appendix: Research Plan

January 8, 2019

Domokos László
Member of the Fiscal Council

Matolcsy György
Member of the Fiscal Council

Kovács Árpád
Chairman of the Fiscal Council

FC Research Plan for year 2019

| Topic/Firm | Commission | | Settlement Date | Payment Date |
|--|---|--|--|--|
| | Subject (title) | Time | | |
| I. The budget a) half-yearly evaluation of the execution of the budget act 1. Századvég 2. Kopint-Tárki | Macroeconomic and public finance situation in the first half of year 2018 and 2019 | First quarter of 2019 | Second quarter of 2019 | Second quarter of 2019 |
| b) For formulating an opinion on the draft of the year 2020 budget bill 1. Századvég 2. BCE 3. OG Research | Macroeconomic and public finance situation and outlook for 2019-2021 | In line with the submission of the budget bill | In line with the submission of the budget bill | In line with the submission of the budget bill |
| II. Factors affecting the budget in the short and medium term a) External conditions 1. Kopint-Tárki 2. OG Research | Effects of the world economy on Europe and within it Hungary's economy and public finance - with special emphasis on Brexit | Second quarter of 2019 | Third quarter of 2019 | Third quarter of 2019 |
| 3. MTA KRTK | Labour market tendencies, with special attention to the effect of migration and labour shortage on the economy and public finance | Third quarter of 2019 | Fourth quarter of 2019 | Fourth quarter of 2019 |
| 4. Eco-Vista | The effect of wage agreements on economic growth and the public finance balance | First quarter of 2019 | Second quarter of 2019 | Second quarter of 2019 |
| b) Internal factors 1. * | The interactions of sustainable development and public finance with special emphasis on water management | Second quarter of 2019 | Third quarter of 2019 | Third quarter of 2019 |
| 2. Századvég 3. PTE ETK | The relation of transforming the health care system with public finance financing, national and private healthcare | Second quarter of 2019 | Third quarter of 2019 | Third quarter of 2019 |