

Fiscal Council

Action Plan of the Fiscal Council

For year 2020

January 2020

Under Article 44 of the Fundamental Law of Hungary the Fiscal Council (hereinafter: Council/FC) is an organisation supporting the work of the National Assembly that shall first consider and evaluate the justification of the central budget and the enforcement of the government debt rule also in 2020. Apart from the Fundamental Law the tasks of the Council are defined by Act CXCIV of 2011 on the economic stability of Hungary (henceforward: Stability Act).

Thus the Council shall

- formulate its opinion
  - about the draft central budget bill, the draft of the amendment of the budget act included, and within this about the measure of the budget deficit<sup>1</sup> and the decrease of the government debt indicator<sup>2</sup>,
  - about the state of the execution of the central budget act and the expected trend of the government debt<sup>3</sup>, every six month and,
- decide about granting the body's preliminary consent prior the final voting on the budget bill and the amendment of the budget act, as stipulated by Indent (3) Article 44 of the Fundamental Law.

In harmony with the stipulation of Indent (2) § 23 of the Stability Act, as members of the FC the Governor of the Central Bank of Hungary and the President of the State Audit Office of Hungary

---

<sup>1</sup> According to § 3/A of the Stability Act, regarding balance of the governmental sector the within the central budget act any decisions shall be made in harmony with the Fundamental Law and the laws of the European Union, observing the stipulations of this law. The balance of the governmental sector shall be defined so that it would be in harmony with implementing the medium term fiscal target and so, that its deficit shall not exceed 3 % of the gross national product calculated according to the stipulation of Point b) Indent (1) § 2. As regards the calculation method of the balance – with special regard to the calculation of the structural balance – resulting from the Fundamental Law and the laws of the European Union – as well as the parameters necessary for the calculation are published on the website of the ministry headed by the minister responsible for public finance.

<sup>2</sup> According to Article 36 of the Fundamental Law, as long as the government debt is exceeding half of the gross domestic product, the National Assembly shall adopt only such a central budget act that contains the decrease of the government debt in proportion of the total gross domestic product. In harmony with § 4 of the Stability Act the central budget act shall define the degree of the government debt indicator planned for the last day of the budget year. According to the amendment valid from January 1, 2020 when preparing and adopting the 2021 central budget act of Hungary this degree shall be defined so that the decrease of the government debt indicator in proportion of the reference year shall be at least 0, 1 percent, alongside the enforcement of the EU regulations as regards the decrease of government debt.

<sup>3</sup> According to Point c) Indent (1) § 23 of the Stability Act

shall provide the Council with those analyses, papers – prepared by their respective institutions – that concern the issues discussed by the Council.

Following its established practice, when formulating its professional and adequately supported opinion, the evaluation of the macroeconomic baseline related to the grounding of the budget bill included – in harmony with Point c) Indent (1) § 23, Indent (2) § 24 and Paragraphs 25 – 25/A of the Stability Act – the Council shall take into consideration the respective works of external experts, professional research institutions and advisory bodies, apart from the analyses (forecasts) elaborated by the SAO and MNB.

Therefore, beyond being related to the formulating an opinion on the central budget bill and the trend of the execution of the central budget every six months, the year 2020 researches take an outlook at the internal and external processes and factors that are interrelated with the revenues and expenditures of public finance (based on the experiences of 2019 we should continue using analyses supporting the establishment of those conditions and tools that are shaping our policies and that have a global effect on our sustainable development). In this vein we are commissioning multilateral, complementary studies related to different themes also in 2020.

## **1. Year 2019 Annual Report and Year 2020 Annual Action Plan**

1.1. As regards the year 2019 report and the year 2020 Action Plan of the Fiscal Council

a) compilation of the documents by experts

Deadline: 30th of November, 2019

Responsible: Head of the FC Secretariat

b) forwarding the documents

ba) for expert level consultations

Deadline: 3rd of December 2019

Responsible: Head of the FC Secretariat

bb) to the members of the Council to formulate opinion and add recommendations

Deadline: 12th of December 2019

Responsible: Chairman of the FC

1.2. Board meeting to discuss the tasks of the Fiscal Council

a) Exchange of views

- about the work schedule of the Council,
- about the realisation of the year 2019 tasks, the year 2020 tasks and. within this, about the fields to be targeted by the researches assisting the opinion formulating activities of the Council,
- about other topical issues.

b) Approval of the Council as regards the year 2019 Annual Report and the year 2020 Action Plan

Deadline: 9th of January 2020

Responsible - for the preparation of the meeting: Head of the Secretariat

## 2 Mandatory Tasks

### 2.1. The FC shall

- a) formulate its opinion<sup>4</sup> about the draft bill<sup>5</sup> of the year 2021 central budget

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

Responsible – for the preparation of the draft decisions: Head of the FC Secretariat;

- for forwarding the opinion: the Chairman of the FC

- b) according to Indent (5) § 24 of the Stability Act the FC may make observations to the draft bill<sup>6</sup> submitted to the National Assembly

Deadline: based on case by case decision (the Stability Act does not set a time limit for this task)

Responsible – for the preparation of the meeting and the draft decision documents: Head of the Secretariat,

- for forwarding the comments: Chairman of the FC

- c) shall examine the compliance of the uniform budget bill with the stipulations of Indents (4)-(5) Article 36 of the Fundamental Law (government debt rule) and shall formulate its opinion required for submitting the bill for final voting (granting preliminary consent according to § 25/A of the Stability Act)

Deadline: within three days following the receipt of the bill<sup>7</sup>

Responsible – for the preparation of the meeting and the draft decision documents: Head of the Secretariat,

---

<sup>4</sup> According to Point a) Indent (1) § 23 of the Stability Act and in harmony with Indent (2) Article 44 of the Fundamental Law of Hungary the Council shall formulate its opinion on the draft of the central budget bill and in that connection examines the degree of the budget deficit, the harmony of the governmental sector with the medium term fiscal goal as well as ensuring that its deficit shall not exceed 3 percent of the gross national product (GDP).

<sup>5</sup> According Indent (4) § 13 of the Public Finance Law it is the minister responsible for the public finance who shall prepare the draft of the central budget bill. Within ten days following the receipt of the draft the Council may present its observations respectively – in case the FC has fundamental objections as regards the authenticity or enforceability of the draft bill –it may indicate its disagreement.

<sup>6</sup> According to Indent (2) § 22 of the Public Finance Act the Government shall submit the draft of the central budget bill to the National Assembly by 15th of October – in the year of the general elections by 31st of October. (Lately the Government established a practice according to what the submission of the central budget bill takes place already in the first half of the year).

<sup>7</sup> In case the Fiscal Council finds in its Opinion that the adoption of the uniform budget bill is in conflict with the stipulations of the government debt rule (it does not grant its preliminary consent to submit the bill for final voting) the Council shall have to give its opinion on the repeated proposal of the Government within one day.

for forwarding the consent: Chairman of the FC

d) at the beginning of the parliamentary debate of the budget bill and prior to the final voting on it the Chairman of the FC shall speak [§ 16 of the Stability Act, Indent (5) § 97 of the House Rules]

Deadline: upon occurrence

Responsible – for the preparation: Head of the FC Secretariat

- for the speech: Chairman of the Council

2.2. As regards draft bill of the year 2020 central budget of Hungary stipulated by Act LXXI of 2019 that would change and/or increase the revenue and/or expenditure grand totals of the central budget, the Fiscal Council

a) shall formulate its opinion based on § 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: Head of the FC Secretariat

- for forwarding the Opinion: Chairman of the FC

b) on the basis of § 25 and 25/A of the Stability Act the FC shall examine the compliance of the bill with the government debt rule and shall decide about granting the body's preliminary consent to submit the bill for final voting

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 draft decisions: Head of the FC Secretariat,

- for forwarding the consent: Chairman of the FC

2.3. According to the stipulations of Point c), Indent (1) § 23 of the Stability Act the Fiscal Council shall give an opinion – every six months – about the state of the execution of the central budget act and the expected trend of government debt.

### 2.3.1. Evaluation of the year 2019 budget processes

Deadline for the FC meeting: second quarter of 2020

Responsible – for the preparation of the draft decisions: Head of the FC Secretariat,

- for forwarding the Opinion to those competent: Chairman of the FC

### 2.3.2. Evaluation of the budgetary processes of the first half of 2020

Deadline – for the FC meeting: September 2020

- for the meeting: October 2020

Responsible – for the preparation of the meeting and the draft decisions and organising a workshop – Head of the FC Secretariat,

- for forwarding the Opinion to those competent: Chairman of the FC

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

The SAO and MNB shall provide professional support services [Indent (2) § 23 Stability Act] for the Fiscal Council by preparing analyses and findings and ensuring professional consultation possibilities as regards the issues on the FC agenda

#### 3.1. From the SAO

- Aspects for formulating and opinion on the draft of the 2021 central budget of Hungary
- Half year analyses of the budgetary processes (year 2019 and first half of year 2020)
- In connection with the control of the annual accounts, analysis of the year 2019 macroeconomic and budgetary processes and their respective interactions
- Other analyses prepared by the SAO as part of their responsibility that might be useful for the work of the Fiscal Council

#### 3.2. From MNB

- Analysis of the 2021 draft budget bill
- Half year analyses about the public finance processes (year 2019 and first half of year 2020)
- Monthly and other analyses prepared by MNB

3.3. In accordance with the wishes of the SAO and MNB organising consultations, respectively workshops for the FC discussing their respective documents

Deadline: continuous

Responsible – for the preparations: Head of the FC Secretariat



## 4 Additional Tasks

4.1. According to Points d)-e) Indent (1) § 23 of the Stability Act Fiscal Council may provide its opinion about law proposals concerning the FC responsibilities (Stability Law, Public Finance Act, etc.) and amendment proposals in connection with the grounding of the central budget

Deadline: when it occurs

Responsible – for the preparation of the meeting and the draft decision

documents: Head of the FC Secretariat

- for forwarding the Opinion: Chairman of the FC

4.2. Commissioning researches in the following topics (see: Appendix) supporting the work of the Council respectively, organising workshops dealing with those issues

4.2.1. Budget

a) Analysing the execution of the budget act every six months

b) Formulating an opinion on the draft of the year 2021 central budget bill

4.2.2. The external conditions of the budget

a) Effects of the world economy, especially of Brexit, and the expected trend of the German economy on the budget

b) The structural characteristic features of economic growth in the European Union

4.2.3. Internal factors of the budget

a) interrelations of sustainable development and public finance

b) the trend of competitiveness in the sector of small and medium size businesses

Deadline - for signing the contracts: see the Appendix

for discussing the issues and organising workshops: third quarter of 2020

Responsible – for the preparations: Head of the FC Secretariat

4.3. Monitoring the macroeconomic and public finance processes

Deadline: continuous

Responsible: Head of the FC Secretariat

## **5 Tasks of International Relations**

5.1. Participation of the Council's Chairman (occasionally of the Head of the FC Secretariat) at the interim workshops of the independent fiscal institutions (IFIs) and at the events organised by OECD

Deadline: continuous

Responsible – for the preparation: The Head of the FC Secretariat

5.2. Participation of the Chairman of the Council (occasionally of the Head of the FC Secretariat) at the exchanges of experiences/opinions of the European Network of Independent Fiscal Institutions ( EUIFI)

Deadline: according to the invitations

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

5.3. Participation of the Chairman of the Council – as a member of the Hungarian group – at the plenary respectively, regional meetings of the Trilateral Commission.

Deadline: according to the invitation

Responsible: the Chairman of the FC

5.4. Consultations with representatives of international organisations (European Commission, IMF, credit rating companies, etc.)

Deadline: on demand

Responsible: the Chairman of the FC

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

The Head of the Secretariat is responsible for organising the execution of the tasks of the Secretariat under the guidance of the chairman of the Fiscal Council. This comprises the preparation of the FC meetings, coordination of the decisions supported by the necessary consultations as regards the documents issued by the Chairman, coordination of the FC tasks, compilation of the draft documents of the opinions of the body, the resolutions and the memos, taking care of forwarding the approved documents and maintaining the website of the Council.

Deadline: according to the respective stipulations of the order of business, the action plan and the decisions of the FC Chairman

Responsible: Head of the FC Secretariat

## **Adoption of the Action Plan**

Hereby I'm calling the Fiscal Council to adopt the year 2020 Action Plan and the included Research Plan, according to the attached proposal.

Budapest, 9th of January 2020

Kovács Árpád  
Chairman of the Fiscal Council

**Resolution 1/2020.01.09.**

At its meeting held of January 9, 2020 – based on the proposition of the FC Chairman – the Fiscal Council discussed and adopted the report on its 2019 annual activities and the year 2020 Action Plan, the Research Plan included.

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

Deadline: immediately

Responsible: FC Chairman

Budapest, 9th of January 2020

Domokos László

Member of the Fiscal Council

Matolesy György

Member of the Fiscal Council

Kovács Árpád

Chairman of the Fiscal Council

Appendix: Research plan

## 2020 Research Plan

Topic/Firm	Commission		Settlement date	Date of payment
	Subject (title)	date		
<b>I. The budget</b>				
<b>a) evaluation of the execution of the central budget every six months</b>	Macroeconomic and public finance situational picture A) about 2019 B) about the first quarter of 2020	First quarter of 2020	A) April 2020 B) August 2020	A) Second quarter of 2020 B) Third quarter of 2020
1. Századvég				
2. Kopint-Tárki				
3. Eco-Vista				
<b>b) for formulating an opinion on the draft of the year 2021 budget bill</b>	Macroeconomic and public finance situational picture and outlook for 2020-2022	In line with the submission of the budget bill	In line with the submission of the budget bill	A In line with the submission of the budget bill
1. Századvég				
2. BCE				
3. OG Research				
<b>II. Factors affecting the budget in short and medium term</b>				
<b>a) External conditions</b>	Effect of the world economy - in particular with regard to Brexit, the EU and within it the economy and public finance of Hungary	Second quarter of 2020	Third quarter of 2020	Third quarter of 2020
1. Kopint-Tárki				
2. OG Research				
3. Halmai Péter**	Structural characteristic features of economic growth in the European Union	Second quarter of 2020	Third quarter of 2020	Third quarter of 2020
<b>b) Internal factors</b>	Interrelations of sustainable development and public finance, with an emphasis of clear air	Second quarter of 2020	Third quarter of 2020	Third quarter of 2020
1. *				
2. Csath Magdolna***	Reflection of sustainability and economic-social development in competitiveness in Hungary	Second quarter of 2020	Third quarter of 2020	Third quarter of 2020
3. MTA KRTK	Competitiveness of small and medium businesses in Hungary	Second quarter of 2020	Third quarter of 2020	Third quarter of 2020

\*Under discussion

\*\* The contracting party is the research group of the Budapest University of Technology and Economics

\*\*\* The contracting party is the National University of Public Service

