

Fiscal Council

Year 2023 Action Plan of the Fiscal Council

December 2022

Pursuant to the stipulation of Article 44 of the Fundamental Law, the Fiscal Council (henceforward: the Council/FC) is an organisation supporting the activities of the National Assembly that shall put priority also in 2023 on evaluating the viability of the central budget, the evolution of the public finance deficit and the effectiveness of the government debt rule. Apart from the Fundamental Law, the tasks of the Council are determined by Act CXCV of 2011 (henceforth: the Stability Act).

Thus, the Council shall

- formulate its opinion
 - on the draft of the central budget bill, the draft of the amendment of the budget act included and, within this, about the degree of the public finance deficit¹ and the decrease of the government debt indicator²,
 - about the state of the execution of the central budget, every six months, about the evolution of the expected government debt³ and,
- decide about granting its preliminary consent prior to the final voting to submit the budget bill and the amendment of the budget bill, in harmony with the respective stipulation of Section (3) Article 44 of the Fundamental Law.

As members of the FC, both the Governor of the Central Bank of Hungary (MNB) and the President of the State Audit Office of Hungary shall put the analyses (papers) and findings related to the issues discussed by the Council, that had been prepared by the ÁSZ and MNB – in harmony with Section (2) § 23 of the Stability Act.

Following its standard practice and in harmony with the stipulations of Point c) Section (1) § 23 and Section (2) § 24 and § 25-25/A of the Stability Act, to formulate its opinion in a professional and duly substantiated way – the evaluation of the macroeconomic baseline

¹ Pursuant § 3/A of the Stability Act the public finance balance (more specifically of the governmental sector) shall be decided in harmony with the Fundamental Law and the Law of the European Union taking into consideration the respective regulations of the Stability Act. The method of calculating the balance deriving from the Fundamental Law and the Law of the European Union – with special regard to the calculation of the structural balance – as well as the necessary parameters shall be published by the minister responsible for public finance at the website of the ministry under his guidance.

² Pursuant Indents (4)-(5) Article 36 of the Fundamental Law of Hungary and the government debt rule, as long as the government debt exceeds half of the gross domestic product, the National Assembly shall adopt only such central budget act that contains the decrease of the government debt ratio in the share of the gross national product (i.e. government debt indicator). According to § 4 of the Stability Act the central budget act shall contain the government debt indicator foreseen for the last day of the fiscal year. The degree of this indicator shall be determined so that the decrease of the government debt rule compared to the reference year would reach at least 0, 1 percent.

³ Pursuant Point c) Indent (1) § 23 of the Stability Act

scenario related to the judging process of the budget – the Council shall rely on the respective works of external experts, professional research institution and advisory bodies, beyond the contributions of the MNB and ÁSZ analyses (forecasts) as well.

The year 2023 researches related to formulating an opinion on the draft of the central budget bill and the half-yearly evaluation of the execution of the budget act are also reviewing those external and internal processes and factors that are interrelated to the revenues and expenditures of the public finance (based on the experiences gained in the previous years, we should continue relying on those supporting analyses that help us in formulating the system of tools and conditions that globally affect our growth and sustainable development). Having this in mind, we are going to commission papers complementing each other in a given topic, also in 2023.

1. Year 2022 Report and Year 2023 Action Plan

1.1. As regards the year 2022 report and the draft of the body's year 2023 action plan – in harmony with its Order of Business - the Fiscal Council

a) shall prepare the professional compilation of the above documents

Deadline: 28th November 2022

Responsible: the Head of FC Secretariat

b) distribute the said document

ba) for consultation with experts

Deadline: 28th November, 2022

Responsible: the Head of the FC Secretariat

bb) for seeking opinions and proposals to the members of the Council

Deadline: 5th December, 2022

Responsible: the Chairman of the FC

1.2. Board discussion of the tasks of the Fiscal Council:

a) exchange of opinions

- about the order of the Council's work
- about the realisation of the year 2022 tasks, the tasks in 2023 and within the latter, about fields the FC should commission the contribution of researches assisting the opinion formulating and evaluating task of the Council,
- about other, topical issues

b) approval of the year 2022 Report and the year 2023 action plan

Deadline: 8th December, 2022

Responsible - for the preparation of the meeting:

the Head of the FC Secretariat

2. Mandatory Tasks

2.1. As regards the year 2024 central budget, the FC shall

a) formulate its opinion⁴ on the draft bill⁵

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

Responsible – for the preparation of the meeting and the draft resolutions: the Head of the FC Secretariat

b) pursuant Section (5) § 24 of the Stability Act the Council may make remarks to the bill⁶ submitted to the National Assembly

Deadline: on a case-by-case decision (the Stability Act does not determine a deadline for this)

Responsible – for the preparation of the meeting the draft resolutions: the Head of the FC Secretariat,
- for forwarding the remarks: the Chairman of the FC

c) shall examine the compliance of the uniform bill with the government debt rule and may formulate its opinion for submitting the bill for final voting (granting or refusing preliminary consent as stipulated by § 25 of the Stability Act)

Deadline: within three days upon the receipt⁷ of the document

⁴ According to Point a) Indent (1) § 23 of the Stability Act – in harmony with the regulations of Indent (2) Article 44 of the Fundamental Law – the Council shall formulate its opinion about the draft of the central budget bill. In the frame of this process the FC shall examine the degree of the public finance (more precisely – of the governmental sector's) deficit, i.e. that it should not exceed 3 % of the gross national product (GDP) as well as its harmony with the medium term fiscal goal of the governmental sector. In harmony with the stipulations of § 25 of the Stability Act, parallel with the above, the FC shall examine also the compliance with the government debt rule (Indents (4)-(5) Article 36 of the Fundamental Law and with § 4 of the Stability Act concretising the former.

⁵ Pursuant Indent (4) § 13 of the Public Finance Act the draft of the central budget bill shall be prepared by the minister responsible for public finance. Following the regulation of Indent (2) § 24 of the Stability Act, the Fiscal Council may make remarks to the draft bill within ten days following the receipt of the document respectively – in case the FC has any fundamental objections as regards the bill's authenticity or feasibility – the body may indicate its disagreement regarding the bill.

⁶ The Government shall submit the central budget bill by 15th of October – in the year of general elections by 31st of October – to the National Assembly. (Recently the Government followed the practice of submitting the budget bill in the first half of the year in years of the general elections.)

⁷In case in its Opinion the FC finds that the adoption of the uniform budget bill would infringe the government debt rule (the Council shall not grant its prior approval required for submitting the bill for final voting), the Fiscal Council shall decide upon the repeated bill of the Government within one day.

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

- for forwarding the consent: the Chairman of the Council

d) at the beginning of the parliamentary debate of the budget bill, as well as prior to the final voting, the Chairman of the FC takes the floor and presents the opinion of the body [§ 16 of the Stability Act, Section (5) § 97 of the House Rules]

Deadline: as and when it arises

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

- for the speech: the Chairman of the Council

2.2. The draft bills that contain the amendment of Act XXV of 2022 about the year 2023 central budget of Hungary and amend either the revenue or the expenditure totals and/or increase the measure of the deficit, shall oblige the Fiscal Council to

a) formulate its opinion, pursuant the stipulation of § 24 of the Stability Act

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

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

for forwarding the document: the Chairman of the FC

b) examine the compliance of the bill with the government debt rule and shall decide about granting – or not granting - the FC's preliminary consent to submit the document for final voting, pursuant § 25 and 25/A of the Stability Act

Deadline: within three days upon receiving the uniform bill forwarded by the Speaker of the National Assembly (in case of not granting such permit, pursuant footnote 7)

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

- for forwarding the consent: the Chairman of the FC

2.3. According to Point c) Section (1) § 23 of the Stability Act, the Fiscal Council shall formulate its opinion about the state of the execution of the central budget act and the expected evolution of the government debt, every six months.

2.3.1. Evaluation of the year 2022 fiscal processes

Deadline: for the FC meeting, second quarter of 2023

Responsible – for the preparation of the meeting and the draft resolutions:

the Head of the FC Secretariat,
- for forwarding the Opinion to the competent persons:
the Chairman of the FC

2.3.2. Evaluation of the fiscal processes of the first quarter of 2023

Deadline for the FC meeting: September 2023,
for the conference: October 2023

Responsible: - for the preparation of the meeting and the draft decisions:
the Head of the FC Secretariat,
for forwarding the Opinion to the competent persons:
the Chairman of the FC

3 Supporting the Council's activities

Pursuant Section (2) § 23 of the Stability Act, both ÁSZ (State Audit Office of Hungary) and MNB (Central Bank of Hungary) render professional support to the Fiscal Council by preparing analyses regarding the discussed issues as well as by providing the body with their findings and offering experts' consultations:

3.1. on the part of ÁSZ

- Aspects for formulating an opinion on the draft of the year 2024 central budget of Hungary
- Half-yearly analyses of the public finance processes
- Comprehensive study of the year 2023 fiscal processes for the collection of studies edited by the Hungarian Economic Association and the Fiscal Council
- Presentation titled „Macroeconomic and Fiscal Outlooks” for the joint conference of the Hungarian Economic Association and the Fiscal Council
- Analyses related to other factors affecting the evolution of the government debt indicator

3.2. on the part of MNB

- Fiscal reports
 - o Analysis of the draft of the year 2024 annual budget bill
 - o Half-yearly analyses about the public finance processes

- Comprehensive study on the year 2023 annual fiscal processes for the collection of studies edited by the Hungarian Economic Association and the Fiscal Council
 - Presentation titled „Macroeconomic and Fiscal Outlooks” for the joint conference of the Hungarian Economic Association and the Fiscal Council
 - monthly analyses prepared by MNB about the evolution of the January-December 2023 fiscal processes
 - other analyses prepared by MNB
- 3.3. FC consultation as intended by ÁSZ and MNB about the analyses prepared by these organisations

Deadline: continuous

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

4 Additional Tasks

4.1. The Fiscal Council may formulate its opinion [Points d)-e) Indent (1) § 23 of the Stability Act] about issues concerning its responsibilities (Stability Act, Public Finance Act, etc.), as well as the legislative amendment proposals, the planning and execution of the central budget or any other issues concerning public moneys in any other way.

Deadline: as and when need arises

Responsible - for the preparation of the meeting the draft resolutions:

the Head of the FC Secretariat

for distributing the Opinion: the Chairman of the FC

4.2. Commissioning researches supporting the work of the FC in the following subjects (see Appendix), organising a workshop dealing with these issues and publishing the collection of the research results

4.2.1. Budget

- a) Analysis of the execution of the budget act every six months
- b) Formulating an opinion on the year 2024 draft budget bill
preparation of background materials

4.2.2. External factor affecting the budget

- a) Effects of the changes of world economy on the EU, especially on the German economy and the impact of all these on Hungarian economy and public finance
- b) The impact of the EU's recovery plan on the economic growth of the European Union and Hungary

4.2.3. Internal factors of the budget,

- a) Interactions of sustainable development and public finance
- b) Impact of competitiveness on public finance

Deadline – for preparing the contracts: according to the appendix
-for discussions, organising workshops, publishing the conference book in Hungarian and English languages: Fourth quarter of 2023

Responsible: the Head of FC Secretariat

4.3. Monitoring the macroeconomic and public finance processes

Deadline: continuously

Responsible: the Head of the FC Secretariat

5 Tasks of International Relations

5.1. The Chairman (occasionally the Head of the FC Secretariat) attend the professional fora of independent fiscal institutions (fiscal councils, IFIs) organised by the EU and OECD

Deadline: continuously

Responsible - for the preparation: the Head of the Secretariat

5.2. The Chairman (occasionally the Head of the FC Secretariat) attending the exchange of experiences/opinions of the European Union Independent Fiscal Institutions (EUIFI)

Deadline: according to invitation

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

5.3. The Chairman of the Council attending plenary sessions and regional meetings of the Trilateral Commission as member of the Hungarian delegation.

Deadline: according to invitation

Responsible: the Chairman of FC

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

Deadline: as and when the need arises

Responsible: the Chairman of FC

6. Tasks of the FC Secretariat

It is the head of the Secretariat who shall organise the execution of the tasks of the Secretariat – under the direction of the chairman of the Fiscal Council. In doing so, he/she shall prepare the board meetings of the Council and make the necessary conciliations required for the decisions and the draft of the documents that shall be published by the chairman, shall coordinate the tasks, compile the drafts of the opinions, resolutions and memos, shall take care of mailing the approved documents and the maintenance of the FC homepage.

Deadline: according to the order of business, the action plan and the decision of the FC chairman

Responsible: the Head of the FC Secretariat

6. Tasks of the FC Secretariat

It is the head of the Secretariat who shall organise the execution of the tasks of the Secretariat – under the direction of the chairman of the Fiscal Council. In doing so, he/she shall prepare the board meetings of the Council and make the necessary conciliations required for the decisions and the draft of the documents that shall be published by the chairman, shall coordinate the tasks, compile the drafts of the opinions, resolutions and memos, shall take care of mailing the approved documents and the maintenance of the FC homepage.

Deadline: according to the order of business, the action plan and the decision of the FC chairman

Responsible: the Head of the FC Secretariat

Approval of the Action Plan

Hereby I ask the Fiscal Council to kindly accept the enclosed year 2023 Action Plan and Research Plan, in harmony with the attached draft resolution.

Budapest, 5th December 2022

Kovács Árpád
Chairman of the Fiscal Council

Resolution 6/2022.12.08. of the Fiscal Council

At its meeting on 8th December 2022 – based on the presentation of the FC Chairman – the Fiscal Council discussed and adopted the year 2023 action plan, including the research plan.

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

Deadline: immediate

Responsible: the Chairman of FC

Appendix: Research Plan

Budapest, 8th of December 2022

Windisch László
Member of the Fiscal Council

Matolcsy György
Member of the Fiscal Council

Kovács Árpád
Chairman of the Fiscal Council

FC Research Plan 2023

Topic/Firm	Commission		Date of Execution	Date of Payment
	subject (title)	time		
I. The budget				
a) half-yearly evaluation of the execution of the budget act	Macroeconomic, public finance situational picture A) about 2022 B) about the first half of 2023	First quarter of 2023	A) April 2023 B) August 2023	A) Second quarter of 2023 B) Third quarter of 2023
1. Magyar Gazdaságkutató (B)				
2. Kopint-Tárki (A-B)				
3. Eco-Vista (A-B)				
b) for formulating an opinion on the draft of the year 2024 budget bill	Macroeconomic, public finance situational picture and outlook for 2023-2025	Corresponding to the submission of the budget bill	Corresponding to the submission of the budget bill	Corresponding to the submission of the budget bill
1. Magyar Gazdaságkutató				
2. BCE				
3. OG Research				
II. Factors affecting the budget in the short and medium term				
a) External factors	Effects of the changes of world economy on the EU, especially on the German economy and the effect of the above factors on Hungarian economy and public finance	Second quarter of 2023	Third quarter of 2023	Third quarter of 2023
1. Kopint-Tárki				
2. OG Research				
3. Profconsult Kft.	The effect of the EU recovery plan on the economic growth in the EU and in Hungary	Second quarter of 2023	Third quarter of 2023	Third quarter of 2023
b) Internal factors				
1. Leadership Kft.	Sustainability, economic-social development and competitiveness in Hungary	Second quarter of 2023	Third quarter of 2023	Third quarter of 2023
2. GKI	Fiscal sustainability and the implementation of the reform ideas in healthcare, financing ideas included	Second quarter of 2023	Third quarter of 2023	Third quarter of 2023
3. Magyar Gazdaságkutató				