

Fiscal Council

**Action Plan**  
**of the Fiscal Council**  
**for the year 2016**

According to Article 44 of the Basic Law of Hungary, the Fiscal Council (henceforward: the Council/FC) is an organisation supporting the activities of the National Assembly and it shall examine with special emphasis the grounding of the central budget also in 2015. Apart from the respective stipulations of the Basic Law, the tasks of the Council are laid down by Act CXCV of 2011 on the Economic Stability of Hungary (henceforward: Stability Act). Accordingly, the Council

- a) shall examine if the central budget bill is in harmony with the rule governing the size of government debt and within this framework it shall deliver its opinion
  - on the draft central budget bill, the amendment of the draft central budget bill included,
  - on the state of the execution of the central budget bill every six months, as well as the expected trend of the government debt;
- b) shall decide on granting its prior approval prior to the final voting on the budget bill and the amendment of the budget bill, as stipulated by Indent (3), Article 44 of the Basic Law.

The Governor of the Central Bank of Hungary and the President of the State Audit Office of Hungary – both, as members of the Fiscal Council – shall provide the Council with the analyses and findings prepared by their respective staff that are related to the issues dealt with by the FC, according to Indent (2) § 23 of the Stability Act.

Following the practice launched in 2013 and further developed in 2014 and - apart from the utilisation of the forecasts and findings of the Central Bank of Hungary and the SAO of Hungary - the Council shall rely on the cooperation of external experts, professional research institutes and advisory bodies when

formulating its professional and adequately supported opinion on the basis of various analyses and opinions, the FC's ability of forecasting the trend of the basic macroeconomic course relying on its own resources, also included.

Apart from analysing the risks the researches planned for 2016 are partly fitting the previous ones; partly they put a greater emphasis on the „engines” of competitiveness and the multiplicative factors, to thus dedicating attention to the budgetary stability to be retained.

In the course of its work, the Council shall take into consideration the analyses prepared by the SAO and the MNB, together with the results of the research institutions continuously also in 2016 and shall address those under the respective agenda items of the body's meetings.

**1.**

**Preparation of the 2016 Action Plan**

- 1.1. Professional compilation and mailing out of the 2015 Report and the draft of the year 2016 Action Plan of the Fiscal Council to the members for collecting their opinions and drawing up proposals

Deadline: First week of January 2016

Responsible: the FC Chairman

- 1.2. Collegial discussion of the tasks of the Fiscal Council

a) Exchange of opinions about

- the work schedule of the Council,
- the implementation of the 2015 task; the tasks of year 2016 and within this the current issues; within that the fields of utilising researches that would support the grounding of the opinion-giving activities of the Council; the possibilities of widening these fields of utilising the researches that assist the grounding of the opinion giving job of the Council; the possibilities of widening the research fields;
- other, topical matters

b) Approval of the Action Plan by the Council

Deadline: January 2016

Responsible: for the preparation of the meeting, the assigned head of the Secretariat

## 2.

### Obligatory Tasks

2.1. The FC shall formulate its opinion on

- a) the draft bill of the 2017 central budget of Hungary, in harmony with the stipulations of § 24 of the Stability Act

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

Responsible: for the preparation of the meeting and the draft decisions the assigned head of the Secretariat;  
- for forwarding the opinion: the Chairman of FC

- b) according to the stipulations of indent (5) § 24 of the Stability Act the Council has the right to make observations regarding the submitted bill

Deadline: on the basis of case by case decision (the Stability Act has no stipulated deadlines set for this)

Responsible: for the preparation of the meeting and of the draft decisions – the assigned head of the Secretariat;  
- for forwarding the observations – the Chairman of the FC

- c) the FC shall examine the compliance with Indents (4)-(5), Article 36 of the Basic Law (government debt rule) and formulate its opinion for submitting the bill for final vote (granting prior consent, in harmony with the stipulations of § 25/A of the Stability Act)

Deadline: within three days following its receipt<sup>1</sup>

Responsible: for the preparation of the meeting and the draft decisions – the assigned head of the Secretariat;  
- for forwarding the consent – the Chairman of FC

- c) coordination of the Chairman's exposes related to the budget bill  
[§ 16 of the Stability Act, Indent (5) § 97 of the House Rules]

Deadline according to occurrence

Responsible: for the preparation the assigned head of the Secretariat

2.2. As regards the draft of a bill containing the amendment of the 2015 Act C on the 2016 central budget of Hungary that would affect either the revenue or the expenditure grand totals of the central budget and/or would increase the measure of the deficit, the Fiscal Council

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

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<sup>1</sup> In case in its Opinion the FC finds that the acceptance of the budget bill would violate the government debt rule (and the Council shall not grant its prior consent), the FC shall give its opinion on the repeated proposal of the Government within one day.

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

Responsible: for the preparation of the meeting and the draft resolutions, the assigned head of the Secretariat;  
- for mailing out the opinion: the Chairman of the FC

b) in harmony with 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 shall give its preliminary consent to pass the bill for final voting.

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

Responsible: for the preparation of the meeting and the draft decisions – the assigned head of the FC Secretariat;  
- for sending out the consent: the Chairman of the FC

2.3. According to the stipulation of point c) indent (1) § 23 of the Stability Act the Fiscal Council shall formulate its opinion on the state of the execution of the central budget act and the expected trend of government debt (discussing the evaluation of the processes of the first half of 2016)<sup>2</sup>

Deadline: End of August 2016 (FC meeting)  
September 2016 (professional forum)

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<sup>2</sup> The Action Plan is counting on continuing the practice adopted in 2015, i.e. that the 2017 budget bill shall be discussed and adopted by the National Assembly already in the first half of the year. In this case the evaluation of the second half of 2015 shall take place according to this schedule.

Responsible: for the preparation of the meeting and the draft decisions or for organising a possible professional forum on the subject – the assigned head of the Secretariat;  
- for sending out the opinions to the competent persons/departments: the Chairman of the Council

### **3.**

#### **Supporting the activities of the Council**

Both the SAO and MNB shall offer professional assistance to the Fiscal Council concerning the issues on the agenda of the FC [Indent (2) § 23 of the Stability Act] by elaborating analyses.

##### 3.1. On behalf of the State Audit Office of Hungary

- a) Analysis of the macroeconomic relations of the 2015 budgetary processes
- b) Analysis on the budgetary processes of the first half of 2016

##### 3.2. On behalf of the Central Bank of Hungary

- a) monthly analysis of the revenue and expenditure trends of the budget
- b) monthly analyses of the trends of financing the budget
- d) quarterly analyses of the trends of government debt
- e) detailed analysis of the budget bill
- f) detailed analysis of the execution of the budget act
- g) ad hoc analyses and research reports.

3.3. In harmony with the intentions of the SAO and MNB, organising FC consultations, respectively professional fora about the analyses.

## 4.

### **Additional Tasks**

4.1. The Fiscal Council may express an opinion [points d)-e) indent (1) § 23 of the Stability Act] concerning the proposed amendments affecting issues regarding its functions (Stability Act, Public Finance Act, etc.) and those serving the laying of the foundations of the central budget.

Deadline: if and when they occur

Responsible: for the preparation of the meeting and the draft  
decisions – the assigned head of the Secretariat

4.2. Commissioning researches and analyses assisting the work of the FC, their respective discussions and organising professional fora regarding the related issues

#### 4.2.1. Ongoing research (carried over from 2015)

The 2015-2016 labour market situation and the expected trends of the respective processes, their influence on growth and public finance (with amended model and theme, by expanding the time frame up to 2017)

Prepared by: MTA KRTK KTI

(Hungarian Academy of Sciences, Centre for Economic  
and Regional Studies)

#### 4.2.2. Updating the mid-range analyses of 2015

a) Review of the mid-ranged processes of world economy, their effect on Hungarian economy (growth) and public finance.

Responsible for the update: Kopint-Tárki Economic Research  
Institute, OG Research

b) Mid-range forecast about the macroeconomic and public finance  
processes

Updated by: MTA KRTK KTI

#### 4.2.3. New researches

a) Macroeconomic and public finance situation and outlook 2016 –  
2017 (analysis for the formulation of the FC opinion about the 2017  
central budget bill) (Századvég Economic Research Inc., GKI Inc.)

b) Analysis and forecast of mid-range macroeconomic and fiscal  
processes (BCE Economic and Social Statistical Analysing and  
Research Centre)

c) The performance and budgetary relations of small and medium  
businesses

Prepared by: MTA KRTK KTI

d) The trend of the competitiveness of Hungarian economy and its  
relations with the budgetary revenues

Prepared by: BCM Competitiveness Research Centre

e) Tendencies of added value commerce in the OECD countries

Prepared by Kopint-Tárki Economic Research Inc.,

Deadlines: for signing the contracts: see the attached appendix

for discussions, organising professional fora:

- In case of 4.2.3.a)-b): June 2016

- In case of 4.2.1., 4.2.2.c) and 4.2.3.c)-e):

September - October 2016

Responsible: for the preparation – the assigned head of the  
Secretariat

4.3. Monitoring the macroeconomic features and public finance processes

Deadline: continuous

Responsible: the assigned head of the Secretariat

4.4. Amendment of the Rules of Procedure related to the tasks of the FC.

Deadline: when it occurs

Responsible: for the preparation – the assigned head of the FC  
Secretariat

**5.**

**Tasks of international relations**

5.1. Participation of the Chairman of the Council at the mid-year meetings of  
the EU-OECD Independent Fiscal Institutions.

Deadline: continuous

Responsible: for the preparation – the assigned head of the  
Secretariat

5.2. Contact and visits with the Directorate General for Economic and Financial Affairs

Deadline: when it occurs

Responsible: for the preparation – the assigned head of the Secretariat

5.3. The Budapest meeting with the heads of the Austrian Fiscal Advisory Council and the Parliamentary Budget Office of Austria to promote the strengthening of institutional cooperation.

Deadline: March 2016

Responsible: for the preparation – the assigned head of the Secretariat

5.4. Further strengthening the cooperation of the fiscal responsibility institutions of the Visegrád group and organising their meetings.

Deadline: continuous

Responsible: the Chairman of the Council

**6.**

**Tasks of the FC Secretariat**

Under the guidance of the Chairman of the Fiscal Council it is the head of the Secretariat - assigned by the Chairman - who is responsible for organising the execution of the tasks of the Secretariat. The Secretariat prepares the body's meetings, its decisions by the necessary coordination, the draft of the documents to be issued by the Chairman, the draft of the memos, ensures that these documents were distributed and maintains the FC website.

Deadline: according to the rules of procedure

Responsible: the assigned head of the Secretariat

Budapest, 15th January 2016

Domokos László

Member of the Fiscal Council

Kovács Árpád

Chairman of the Fiscal Council

Appendix: 1

### FC Research Plan for 2016

Topic/ Firm	Commission		Date of delivery	Date of payment
	subject (title)	Date	2016	2016
<b>I. Mid-range outlook</b> 1. MTA KRTK 2. BCE Economic and Social Statistic Analysing and Research Centre	Mid-range forecast of the macroeconomic and public finance processes	2016, 2nd quarter	2016, end of 3rd quarter	2016, 4th quarter
		2016, 1st quarter	2016, end of 1st quarter	2016, 2nd quarter
<b>II. Updating of analyses prepared in 2015</b> 1. Kopint-Tárki 2. OG Research	Review of the mid-range processes of world economy and their effect on Hungarian economy (growth) and public finance	2016, second quarter	2016, end of 3rd quarter	2016, 4th quarter
<b>III. For the opinion on the 2017 budget bill</b> 1. Századvég 2. GKI	Macroeconomic and public finance situation and outlook for 2016 – 2017 (analysis for the 2017 central budget bill)	2016, January	2016, end of 1st quarter	2016, 2nd quarter
<b>IV. a) Labour matters and competitiveness</b> 1. MTA KRTK 2. BCE Competitiveness Research Centre <b>b) Value-added commerce and SMS's performance</b> 1. MTA KRTK 2. Kopint-Tárki	The (expected) trend of the labour market situation and processes in 2015-2017 and their effect on growth and public finance	2016, 3rd quarter	2016, 4th quarter	2016, 4th quarter
	The trend of the competitiveness of Hungarian economy and its relations to budgetary revenues	2016, 3rd quarter	2016, 4th quarter	2016, 4th quarter
	The performance and budgetary relations of small and medium size businesses	2016, 3rd quarter	2016, 4th quarter	2016, 4th quarter
	Tendencies of added-value commerce in the OECD countries	2016, 1st quarter	2016, 2nd quarter	2016, 3rd quarter

Apart from the above, the Budget Committee of the National Assembly receives the regular analyses prepared by Századvég and GKI and financed by the Office of the National Assembly, via the Fiscal Council:

- The current trend of the budgetary and macroeconomic indicators, their effect on the forecasts (a two-page analysis received by the 15th of each month)
- The economic expectation of the actors of Hungarian economy (a two-page analysis received by the end of each month)
- Ongoing macroeconomic information about the situation and perspectives of Hungarian economy and within this, of the public finance (a 50 page analysis by the end of each quarter)
- Evaluation of the global, European and domestic processes and on the basis of this a three-year, mid-range forecast (a 20 pages paper by the last day of every six months)