The 2009-2010 Hungarian Fiscal Council Experiences relevant for Poland

SEMINAR OF CASE Warsaw, 28 June, 2018 | Balázs Romhányi



How far Hungary got on the road to

9 years, non renewable

Limited: simple majority law, unanimous election

The FRL had already been negotiated before the crises

All 3 members had credentials in macro and econ.pol.

All tasks listed in the OECD principles were prescribed

Members of the council were elected by both sides (but!)

now fai nuligary got off the road to			
an ideal IFI in 2010?			
OECD principles	Hungarian practice		

ves

yes

yes

yes

yes

Broad national ownership

Non-partisanship

Merit based leadership

Freedom of staffing

Local needs and environment

Term longer than the government

Staff: open competition, civil service

Full time remunerated head

Clear mandate defined in law

Freedom within the mandate

Clear links to the budget process

How far Hungary got on the road to

an ideal IFI in 2010? – cont.		
OECD principles	Hungarian practice	
Resources in line with the mandate	ves	

Transparency of reports

External evaluation

Adequate time for delivering to the ~ yes

parliament

Serving committees rather than MPs Not spelled out in the legislation

Full access to information for free Yes

Limits in access to information in law Yes

Yes (SAO audited) Transparency in work

Publication calendar ~Yes (coordinated with the government reports)

Yes (even authors were named) Own reports in the own name Own communication channels Yes (media, market analysts)

Not attained that phase

Yes (including data and methodology)

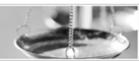
Experience 1: Data

- Data in the Hungarian Treasury were (are) not collected with the intention of analysis
- Maintaining a publicly available data base on fiscal policy is a public service in itself
- By gathering the data FPC will hurt interests and the government agencies have informational advantage, but this is core business for an FPC



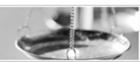
Experience 2: HR

- Very few experienced ministry staff is needed
- Young & ambitious economists catch up fast with their ministerial counterparts (~ 1year)
- FC soon became as attractive for graduates as the Central Bank
- Wages: MoF < FPC ~ DMA < CB
- "I have worked for both the OMB and the CBO, and I'm proud of them both" (Joe Minarik)



Experience 3: Independence

- Independence from
 - Government
 - Parties
 - Lobby groups
- nonpartisan ≠ bipartisan
- unbiasedness ≠ infallibility
- neither seeking, nor escaping conflicts
- checks and balances does not mean personal hate
- doing whatever it takes to avoid unnecessary conflicts with the government e.g. conflicts based on
 - misinterpretation of data
 - misunderstanding of messages
 - suspicion based on surprise



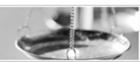
Experience 4: Media

- Media and FPC are natural allies
- Direct contact to the media
- Channel No1. is the public media
- No favoritism, but education
- Early access to new documents only in exchange for deeper analysis



Experience 5: enforcing fiscal rules

- FC can only win "small" conflicts
- The fiscal rule has to be embedded in a MTBF
- FR has to bite before the problem gets hot for MPs
- The multiyear budget process has to break down the fiscal rule into many small steps
- Politicians have to understand the value of tying one's hand (Pricing party programs is coming☺)
- A major value added of fiscal rules is to redirect political attention from the limits to the content

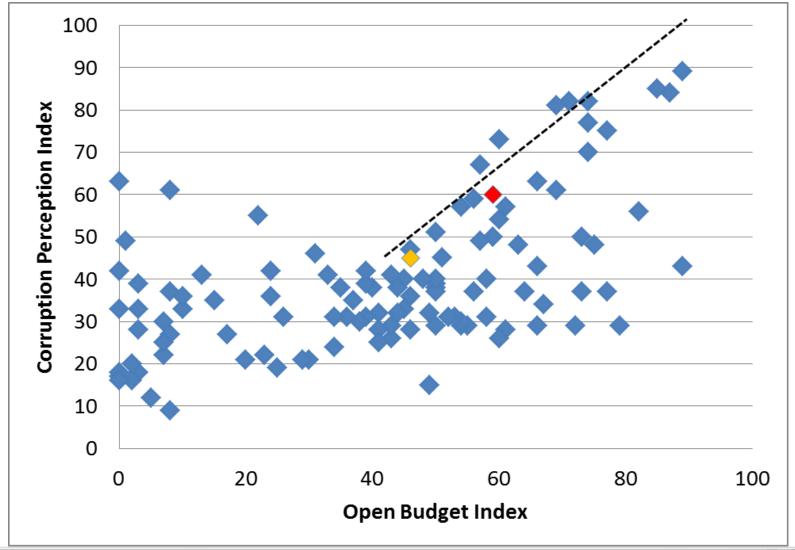


Experience 6: Cement dries fast

- FC is about checks and balances, not just educating (MPs or the media or the public)
- Selection of the first members is even more important than how to select the next one
- FC has to add value to evidence based policy making
- For learning by doing the FC has to be
 - Curious
 - Brave
 - Humble
- Transparency in its own operation



Fight against corruption needs fiscal transparency



Thank you for your attention

