



ÁLLAMI
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THE SAO HAS ISSUED ITS OPINION ON THE BUDGET

Summary for the Press

on the opinion on the 2018 central budget appropriation bill of Hungary (17085)

The bill on the 2018 central budget is substantiated, the revenue appropriations can be achieved if the macroeconomic forecast taken into consideration during the budget planning is realised—concluded the State Audit Office of Hungary. The appropriation bill complies with the public debt rule defined in the Fundamental Law, as well as with all applicable legislative provisions with the exception of one provision. The SAO points out in its opinion to the National Assembly that the 2018 budget appropriation bill contributes to maintaining the stability of the budget of Hungary.

Fulfilling its statutory obligation, the State Audit Office of Hungary has prepared its opinion on the 2018 central budget appropriation bill. In its opinion, the SAO comments on a specific state of budgetary planning. The purpose of the SAO's comments is to enable the National Assembly (by the codification of missing acts or acceptance of amendment proposals) to adopt a budget that is substantiated and capable of managing the risks that may realistically arise upon passing new laws and adopting amendments. The SAO also contributes to the transparency of budgetary processes with its opinion.

The SAO concluded that during the drafting of the 2018 central budget appropriation bill, the organisations involved in budgetary planning acted in accordance with regulations, the structure and the content of the bill complies with the statutory requirements, hence fulfilling the basic requirement for a responsible budgetary financial management. The revenue appropriations in the 2018 budget appropriation bill are fully (100%) substantiated, 90.6% of the expenditure appropriations is fully, while 8.68% is partially substantiated, while 0.72% is not substantiated. The SAO indicated in its opinion that the risks identified can be managed by way of appropriate fiscal measures.

In the appropriation bill, the Government defined an economic growth rate (GDP) of 4.3% for 2018, in accordance with the Convergence Programme. It means a rate of growth 0.2% higher than the economic growth planned for 2017. According to the data in the bill, the planned value of the deficit for 2018 based on the European Union methodology is 2.4% of the GDP. By the end of 2018, the public-debt-to-GDP ratio will decrease to 69.5%, which is a decrease of 1.9 percentage points over the 71.4% expected on the last day of 2017. The deficit-to-GDP and public-debt-to-GDP ratios are in compliance with the domestic and European Union requirements if the expected economic growth is achieved. In the opinion of the SAO, the improving trend of the public debt indicator adds more room to manoeuvre for the Hungarian budget, the decreasing level of indebtedness provides an opportunity to implement measures for the purposes of reaching economic development aims and other aims of social importance.

The amount of the reserve appropriations in the budget appropriation bill was HUF 257 billion. Out of these, the Country Protection Fund (HUF 60 Bn) can be regarded as a true budget reserve, as the other reserves (Extraordinary government measures: HUF 110 Bn, Special reserve: HUF 87 Bn) cannot be used freely to manage budgetary risks. The economic growth and a deficit figure below 3% based on the European Union methodology provide further implicit reserves

—states the opinion of the SAO. However, consistent budgetary management is still required for budgetary decisions at central and local levels, as well as in the other organisations listed among the governmental sector—points out the State Audit Office of Hungary.

The SAO revealed that the calculated level of the government sector's structural balance is less favourable than the medium-term deficit target, which does not comply with the mid-term budgetary target, in spite of the provisions of the stability act; this, however, does not pose a risk to the execution of the budget. In its opinion, the SAO highlighted the fact that with regard to European Union subsidies the delay in accounting for the subsidies towards the European Commission poses a further potential risk for the budget. The SAO also suggests that the impact assessment of highlighted governmental programs and investments is made more difficult by the fact that no budgetary plans containing several years of data related to the implementation of such programs are available in the annual budget appropriation bill.

The complete opinion of the State Audit Office of Hungary on the budget is available at the www.asz.hu/jelentesek/velemeney-magyarorszag-koltsegveteserol website.

The State Audit Office of Hungary, as the supreme financial-economic and economic audit institution of the Hungarian National Assembly, is an independent fundamental institution of the democratic system of institutions. Its mission is to promote the transparency of public finances through value creating audits, performed on a solid professional basis, thus contributing to 'good governance'. Through its recommendations, the SAO promotes the regular, economical, efficient and effective use and utilisation of public funds.