

Current issues in parliamentary oversight - a European perspective -

Interparliamentary Conference on Stability, Economic Coordination and Governance
in the European Union

Session II: The reform of the economic governance framework

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FISCAL RESPONSIBILITY INSTITUTE BUDAPEST



Open Budget Survey

- Survey about fiscal transparency and oversight
 - Consistent across countries and time
 - Objective (not a perception index)
 - Produced by the International Budget Partnership
 - Every second year
 - Consists of 3 parts
 - Open Budget Index
 - Oversight (parliament and Supreme Audit Institution)
 - Public Participation



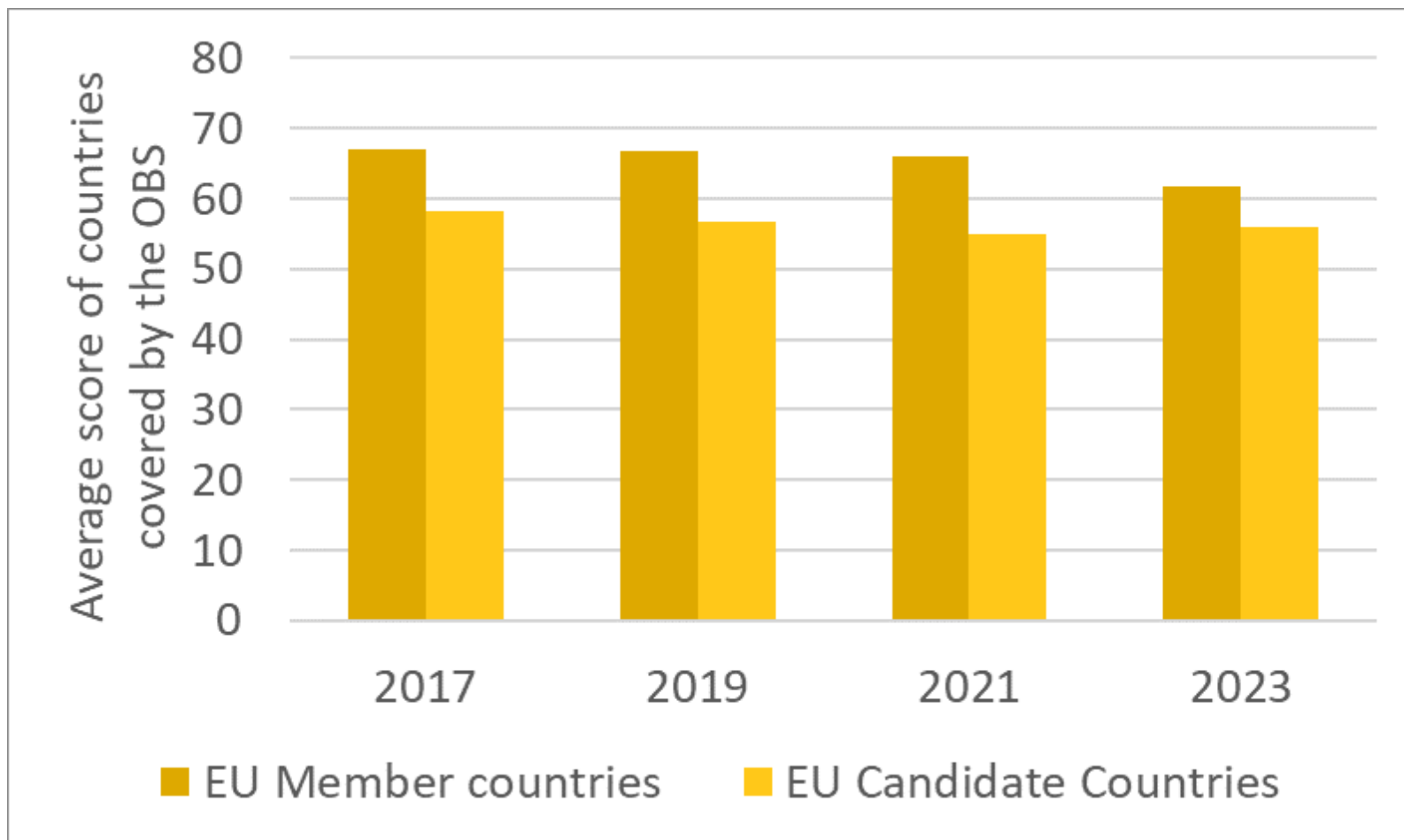
Open Budget Survey 2017-2019-2021-2023

- Covers 115-130 countries, off which
- 14 EU members, covering 83.3% of EU-population
 - BG, CZ, DE, FR, HR, HU, IT, PL, PT, RO, SK, SI, ES, SW
- 7-9 other EU candidate countries
 - Albania, Bosnia and Hercegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye, Ukraine



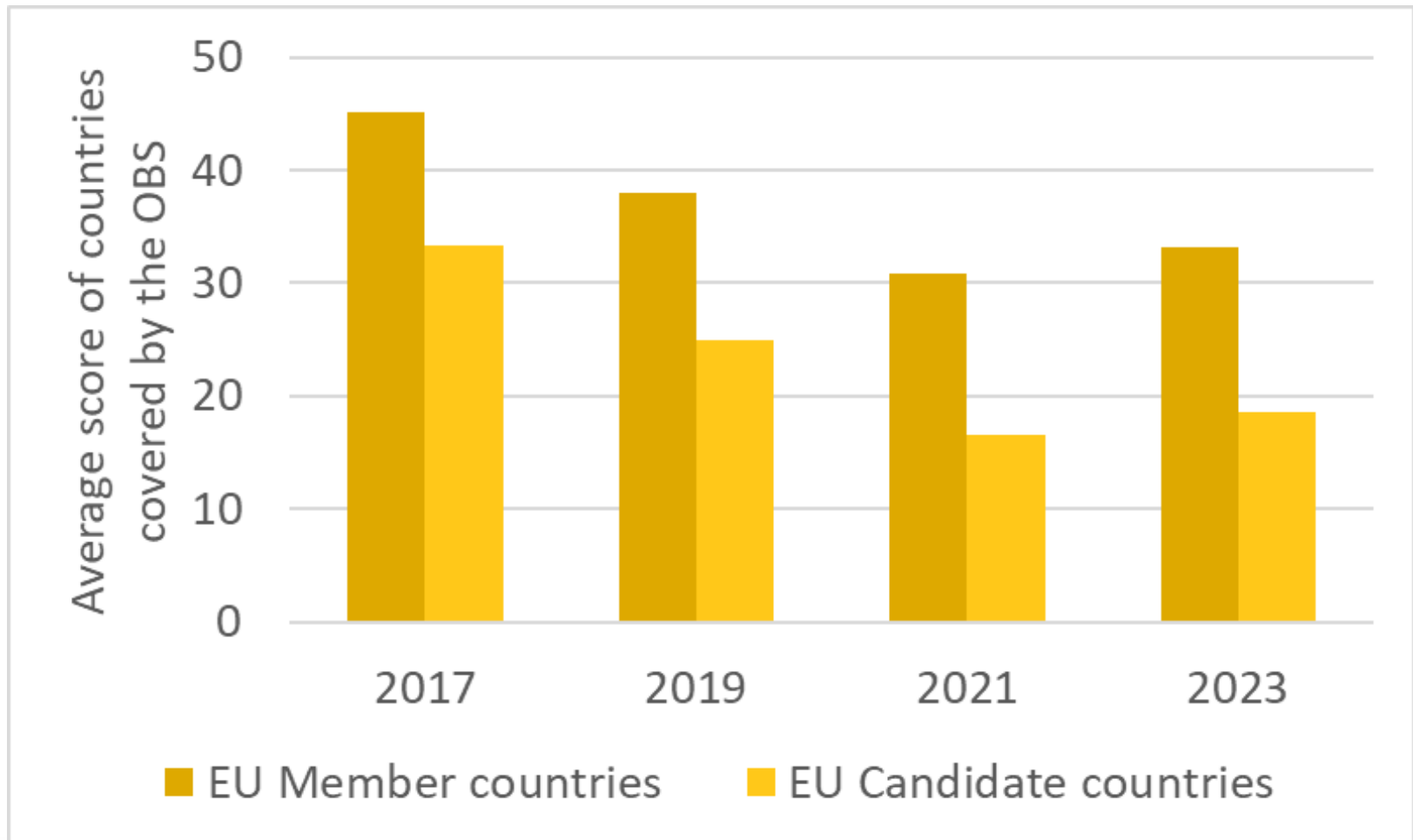
Parliamentary oversight slightly declined

Average overall score of parliamentary oversight in countries covered by the Open Budget Survey



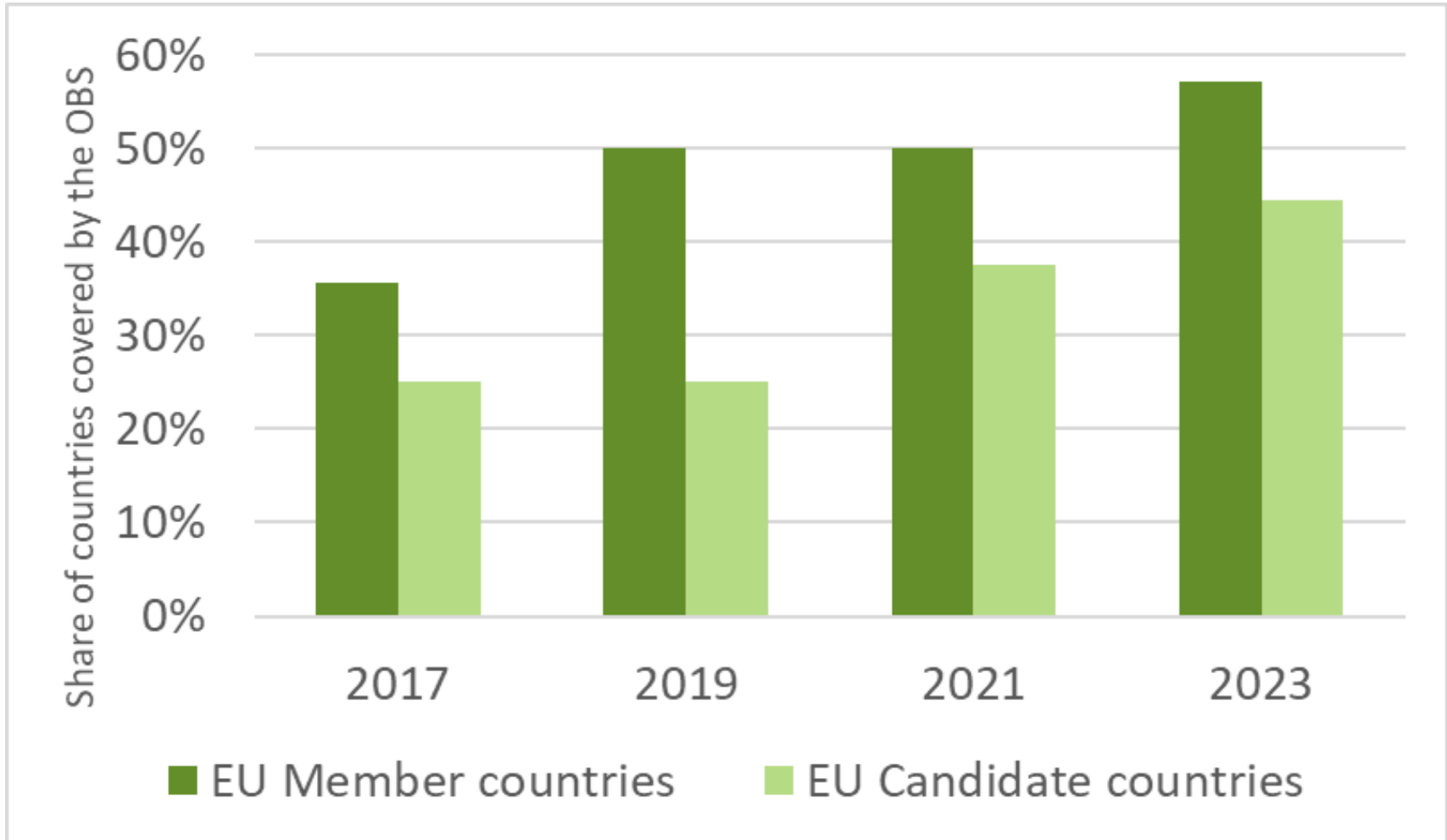
The trend did not start with Covid

Did the Parliamentary committee control the execution of the budget during the year?



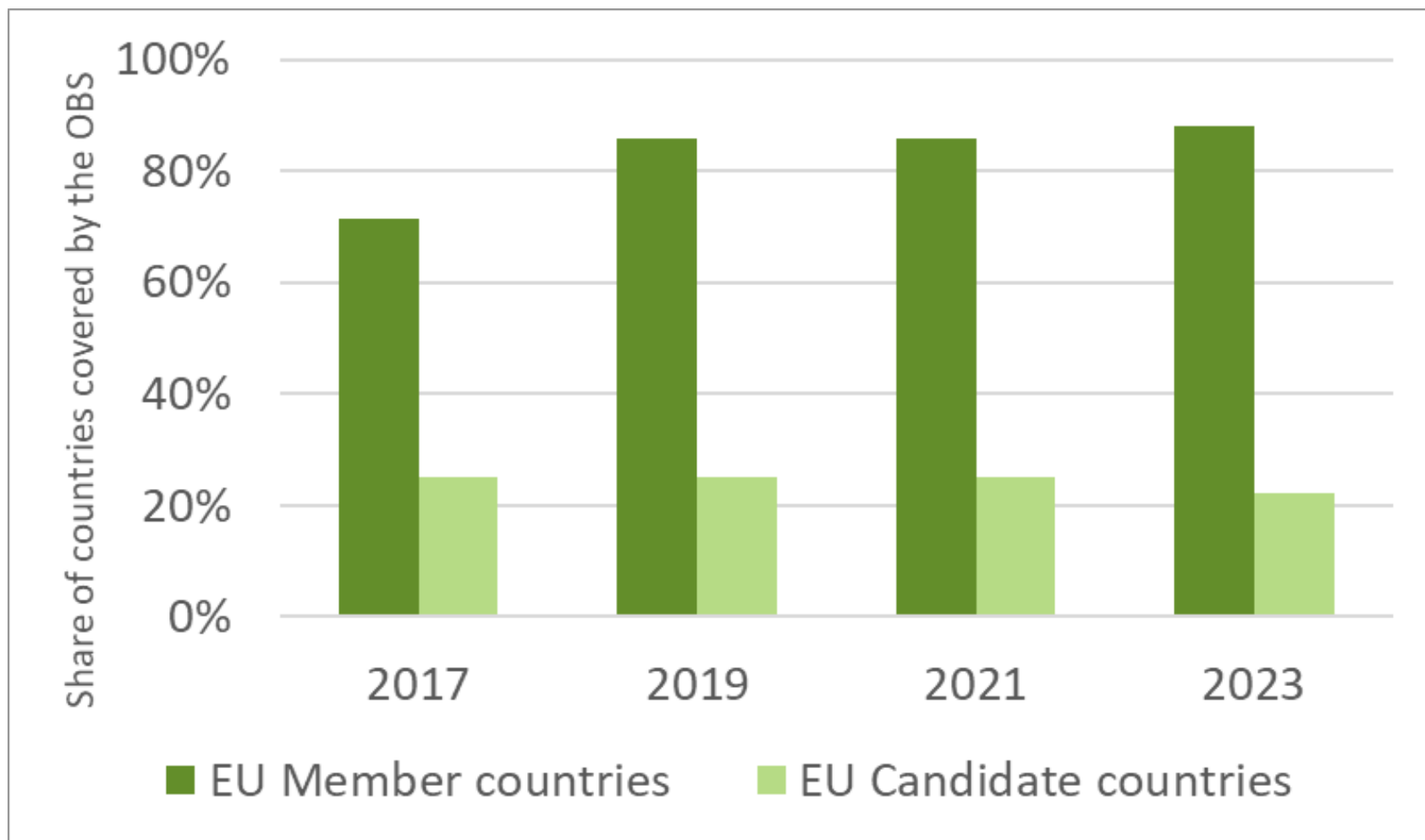
More governments publish now Mid-Year Reviews

Does the government publish a Mid-Year Review?



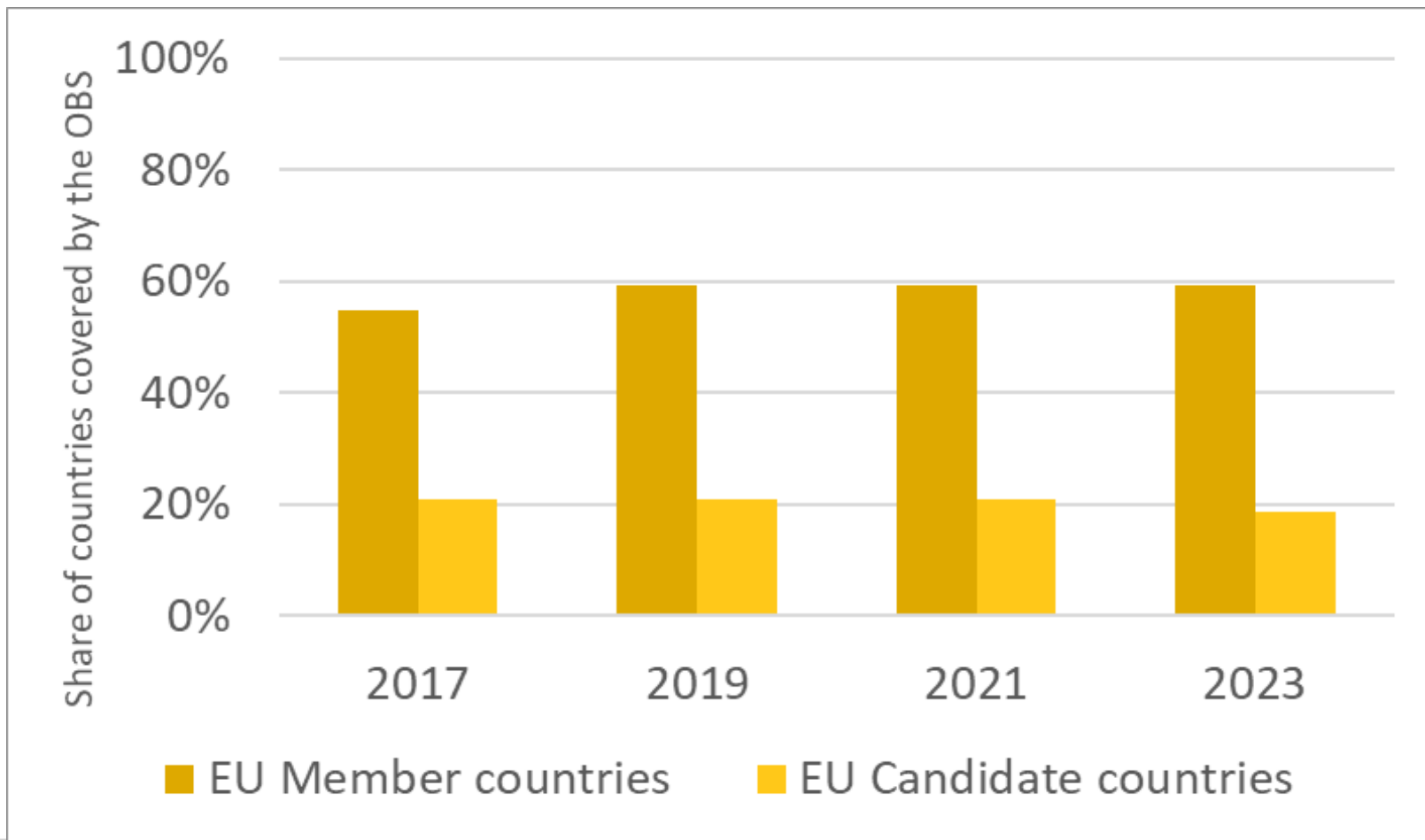
More member countries have now an independent fiscal institution...

Is there an Independent Fiscal Institution?



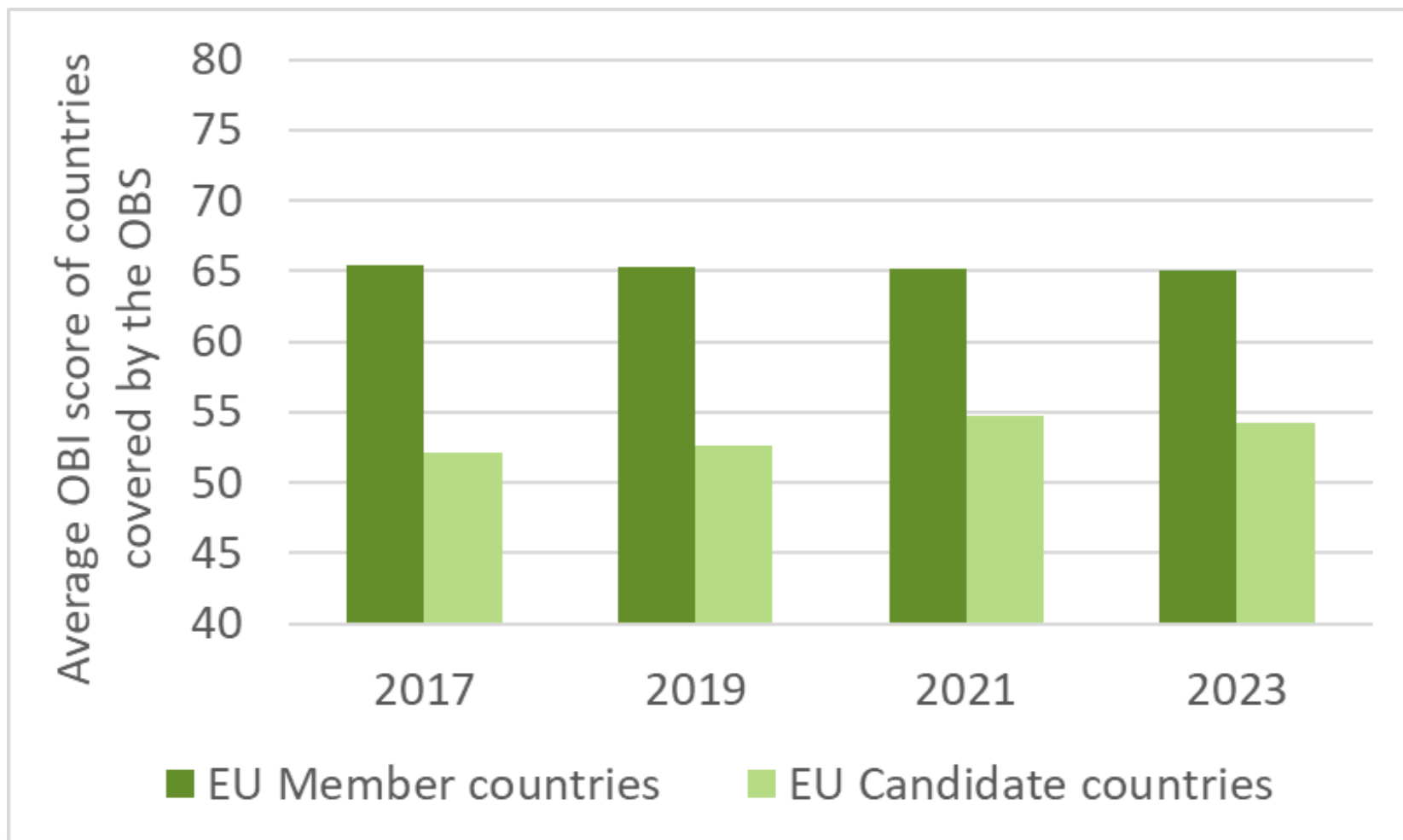
...but many of them still don't produce own macro and/or fiscal forecasts

Does the IFI produce its own macro and/or fiscal forecasts?



Fiscal transparency did not deteriorate

Fiscal transparency measured by the Open Budget Index



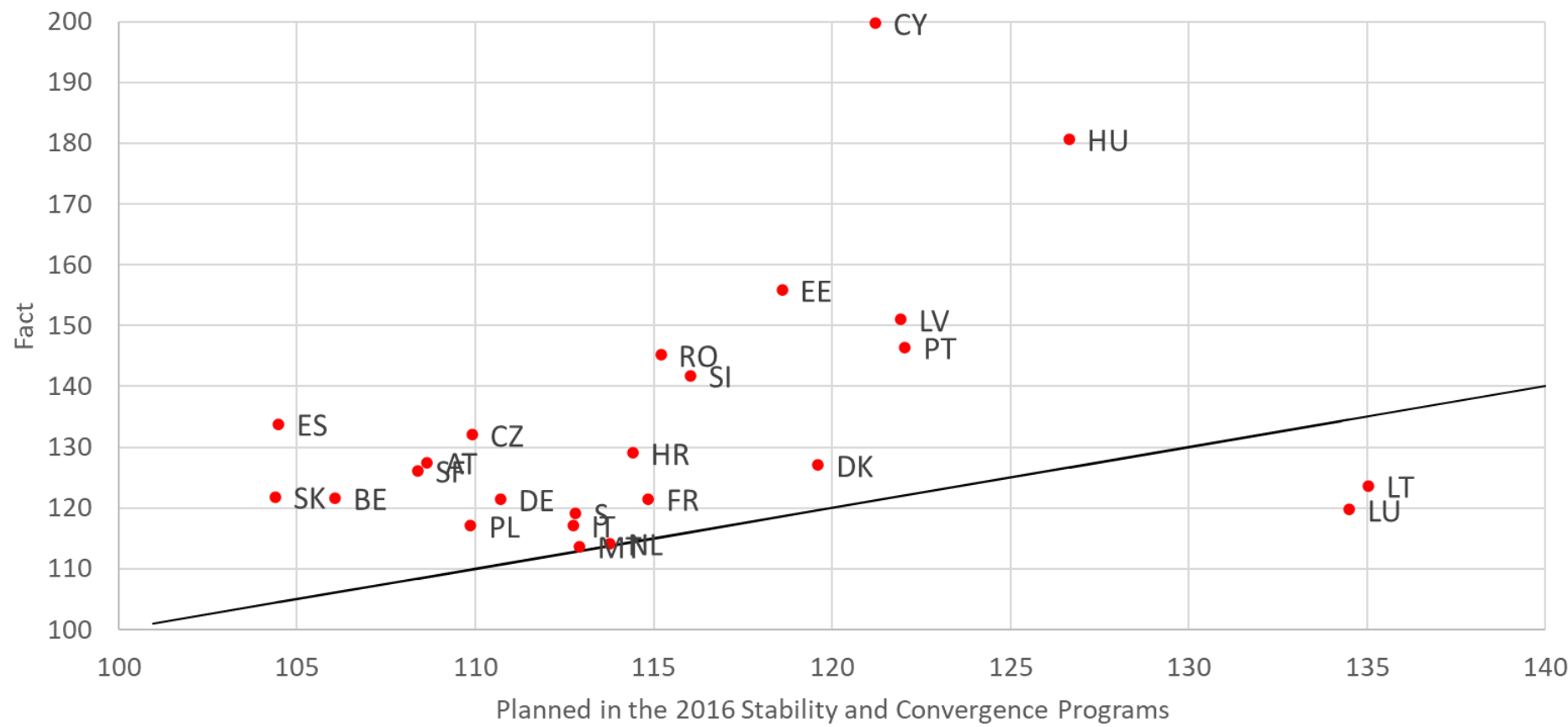
The old system of EU fiscal rules

- (3% deficit and 60% debt limit)
- Cyclically adjusted fiscal balance converges on the medium-term to the country-specific target
- A critical point of the system was the estimates for the output gap



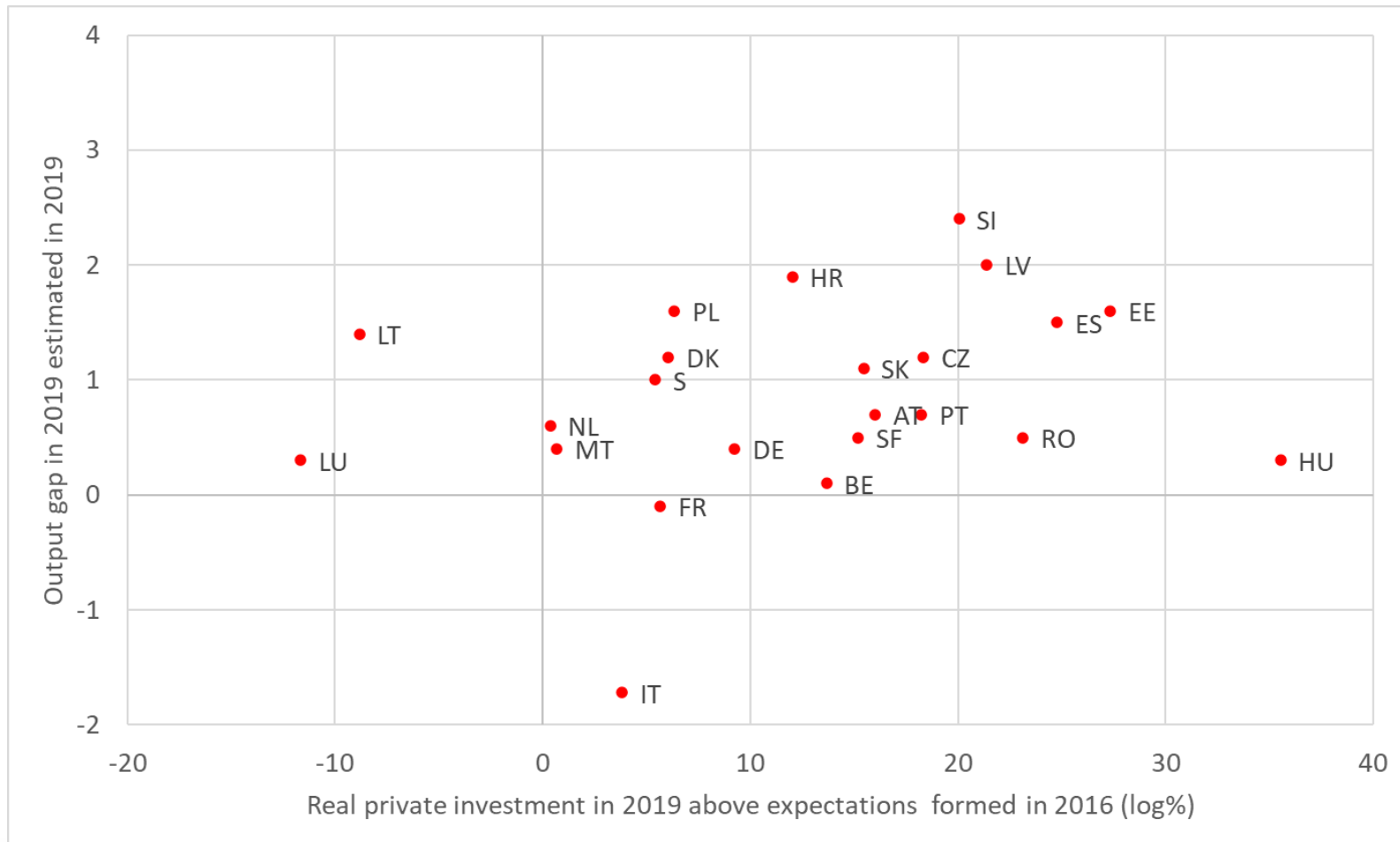
For most EU member countries the years before covid much better than expected in 2016

Planned vs fact private sector real investment in 2019, 2015=100



Still, most of them thought that the output gap was a small positive number in 2019

Positive surprise in private investment vs estimated output gap



The new system of fiscal rules

- (3% deficit and 60% debt limit)
- For a limited number of years the fiscal situation may worsen, if this is a consequence of reform measures, but
- on the long-run, the debt ratio has to be set on a declining path.

- A critical point of the system is the implementation of promised measures.



Consequences of the new system on quantitative analytical capacity

- Proper (no-policy-change) baseline scenarios have to be regularly calculated
- Regularly updated fiscal impact assessment of policy measures becomes much more important
- Independent Fiscal Institutions will have much more work
- Most IFIs will need more resources



Consequences of the new system on parliamentary oversight

- Parliamentary budget committees will have to make effective use of
 - Baseline scenarios
 - Fiscal impact assessments
 - The capacity of the independent fiscal institution
 - Mid-year reviews published by the government
- Parliaments have to monitor the implementation of promised measures



THANK YOU!

