

Comments on the presentations of Serbia and Italy

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General issues

- Some rule for the balance is a precondition (paygo is a version)
- No permanent ER formula is possible, these are just MTEF
- Separate problems are long term sustainability and short term financing constrains

Italy

- Convincing arguments for an ER
 - „Reform fatigue” in 2003-2008?
 - Is trend revenue around 45% of GDP stable?
- Nominal or real?
 - Nominal, because the rule is a medium term tool
- Primary or total?
 - Primary because interest is volatile but G is not able to manipulate
- Capital expenditure excluded?
 - No, because fixed capital is not the key to growth in Italy
- Cyclical expenditure, mandatory and entitlements excluded?
 - Certainly not on the horizon of 3 years or more and even for the shorter horizon only if an effective IFF exists

Serbia: Sequencing reform areas

- Response to the crises
 - Fiscal adjustment: no room for extra spending
 - How to prioritize for 2011?
 - How to replace the IMF SBA?
- Systemic reforms (in the frame of a FRA)
 - Sustainability
 - 3 year MTEF with binding ceilings (2011?)
 - Fiscal rule
 - Transparency
 - Fiscal Council
 - Allocative efficiency
 - Medium –term Public Investment Plan (from 2009)
 - 3 year MTEF (from 2009)
 - Program budgeting: 2015

Comments

- Be cautious but credible instead of unsustainably generous (political will)
 - MT planning is impossible without credibility
- Don't go for allocative optimality in 2011, put effort more into creating the new system which can correct errors (Sweden in the 90s)
- Use the crises as an opportunity
 - To introduce a fiscal rule (later more difficult)
 - to set up a fiscal council (you will need it)
 - To create future room for spending after the crisis
 - Good idea to postpone program budgeting, but be ready when room is available