Work Plan of the Parliamentary Budget Office

Year 2019

(as required by Law 243 of 24 December 2012, Article 18, paragraph 4)

The objective of the Parliamentary Budget Office (PBO) is to contribute to the sustainability of Italy's public finances, ensuring that the public accounts are transparent at the service of Parliament and the general public. As specified in the law establishing the PBO (Law 243/2012, pursuant to the new Article 81 of the Constitution), the PBO endorses and assesses, respectively, macroeconomic and public finance forecasts; quantifies the macroeconomic effects and the impact on the public finances of the most important legislative measures; analyses public finance trends, including by sub-sector, and verifies the long-term sustainability of the public finances; assesses compliance with fiscal rules and monitors the activation and use of a number of mechanisms envisaged in the new framework of European rules (specifically, the corrective mechanism and authorisation in the case of exceptional events). Finally, the PBO prepares analyses and reports on its own initiative and at the request of the parliamentary committees responsible for public finance matters.

1.   The research analysis

1.1   Activities performed in 2018

In 2018, as in previous years, the PBO performed its institutional duties of analysing the public finance planning documents (the EFD and the Update of the EFD). In particular, the results of the endorsement exercise for the official macroeconomic forecasts (trend and policy) and the assessments of the public finances were provided to the Budget Committees of the Senate and the Chamber of Deputies on the occasion of the hearings

during the parliamentary consideration of the Government's planning documents and were then incorporated in the 2019 Budgetary Policy Report.[1]

In addition to the Report, the PBO published studies offering an in-depth examination of specific issues, chosen independently by the PBO as part of the duties assigned to it under the law establishing it or prepared in response to requests from parliamentary committees. More specifically, in addition to the hearings on official policy documents and the Budget Act, two hearings were held on issues relevant to the public finances (the rules governing retail opening hours and the reform of the budget structure) and numerous studies were published in the document series established by the PBO (one Working Paper, ten Focus Papers and three Flash analyses). The issues addressed included: the uncertainty and critical issues affecting the state and short-term outlook for the Italian public finances, fiscal multipliers in abnormal times, the contribution of the sub-sectors of general government to containing expenditure, local government surpluses in the light of the ruling of the Constitutional Court, the state of the labour market safety net after the Jobs Act, medium/long-term projections for pension expenditure, reduced pension requirements for especially tiring and burdensome jobs, the taxation of the gaming industry, the public finances after the agreement with the European Commission at the end of 2018, the Eurostat opinion on the accounting effects of the liquidation of the Veneto banks and the intergenerational impact of the crisis. Specific studies focused on comparing the budget strategies of the main EU countries set out in the April Stability and Convergence Programmes and in the October Draft Budgetary Plans, and the associated opinions and estimates of the European Commission. In 2018, four Reports on Recent Economic Developments were also published, providing a quarterly analysis of developments in the Italian and international economies.

In addition, in the second half of year, the PBO conducted an analysis of agreements for monitoring the spending of ministries, with the preparation of a database that organises the contents of the agreements supplemented with the information contained in the budget documents. This analysis was then used, in part, at the hearing of the PBO in July 2018 concerning the completion of the reform of the structure of the State budget, and later as a basis for the hearing of the PBO on the new financial planning procedure before the Budget Committee of the Chamber of Deputies in March 2019.

The PBO continued its work to enhance and refine the quantitative analysis tools available to it. For the microsimulation models adopted for sectoral analysis, it was completed the integration of the sample database of the household tax-benefit model

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[1] Owing to the change in Government, the Economic and Financial Document published in April included only the trend scenario and therefore the PBO did not produce the 2018 Budgetary Planning Report.

used until last year with administrative data (taxpayer register and INPS). This improved the reliability of estimates of the quantitative impact of the reforms on the public finances and allowed to identify the associated distributional effects taking account of tax evasion/avoidance. A collaborative initiative was also begun with the Joint Research Center (JRC) under the aegis of the Structural Reform Support Programme (SRSP) of the European Commission to add a labour supply module to the model and to introduce behavioural aspects. In addition, the development of a module for the interaction of the behavioural microeconomic module with the macroeconomic general equilibrium model used by the PBO is under evaluation, with a view to extending the assessment of the effects of fiscal policies from the sectoral level to the macroeconomic level.

As for the microsimulation model for the taxation of corporations, it was completed the update of the model on the basis of financial statement data available up to 2016 and the integration with the fiscal microdata of corporations from administrative sources, with subsequent validation of the model based on the latter. The forecasting model for pension expenditure in the short to medium term was enhanced with the use of INPS micro-data and an improvement of the estimates for career progression. The forecasting model for healthcare expenditure was strengthened with information from the revenue and expenditure statements of NHS entities. Finally, work continued on the dynamic model for forecasting long-term pension expenditure, completing the reconstruction of the initial reference population on the basis of the most recent Istat surveys supplemented with INPS administrative data and beginning the estimation of the probability of transition between the different states attributable to the individuals that make up the model population and the associated careers.

As for the tools for assessing the public finances, in 2018 procedures were developed to reorganise information on the number of public employees and wages drawn from the annual accounts database of the Office of the State Accountant General in order to obtain a more concise and effective representation of the main trends, which also play a role in forecasting this expenditure item. In order to refine the analysis of debt sustainability, specific multipliers for indirect taxes were introduced in order to assess the impact of the VAT safeguard clauses on developments in the debt/GDP ratio.

At the macroeconomic level, a series of studies were conducted on potential growth, with the aim of building new quantitative tools that the PBO can use to estimate the output gap with different approaches than those currently in use (based on the European Commission model).

1.2   The 2019 work plan

The primary objective for 2019 continues to be the strengthening of the tools used in performing the PBO's recurring institutional duties: assessing, in the spring and autumn, the budget policy documents and compliance with the fiscal rules, forecasting and monitoring of developments in the economy and the public finances, as well as the effects of major legislation.

Consistent with this priority and with the time devoted to work that may become a priority or necessary in order to respond to *ad hoc* requests from parliamentary committees, specific lines of research into issues of special importance in the economic policy debate will also be pursued.

1.2.1 Recurring institutional activities: development of analytical tools and the permanent research programme

The Macroeconomic Analysis Department will continue the maintenance and further adaptation of the MeMo-it macroeconomic forecasting model to the specific analytical needs of the PBO. On the one hand, this activity is aimed at the verification of the stochastic properties of the model equations, through tests of correct specification, structural stability and predictive ability for different historical samples. In this context, it will be appropriate to evaluate the effects of a re-specification of specific blocks of the model. In this regard, it will be necessary to finalise the revision of the blocks containing the accounts of the institutional sectors, improving their integration with the equations that impact the components of demand (for example, for the non-financial corporations sector, with aggregate functions of gross fixed capital formation). The basic objective of this activity is to develop a version of the MeMo-It model with values for the fiscal multipliers, above all for certain economic policy variables such as indirect taxes, that are more consistent with the estimates documented in the econometric literature. Other extraordinary maintenance of the model will include the development of simulation programmes that can implement Tinbergen-targeting, which is useful both for evaluating the tools needed to achieve economic policy objectives and for increasing the speed and accuracy of alignment of the main endogenous variables when Istat releases new annual national accounts. This is an operationally important goal, as the annual national accounts are distributed in the two periods of the year in which the Department is involved in the endorsement process for the MEF macroeconomic scenario.

In 2019 the periodic maintenance and improvement of the short-term forecasting models for GDP and its components, as well as industrial production, will continue. These are used to guide the annual estimation of the macroeconomic model and the analysis of the economic cycle released with the *Report on Recent Economic Developments*. The PBO models will be re-estimated in order to check their statistical properties and the significance of the parameters in relation to the most recent economic data. In addition, new monthly indicators of economic activity will be evaluated and possible introduced, with the aim of reducing forecast error, especially during business cycle turning points.

As for the long-term project to equip the PBO with its own quantitative tool for estimating potential output, the analysis carried out in 2018 concluded that, from a statistical and econometric standpoint, there is no single model whose general characteristics are superior to all others. We have therefore focused on an approach based on multiple models, with different underlying hypotheses and different specifications. This approach will be used on a test basis during the year, with one of the objectives being to obtain a plausibility range for estimates, similar to the procedure adopted with the different macroeconomic scenarios formulated by PBO panel forecasters for the endorsement of the MEF scenario. During the year, we will work on the estimation programmes in order to optimise them from an operational point of view in terms of speed and reliability.

In the more specific context of the public finances, the process of consolidation and refinement of the methods used will continue in order to strengthen monitoring capacity at the sector and segment level, with a view to expanding the information assets available for preparing short-term forecasts.

The tools currently used to estimate short-term pension expenditure and other social benefits, health expenditure, compensation of employees and the individual revenue items will be further developed. To this end, particular attention will be paid during the year to monitoring the implementation of measures relating to the Citizenship Income and the *quota 100* pension mechanism. With regard to public employment, the availability of integrated and systemised information from multiple databases should enable more detailed forecasts of employment levels and of expenditure on compensation of employees, through the analysis of both incoming and outgoing personnel flows and labour cost items.

Agreements are being reached with the *Associazione per lo sviluppo dell'industria nel Mezzogiorno* (SVIMEZ) and the *Agenzia per la coesione territoriale* in order to use a territorial macroeconomic model to analyse the impact of public finance measures in the different areas of the country.

Other recurring work will include maintenance of the forecasting model for interest expenditure on domestic government securities, with quarterly updating of the model database and the corresponding database published on the PBO website for public consultation. From a methodological point of view, development work will continue, considering alternative strategies for the simulation of future issuance policies that jointly take account of cost-risk objectives for the residual life of the stock and for interest expenditure. Finally, the supplementation of the model with the estimation of the other components that contribute to general government interest expenditure in addition to domestic government securities will also continue.

To support analytical work, the fiscal microsimulation models used in the past for the *ex-ante* assessment of certain legislative initiatives will be strengthened further for households and corporations. This will ensure continuity in the PBO's analytical capabilities for issues such as the direction of tax policy and developments in taxation for specific sectors, as well as the reliability of the *ex-ante* and *ex-post* impact assessments of specific legislative measures.

In particular, the tax-benefit model for households will be further developed by integrating it with the microdata from the equivalent economic status indicator (ISEE) returns presented in 2017 and with the information contained in the Istat Consumption Survey in order to improve the *ex-ante* assessment of means-tested policies (for example, the recently adopted Citizenship Income and Citizenship Pension) and to develop research on impact of fiscal and welfare policies on household consumption decisions and supplement the analysis of income taxation with that of indirect taxation.

The model for corporate taxation will be strengthened and developed in two directions. On the one hand, the model – which is currently static, reflecting the accounts of companies in a specific year – will be extended in terms of its time horizon (at least three years) to reflect the typically long-term nature of certain key variables (e.g. depreciation). On the other hand, again with a view to making the model dynamic, work will begin on the incorporation of behavioural equations using the support of the Structural Reform Support Programme (SRSP) promoted by the European Commission.

The long-term sustainability of the public finances crucially depends on the impact of population aging on public spending. As part of the preparation of a dynamic model for the long-term forecasting of this component, after having constructed the initial population from the most recent Istat sample surveys supplemented with INPS administrative data, work is progressing on the estimation of the probabilities of transition between the different states attributable to the individuals who make up the model population and their careers. The next step will be to update and refine the mechanisms that determine retirement, beginning with the modelling of the most

recent legislation. The model will support the comparative analysis of the official medium/long-term forecasts of pension expenditure, i.e. those produced by the Office of the State Accountant General on the basis of both national scenarios and scenarios agreed at European level under the aegis of the Aging Working Group (AWG).

Another area of maintenance and development for analytical tools is debt sustainability (debt sustainability analysis – DSA). The possibility of refining the analyses will be assessed, breaking down the variable-rate medium/long-term debt component into that indexed to inflation and that linked to short-term interest rates. In addition, following the migration – now being finalised – of the model to more appropriate software from a computational point of view, the possibility of conducting DSA analysis using stochastic vector autoregressive models (VAR) more in line with the methods used by the International Monetary Fund will be explored. In particular, we will work on estimating a VAR model to simulate the main variables that drive developments in public debt. Finally, the possibility of developing modules that enable a closer link between the model used for DSA with that for forecasting interest expenditure is currently being evaluated.

Moreover, as in previous years, specific analysis will regard a comparison of the budget strategies of the leading EU Member States, as set out in their stability programmes and draft budgetary plans, and the related opinions of the European Commission.

1.2.2   Specific lines of research

As provided for by the law establishing the PBO, the Office's duties include the preparation of analyses of "other economic and public finance issues relevant to analysis, monitoring and assessment" selected independently by the PBO.

The specific issues identified for 2019 are described below. In some cases they are lines of research begun in 2018 or earlier that were not completed owing to delays in acquiring the necessary data sources or because the time that could be allocated to research purposes was limited by the need to perform other work on issues raised in the public debate or in response to specific requests from parliamentary committees. For 2019, for example, it is plausible to imagine that work will be carried out on, for example, the introduction of a minimum hourly wage and differentiated federalism.

The list below discusses work already begun, followed by new lines of research.

Continuation of existing lines of research

Variability of the elasticity of taxes and social contributions with respect to the economic cycle. – The work, which was begun in 2016 and presented both internally and at a SIEP conference, is close to completion. The elasticities of taxes and social contributions with respect to income are the main tool for forecasting developments in government revenue over the multiannual programming horizon, for evaluating *ex post* the effectiveness of specific tax policies and for calculating the cyclical component of the budget, which is necessary for estimating the structural balance. In current practice, the official estimates are produced by using constant values for the semi-elasticities of individual revenue items compared with their tax bases and of the individual tax bases with respect to GDP. Conversely, the proposed work uses an econometric approach to assess the variability of the elasticities of the main taxes and social contributions in the various phases of the economic cycle. More specifically, within the model the short-term semi-elasticities are left free to move in the different states of the economy and their differences between states appear statistically significant, being relatively large during the negative phases of the economic cycle. This is particularly important in a context in which an inaccurate estimate of the elasticity could lead to an incorrect assessment of developments in the public finances and be used to justify the adoption of unnecessary measures. The work will be completed in conjunction with the updates of the semi-elasticity estimates used in the multilateral surveillance process at the European level.

Ex post *assessment of the economic and distributive effects of the application of the ACE and corporate investment incentives*. – The introduction of the allowance for corporate equity (ACE) had two objectives: a) to reduce the tax distortions created by the financial structure of firms and prompt the latter to rebalance its composition between debt and equity capital; b) to support economic growth by reducing the tax burden on firms. This study, which was already included in the research programme last year and postponed to this year to benefit from the supplementation of financial statement data with administrative data from tax returns, uses the microsimulation model of corporate taxation developed by the PBO for 2011-2016 to verify the expected (and unexpected) effects of the measure in the first six years of implementation. The impact assessments, which have already been published in the PBO reports, took account of the most recent legislative developments, which have produced a substantial weakening of this instrument. The *ex post* analysis will be completed and supplemented to take account of the interactions of the ACE with the super-depreciation mechanism introduced to incentivise investment in 2016.

Analysis of the territorial distribution of personnel and number of employees. – In order to analyse the distribution of public employees and their wages at the territorial level,

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in 2018, in collaboration with REF Ricerche, an information base was prepared that systematises and integrates the main sources of data on public employment. In particular, through the integration of information from different databases (annual accounts of the Office of the State Accountant General, CensIP of Istat and the Regional Public Accounts of the Agency for Territorial Cohesion), the structure of public employment by region and province was analysed, distinguishing between the different sub-sectors of government entities and between the different segments into which public employment is divided. On the basis of the initial results obtained, it is now necessary both to supplement the statistical observations with an analysis designed to produce a more specific identification of the determinants of the observed phenomena and to evaluate the possibility of providing policy guidance.

Tax expenditures. – For some years now, the revision of tax expenditures has been the focus of debate with the aim of creating room to reduce the overall tax burden. The reorganisation and/or reduction of tax expenditures cannot proceed without an *ex-post* analysis of their impact to verify if the original objectives of the relief measures have actually been achieved. In the light of a possible agreement with the *Istituto per la Ricerca Valutativa sulle Politiche Pubbliche* (IRVAPP), a study will select one or more relevant tax expenditures (for example, tax credit for spending on building renovations and the reduction in revenues connected with the introduction of a flat-rate tax on rental income) and proceed in two directions. On the one hand, using the tax-benefit micro-simulation model for households, the distributive effects produced by the measures considered will be estimated. On the other, using a counterfactual analysis we will analyse the *ex-post* impact in terms of incentive to the relevant economic sector and to related sectors, of the expansion of the tax base and efficiency (the scale of the so-called dead weight, i.e. the loss of revenue connected with conduct that would have occurred even in the absence of the lower tax).

Accounting rules and budget constraints for local governments. – In recent years, the PBO has monitored the main changes in the accounting and budget rules for local governments, examining in particular the possible effects of a number of rulings of the Constitutional Court in this field. Continuing this line of analysis, a study of the effects of recent changes in the budget-balance rule for local governments is being finalised for publication. Since the last quarter of 2018, the budget-balance rule defined in accordance with the provisions of Law 243/2012, which was, along with the balance rule governed by Legislative Decree 118/2011, one of the two sets of rules to which local governments were subject, has no longer applied to local governments. The removal of this budget-balance rule essentially anticipates the measures contained in the recently approved Budget Act. The analysis under way since 2018, which aimed to investigate the quantitative effects of the simultaneous operation of this double set of rules has

therefore been redirected to identify the potential effects of these measures on the possibility of funding new expenditure from local government surpluses. In particular, the analysis will produce an update of the estimates of the size of these surpluses and their territorial distribution and assess of the initial effects on developments in payments for investment. The findings of this analysis are being finalised.

Analysis of financial recovery plans for hospitals on the financial and performance level. – Law 208/2015 introduced an obligation to adopt a recovery plan for healthcare authorities, initially hospitals (including university hospitals and institutes for science-based care and research, IRCCS) that do not comply with: 1) certain financial ratios in the budget (which were tightened further with Law 232/2016); 2) a series of parameters relating to the volume, quality and outcomes of care. With Ministerial Decree of June 21, 2016, a methodology was specified for the calculation – for the purposes of assessing hospitals' compliance with these conditions – of the difference between costs and revenues, and of output and outcome indicators. The objective of the study, which was begun last year, is to analyse the process that led to the identification of the healthcare authorities that would have to comply with a recovery plan and to track the definition and implementation of these plans, also considering any changes in the methodology initially adopted. To this end, three databases have been constructed. The first, based on the income statements of hospitals (2010-2017), was used to trace the procedure that led to the identification of the entities that would be subject to a repayment plan for failure to comply with the financial conditions. The same database will also be used to examine the evolution over time of a number of relevant indicators, by groups of hospitals. The construction of the database implied the transcoding of the financial statement items in the transition from 2011 to 2012, the correction of certain information deficiencies present in the income statements of the hospitals and – an aspect that is still being worked on – the consideration of situations in which the nature of the hospitals has changed (mergers, divisions, integrations). The second database, based on the annual personnel accounts (2010-2016), was used to analyse the evolution of the related expenditure. Finally, a third database was prepared on the basis of the findings of the National Outcomes Plan (2014-2016) to assess the operation of the second set of conditions concerning the qualitative/quantitative aspects of the services provided. Attention then focused on examining the different recovery plans and other associated documentation to prepare a summary of the most relevant features. After obtaining the data for hospital discharge records, it will also be possible to deal with the question of outputs.

New lines of research

Credit rationing indicator. – An indicator of credit rationing will be developed for the Italian economy, for the years following the start of the global crisis of 2008, mainly using qualitative information on lending conditions drawn from the Istat survey of manufacturing confidence. The credit section of this survey makes it possible to obtain information on the relationship between banks and businesses, based on firms' assessments of the prevailing market conditions. Regression techniques will be used to construct the indicator, quantifying the deviation of the supply of credit from its main macroeconomic determinants (the opportunity cost of providing risky loans and the differential between the lending rate and the rate on the interbank market). The proposed indicator would represent a new tool for assessing the credit situation in an environment, like that in Italy, characterised by a predominance of small and medium-sized businesses with a typically bank-centric structure. From an operational point of view, the proposed methodology permits quarterly updates, so the indicator could be shown regularly in the PBO's *Report on Recent Economic Developments*.

Further studies of the public works sector. – In 2019, the project regarding the efficiency of the public works market will go through a second phase, in which the behaviour of Italian municipal contracting entities will be examined in the light of the reform of the Public Contracts Code (and the changes that have affected provincial and regional governments in the past few years), seeking to provide an empirical assessment of the relationship between the centralisation/aggregation process, the volume of the tendering procedures initiated and their efficiency in terms of lower costs. Furthermore, the study will try to analyse the issue of the quality of contractors, pending the implementation of the company rating system required by the Code. Reference will be made to the data contained in the white lists of contractors free of Mafia infiltration, operating in the sectors most exposed to risk, prepared by the prefectures-territorial government offices, pursuant to Law 190/2012. Finally, the study will take account of any regulatory changes regarding the reform of the Public Contracts Code that may occur during the year.

Assessment of the outcomes of the reform of provisional governments. – Beginning in 2014, the provincial sector was affected by a radical reform that impacted both the institutional plane, with the elimination of some provinces, the establishment of metropolitan cities and changes in composition and method of election of political bodies, and the financial, organisational and functional plane. An initial phase in which funding to the sector and personnel levels declined was followed, after a constitutional referendum which did not uphold the removal of the provincial governments, a period in which the fundamental functions of the segment were received new funding. It seems

useful to evaluate how this process has affected the operations of the segment, beginning with the budget data, which represent the input indicators of administrative action. The study will also explore the availability of output indicators for the services (e.g. maintenance of a significant part of the public road network) that must be delivered by provisional governments.

Proposed reforms of the EU fiscal rules. – In 2019, the European Commission will publish a report on the application of the rules that make up the Stability and Growth Pact and on their effectiveness, as provided for by the reforms of 2011 (the Six-Pack) and 2013 (the Two-Pack), accompanied by with reform proposals if appropriate. Taking a cue from this activity at the EU level, the PBO, as part of its monitoring of the proposals for the reform of European economic governance, will initiate an evaluation of the main proposals for reform of the European fiscal rules presented in institutional and academic circles. The PBO will seek, where possible, to also provide a quantitative assessment of the impact of the proposed rules on the main variables of the Italian public finances by comparison with the rules of the existing Pact.

2. Transparency of the public accounts and communication

In 2018, the PBO significantly expanded its capacity to communicate with the media. One indicator of the upgrading of the PBO's external communication activity is the number of citations of the PBO in the print media, the web and radio-TV, which last year numbered 765, 601 and 221 respectively (in 2017 there were 334 citations in the print media and 175 on the web). The objective of strengthening our capacity to inform the public and to foster greater transparency in the public accounts remains unchanged. In this context, in 2018, the PBO's official website was visited about 160,000 times (about 800 per working day), an increase of about 100,000 compared with the previous year.

The some sections of the PBO website page containing data and analysis with interactive graphics have already been updated, such as that analysing the main macroeconomic trends in European public finances (*Europe in figures 2000-2017*). Other updated sections regard those on some of the issues addressed in recent PBO publications in order to facilitate public consultation of the information base used for the analyses. More specifically, graphical presentations have been published for: a comparison of Stability Programmes, Draft Budgetary Plans and the forecasts of the European Commission (connected with Focus 1/2019); the government securities database (which contains a detailed analysis of the composition of the public debt) updated on the basis of analysis contained in the hearing on the 2019 Budget Act.

For 2019, the PBO will continue its efforts to provide additional tools to enhance transparency and participation, with the aim of bringing citizens closer to public finance issues. This will be pursued first and foremost by promoting communication initiatives on this topic addressed to various non-specialist audiences (the general public, students of various types and levels, non-sector professionals) and possibly experimenting with communication approaches, such as the Internet, which are currently little used in this field.

3.   The organisational structure

With regard to the organisational structure of the PBO, the Office staff currently remains at twenty-four people (of whom nineteen are economists and five perform administrative duties), compared with the full statutory complement of 40 staffers, due in part to the difficulties of finding suitable office premises. Article 17, paragraph 6, of the Law 243 of December 24, 2012, which established the Parliamentary Budget Office, states that "the Presidents of the Senate of the Republic and of the Chamber of Deputies, in agreement between them, shall make available to the Office premises to serve as its headquarters and the necessary instrumental resources". The Office is today hosted in part by the Chamber of Deputies (at Palazzo San Macuto) and in part by the Senate (at Istituto S. Maria in Aquiro), but no solutions have been developed to provide additional space to PBO. The lack of single office capable of housing the forty staffers provided for in the law establishing the PBO reduces the functionality of the Office and compromises its ability to perform its institutional duties appropriately. The logistical challenges faced by the PBO, which among other things include organisational difficulties related to its location in two separate buildings, has also prevented the creation of post-graduate internships through specific agreements with the academic world, as it was provided for in previous work plans with a view to drawing on these resources for specific research projects.

In 2019, the PBO intends in any case to recruit new staff, with the aim of implementing an organisational structure closer in size to indicated in the law establishing the PBO by the end of the term of the current Board.

4.   International activities

In 2019, the international activities of the PBO will continue to play a central role in its official duties. In addition to bilateral meetings with various public and private actors

operating at the supranational level (the European Commission, the International Monetary Fund, the European Central Bank, the OECD, economic advisors at embassies in Italy and the rating agencies), note that the Chairman of the PBO is Deputy Chairman of the network of the national fiscal councils of the European Union (EU IFIs).

As part of the network's activities, 2018 saw the finalisation of the Report of the Working Group chaired by the PBO on medium-term budgetary frameworks, which was prepared to contribute to the discussion within the EU on the reform of national medium-term budgetary procedures.