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## ***The Italian PBO***

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**STRENGTHENING THE CAPACITIES OF THE MOLDOVAN  
PARLIAMENT AND ITS ROLE IN THE EU ACCESSION  
PROCESS**

**Parliament of the Republic of Moldova**

**Chişinău, 7 October 2025**

# National IFIs in the EU economic governance framework

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Regulation  
473/2013/EU  
("Two-Pack")

requires **euro area** Member States to use **macroeconomic forecasts produced or endorsed by IFIs** for medium-term budgetary plans and draft budgets

indicates that **IFIs are responsible for monitoring** compliance with national numerical fiscal rules and for publishing **public assessments** of deviations from the adjustment path

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Directive  
2011/85/EU  
as amended by

lays down the tasks that **IFIs** shall ensure within **national budgetary frameworks**

Directive  
2024/1265/EU

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# Tasks of IFIs in the new EU economic governance framework

- Produce, assess or endorse annual and multiannual **macroeconomic forecasts**
- Monitor **compliance** with national numerical fiscal rules
- Issue an opinion on the macroeconomic forecasts and the macroeconomic assumptions underlying the **net expenditure path** included in the MTFSP
- Provide, at the request of the Member State, an assessment of the compliance of **outturn budgetary data reported in the APR** with respect to the net expenditure path and a non-binding analysis of the factors underlying any deviation from the path
- Prepare, at the request of the Member State, a non-binding report on the adequacy of the measures adopted and planned in the Member State's report to the Council and the Commission regarding the effective action taken in response to the Council recommendation pursuant to Article 126(7) TFEU in the context of the **excessive deficit procedure**
- Assess the consistency, coherence and effectiveness of the **national budgetary framework**
- Upon invitation, take part in discussions and **periodic hearings** within the national Parliament

# The mandate of the Italian IFI in national legislation

- The Italian IFI has been established by a reinforced law in December 2012 and named **Parliamentary Budget Office (PBO)**
  - a **reinforced law** can be modified only by an absolute majority of the members of each House
- The law has not yet been revised to align it with the recent changes in the new EU economic governance framework
- However, the mandate is already sufficiently broad to encompass all the tasks required by the new EU directive

# The mandate of the PBO in national legislation

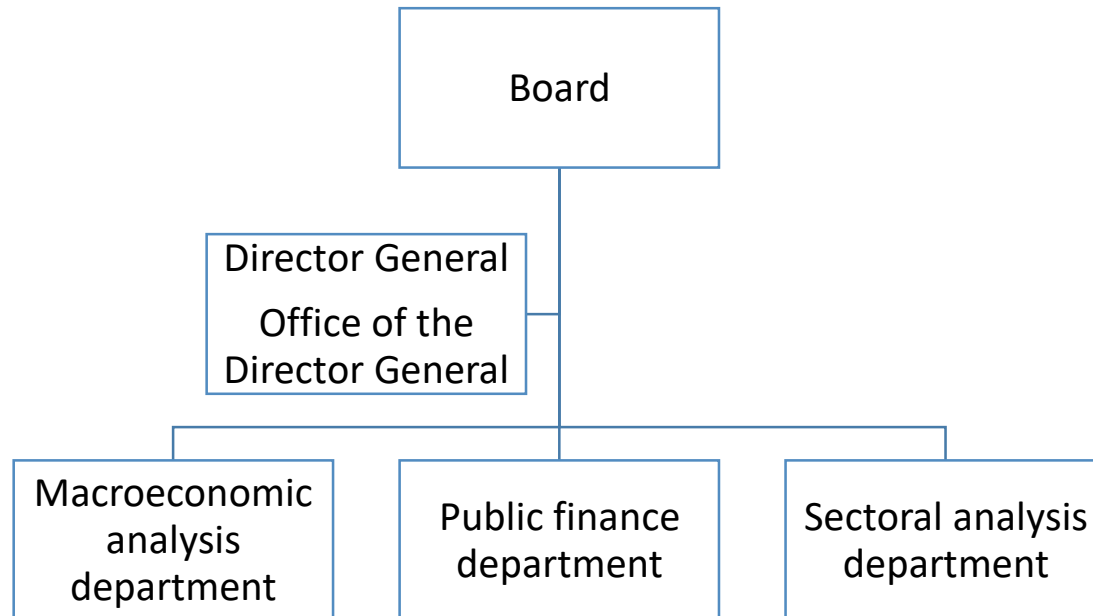
The PBO may review, assess and monitor several aspects of the budgetary framework and associated public policies:

- Macroeconomic and public finance forecasts
- Macroeconomic impact of major legislative measures
- Public finance developments, including by subsector, and compliance with fiscal rules
- Long-term sustainability of public finances
- The activation and use of the corrective mechanism (i.e. the correction needed to comply with fiscal rules in case of deviations) and deviations from fiscal-rule targets due to exceptional events
- Further economic and public finance issues which may be deemed relevant
- Provide analyses and reports at the request of parliamentary committees through a hearing of the President or Board Member

# The mandate of the PBO in national legislation

- The “**comply or explain**” procedure can be activated by the Parliamentary Budget Committees at the request of at least one third of their members for any macroeconomic and public finance issue within the PBO mandate
- Law 243/2012 also requires to:
  - draw up an annual work programme to be sent to parliamentary committees
  - publish all reports and analyses on the PBO’s website
  - establish a Scientific Committee of experts to provide methodological guidance

# The PBO: organization and resources



- 31 FTE in 2024 excluding 3 board members. The maximum possible by law is 40 people.
- Annual budgetary appropriation from 2025: 7 million euros
- Mandatory access to data and databases from all public administrations, as it enjoys the same legal status as entities belonging to the National Statistical System

# The implementation in the first 11 years



Endorsement of macroeconomic forecasts

Assessment of public finance forecasts and budgetary measures

- The PBO is in charge of endorsing the government's macroeconomic forecasts (in line with the EU Two-Pack) : in Spring (the former SP now APR) and Autumn (the DBP)
- The “comply or explain” procedure has been activated in two cases after a non-endorsement of the macroeconomic forecasts

# The implementation in the first 11 years



## Parliamentary hearings

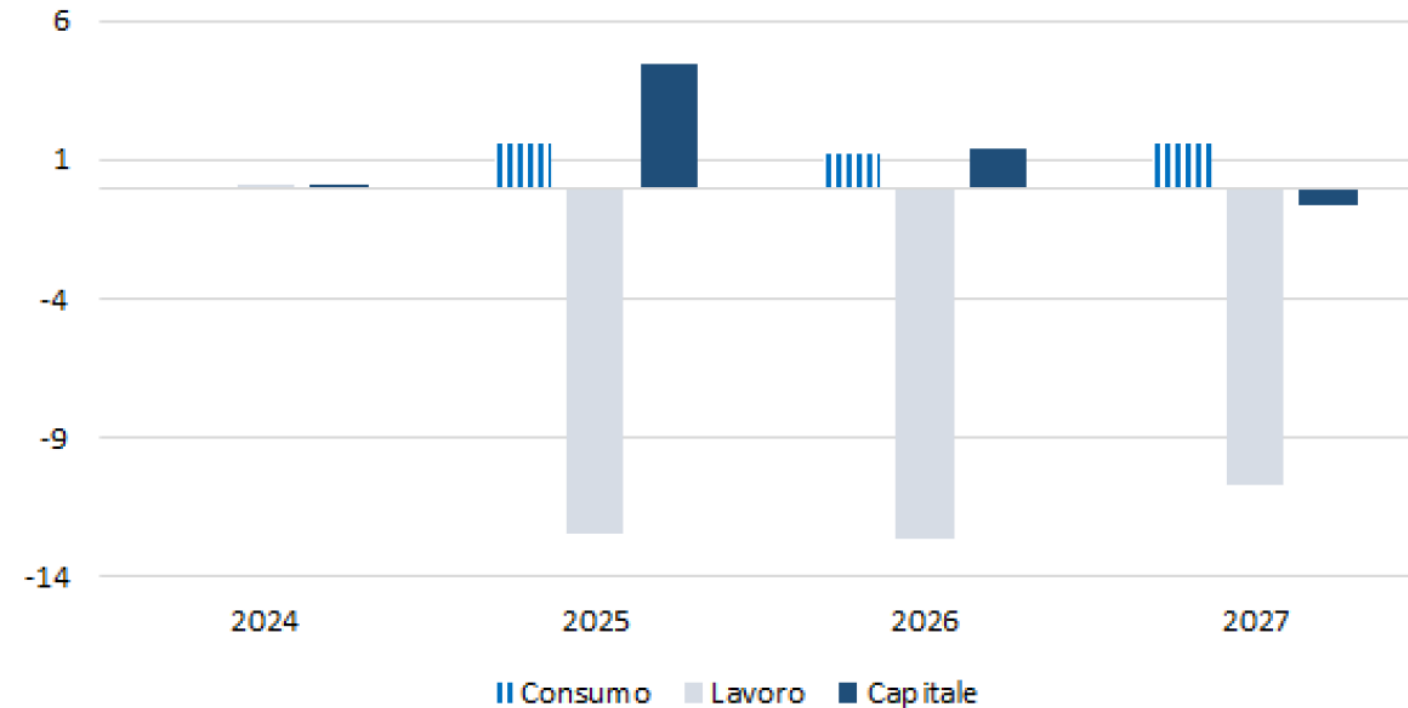
- The PBO has been holding parliamentary hearings on all 3 national budgetary documents each year systematically since 2015: the Economic and Financial Document (EFD), the Update of the EFD and the Draft Budget.
- The PBO held parliamentary hearings (9 per year on average) on many different topics, among which: fiscal policy and tax measures, major expenditures changes (e.g. pensions and healthcare), the demographic transition, fiscal federalism, tax measures, distributional effects of legislative measures and regional autonomy
- The PBO provides analyses of overall financial trends in specific sectors, assessments of the budgetary impact of existing policies, forecasts of the impact of major reforms and draft legislation under discussion in parliamentary committees, and evaluations of the distributive effects of specific measures.

# Hearings on the draft budget

- First part: highlight the main trends
  - Description of the impact of new discretionary measures on debt, deficit and its components
  - Assessment of the impact on economic agents (households, workers, firms), economic functions (pensions, health, education...) and tax bases (consumption, labour, capital)
- Second part: provide an understanding of the effects of the main measures on equity and efficiency
  - Micro-simulations of impact on firms and individual taxpayers
  - Medium-term forecasts on pensions and health
  - Effects on local governments

# Hearings on the draft budget: example of 2025

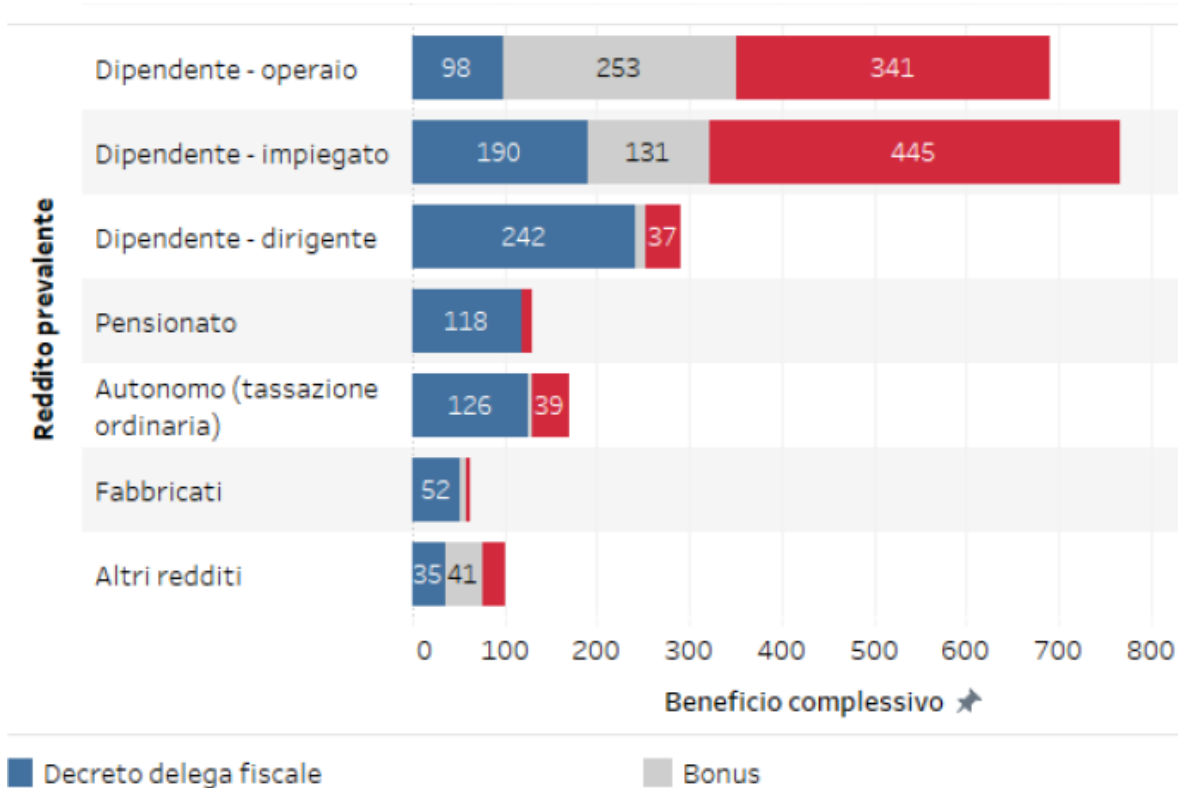
- First part: tax measures by economic tax bases



- Significant permanent reduction on labour
- Minor permanent increase on consumption
- Temporary increase on capital

# Hearings on the draft budget: example of 2025

- Second part: income tax reform



- Main tax savings for white collar employees
- Breakdown of the net impact between changes in tax rates (blue) and in tax allowance (red)

# Hearings on draft laws: recent examples

|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tax collection | <ul style="list-style-type: none"><li>• Reconstruction of the evolution over recent years of:<ul style="list-style-type: none"><li>• arrears and writing-off</li></ul></li><li>• Considerations regarding:<ul style="list-style-type: none"><li>• the factors influencing the accumulation of receivables within the fiscal inventory</li><li>• Italy's international positioning in this regard</li><li>• how the measures proposed in the bill align with the general process of tax reform</li></ul></li></ul> |
| Reform of NHS  | <ul style="list-style-type: none"><li>• Trends in healthcare expenditure, financing and outcomes</li><li>• Highlights some inconsistency in the draft law provisions on NHS spending, funding and coverage</li></ul>                                                                                                                                                                                                                                                                                              |

# Hearings on draft laws: recent examples

|                                                        |                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tax credits for energy-saving renovations of buildings | <ul style="list-style-type: none"><li>• Estimates of the impact on deficit and debt, on energy savings and on GDP growth</li><li>• Lessons learnt from past experiences, elements that should be avoided in the design of future incentives and others that should be included to foster effectiveness and control expenditure</li></ul> |
| New European governance                                | <ul style="list-style-type: none"><li>• Simulations of the dynamics of the debt-to-GDP ratio and estimates of the fiscal adjustment needed to meet the requirement of the new European fiscal governance</li></ul>                                                                                                                       |
| Fiscal decentralization                                | <ul style="list-style-type: none"><li>• Data on territorial disparities in provision of public services</li><li>• Estimates of the resources needed to provide minimum standards</li><li>• Simulations of the financial flows under alternative local government financing schemes</li></ul>                                             |

# The implementation in the first 11 years



## Publications

- Annual Flagship Budgetary Policy Report
- Quarterly Reports on Recent Economic Developments
- Occasional papers (Flash reports, Focus papers, Working papers)
- Various infographics

# The implementation in the first 11 years



## Interaction with parliamentary offices

- Cooperation with the secretariat of parliamentary committees on the occasion of hearings
- Informal contacts of the PBO with parliamentary offices concerning budgetary issues (Servizi Bilancio) throughout the year
- Technical cooperation with Monitoring Center on Public Finance And Fiscal Policy of the Italian Chamber of Deputies and with the Office for evaluation of public policies of the Senate on specific topics (e.g. climate change, tax incentives)

# The endorsement of the macro forecasts

- The aim of the exercise is to limit any **excessive optimism** in forecasts that might undermine the **credibility** of the public budget
- Both the **trend forecasts** (assuming unchanged legislation) and the **policy forecasts** (those that reflect the effects of budget measures) are subject to the endorsement procedure
- To ensure the **consistency** with the government's forecasts, the projections of the PBO panel of forecasters are formulated using the same set of assumptions for the **exogenous variables** (international prices, exchange rates, interest rates, world trade, oil and gas prices). The assumptions are provided by the Ministry of Economy and Finance (MEF) well in advance
- For the consistency of the **policy** scenario, the PBO provides a quantification of the policy measures based on government documents and an exchange of information with the Ministry of Economy and Finance

# The endorsement of the macro forecasts

- The agenda and the procedures are agreed with the MEF in a memorandum of understanding (MoU)
- The process for the trend scenario takes about a month; the Government usually takes into account our comments
- The process concludes with a letter with a binary result: endorsed or not endorsed

# The endorsement of the macro forecasts: trend scenario

The endorsement of the trend scenario is structured into five phases:

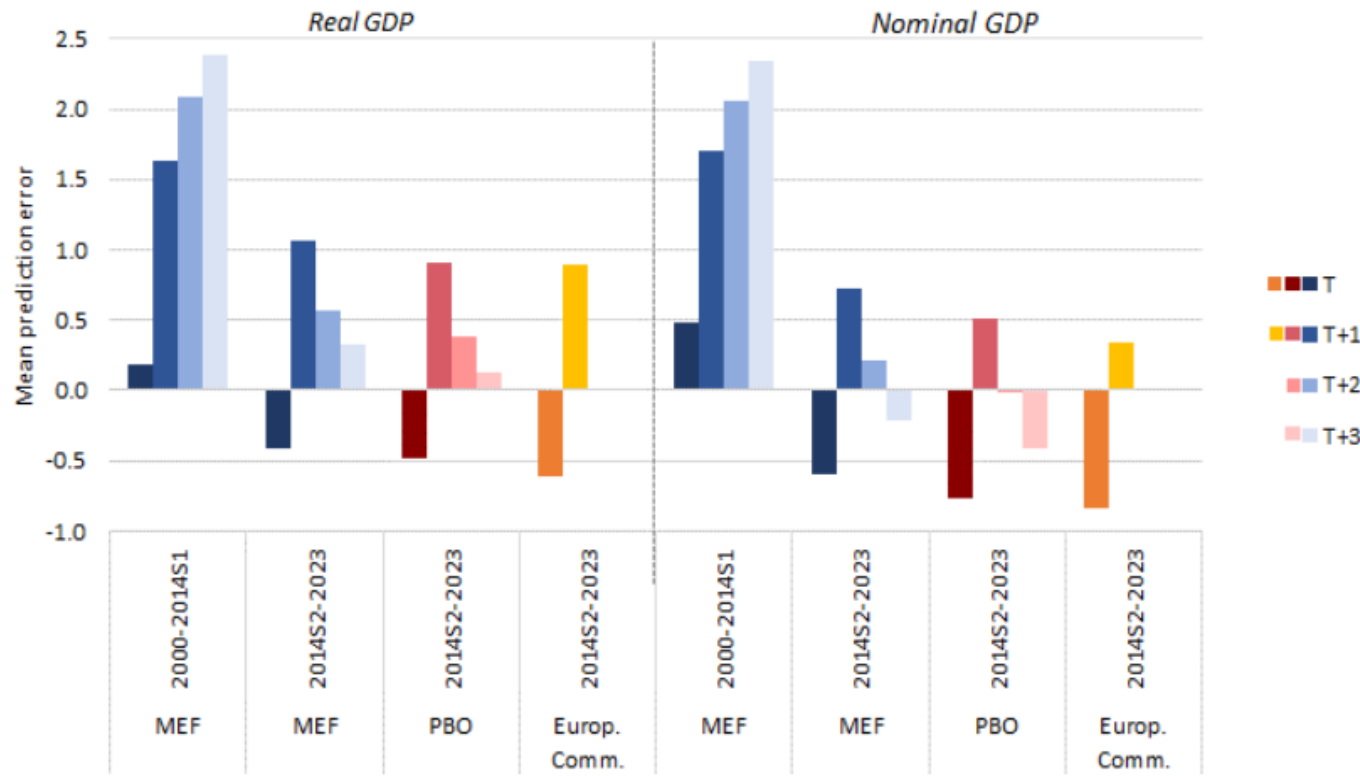
|    |           |                                                                                                         |
|----|-----------|---------------------------------------------------------------------------------------------------------|
| 1) | MEF → PBO | exogenous variables                                                                                     |
| 2) | MEF → PBO | provisional scenario                                                                                    |
| 3) | MEF ← PBO | comments on the provisional scenario                                                                    |
| 4) | MEF → PBO | modified version of the scenario                                                                        |
| 5) | MEF ← PBO | final assessment, which can be either positive or negative, is communicated with an endorsement letter. |

# The endorsement of the macro forecasts: policy scenario

- The endorsement process of the policy scenario begins once the government has submitted its documents to Parliament and the MEF has provided the PBO with additional, informal information on the budget
- The outcome of the endorsement process of the policy scenario is presented by the PBO President in a parliamentary hearing taking place around 1-2 weeks after the publication of the official documents
- Two cases of non-endorsement: Autumn 2016 and Autumn 2018
- Endorsement letters are published on the website of the PBO after the government has presented to Parliament the official documents

# Ex post analysis of the forecasting errors

**Figure 2** – Error measures for Italy's GDP forecasts before and after 2014 (1)



Source: calculations based on forecasts by MEF, PBO and the European Commission.

(1) 2014S1 refers to the first half of 2014 and thus includes the 2014 DEF, while the 2014 NADEF (first policy document validated by the PBO) falls in the following interval (2014S2-2023). Diagnostics on nominal GDP start from 2003 due to lack of some data in the previous years.

- In the past the government largely overestimated real and nominal GDP growth
- Since the inception of the PBO the government forecasting errors have been significantly reduced