

Chapter 8



Local Government in Hungary

by
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Decentralization: Experiments and Reforms

Local Government in Hungary

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1. Legal and Constitutional Basis

The reform process of the Hungarian system of local government has been continuous throughout the 1990s and has occurred in two main stages. The first was initiated by parliamentary Act No. LXV of 1990 on Local Governments, which established the legal foundation for the process of democratization and reform of the political system. The former system of local public administration followed the soviet scheme of councils that were undemocratic due to their centralized character and the absolute domination of the Communist Party. A new system of local democracy was established based upon the principles of Hungarian tradition and the European Charter of Local Self-governments of the Council of Europe. After the adoption of Act No. LXIV of 1990 on Local Elections and its implementation, the new system of local government began to operate.

The Constitution and the Act on Local Governments recognized the rights of local communities, including the smallest of settlements, to self-government in managing local affairs, and the number of local units increased to 3,149, all of which elected their own representatives and executive organs.

The principles of local government are stipulated by the constitution. Eligible voters of communities, cities, the capital and its districts and counties have the right to local self-government—the autonomous and democratic management of and decision making on local public affairs in the interest of the resident population. Eligible voters exercise their right to self-government by means of an elected body of representatives and by local referendum. The rights and duties of local authorities are determined by parliamentary acts and are afforded legal protection by the court system.

The general territorial division of Hungary is fixed by the constitution. It is partitioned into counties, cities, communities (villages) and the capital, which is subsequently divided into districts; administratively, local governments are constituted in each of these units. Local state administrative units as well as other organs of the state, such as the court system, are organized on the basis of such territorial division depending on the characteristics of their particular tasks.

The second major stage of the reform process was realized when the Act on Local Governments was broadly modified by Act No. LXIII of 1994, which addressed problems that emerged in

practice. Modifications were based on four main factors: (1) four years of practical experience with the operations of the local government system, (2) decisions of the Constitutional Court and adjudication of other courts, (3) professional and scientific theoretical analysis and (4) foreign experiences. Generally speaking, the outcome of political and economic transformation also was taken into consideration. The principles of the modifications were as follows.

1. The system of local governments created in 1990 had functioned well, and the fundamental institutions and principles of public administration were well established.
2. The constitutional guarantees to local governments needed to be broadened.
3. Inconsistencies and inadequacies in legislation needed to be reconciled.
4. Modification of the system was necessary before local elections were held so that new officials and representatives could commence their work under the force of and with knowledge of the new regulations.
5. Not only correction but also development of the system in compliance with political, economic and constitutional conditions was desired.

The main changes that were introduced by the modifications follow and will be discussed in greater depth below.

1. Direct elections for mayor were introduced in all settlements.
2. Guarantees of publicity and forms of citizen participation were regulated or modified.
3. Obligations of local representatives were established more clearly.
4. Rules of joint local government were elaborated.
5. The county became an institution of territorial local government, and its role increased. New functions were established, its legal status was changed, and direct elections for county representatives were introduced.
6. The act on the capital and its districts was repealed and its governance brought under legislation regulating all local governments.
7. The institution of the Commissioners of the Republic was abolished and replaced by county and capital public administration offices.

The creation of new local governments in 1990 required the transformation of the whole system of public administration. Before 1990 the state administered local affairs in accordance with the principles of centralization and hierarchy through a system of councils on the local level. Since 1990, Hungarian public administration consists of two main frameworks. The first includes central government bodies and their organs at the local and territorial levels that are subordinate to the state administration. The second type of structure is the system of local self-government, based on the principles of decentralization and autonomy.

The functions of public administration are shared by these two frameworks, creating competition for the fulfillment of functions at the local level by their respective organs. This is the essence of the conflict of interest between local self-governments and territorial organs of the state administration.

1.1 Local Self-government: Municipalities and Counties

Local government in Hungary exists at two levels: the municipality and the county. Municipalities are the basic units of the system and are organized by settlements, which in Hungary include villages, cities and cities with county rights. The middle tier of local government, also referred to as “regional” government, consists of nineteen counties. The capital city, Budapest, has special legal status.

There are no hierarchical relations between the two levels of local government. As declared by the constitution, the fundamental rights of all local governments are equal. County local governments neither are superior organs to municipalities, and nor do they have supervisory authority over them. The difference between these two lies in the administrative tasks delegated to each. Municipalities provide local public services to their settlements; counties have a subsidiary role in that they provide public services that settlements are not capable of performing, as well as those that have a regional character.

Municipal governments have broad responsibilities in service provision. They can undertake any local public issue not prohibited by law that does not endanger the fulfillment of obligatory functions and powers. Thus, local government tasks are differentiated as mandatory and optional. Obligatory functions and powers of local governments are determined by parliament, which simultaneously must ensure the financial means necessary for the fulfillment of such tasks.

The functions of municipalities—village and city settlements—are enumerated by the Act on Local Governments. Mandatory tasks prescribed by the act include the provision of healthy drinking water, kindergarten education, primary school instruction and education, basic health and welfare services, public lighting, local public roads and public cemeteries and the protection of the rights of ethnic and national minorities. A local government freely may undertake optional tasks determined on the basis of the requirements of the population and financial means available.

Cities may be obliged to provide additional public services. The Act on Local Governments states that municipal governments may be authorized by parliamentary act to provide specific public services and to attend to other local tasks. Such obligations may be determined on the basis of the size, population or financial capabilities of the settlement. For example, cities must maintain fire brigades, technical rescue services and a wider range of social welfare services than villages.

Some major cities are conferred special legal status by the Act on Local Governments; those that are county seats also exercise county rights. Other cities with populations of more than fifty thousand inhabitants may obtain this status by application of its representative body to parliament under procedures regulated by the act. The government of a city with the rights of a county is a municipal government that also discharges the functions and powers of a county government. Its local government may form districts and may establish district offices.

The autonomy of Hungarian counties is based on the tradition of several centuries, which is one reason why public administration reform could not avoid incorporating counties into the new system of local government. In 1990 the Act on Local Governments defined the county as local government with a mainly subsidiary role in local services provision. Modifications of the act later changed the legal status of the county; since 1994, it is considered a regional level of local government, but its role remains secondary in the provision of local services. The county performs tasks that municipal governments are not obliged to provide, but its obligations are not enumerated specifically by the act; rather, types of situations are given in which responsibility is transferred to the county from the municipality. Additional public services of a regional character may be conferred upon the county by parliamentary act.

Under certain conditions that are regulated by law, municipalities may manage local government functions allocated to counties. In particular, the municipal government of the seat of the county can provide public services on a regional level in agreement with the county government or may supervise the operation, development and control of a county institution. If the majority of the users of a particular service over the course of four years are inhabitants of the municipality, the county government must transfer the management of the public service to the municipal government of the seat of the county on its request.

The county also may undertake optional tasks. The act stipulates that in addition to the performance of obligations prescribed by law, the county government may undertake public tasks that are not exclusively assigned by law to another organ or the performance of which does not violate the interest of the municipalities of the county. In practice the main function of counties is maintenance of institutions providing public services, such as hospitals, secondary schools, museums, libraries, theaters, et cetera.

1.2 The Status of the Capital City

The capital of the country has unique legal status. The Act on the Capital Self-government (Act No. XXIV) was adopted in 1991, then modified in 1994 and incorporated into the Act on Local Governments as Chapter VII.

The capital has a two-tiered system consisting of the self-government of the capital and those of its twenty-three districts. The municipal governments of the capital and its districts have independent functions and powers. The district governments independently fulfill the functions and powers of municipal governments. The government of the capital fulfills mandatory and voluntarily assumed municipal government functions and powers that affect the whole city or more than one district, as well as the those related to the special role of the capital within the country. Any legislation on the functions and powers of local governments must clearly specify whether it affects the capital or its districts.

In practice the tasks and services provided by the two levels are not differentiated. On the basis of agreement, district governments may undertake—or the capital may delegate the organization of—certain public services that fall under the scope of functions and powers of the capital's government, as long as the financial resources necessary for the fulfillment of such services simultaneously are identified.

The functions and powers of the capital are similar to those of the county in that they are not specified by legislation.

1.3 Relationship between the State Administration and Local Government

The relationship between local governments and central organs of public administration and other organs of the state are regulated by the Act on Local Governments.

Parliament regulates the legal status, exclusive functions and powers, mandatory functions, mandatory organs, financial resources, basic rules for assets management, legal status of the local government representatives, procedures of elections and the rights and obligations of local governments. Based on proposal by the government and the opinion of the Constitutional Court, parliament may dissolve local representative bodies for unconstitutional activities. In such deliberations, the mayor of the local government must be invited to participate in this item of the parliamentary agenda and has the right to provide the representative body's position on the proposal of dissolution. If parliament resolves to dissolve the representative body of a local government, it simultaneously must set the date of elections within sixty days of the decision.

Parliament determines the territorial division of the country after soliciting the opinions of the local governments involved regarding the union, separation, changing of boundaries, name and seat of counties; recognition of a city with county rights; and on the designation of the districts of the capital.

The president of the republic, upon the initiative of a local government, decides upon the granting of city status, as well as on the formation, union and termination of such a union and on the name of a city or community. If parliament dissolves a local representative body, the president appoints a commissioner of the republic to direct self-government responsibilities and state administrative functions during the interim period until the new representative body is elected.

The Constitutional Court protects the rights of self-government, oversees the legality of local authority activities and exercises constitutional control over local government decrees. The Constitutional Court has the right to abolish decrees that do not comply with the constitution. The State Audit Office oversees the management of local government assets. As the financial-economic control of parliament, the State Audit Office supervises the allocation and use of public finances. Concerning local governments, the State Audit Office's responsibilities are defined by Act No. XXXVIII of 1992 on Public Finances, which stipulates that the office regulates

the utilization and accounting of normative budgetary contributions, aid allocated for specific objectives, consigned funding and other allocations deriving from public finances.

The government designates legal supervision over local governments to the Ministry of the Interior, which is exercised through the heads of the public administrative offices of the capital and counties. These bodies propose the dissolution of local representative bodies due to unconstitutional activities, determine the qualifications for local public service, recommend the transfer of state administrative functions and provide for their implementation, and reconcile disputes between state administrative organs and local governments that do not fall under the scope of authority of other procedures regulated by legislation.

The Ministry of the Interior prepares decisions on territorial arrangement that are within the competence of parliament and the president and initiates procedures to dissolve local representative bodies that have acted unconstitutionally upon the request of the government. It participates in the preparation of legislation concerning the functions and powers of local governments and the responsibilities of mayors, chief mayors and offices of public administration in the capital and counties. The Ministry of the Interior coordinates governmental tasks of municipal development and of county development, planning and utilization of assets. It commissions the heads of offices of public administration of the capital and of counties and supervises their activities.

Territorial state administrative offices were created in 1994, reforming the previous system of Commissioners of the Republic, which functioned in eight regions, each encompassing two or three counties and Budapest. The president appointed the commissioners. Today, state offices of public administration function in each county and in the capital. The prime minister on recommendation of the minister of the interior appoints the head of office. These offices are budgetary organs that perform state administrative functions in four main areas: (1) legal regulation, (2) assignment of state administrative tasks in the first instance, (3) appellate functions of public administration in the second instance and (4) coordination of the activities of local governments and of administrative organs subordinate to the central government.

The head of office regulates the legality of activities of local governments, minority governments and settlement governments of minorities. The office head is responsible for examining the organization, activities, decision-making procedures, decisions and resolutions of self-government by committees, sectional governments, the mayor, chief mayor, county general assembly and president and ensuring accordance with the law. In cases of violation of the law, the head of office formally requests that the relevant party make amends and establishes a deadline for doing so. The relevant party examines the request and informs the head of office of the measures taken or appeals the request. If no measure is taken by the determined deadline, the head of office may initiate review by the Constitutional Court of the unlawful act, judicial review by court or the convocation of the body of representatives by the mayor to terminate the violation. The head of office also calls meetings of the local body of representatives if the mayor does not

comply with a proposal for such convocations by one-quarter of the representatives or by a committee of the body of representatives within fifteen days. The head of office also may initiate investigation with the State Audit Office concerning the management of local government assets.

Concerning state administrative tasks of the first instance, the head of office discharges functions assigned to the office's competence by legislation or by the government. In practice this means that the head of office performs particular administrative tasks that are the responsibility of the state, such as expropriation, prevention of natural and other disasters, et cetera.

The head of office acts as an appellate body in administrative cases if the first stage of appeals has been completed through the mayor, chief mayor, president of the county assembly, head of office of the district of a city with county rights, chief executive or general chief executive if the case does not require the authority of another particular state administrative organ. The head of office coordinates the activities of local government and state administrative organs.

The Act on Local Governments stipulates that local governments have the right to appeal decisions of other organs of the state. Regarding any issue concerning the rights, functions and power of authority of local government, the body of representatives may apply for remedy directly or through representative associations to the head of the state organ having competence in the issue. It may request information, data, professional opinions and interpretations of the law or may make proposals on and initiate measures to be taken. Local representative bodies may also express their opinion on, object to or initiate modification or withdrawal of decisions and activities of state organs. The state organ in question must respond to such inquiries within thirty days.

1.3 Aspirations and Legal Basis for Regionalization

In 1990, when local public administrative reform was initiated, one of the major professional debates revolved around the county. As previously mentioned, counties have existed for almost a thousand years in Hungary. Proposals for more appropriate territorial systems of public administration have been made several times in Hungarian history, and many plans have been elaborated in theory as well as in practice. The most realistic solutions always were born in crisis situations, when significant political or social changes occurred or were expected. The last such instance was in 1990, but counties remained, though their functions and powers were restricted substantially. In 1994, the Act on Local Governments was modified and the legal and political status of counties was strengthened, as they were declared regional governments and their representative bodies—the assemblies—were elected directly by voters. Previously the county had local government status and electors delegated by municipalities elected its representatives.

These changes and the trend towards regionalization were initiated due to Hungary's intention to integrate with the European Union (EU). In 1992, the government resolution on the modernization of Hungarian public administration did not mention regions or the renewal of the system. Four

years later, the government announced a detailed program that addressed the issue of regionalization through county governments. This program recommended neither smaller counties nor the establishment of a new level of public administration between the county and the central level that would function as an administrative authority with a general scope of powers. Consequently, regionalization was discussed only within the current county framework based on free and voluntary association of counties that later would be the basis for the formation of new regions.

The European integration process recommends regionalization due to the NUTS system (*Nomenclature des Unités Territoriales Statistiques*, Nomenclature of Statistical Territorial Units), which is implemented throughout the European Union. The units of the NUTS system are first of all statistical regions; they do not have to be administrative divisions, though the boundaries of such units in the member countries of the EU follow their administrative division. EU directives do not require such administrative division, but the instruments, organizations and financing of the European Union's regional policy recommend the renewal of Hungarian regionalism and the system of territorial division.

Act No. XXI of 1996 on Regional Development established two regional institutions: the planning-statistical region and the development region. The development region is a possible solution to the initiation of regionalization; it incorporates the territory of one or more counties or the capital and must be established through free association. The counties involved in the association create a common organ—the regional development council.

In March 1998 parliament issued a resolution on the National Conception of Regional Development establishing seven planning-statistical regions in compliance with the NUTS system. This framework also clearly established the political intention to shift the system of counties towards regionalization.

Planning-statistical regions and development regions do not necessarily have the same territory. The most recent measure executing regionalization is a government resolution that determines the functions and powers of the prime minister's office with regard to public administration and regional development. The minister exercises such authority through a state secretary charged with this task.

2. Local Politics, Decision Making

2.1 System of Local Elections

The most important organs of local government are the body of representatives and the mayor, both of which are elected by voters of the community. Procedures for local elections are regulated by Act No. LXIV of 1994 on the Election of Local Representatives and Mayors, modifying the Act on Local Elections, which was adopted as part of the initial reform process.

Suffrage is universal and equal, and voting is direct by secret ballot. All Hungarian citizens of age who are permanent residents of a particular municipality have the right to vote and to stand in local elections. Those who are not Hungarian citizens but have permanently settled in Hungary also have the right to vote.

The system of elections of the body of representatives differs in small and large settlements; both the “short ticket” and the “mixed” system are utilized. Municipalities of ten thousand or fewer inhabitants form a single constituency that may elect between three and thirteen representatives depending on the size of the population. Each citizen may vote for as many candidates as there are members of the body of representatives. Candidates are elected by simple majority.

The mixed system of election is applied in municipalities with more than ten thousand inhabitants, which includes the districts of the capital. In this system, a proportion of the representatives are elected by individual constituencies, and the rest receive their mandate by party lists. The number of mandates of each is fixed by legislation.

As a result of the 1994 modifications, sixty-six members of the council of the capital are chosen directly by voters via party lists. Before 1994, they were elected by electors delegated by the districts, and the county assembly was elected by electors delegated by settlements. Now the members of the county assembly also are elected directly. There are two constituencies in each county: one for settlements with less than ten thousand inhabitants and the other for those with more than ten thousand inhabitants. Voters who are residents of cities with county rights do not have the right to vote for county assembly representatives. The number of members of each assembly is fixed by legislation.

Mayors of all municipalities and the general mayor of Budapest are elected directly by voters. Before 1994, in municipalities with more than ten thousand inhabitants, the mayor was elected by the body of representatives, while in settlements of ten thousand or less inhabitants, the mayor was elected directly by voters.

Table 8.1

Results of the 1998 Elections in Hungary

Parliamentary Parties	Election Results of Counties and the Capital [%]
Government Coalition: – FIDESZ-Hungarian Civic Party – Independent Smallholders and Civic Party – Hungarian Democratic Forum	39.64
Coalition of: – Hungarian Socialist Party – Alliance of Free Democrats	35.12
Other (not parliamentary)	20.15
Party of Hungarian Life and Justice	5.09
Total	100.00

- a. At the national level, the parties with representation in the Hungarian Parliament from 1998 to 2002 include: (1) FIDESZ-Hungarian Civic Party, (2) Independent Smallholders and Civic Party, (3) Hungarian Democratic Forum, (4) Hungarian Socialist Party, (5) Alliance of Free Democrats (4 and 5 comprised the government coalition from 1994 to 1998), (6) Party of Hungarian Life and Justice.

Table 8.2
**Number and Percentage of Mandates
 in the 1998 Local Elections in Hungary**

	Mayor	Body of Representatives			County, Capital Assemblies	Total Mandates	% of Total Mandates	% of Total Vote
		0-10,000 Inhabitants	10,000+ Inhabitants	Total				
Independent Candidates	2,662	18,848	191	19,039	0	21,701	61.81	48.39
Independent Minorities	47	788	55	843	0	4,897	13.95	9.55
Hungarian Socialist Party	87	396	931	1,327	270	1,684	4.8	9.47
FIDESZ- Hungarian Civic Party	77	354	546	900	212	1,189	3.39	6.86
Independent Smallholders and Civic Party	77	454	282	736	94	906	2.58	4.62
Alliance of Free Democrats	37	90	320	410	65	512	1.46	3.65
Hungarian Democratic Forum	39	161	302	463	70	572	1.63	3.27
Christian Democrats	18	131	116	246	14	278	0.79	1.28
Others	—	—	—	—	—	—	9.59	12.91
Total							100.00	100.00

Table 8.3
**Distribution of Mandates in 1998 Elections for County and Capital Assemblies
 and Mayors in Hungary**

Party	Assembly [%]	Mayors [%]
Hungarian Socialist Party	29.97	2.77
FIDESZ–Hungarian Civic Party	23.50	2.46
Independent Smallholders and Civic Party	10.39	2.44
Hungarian Democratic Forum	7.81	1.24
Alliance of Free Democrats	7.22	1.18
Hungarian Alliance of Christian Democrats	3.47	—
Christian Democrats Party	1.54	0.57
Party Hungarian Justice and Life	1.39	—
Others	14.71	3.00
Independents	—	86.34 ^a
Total	100.00	100.00

a. Including independent minorities.

2.2 Forms of Direct Democracy

The Act on Local Governments regulates three main forms of direct democracy: local referendum, local public initiative and public hearing. Participants in local referendums and public initiatives are those who have the right to vote in municipal elections.

The representative body of the local government calls local referendums. A local referendum may be initiated by at least one-quarter of the local representatives, by a committee of the representative body, by the executive body of a local civil organization or by ten to twenty-five percent of the electorate, as determined by the statutes of the local government.

The Act on Local Governments regulates the conditions under which local referendums can and cannot be held. The body of representatives is obligated to call local referendums on initiatives to unite or separate villages, establish new communities, establish or separate joint representative bodies and other matters determined by the statutes of the local government. Additionally, the body of representatives may call referendums on issues falling within its competence to confirm its decrees. Referendums cannot be called on decisions concerning the local government budget; local taxes and rates; organizational, personal and operational matters; or the declaration of dissolution of the representative body.

If a referendum is unsuccessful, the body of representatives is entitled to make a decision on the issue put forward. Another local referendum on the same issue may not be called within one year. The statutes of the body of representatives regulate further conditions and procedures of local referendums.

In villages with less than five hundred inhabitants, local referendums may be conducted through village meetings of the local authority with the understanding that the outcome is considered a decision by referendum if more than half of the voters are present at the meeting.

Popular initiatives serve to bring local matters before the body of representatives that fall within its competence. They must be submitted to the mayor. The number of voters necessary for a popular initiative to be successful—between five and ten percent of the electorate—is determined by the statutes of the local authority. The representative body is obligated to hold a debate on the popular initiative.

The final form of direct democracy is public hearing, which must be held at least once annually by the body of representatives. The time and place of a public hearing must be announced in advance. Citizens and representatives of local interest organizations have the right to participate in, have a voice in, and make proposals during such hearings.

2.3 Other Organizations

In addition to state administrative organs subordinate to the central government and local governments, Act No. XXI of 1996 on Regional Planning and Development established the institution of county development councils, which are quasi-governmental organizations that coordinate tasks related to regional development. The council is comprised of elected and appointed officials. Representative bodies of municipal governments may create regional development associations, but this is not obligatory. County development councils may form regional development councils that address responsibilities extending to more than one county. In the near future county development councils might become the basis of regionalization.

2.4 Internal Structure of Local Government Decision Making

The basic rights and powers of local government are exercised by the body of representatives, which may delegate authority to the mayor, its committees, city district bodies of representatives and bodies of local minority self-government. Delegated powers may not be transferred further. The Act on Local Governments prescribes powers that cannot be delegated to another organ, including the issuance of decrees, establishment of local government organs, calls for local referendum, agreements of cooperation with other local governments and establishment of institutions.

The body of representatives establishes its rules of organization and procedures of operation through its statutes.

Committees of the local body of representatives are elected organs. The decision to establish committees is determined by the body of representatives, with the exception of the financial committee, which is obligatory for every local authority with a population of more than two thousand, and the committee on minority issues, which must be established on the initiative of a minority population that has obtained a mandate in the body of representatives. Other statutory committees are determined by legislation. The body of representatives elects the members of committees; more than half of a committee's membership must be elected from among the representatives, but other members may be citizens or representatives of citizens' organizations.

Committees prepare decisions of the representative body and oversee the implementation of such decisions by the office of the representative body. The body of representatives may grant committees decision-making power and may revise decisions made by committees. Authority may be delegated to committees by decree issued by the body of representatives.

The mayor is the political and administrative head of the local government and is responsible for local policy implementation. The mayor has dual administrative functions: he or she performs both local and state administrative tasks. The mayor represents the body of representatives.

The mayor addresses his/her responsibilities and exercises authority with the assistance of the office of the representative body. The mayor directs the office in organizing the work of the local government and in preparing decisions and their implementation, in accordance with the statutes of the body of representatives. He or she makes decisions on state administrative matters and has the right to delegate such powers. On proposal of the chief executive, the mayor submits a draft to the representative body on the internal organizational structure, tasks and priorities of the office. The mayor exercises employer's rights over the vice-mayor, chief executive and heads of local government institutions.

According to the Act on Local Governments, in villages with less than three thousand inhabitants, the position of mayor may be filled voluntarily.

The vice-mayor or vice-mayors may be elected on proposal of the mayor for the term of office of the representative body from among its members. Vice-mayors perform functions under the supervision of the mayor. In settlements with more than three thousand inhabitants, this position must be a full-time appointment. In practice, this institution serves the purpose of political concession to representatives of political parties within the local government. For example, if the mayor is of a minority party, he or she may appoint a vice-mayor of the majority party in the body of representatives.

The chief executive, also called the notary, is a public administration professional, while the mayor represents its political side. Thus, the chief executive is appointed, not elected, by the

body of representatives for an undetermined period and on the basis of open competition. Law determines the qualifications of chief executives.

The chief executive manages the office of the representative body. The mayor directs the general strategy of the office, while the chief executive is responsible for its day-to-day activities and exercises employer's rights over civil servants employed by the office. The chief executive addresses tasks related to the activities of the local government and prepares decisions on state administrative matters made by the mayor. He or she is delegated authority by the mayor.

The chief executive is responsible for ensuring the lawful activities of the local government. He or she participates in sessions of the body of representatives and its committees and reviews the legality of their decisions and those of the mayor.

On proposal of the chief executive the body of representatives appoints a vice-chief executive. The vice-chief executive represents, is the delegate of and performs tasks determined by the chief executive. The appointment of vice-chief executive is an option in villages and an obligation in other local governments.

The representative body from among its members on proposal of the mayor or any of the representatives may elect a councilor or councilors. Councilors supervise the exercise of self-government functions determined by the body of representatives.

Neighborhood local governments may be formed by the body of representatives in accordance with its statutes and are composed of both representatives and other voters. The head of the neighborhood local government is a member of the body of representatives. The body of representatives may delegate some of its authority and financial resources to the neighborhood government.

2.5 Public Participation in Decision Making

There are several forms of public participation in decision making. Direct methods, such as local referendum, local public initiative and public hearing, have been discussed above.

A representative body of local government may designate alternative forms of public participation in its statutes. As determined by the Act on Local Governments, the body of representatives must establish the rules of public fora, the goal of which is to determine public opinion and invite public involvement in the preparation of important decisions. Such venues include, for example, community policy fora, city policy fora, city district conferences, village meetings, et cetera. The representative body must be informed of both the majority and minority positions expressed at such fora.

Citizens may also participate in local decision making through membership on committees of the representative body. Traditionally, members of a committee include representatives of

significant organizations providing services in the field of the committee's responsibility, a delegate of a relevant civil organization and other citizens using the services.

2.6 Ethnic Issues, Multicultural Government

The Constitution of the Republic of Hungary protects the interests of national and ethnic minorities by granting them the right to collective participation in public life, including the establishment of their own self-governments at the local and national levels. Such rights are reinforced by several parliamentary acts regulating national and ethnic minority rights. The Act on Local Governments contains provisions concerning this topic in Chapter X/A on self-government of minorities.

Each national and ethnic minority group has the right to form its own local self-government in the settlement in which it resides. The procedures of election of representatives of national and ethnic minority local governments are regulated by Act No. LXIV of 1990 on Local Elections.

National and ethnic minority self-government may be organized by three methods on the local level and by one method on the national level. Each minority group may establish settlement governments in villages, cities and the districts of Budapest (1) directly or (2) indirectly. In the capital, local minority government may be established directly. A municipal government may declare itself a minority government if more than half of its elected representatives are of a certain national or ethnic minority. If more than thirty percent of the local representatives are of the same minority, they indirectly may form a local minority government comprised of at least three members. Local minority governments may also be elected directly by citizens; the rules for such elections are stipulated in Act No. LXIV of 1990. This form of minority self-government elects its own officials.

A minority group may form only one local minority government established either directly or indirectly. Regardless, the functions and powers of local minority governments are the same as those of local governments, plus those regulated by Act No. LXXVII of 1993 on the Rights of National and Ethnic Minorities. The office of the representative body of local government is obligated to assist the activities of local minority governments under conditions regulated by its statutes. In making decisions concerning issues such as education, the media, local traditions and culture, and language use, the local government must obtain agreement with the local minority government of the concerned ethnic group.

In addition to the right to elect national and ethnic self-governments, each minority group may elect a speaker. The speaker is the candidate of the national or ethnic minority group who received the highest number of votes in general local elections. If he or she is not elected to the representative body, he or she has the right to participate in its sessions. Other rights of the speaker are regulated by the Act on the Rights of National and Ethnic Minorities.

If a representative of an ethnic group to a body of representatives initiates the formation of a committee on minority affairs, the body of representatives is obligated to form such a committee.

2.7 Local Government Associations and International Contracts

The right of local governments to associate is declared by the Constitution of the Republic of Hungary. Such associations may include cooperation between local representative bodies, participation in associations of self-governments for the protection of their interests, international cooperation and membership in international organizations of self-governments.

This right is particularly important in Hungary, where there are a high number of small settlements with wide legal and administrative autonomy and thus the fulfillment of their functions and powers is difficult. The right to associate is reaffirmed in the Act on Local Governments. For the purpose of representing and protecting their interests, self-governments may join regional or national organizations. Acting within the scope of their functions and powers, they may cooperate with foreign local governments and may join international organizations of local governments.

Associations of local governments may have many forms. The act regulates the establishment of some associations and stipulates that others may be established freely. Such activities improve the efficiency and effectiveness of local government functions; thus, incentives are offered through the central budget to support the establishment and activities of associations. The general rule concerning associations is that their activities may not violate the individual rights of those self-governments participating in them. Some conditions of association are stipulated by Act No. CXXXV of 1997 on the Association and Cooperation of Local Governments. Disputes arising among municipal representative bodies as a result of association activities are resolved in court. Three forms of association are regulated.

1. Local representative bodies may establish administrative authority associations for the purpose of addressing particular state administrative affairs.
2. Associations of institutional control may be established by representative bodies for the management of institutions that serve more than one settlement.
3. Joint representative bodies may be formed by more than one local representative body. In such cases, the collaborating organs may partly or fully unify their budgets and jointly may manage an office and institutions. In affairs relevant exclusively to a particular settlement, the representative body of that settlement independently exercises decision-making authority.

In addition to freely established associations, small villages with less than one thousand inhabitants are obligated to form joint local government offices with other such villages in the same county. The joint local government office addresses tasks of administration. Communities with more than one thousand but less than two thousand inhabitants also may participate in joint local

government offices. Alternatively, local governments with fewer than one thousand inhabitants may avoid membership in joint local government offices if they establish an independent office headed by a chief executive who possesses the required qualifications.

A joint local government office is established on the basis of agreement among the representative bodies concerned. The chief executive of the joint local government office addresses administrative tasks related to the activities of the representative bodies, committees and settlements and prepares and implements state administrative decisions in the scope of the mayor's authority.

Law does not regulate other forms of local government associations. These associations are mainly formed to represent common local government interests. Many Hungarian local governments are members of international organizations or twinning relationships.

There have been numerous attempts to create a nationwide association of local governments to represent their interests, but this aspiration has yet to be realized. Since 1989 eight associations have been formed. In 1996, the seven associations in existence at the time established a common body that was unable to fulfill the functions assigned to it and was dissolved in 1998. Although there is constant communication and cooperation among the eight associations of local government, the creation of a unified national association is still lacking.

The general role of associations is to increase the efficiency of local governments. Potentially, local government associations have several functions as listed below:

- ensuring constant communication between local governments and the central government and parliament on local government issues;
- representing the interests of municipalities at the national level;
- providing training and seminars for mayors, elected representatives, local officials and public managers;
- creating an information center and databank on local government issues (law making, finance, personnel, et cetera);
- analyzing local government issues;
- publishing information bulletins, handbooks and training manuals;
- providing special services (legal, financial audit, crisis management, et cetera).

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

One element of Hungarian self-government is the ability to decide autonomously on organization and rules of procedure. The administrative organization of local governments is determined mainly by the statutes of the body of representatives, by the mayor and by the chief executive.

Thus, the body of representatives is responsible for establishment of its office and the division of its powers into departments.

The division of the office may be based on administrative branches (for example education, welfare, local economy), functional tasks (labor, finance) or types of activities (issuing licenses, direction of institutions). Also the office may be divided on the basis of the main functions performed by the local authority—local government or state administrative. The office acts, however, as a unified professional administration.

Responsibilities and authority of self-government may not be exercised directly by the office, but rather are the competence of the body of representatives. State administrative powers are exercised mainly by the chief executive and exceptionally by the mayor of the office. Consequently the office itself has strictly administrative and preparatory tasks.

The management of the office is addressed by the mayor and the chief executive. Often, the mayor directs the office, and the chief executive manages it. The mayor exercises employer's rights over the vice-mayor, chief executive and the heads of local government institutions. The chief executive exercises employer's rights over public servants employed by the office. The mayor's approval is necessary for decisions made by the chief executive that fall under the mayor's competence; for staff appointments to and removal from the office and for granting bonuses. As a general rule, the chief executive has decision-making authority over state administrative affairs, which is why departments dealing with such affairs are subordinate to the chief executive rather than to the mayor, who is responsible for local government affairs.

The personnel of the office of the representative body are civil servants. In Hungary, public service is regulated by Act No. XXIII of 1992 on the Status of Civil Servants, regardless of whether the administration is central or local. Although the rules affect all levels of public service, the act allows some differences concerning the personnel of local governments.

Act No. XXIII of 1992 regulates the qualification requirements of certain positions, such as the chief executive. The salary structure of civil servants exercising executive authority is determined by the body of representatives. Other staff members may be employed in the office of the representative body, whose appointment is regulated by this act.

3.2 Control, Audit and Supervision of Local Government

Local government control and audit are performed in two manners: by internal organs and by external organizations. Internal control is the responsibility of the body of representatives and is exercised through the chief executive (whose control functions have been described earlier), the auditor (who oversees the management of assets), the financial committee (which assesses annual budgetary proposals and reports) and the accountant. The financial committee also monitors

changes in budget revenues, examines the justification for and economic soundness of borrowing, may regulate adherence to regulations of cash management and ensures compliance with financial regulations and discipline. In counties, cities with county rights, the capital and its districts the body of representatives must employ a qualified accountant as well.

The State Audit Office exercises control over the management of assets of local governments; its procedures are regulated by the Act on State Audit. The government exercises control of legality through the minister of the interior and through the heads of county public administrative offices.

Public administrative offices and courts share the responsibility of control over local government, but public administrative offices are not entitled to intervene directly in local government affairs; they only may initiate administrative proceeding through the courts. Organs of local government performing state administrative functions usually are subordinate to superior organs. For example, the head of the county public administrative office and several state administrative organs subordinate to the central government on the county or regional level are superior organs to the chief executive.

3.3 Local Service Delivery

Local government participation in providing public services is based on the Act on Local Governments, which stipulates that they may act autonomously in public affairs of local interest, including satisfying the needs of the population through the organization and financing of public utility services. Such responsibilities may be assigned to another organization only exceptionally and only by legislation.

The provision of services by the Hungarian local government system is based upon the principle of mandatory and facultative (optional) tasks, as stipulated by Act No. LXV. Mandatory tasks are further categorized; the first category must be provided for every settlement despite type or size, including water supply, general education, basic health and welfare services, public lighting, maintenance of local public roads and cemeteries and the protection of the rights of ethnic and national minorities. The second category of mandatory tasks is determined by legislation, and the financial means necessary for such purposes must be allocated from the state budget. This second type is regulated by the Act on Local Governments, which says that local governments with large populations and greater capabilities may be assigned more mandatory functions and powers in comparison to those of other local governments.

Other tasks are optional. Considering the general rule that local self-governments have various functions and powers that depend upon the requirements and capabilities of their territories, each local government may undertake very different tasks. Through the local elected representative body or by decision of local referendum, local governments may voluntarily transfer any local

public affair that is not assigned by law to the competence of another organ. Managing voluntary tasks may not endanger the fulfillment of obligatory functions.

In performing the tasks determined by the act, municipal governments autonomously make decisions on the requirements of the population, allocation of the financial means available, specific tasks to be addressed and their means of implementation. Such tasks specified by the act include:

- municipal development;
- protection of the natural environment;
- management of housing;
- water management and supply;
- sewage systems;
- maintenance of public cemeteries;
- maintenance of local public roads and public areas;
- local public transportation;
- public sanitary works and waste management facilities;
- local fire protection;
- public security;
- energy supply services;
- provision of incentives for employment;
- administration of educational institutions;
- health and welfare services;
- maintenance of community areas;
- support for educational, scientific, artistic and sports activities;
- protection of the rights of minorities.

The performance of some of these tasks may be deemed optional depending upon the capabilities of the municipal local government.

3.3.1 Forms of Service Delivery

Service delivery may have several different forms. According to legal regulations, local governments perform their tasks according to the needs of the local population through their own budgetary organs, through private organizations and through contractual relations. Local governments autonomously select the forms of service delivery.

The first type of service delivery is provided by the local government itself. In a majority of tasks, the most frequent form of service delivery is organized by the local office or by its budgetary institutions and is financed from the municipal budget. Alternatively, the local government may enlist the assistance of a company over which it has tight control. In accordance with the Act on Local Governments, bodies of representatives may establish local government institutions, enterprises and other organizations and appoint their heads in order to provide the public services

for which they are responsible. Since 31 December 1993, local governments are authorized to establish business ventures only in the form of business associations or cooperatives. Some examples of services that often are addressed in this manner include property management, park maintenance, public cemetery maintenance and public sanitation.

The second main form of service delivery is through contractual relationships with private institutions. Generally, such agreements are entered with private companies or entrepreneurs, but in certain cases the partner of the local government can be a state company. Examples of services addressed in this manner include the operation of water and gas networks and public transportation.

A particular form of contracted service delivery is based on concession. Act No. XVI of 1991 on Concession allows local governments to use their assets to raise revenue, especially through the use of property and exercising the rights of property ownership. Some service delivery based on concession includes operation of local roads and use of local public utilities (for example, water supply, sewage, electricity, gas, central heating, telecommunications). A problem with service delivery through concession is that many public utility systems are part of larger regional or national systems that are also subjected to state concession. Thus, in practice, concession licensed by local governments is usually possible only in water supply, sewage and local broadcasting.

The third main form of service delivery is performed through associations or by another municipality. This form currently applies only in the area of water management and, in a few instances, in landfill operations.

3.3.2 Alternative Forms of Service Delivery

The role of the private sector in performing public services in Hungary has increased over the last decade. Privatization itself is a good example of this phenomenon, considering that it divests responsibility for some service provision from the public sector. A frequent form of privatization is the transformation of public utility companies into private companies, which makes capital investment possible.

In addition to privatization, other private forms of public service provision have emerged. The most common is contracting, as mentioned previously, by which a local authority charges private sector actors with the provision of public tasks. Such practices have created the opportunity for other kinds of organizations to participate in the performance of public services. For example, pluralism in education was realized in the 1990s, the choice between private and public health services exists, et cetera.

Another very important phenomenon is the emergence of foundations, churches, civil association and other nonprofit organizations that are engaged in local service delivery. Such organizations function in fields that technically are the responsibility of local governments. Thus, the

relationship between local government and nonprofit organizations should evolve to one of financial support and legal regulation by the public sector and performance of public service delivery by the third sector.

Table 8.4
Local Government Ownership in Companies in Hungary

Proprietary Proportion of Local Governments	Budapest	County	Settlement	Total
Number of Units				
51–100%	79	38	483	600
5–50%	158	65	682	905
0–5%	316	43	2,210	2,569
Total	553	146	3,375	4,074
Value of Property Proportion [in HUF billions]				
51–100%	243.6	3.5	63.1	310.2
5–50%	8	1.4	13.4	22.8
0–5%	8.1	0.3	13.7	22.1
Total	259.7	5.2	90.2	355.1
Proportion of Units [%]				
51–100%	14.3	26.0	14.3	14.7
5–50%	28.6	44.5	20.2	22.2
0–5%	57.1	29.5	65.5	63.1
Total	100.0	100.0	100.0	100.0
Value of Property Proportion [%]				
51–100%	93.8	67.3	70.0	87.4
5–50%	3.1	26.9	14.9	6.4
0–5%	3.1	5.8	15.2	6.2
Total	100.0	100.0	100.0	100.0
Number of Units				
51–100%	13.2	6.3	80.5	100.0
5–50%	17.5	7.2	75.4	100.0
0–5%	12.3	1.7	86.0	100.0
Total	13.6	3.6	82.8	100.0

Table 8.4 (continued)
Local Government Ownership in Companies in Hungary

Proprietary Proportion of Local Governments	Budapest	County	Settlement	Total
Value of Property Proportion				
51–100%	78.5	1.1	20.3	100.0
5–50%	35.1	6.1	58.8	100.0
0–5%	36.7	1.4	62.0	100.0
Total	73.1	1.5	25.4	100.0

SOURCE: Hermann, Horváth, Péteri, Ungvári, *Önkormányzati feladat-telepítés szempontjai és feltételei* (Strasbourg, Paris, Washington: Fiscal Decentralization of the Council of Europe, OECD, World Bank, 1988).

4. Local Finance, Economic Development

The main regulations on local finance are enumerated by Chapter IX of the Act on Local Governments entitled “The Economic Resources of Local Governments.”

Local governments have their own assets and independently manage their budgetary revenues and expenditures. The local government budget is subordinate to state budget management in that the state regulates the legality and appropriateness of state fund use, but the local government budgeting process is strictly independent from the state.

Table 8.5
**Expenditure of Public Finances
 in Hungary, 1994–97**

Year	Public Expenditures [% of GDP]	Local Expenditures [% of GDP]	Local Expenditures as % of Public Expenditures
1994	54.0	16.8	26.7
1995	44.7	14.1	26.6
1996	40.5	13.3	27.2
1997	39.0	12.0	25.5

SOURCE: Hermann, Horváth, Péteri, Ungvári, *Önkormányzati feladat-telepítés szempontjai és feltételei* (Strasbourg, Paris, Washington: Fiscal Decentralization of the Council of Europe, OECD, World Bank, 1988).

4.1 Revenues

Sources of revenues for the local government budget consist of four main elements: independent revenues, shared revenues, normative grants from the central budget and capital investment financing.

Independent revenues are derived mainly from local taxes, determined and imposed by municipal governments in accordance with legislation. Currently, local governments may levy property taxes on real estate and land, communal taxes on plots or buildings owned or rented by individuals or on tourism, and income taxes on for-profit activities. Municipal governments may choose from among these tax sources, but a subject may be taxed only once.

Other types of independent revenues are profits, dividends, interests and leasing fees deriving from local government activities and enterprises and yields of local government property. Local fees are regulated by the Act on Fees. Funds also may be obtained through transfers from other organizations for the management of public services. For example, health services are financed by the Social Security Fund through transfers to local governments, and fines imposed and collected on behalf of the state for environmental violations remain with the local government. Revenues may also be derived from negotiating the right to hunt on the territory of the local government. Other revenues include profits from privatization, loans and the issue of bonds.

The second main category of revenues is derived from sharing mechanisms. The local proportion of shared central taxes is determined annually. A very significant part of shared revenues is personal income tax, forty percent of which currently is allocated to local governments. Taxes on motor vehicles are also shared by the central and local governments.

Normative budgetary grants are determined by the National Assembly proportionate to the population of and various groups in a settlement and to funding provided by other institutions as well as by other indices. Such grants may be used without any limitation by local governments.

Targeted grants for capital investments may be used by local governments for achieving objectives of social priority. The National Assembly determines such objectives and the amounts and conditions of grants for each project. Local governments may apply for grants individually or jointly. Grants targeted for capital investments may be used exclusively for that particular purpose. For the period 1999–2001, social priorities are: (1) water management, including establishment of purification and waste purification plants and sewer construction; (2) reconstruction of educational facilities; (3) health services, especially equipment for medical institutions; and (4) waste management systems. Applications for such grants must meet predetermined requirements, and a local government itself must contribute a certain proportion of financial resources to the project.

Specifically targeted grants may be allocated by the National Assembly for the implementation of particular tasks for which expenditures are more than HUF 200 million. Another condition is that the investment task cannot be granted within the framework of targeted grants for capital investments. Specifically targeted grants must be used exclusively for the purpose for which they were awarded.

Deficit financing is granted to settlement governments that have experienced unexpected shortcomings in order to protect their independence and sustain their operation. The conditions and extent of deficit financing is determined by the Act on the State Budget.

Table 8.6
Distribution of Local Government Revenues in Hungary [%]

Revenues	1997	1998
Own Source Revenues	23.4	22.6
Shared Revenues	12.1	14.6
Grants	29.2	31.7
Capital Investment Financing	15.5	10.3
Transfers from Social Security Fund	16.9	17.5
Others	2.9	3.3
Total	100.0	100.0

SOURCE: *A helyi önkormányzatok és pénzügyeik*, edited by Edit Nyitrai Kusztozné (Budapest: Consulting, 1998).

4.2 Expenditures

The scale of local government expenditures in Hungary is exceptional due to their extensive responsibilities. Education, health care and welfare services are important functions of local government, while public utilities, culture and sports are offered mainly by commercial or off-budget entities. Local government expenditures include administrative expenditures, debt servicing and other economic services.

The great number of tasks of local government in the social sector creates dependence upon funding by intergovernmental transfers from the central government. This is one of the reasons for debate on the introduction of a national equalization policy. It is estimated that grants and national tax shares allocated as grants comprised seventy-one percent of local government revenue in 1998, which has a significant impact on the expenditures of local governments.

Table 8.7
Local Government Expenditures by Sector in Hungary, 1996 [%]

	Manu- factur- ing	Econo- mic Services	Adminis- tration	Edu- cation	Health Care, Social Services	Public Services	Culture, Sport	Other	Total Expen- ditures
Budapest	9.8	23.7	13.8	20.9	25.0	2.6	4.0	0.2	100.0
Counties	2.5	3.1	5.5	10.2	72.6	0.5	5.6	0.0	100.0
Municipalities	8.1	13.1	17.3	33.6	17.4	6.0	3.8	0.6	100.0
Total	7.8	14.4	14.7	26.9	27.3	4.3	4.1	0.4	100.0
Expenditures by Size Categories									
0–199	16.1	30.0	35.4	5.0	5.1	4.7	3.1	0.6	100.0
200–499	10.0	22.9	33.6	16.9	7.9	5.2	2.5	1.0	100.0
500–999	8.6	13.6	27.1	35.3	8.2	4.9	1.7	0.6	100.0
1,000–1,999	8.5	13.3	23.3	35.6	7.8	8.9	2.0	0.7	100.0
2,000–4,999	8.2	13.1	20.9	34.3	9.4	10.7	2.7	0.8	100.0
5,000–9,999	8.2	14.2	19.9	32.6	11.5	8.8	3.5	1.3	100.0
10,000–19,999	7.9	11.4	17.8	30.8	23.2	5.1	3.1	0.6	100.0
20,000–49,999	7.2	13.5	18.0	28.0	25.8	4.3	2.7	0.5	100.0
50,000+	8.2	13.3	16.9	36.6	17.4	2.4	4.9	0.3	100.0

Source: Kenneth Davey and Gábor Péteri, *Local Government Finances: Options for Reform* (Nagykovácsi, Hungary: 1998), 64.

Table 8.8
Expenditures and Grants of Local Governments by Administrative Status, 1996 [%]

	Expenditures	Grants
1. Local Government of the Capital	14.5	11.0
2. Districts of the Capital	11.5	7.0
3. Total – Budapest (1 and 2)	26.0	18.0
4. Local Governments of Counties	14.4	18.6
5. Cities with County Rights	18.1	16.3
6. Cities	22.0	23.0
7. Total – Cities (5 and 6)	40.1	39.3

Table 8.8 (continued)

Expenditures and Grants of Local Governments by Administrative Status, 1996 [%]

	Expenditures	Grants
8. Large Villages	6.5	7.3
9. Villages	13.0	16.8
10. Total – Villages (8 and 9)	19.6	24.1
11. Municipal Governments (7 and 10)	59.7	63.4
12. Countryside	74.0	82.0
13. Total (3 and 12)	100.0	100.0

SOURCE: Hermann, Horváth, Péteri, Ungvári, *Önkormányzati feladat-telepítés szempontjai és feltételei* (Strasbourg, Paris, Washington: Fiscal Decentralization of the Council of Europe, OECD, World Bank, 1988).

The expenditures of a local government include personnel expenses, employer's contributions, material expenses and expenses of accumulation and revival. Personnel expenses include the salaries of the employees of local government offices, joint local government offices and their institutions. Material expenses include the daily operational expenses of the office and of the institutions of the local government, including service delivery. Accumulation and revival refers to investments and reconstruction expenditures in connection with the performance of local government tasks. In the last few years, the volume of local government investment has increased due to central financial aid, more effective activities of local governments, incomes deriving from privatization and the new system of regional development. This category comprised only 14 percent of total expenditures in 1997 and increased to 15.5 percent in 1998. Most of these expenses were invested in the water management sector, followed by health and education.

Table 8.9

Distribution of Local Government Expenditures by Categories in Hungary [%]

Expenditures	1997	1998
Personnel Expenses	28.0	28.6
Employer's Contributions	12.6	13.4
Material Expenses	26.0	26.4
Expenses of Accumulation and Revival	33.4	31.6
Total	100.0	100.0

SOURCE: *A helyi önkormányzatok és pénzügyeik*, edited by Edit Nyitrai Kusztozné (Budapest: Consulting, 1998).

5. Next Steps in the Transition Process

The main problems of public administration reform are outlined below.

1. *Territorial administration-regionalization*

One of the most important questions concerning public administration in Hungary is the system of territorial administration. Regionalization was discussed above. Another aspect is the system of territorial (or regional) administrative organs of the state. More than forty different state administrative organs exist at the territorial level. This large number and the difficulties of dividing administrative function between county governments and state administrative organs as well as among the various state administrative organs themselves induced the government to act in the mid-1990s. The outcome was the establishment of public administrative offices in counties and in the capital that have a coordinating role. At the same time, the integration of state administrative organs into public administrative offices was initiated.

In May 1999, the government issued a resolution on its plans concerning the development of public administration for the period 1999–2000. The major tasks concerning regional and municipal public administration determined by this resolution are as follows:

- revision of the legal status, organization, activities, functions and powers of organs of public administration under central subordination in settlements and in counties and making proposals for necessary modifications including an examination of the possibility of organizing public administration on the basis of regions;
- revision of the functions and powers of local governments and making proposals on the delegation of their functions and powers and on the system of financing;
- evaluation of external control over finances and management of the assets of local governments and making proposals on the supervision of authenticity and legality of claiming of and accounting for revenues deriving from the central budget;
- examination of the possibility of establishing regional local governments with elected representative bodies created by the Act on Regional Development.

2. *Role of the Constitutional Court in local government affairs*

The Act on Local Governments declares that the rights of local governments are protected by the Constitutional Court. Such protection mainly includes regulation of the legality of the decrees issued by local governments. However, the quantity of decrees issued by the numerous local governments in existence in Hungary sheds doubt on the Constitutional Court's capabilities and effectiveness. One possible solution is the establishment of a new forum—for example, an administrative court—to exercise control over the legality of local government decrees.

3. *Development of associations*

One of the main characteristics of the Hungarian local government system is the great number of very small settlements, which hinders the effective functioning of public administration. This problem may be solved in the way of associations, which was recognized in 1990 in the Act on Local Governments. In practice, associations do not operate effectively and have not developed to the optimal extent. As a result, parliament adopted Act No. CXXXV on Associations and Cooperation of Local Governments in 1997. The act increases possibilities of association among local governments and forms of cooperation, including nongovernmental organizations.

Recent Publications on Local Government in Hungary (in English)

Hungarian Institute of Public Administration. *Public Administration in Hungary* (Budapest: 1993).

Bird, Richard M., Robert D. Ebel, and Christine I. Wallich, eds. *Decentralization of the Socialist State: Intergovernmental Finance in Transition Economies* (Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank, 1995).

Davey, Kenneth and Gábor Péteri. *Local Government Finances: Options for Reform* (Nagykovácsi, Hungary: Local Government Know-How Program, 1998).

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National Association of Chief Executives

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Annex 8.1

Major General Indicators

Size of territory	93,030 square kilometers
Population density	108.9 per square kilometer
Population (1998)	10,135,358
Pensioners	2,293,880
Male (over 60)	768,555
Female (over 55)	1,525,325
School-age children (0-18)	2,337,096
Major ethnic divisions (1990)	
Hungarian	97.76 percent
Roma	1.38 percent
German	0.30 percent
Croatian	0.13 percent
Romanian	0.10 percent
Slovak	0.10 percent
Serbian	0.03 percent
Slovenian and Vend	0.02 percent
Other	0.19 percent
GDP at current prices (1997)	HUF 8,541 billion
GDP per capita	HUF 841,000 (USD 4,504)
GNP	USD 45 billion
GNP per capita	USD 4,430
GNP per capita at purchasing power parity	USD 7,000
Public debt (1998)	HUF 10,000 billion
Inflation rate (1998 estimate)	14.5 percent
Unemployment rate (1998)	8.8 percent

Annex 8.2

Population, Settlements and Administrative Units

Number of local government units at each level (1998)

Capital	1
Districts of the capital	23
Counties	19
Cities with county rights	22
Other cities	195
Villages	2,913
Total	3,173

Table 8A.1

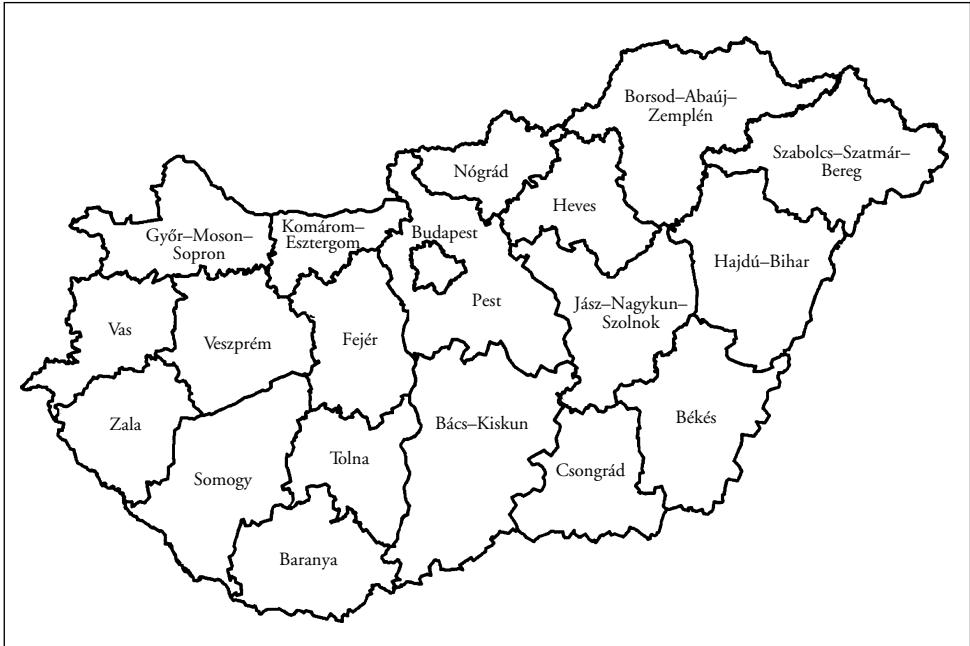
Settlements by Population Size Categories in Hungary, 1997

Population Size Categories	Number of Settlements	%	Number of Inhabitants	%
0–1,000	1,714	54.81	790,737	7.8
1,001–2,000	651	20.82	934,429	9.2
2,001–5,000	493	15.77	1,476,377	14.6
5,001–10,000	133	4.25	931,912	9.2
10,001–50,000	116	3.71	2,271,414	22.4
50,001–100,000	11	0.35	709,971	7.0
100,001–1,000,000	8	0.26	1,159,135	11.4
1,000,000+	1	0.03	1,861,383	18.4
Total	3,127	100.00	10,135,358	100.0

Number of civil servants (1997) 105,400

Number of other public employees (1997) 586,100

Figure 8A.1
Administrative Map of Hungary



Annex 8.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in Hungary (presented in order of adoption):

- Act No. LXIV of 1990 on the Election of Representatives and Mayors of Local Self-governments (most important amendments: Acts No. LXII of 1994 and No. C of 1997)
- Act No. LXXV of 1990 on Local Governments (most important amendment: Act No. LXIII of 1994)
- Act No. C of 1990 on Local Taxes (amended several times in 1991, 1993, and from 1995 to 1998)
- Act No. XVI of 1991 on Concessions (amended several times in 1992 and from 1994 to 1997)
- Act No. XX of 1991 on the Tasks and Range of Competence of Local Governments and Their Organs, Commissioners of the Republic and Some Organs Under Central Subordination (amended several times from 1992 to 1997)
- Act No. XXVI of 1991 on the Extension of the Supervision by Courts on Decisions Taken by Public Administration (amended several times in 1996 and 1997)
- Act No. XXXIII of 1991 on the Transfer of Certain State Properties to the Ownership of Local Self-governments (amended several times from 1991 to 1996)
- Act No. LIV of 1991 on the Supplementary State Subsidy for Local Governments in a Disadvantaged Situation
- Act No. XXXVIII of 1992 on Public Finances (most important amendments: Acts No. CV of 1995, No. CXXI of 1996 and No. CXLVI of 1997)
- Act No. LXXXIX of 1992 on the System of Targeted and Specific Grants to Local Governments (most important amendments: Acts No. XIV of 1993, No. LXVII of 1994 and No. CXXXI of 1997)
- Act No. XXI of 1996 on Regional Development and Land Use Planning
- Act No. CXXXV of 1997 on the Association and Cooperation of Local Governments
- Government Decree No. 191 of 17 December 1996 on the Capital and County Public Administration Office
- Decree of the Minister of the Interior No. 4 of 30 January 1997 on State Subsidy of Notarial Circuits

Annex 8.4

Responsibilities of Administrative Tiers

Table 8A.2
Specific Functions of Local Government Units in Hungary

Functions	All Municipalities	Regional/ District or Urban Governments	Central or State Territorial Administration
I. EDUCATION			
1. Preschool	X		
2. Primary	X		
3. Secondary		X	
4. Technical		X	
II. SOCIAL WELFARE			
1. Nurseries	X		
2. Kindergartens	X		
3. Welfare Homes	X		
4. Personal Services for the Elderly and Handicapped		X	
5. Special Services (for the homeless, families in crisis, etc.)		X	
6. Social Housing		X	
III. HEALTH SERVICES			
1. Primary Health Care	X		
2. Health Protection			
3. Hospitals		X	
4. Public Health			X

Table 8A.2 (continued)
Specific Functions of Local Government Units in Hungary

Functions	All Municipalities	Regional/ District or Urban Governments	Central or State Territorial Administration
IV. CULTURE, LEISURE, SPORTS			
1. Theaters		X	
2. Museums		X	
3. Libraries		X	
4. Parks	X		
5. Sports, Leisure		X	
6. Cultural Centers	X		
V. PUBLIC UTILITIES			
1. Water Supply	X		
2. Sewage	X		
3. Electricity			
4. Gas			
5. Central Heating			
VI. ENVIRONMENT, PUBLIC SANITATION			
1. Refuse Collection	X		
2. Refuse Disposal	X		
3. Street Cleaning		X	
4. Cemeteries	X		
5. Environmental Protection	X		X
VII. TRAFFIC, TRANSPORT			
1. Roads	X		X
2. Public Lighting	X		
3. Public Transport		X	X

Table 8A.2 (continued)
Specific Functions of Local Government Units in Hungary

Functions	All Municipalities	Regional/ District or Urban Governments	Central or State Territorial Administration
VIII. URBAN DEVELOPMENT			
1. Town Planning	X		
2. Regional/Spatial Planning		X	
3. Local Economic Development	X	X	
4. Tourism	X		X
IX. GENERAL ADMINISTRATION			
1. Authoritative Functions (licenses, etc.)	X		X
2. Other State Administrative Matters (electoral register, etc.)	X		X
3. Local Police			X
4. Fire Brigades	X		X
5. Civil Defense	X		X
6. Consumer Protection			X