

## Hungary

### *Self-rule*

#### INSTITUTIONAL DEPTH AND POLICY SCOPE

Hungary has currently a one-tier system of intermediate governance with *megyék* (counties) and *megyei jogú városok* (cities with county status; including the capital Budapest<sup>1</sup>). Between 1999 and 2012 there was also one deconcentrated layer of intermediated governance consisting of seven *tervezési-statisztikai régiók* (statistical planning regions).

The nineteen directly elected *megyék* and twenty-four *megyei jogú városok* were inherited from the communist regime. Counties had been the basic units of Hungarian intermediate government since the twelfth century (Pálné Kovács, Paraskevopoulous, and Horváth 2004). Until 2012, local and regional self-governance was protected because the constitution stipulated that a law on local government required a supermajority in the Hungarian parliament (C 1949, Art. 44C); this provision was struck in the latest constitutional revision in 2011 (C 2011). A revision of the Local Government Act in 2011 (Law No. 189/2011; effective as of 2013) reduced *megyék* authority. Until 2013, *megyék* and *megyei jogú városok* had competences in social and welfare policy, with responsibility for hospitals, secondary schools, homes for the elderly, museums, and libraries; as well as in economic policy, including the environment, tourism, and spatial planning (Council of Europe: Hungary 2004; Law No. 65/1990, Arts. 69–70).

The reform of 2013 transferred most *megyék* competences to central state administration and limited *megyék* functions to regional development, spatial planning, and the management of EU funds (Brusis 2014; Council of Europe 2013; Law No. 189/2011, Art. 27; Pálné Kovács 2017). The 2013 reform also introduced a new tier of 175 *jársók* (district offices) of deconcentrated central state administration which took over many functions exercised previously by municipalities (Brusis 2014; Hajnal and Rosta 2019; Pálné Kovács 2017). *Megyei jogú városok*, in their capacity as municipalities, remain responsible for road maintenance, public transport, primary education, child protection support, social provision, and the issuance of various permits (Temesi 2017: 423–428). *Megyei jogú városok* score 2 on policy scope since 1990 and *megyék* score 2 between 1990–2012 and 1 as of 2013.

A reform in 1996 (Law No. 21/1996, Art. 5) set up a three-tier system of advisory development councils: *megye*, regional, and national. The councils, which consist of representatives of central and local public bodies alongside central ministries, advise national ministries on regional development policies and the administration of EU funds (Fowler 2002; Pálné Kovács, Paraskevopoulous, and Horváth 2004). At first, the new councils lacked permanent administrations, but this changed in 1999 when seven *tervezési-statisztikai régiók* (statistical planning regions) were

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<sup>1</sup> The Local Government Act contains special provisions for Budapest and establishes twenty-three districts each with their own mayor and council. The districts have similar status as municipalities and the city of Budapest does not have many additional competences compared to *megyei jogú városok* (Council of Europe: Hungary 2004, 2013; Law No. 65/1990, Arts. 63–68D and No. 189/2011, Arts. 22–26).

established (Law No. 92/1999 and No. 75/2004). The planning regions are responsible for the allocation of development resources. A reform in 2007 relocated the central state representatives residing in the *megyék* to the *tervezési-statisztikai régiók*, which strengthened the administrative capacity of the regions (Council of Europe 2007). The reform of 2013 replaced the *tervezési-statisztikai régiók* with regional development consultation forums, and their administrations were transferred to the ministry for national development. *Megyék* took over the responsibilities for managing EU funds from the regional development councils at the *megye* level (Brusis 2014; Council of Europe: Hungary 2013; Law No. 198/2011 and No. 216/2013).

## FISCAL AUTONOMY

*Megyék* have no authority over taxes, but municipalities and *megyei jogú városok* (cities with county rights) have authority over five taxes: business tax, communal tax (poll or payroll tax), urban land tax, property tax, and tax on tourism (Högye et al. 2000: 226–239). The central government sets the base, while the municipalities and *megyei jogú városok* determine which (if any) of the taxes they will levy and set the rate up to a centrally determined ceiling (Council of Europe: Hungary 2004; Law No. 100/1990; Szalai et al. 2002). The reform of 2013 earmarked most central government grants but tax authority for municipalities and *megyei jogú városok* was not significantly affected (Council of Europe: Hungary 2013). *Megyék* revenue comes mostly from national grants (OECD 2001). *Tervezési-statisztikai régiók* were dependent on intergovernmental transfers.

## BORROWING AUTONOMY

Before a reform in 1995, local governments could borrow without restrictions (Law No. 65/1990).<sup>a</sup>

Since 1996 borrowing rules have been tightened. First, the ceiling for annual commitments by a subnational government resulting in debt (including from borrowing) is set at 70 percent of the local government's own net revenues (Law No. 65/1990, Art. 88). Local governments can take up loans at preferential rates from the National Savings Bank and Trade Bank (Council of Europe 1996). Furthermore, a law on municipal bankruptcy (Law No. 25/1996) specifies a ceiling on the amount of borrowing and regulates the process in case of insolvency (Davey and Péteri 2006; Lutz et al. 1997; Szalai et al. 2002; Vigneault 2007). The bankruptcy law also specifies a no-bailout clause. A local government that is unable to pay its debts can be put under central government administration (Council of Europe 2000; Högye et al. 2000; OECD 2001). Before the reform of 2013, the ministry of interior could review the lawfulness of (loan) decisions *ex post*. As of 2013, local governments were not allowed to have operating deficits and borrowing became subject to prior authorization by central government (C 2011, Art. 34.5; Council of Europe: Hungary 2013).

*Megyei jogú városok* fall under this borrowing regime but the other *megyék* could never borrow because they are not allowed to use central government grants as collateral (Högye et al. 2000: 230–1; Law No. 65/1990, Art. 88.1b).<sup>a</sup> *Tervezési-statisztikai régiók* had no borrowing authority.

## REPRESENTATION

From 1990–1993, assemblies of *megyék* were indirectly elected by municipalities, and these assemblies elected their executive. Since 1994 (Law No. 64/1994), *megyék* councils have been directly elected and the president of the council is elected by, and responsible to, the assembly (Law No. 65/1990, Art. 73; Sóos and Kákai 2011; Sóos 2014: 149–154). *Megyei jogú városok* have had directly elected assemblies and executives since 1990 (Law No. 65/1990).

Consultative councils of the *tervezési-statisztikai régiók* were established in 1999 (Law No. 92/1999). They were composed mainly of government appointees and *ex officio* members, of whom a minority represent local authorities. The executive of the regional development council was centrally appointed.

### *Shared rule*

There is no regional power sharing.

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## Self-rule in Hungary

			Institutional depth	Policy scope	Fiscal autonomy	Borrowing autonomy	Representation		Self-rule
							Assembly	Executive	
Megyék	I	1990-1993	2	2	0	0	1	2	<b>7</b>
	I	1994-1998	2	2	0	0	2	2	<b>8</b>
	I → II	1999-2012	2	2	0	0	2	2	<b>8</b>
	II → I	2013-2018	2	1	0	0	2	2	<b>7</b>
Megyei jogú városok	I	1990-1994	2	2	1	3	2	2	<b>12</b>
	I	1995-1998	2	2	1	2	2	2	<b>11</b>
	I → II	1999-2012	2	2	1	2	2	2	<b>11</b>
	II → I	2013-2018	2	2	1	1	2	2	<b>10</b>
Tervezési-statisztikai régiók	I	1999-2012	1	0	0	0	0	0	<b>1</b>

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