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SIGMA

**Support for Improvement in Governance and
Management in Central and Eastern European Countries**

**PUBLIC MANAGEMENT PROFILES OF
CENTRAL AND EASTERN EUROPEAN COUNTRIES:**

HUNGARY

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(As of September 1999)

Political Background

The last general elections were held in May 1998. The table below shows the composition of the parliament:

	Number of Seats
Alliance of Young Democrats — Hungarian Civic Party	145
Hungarian Socialist Party	134
Independent Small-Holders' Party	48
Alliance of Free Democrats	24
Hungarian Democratic Forum	17
Hungarian Truth and Life Party	12
Independent	4
Total	384

After the parliamentary elections, Viktor Orbán, leader of the FIDESZ-*Magyar Polgári Párt* (Alliance of Young Democrats-Hungarian Civic Party), received a mandate from the president of the republic to form a government and to submit his government programme to parliament. He was elected by parliament as prime minister in June 1998. The new government is composed of the prime minister and 17 ministers. Of the latter, 12 were nominated by FIDESZ-MPP, four represent the Independent Small-Holders' Party, and one was proposed by the third coalition partner, the Hungarian Democratic Forum. The new coalition has an absolute majority in parliament (with some 55 per cent of the seats). The next regular parliamentary elections are scheduled for spring 2002.

The president of the republic is Árpád Göncz. In 1995, he was re-elected by parliament for a five-year term of office.

Parliament has approved the new government programme for the next four years. Its priorities include the development of the social state; the maintenance of citizens' security in all spheres of life; and the fostering of economic growth.

1. The Constitutional Framework

1.1. Constitutional Bases

The Constitution of Hungary was adopted in 1949 (by the Act of Parliament No. XX). In October 1989, the constitution was comprehensively amended and restructured. Since then, the constitution has been further amended on a number of occasions. Parliament has added or modified provisions concerning the

Hungarian National Bank, popular referenda, the electoral system, the judiciary, local government, the promulgation of statutory acts, the armed forces, and the right to asylum. Constitutional amendments require a qualified two-thirds majority in parliament. Between 1994 and 1998, the adoption of a new constitution was part of the government programme, but this objective was not achieved.

The constitution regulates, *inter alia*, the basic organisational structures of the state and the powers and responsibilities of different institutions, including the judiciary, the legislature, the executive, the head of state, the constitutional court, the armed forces, the police, local government and public prosecutors. In general, an Act of parliament, passed with a two-thirds majority, regulates the activities of these institutions in greater detail.

1.2. Nature of the State

Hungary is a republic. The constitution defines Hungary as “an independent and democratic constitutional state” that is based on the rule of law. Hungary is a unitary state.

1.3. Division of Power

According to the constitution, all power belongs to the people. The people exercise their sovereignty through elected representatives or directly.

Parliament (*Országgyűlés*) is the supreme organ of state power and popular representation. It derives its rights from the sovereignty of the people, ensures the constitutional order of society, and determines the organisation and direction of government.

Amongst its powers, parliament:

- enacts the constitution and adopts statutory acts;
- defines the social and economic objectives of the country;
- checks the balance of state finance;
- decides on the adoption of the government programme;
- ratifies international treaties;
- decides on the use of armed forces outside or inside the country;
- exercises the right of general amnesty.

The president of the republic is Hungary’s head of state. He symbolises the unity of the nation and safeguards the democratic order of the state. He is commander-in-chief of the armed forces. Amongst his responsibilities, the president:

- represents the Hungarian state;
- concludes international treaties;
- accredits and receives ambassadors and envoys;
- sets the date for parliamentary elections and for general local elections;
- may make a motion for holding a popular referendum;
- exercises the right of pardon in individual cases;
- decides in citizenship cases.

The government consists of the prime minister and the ministers. Government is responsible to parliament. Amongst its responsibilities, the government:

- protects the constitutional order;
- protects and ensures the rights of citizens;
- ensures the implementation of legislation;
- directs and co-ordinates the work of the ministries and of other state authorities;
- ensures the development of social and economic plans and their implementation;
- participates in the conduct of foreign policy and concludes international agreements.

2. Legislative Authority

2.1. Electoral Rules

Of the 386 members of parliament, 176 are directly elected candidates, and 152 are drawn from 20 regional party lists; the remaining 58 seats are filled from a national compensatory list that is drawn up by the parties that put up at least seven regional lists. Overall, this system ensures a high degree of proportionality.

According to the constitution, members of parliament are elected by direct secret ballot on the basis of universal and equal suffrage. Detailed rules are laid down by the Act on Parliamentary Elections, No. XXXIV. of 1989. The electoral system is a two-vote mixed-member system. Voters cast one vote for an individual candidate in their constituency and a second vote for a regional party list. In a constituency, a candidate is elected in the first round, if more than 50 per cent of the voters take part in the elections and if the candidate receives more than 50 per cent of the votes cast. If the first round is inconclusive, all candidates who have received more than 15 per cent of the votes cast participate in a second round. To win in the second round, the victorious candidate must receive at least 25 per cent of the votes and at least 25 per cent of the eligible voters must take part in the elections.

To be nominated in a constituency, a candidate needs at least 750 recommendation slips signed by registered voters in that constituency. Similarly, a party must collect a minimum of 750 signatures before it may put up its own regional list. Also, a party must field candidates in at least a quarter of the constituencies within the electoral region (with two constituencies as the minimum number).

2.2. Main Powers of Parliament

Parliament is the main legislative authority. The unicameral parliament consists of 386 members who are elected for a four-year term. The powers and duties of parliament are laid down in the constitution. In particular, parliament:

- enacts the constitution of the Republic of Hungary;
- passes statutory legislation;
- checks the balance of state finances and approves the budget and its implementation;
- decides on the adoption of the government programme;
- ratifies international treaties that are of outstanding significance for the external relations of the Republic of Hungary;

- decides on the declaration of a state of war and questions of concluding peace;
- proclaims a state of emergency and sets up a national defence council in the case of a state of war or of the immediate threat of armed attack by a foreign power (the danger of war);
- declares a state of emergency in the case of armed action aiming to overthrow the constitutional order, in the case of acts of violence committed with arms or by armed units that jeopardise the lives and material security of citizens on a large scale, and in the case of natural disasters or serious industrial accidents;
- decides on the use of the armed forces outside and inside the country; and
- elects the president of the republic, the prime minister, the members of the constitutional court, the ombudsmen responsible for the protection of civil rights and of the rights of national and ethnic minorities, the president and vice-presidents of the state audit office, the president of the supreme court and the chief prosecutor.

The government must regularly account for its activities to parliament. Parliament may dismiss the government by a constructive vote of no-confidence. A motion of no-confidence may be tabled against the prime minister (but not against the government as a whole or individual ministers). The motion must propose a new prime minister, who is elected if the motion is passed.

Parliament is quorate with at least a quarter of members of parliament present. Most decisions require a simple majority of members present. However, some votes require a two-thirds majority. This applies, in particular, to legislation concerning the constitution, the order of the legislature, the status of the members of the parliament, popular referenda, ombudsmen, local government, electoral law, citizenship, the constitutional court, the national audit office, the court system, the protection of personal data, and ethnic and national minorities.

The constitution specifies that members of parliament may not at the same time serve as president of the republic, judges of the constitutional court, ombudsmen, president of the national audit office, its vice-presidents and auditors, judges, prosecutors, civil servants, members of the armed forces, the police, and other law enforcement agencies.

2.3. *Internal Organisation*

Parliament has a speaker and three deputy speakers. The speaker convenes and opens meetings and presides over the debates of parliament. The speaker enjoys considerable formal and informal authority and plays a significant role in parliamentary decision-making.

The new parliament has established 23 standing committees dealing with:

- Agenda
- Agriculture
- Audit
- Budget and Finance
- Constitution and Justice
- Culture and the Press
- Defence
- Economic Affairs
- Education and Science

- Employment and Working Conditions
- Environmental Protection
- European Integration
- Foreign Affairs
- Health and Social Affairs
- Human Rights, Minorities and Religious Affairs
- Immunity, Incompatibility and Mandate
- Local Government and Public Order
- National Security
- Regional Development
- Social Organisations
- Standing Orders of Parliament
- Tourism
- Youth and Sports

Parliament may also create special committees and *ad hoc* committees to investigate specific issues relating to the work of the executive.

Membership of parliamentary committees is restricted to members of parliament. The composition of parliamentary committees reflects the strength of party representation in parliament. The committees act as consultative, advisory and control bodies of parliament. They play a particularly important role in its legislative, supervisory and control activities. Committees may initiate legislation, submit amendments and decide on motions put forward by committee members. The supervisory rights of the committees are determined by the constitution. If summoned, individuals and groups are required to supply information and to appear at committee hearings.

In accordance with the standing orders of parliament, members of parliament may form parliamentary groups. Parliamentary groups participate in the preparation of parliamentary decisions. Their initiatives, proposals and comments often have a major political impact.

2.4. *The Legislative Process*

Act No. XI of 1987 on Law-Making defines the following categories of legal acts:

- Acts of parliament
- Government decrees
- Decrees of the prime minister or ministers
- By-laws of local self-governments

In conformity with the above legal hierarchy, no inferior legal rule must contradict a superior rule.

In the case of the Acts of parliament, a Bill can be presented to the speaker by the president of the republic, the government, a parliamentary committee or a member of parliament. The latter two may also propose amendments to a Bill. The responsible parliamentary committee, which is designated by the speaker, examines the Bill and prepares recommendations. The Committee for Constitutional and Legislative

Matters prepares its own recommendations in each case; the Budget and Finance Committee also makes recommendations if a Bill has budgetary implications. The Bills of the most important laws are discussed in two readings. During the first reading, the principles of the law are established in a decision; during the second reading, the detailed text of the Bill is discussed. The first reading begins with a general debate. In the order of speakers, the sponsor of the Bill, the government representative, members of the relevant parliamentary committees, parliamentary groups and independent members may take the floor. At the conclusion of the general debate, parliament decides whether the Bill should go forward for detailed debate during the second reading. The detailed debate discusses any proposed amendments. At the end of the detailed debate, parliament votes again. After this second vote, a final, third vote has to be held to pass the Bill. If there are no proposed amendments to a Bill, parliament proceeds immediately after the general debate to a final decision on the Bill. The detailed rules governing legislative procedure are defined by the standing orders of parliament.

During the last parliamentary period (1994-1998), 498 Acts were passed. Of these, 434 were proposed by the government, 11 by parliamentary committees and 53 by members of parliament.

The executive branch may prepare laws, but its own legislative rights are limited. The government may enact decrees in areas provided for by the constitution or through authorisation by an Act of parliament. Decrees of the prime minister and ministers may be enacted if they are authorised through an Act of parliament or a government decree.

3. The Central Executive

3.1. Legal Bases of Executive Authority and Administration

There is no single law on executive authorities. The main legal rules on the government are contained in the constitution, and executive procedures are set out in the standing orders of the government. The list of the ministries is determined by an Act of parliament (XXXVI of 1998) and ministers' scope of authority is determined by government decrees. Within the limits of law, the government has wide-ranging powers to shape the organisation of the executive.

Central and local administrative authorities have the right and the duty to implement the law within their authority. The Act on the General Procedures of the Public Administration No. IV of 1957 defines the procedures to be followed by administrative authorities when issuing administrative acts that concern the rights and duties of citizens.

3.2. Composition and Powers of the Government (Council of Ministers)

The prime minister is the head of government.

The government is the central policy-making and executive body. At present, it consists of 18 members, including the prime minister, 14 ministers with portfolio, and three ministers without portfolio. Ministers and political state secretaries (see 3.5) are appointed and dismissed by the president of the republic, on the recommendation of the prime minister. The government has overall responsibility for implementing the law. All matters that fall under the authority of the government must be submitted to, and approved of by, the government, except those issues that are, by law, directly assigned to ministers. The government, as a collegiate body, directs and co-ordinates the work of ministers and organisations directly subordinate to them.

Under the constitution, the prime minister has a primary role in governmental policy-making. He convenes and presides over government meetings. Ministers act as heads of their ministerial departments, and direct non-ministerial central offices that fall under their ministry's authority and other state administrative organs subordinated to the ministry. Ministers without portfolio perform specific tasks determined by the government.

As a consequence of the proportional electoral system, coalition governments have been in power since the first democratic general elections of 1990. The composition of the government tends to reflect the distribution of parliamentary seats amongst the coalition parties.

3.3. *Division of Executive Power*

While the government is the highest executive body, the constitution provides a strong role for the prime minister. He is the only member of the government elected by parliament and is responsible to parliament for all government policies.

Ministers are responsible for implementing the government's programme, as determined by the government and approved by parliament. A minister may make decisions independently within his or her area of competence. In preparing the government agenda, ministers' opinions must be considered. The respective ministries prepare the drafts of Bills, decrees and resolutions. Political and administrative state secretaries (see 3.5) support ministers.

3.4. *The Office of the Government/Office of the Head of Government*

The prime minister's office (PMO) has three main functions:

- to assist the prime minister in policy development by providing information, co-ordination and political and professional advice;
- to support and co-ordinate the activities of the government; and
- to support the ministers without portfolio and the political state secretaries at the PMO.

The head of the PMO is a minister without portfolio, who is responsible for the functioning of the office, for co-ordinating the work of the government and for preparing government meetings. The minister also initiates and regulates co-ordination between the ministries and controls the implementation of government decisions.

The PMO includes three political state secretaries who report directly to the prime minister. They oversee special activities within the PMO (for example, administrative and regional policies).

A number of personal and policy advisers are directly subordinate to the prime minister. They are responsible for proposing solutions to especially urgent policy problems. In the framework of the PMO, the cabinet office provides day-to-day assistance to the prime minister.

The PMO plays a central role in preparing and servicing meetings of the government. Proposals for agenda items of government meetings may be submitted by:

- any member of the government;
- the administrative state secretary and the political state secretaries in the PMO, on the authorisation of the government or the prime minister;

- the president of the central statistical office, heads of the national agencies and boards (with the prior approval of the member of the government responsible for supervising the organisation), and government commissioners for matters falling within their areas of competence; and
- other organisations and individuals, on the authorisation of the government or the prime minister.

Proposals and reports submitted to government meetings should previously be discussed at the weekly meeting of administrative state secretaries. This meeting acts as a forum for the general administrative preparation of government decisions. The meeting of administrative state secretaries prepares the following week's government agenda (see 3.6).

The administrative state secretary of the PMO compiles the proposed agenda for the government meeting and sends it to the participants. The cabinet of the prime minister formulates a position on the merits of the issues raised in the proposals. In its statement, the cabinet offers its opinion and makes recommendations for government decisions. The government decides the final agenda.

Meetings of the government take place once a week, usually on Thursday morning. Extraordinary sessions may be held on an *ad hoc* basis, usually at weekends. Meetings of the government are attended by all members of government and are chaired by the prime minister. When the prime minister is unavailable, a minister designated by the prime minister (currently the minister without portfolio responsible for the secret services) takes the chair. When a minister is prevented from taking part in the meeting, the political state secretary of the ministry deputises for him.

The administrative state secretary of the PMO attends all meetings and ensures that all decisions are recorded. Other permanent invitees include the head of the prime minister's cabinet, the political state secretaries at the PMO, the administrative deputy state secretary in charge of legal issues at the PMO, the government spokesperson and the president of central statistical office.

In addition to members of government and the above-mentioned permanent observers, persons submitting a proposal or invited by the prime minister may take part in the meetings of the government in an advisory capacity. The president of the Hungarian National Bank is invited to attend the meeting while agenda items are considered which affect the bank's responsibilities.

The government takes decisions by majority vote. In case of a tie, the prime minister casts the deciding vote.

The PMO arranges for the recording of government decisions. Government decrees must be published in the Hungarian gazette (*Magyar Közlöny*). Government resolutions are generally published in the thesaurus of resolutions (*Háttározatok Tára*). The government may also order the publication of significant resolutions in the Hungarian gazette.

The PMO prepares a monthly progress report on the implementation of government decisions. The person responsible for implementing a decision must give a written account of the reasons for any failure to meet implementation deadlines. The administrative state secretary of the PMO submits the report to the government. The prime minister may require a minister or head of a central administrative authority to report on the implementation of a task set by the government.

3.5. Line Ministries

There are currently 14 line ministries:

- Ministry of Agriculture and Regional Development
- Ministry of Defence
- Ministry of Economics
- Ministry of Education
- Ministry of Environmental Protection
- Ministry of Finance
- Ministry of Foreign Affairs
- Ministry of Health
- Ministry of the Interior
- Ministry of Justice
- Ministry of National Cultural Heritage
- Ministry of Social Affairs and Family
- Ministry of Transport, Communication and Water Management
- Ministry of Youth and Sports

Ministries have primary responsibility for implementing the government's programme. The minister heads the ministry and the bodies subordinate to it in accordance with legal provisions and government resolutions.

State secretaries and deputy state secretaries support the minister in his functions. Act No. LXXIX of 1997 defines the legal status of members of the government and state secretaries. In every ministry, there are two state secretaries. The political state secretary represents the minister in parliament (he may deputise with full rights for the minister in plenary sessions and committee meetings) and holds office as long as the government is in office. The political state secretary may participate in government meetings, but has no vote. The administrative state secretary, who is appointed on a permanent basis, may act in the place of the minister in the absence of the political state secretary (except during parliamentary plenary sessions). The administrative state secretary has three to five deputies (depending on the ministry) who are appointed by the minister on the proposal of the administrative state secretary.

3.6. *Interministerial Co-ordination*

Several cabinets and government committees support the work of the government.

In current constitutional practice, the term "cabinet" has a special meaning. It is a consultative body that prepares government matters and presents preliminary views on questions that may require a government decision or affect the government's political and economic goals. Cabinets have no formal authority to take decisions on the government's behalf. The government has created the government cabinet, the economic cabinet and the national security cabinet.

The government cabinet discusses policy matters, determines the formulation and management of related policy proposals and co-ordinates the preparation of urgent measures requiring immediate government decisions. The government cabinet is headed by the prime minister; its other members include the ministers of agriculture and regional development, finance, foreign affairs, and the interior, and the ministers without portfolio with responsibility for the prime minister's office and with responsibility for the secret services.

The economic cabinet is consulted on strategic economic issues and prepares government decisions dealing with economic policy. Important economic issues must be presented and debated by this body before they are considered in a government meeting. The head of the economic cabinet is the minister of economics who has a central role in the development and implementation of the government's economic objectives. Other members include the ministers of agriculture and regional development, finance, and transport, communication and water management.

The national security cabinet co-ordinates national security policy and prepares government decisions. The minister of interior leads this cabinet. Its other members include the ministers of defence, foreign affairs, and justice, and the ministers without portfolio with responsibility for the prime Minister's office and with responsibility for the secret services.

Government committees may prepare government decisions and act as co-ordinating and advisory bodies of the government. The government may create both standing committees and *ad hoc* committees. Such committees generally have no authority to take decisions, unless expressly empowered to do so by the government.

A further important institution for interministerial co-ordination is the weekly meeting of the administrative state secretaries. It plays an important role in decision-making and in preparing the agenda of government meetings. The administrative state secretaries' meeting is organised, convened and presided over by the administrative state secretary of the prime minister's office. The meeting is held prior to government meetings and consists of the administrative state secretaries of all ministries, the first deputy of the administrative state secretary of the prime minister's office, and the chief of cabinet of the ministers without portfolio. In addition, the deputy state secretaries of the PMO regularly attend these meetings. Every issue on the government's agenda must be submitted at this weekly meeting. The purpose of the meeting is to agree on the issues to be put on the government's agenda. Without the approval of this meeting, items may only be included on the government's agenda with the permission of the prime minister.

3.7. Central Non-Ministerial Bodies

In addition to the ministries, a number of other central bodies (called central offices or institutions with a national scope of authority) play an important role in central government. Central offices have responsibility for carrying out specific tasks in a given field of activity. They may be established by parliament or by the government. In most cases, central offices are directly responsible to the government. A member of the government controls their activities, and they receive instructions from the government, not from individual ministers. They are generally considered to enjoy independence from the ministerial executive. While central offices may seem as independent as the ministries, their heads are not members of the government.

The most important central offices of this type include:

- Central Statistical Office
- Government Control Bureau
- National Office for Standards
- National Office of Nuclear Energy
- National Office of Physical Education and Sport
- National Patents Office
- National Supervisory Office of Banking Activity

- National Technical Development Committee
- Office for National and Ethnic Minorities

In addition, there are also several other, less independent, central offices whose main function is to assist ministries in executing their tasks. In most cases, they are empowered to deal with a specific issue in a determined field of public administration. Unlike the offices mentioned above, their activities are covered by a minister's authority and responsibility and they fall under a minister's, not under the government's, supervision.

Central offices of this type include, *inter alia*:

- Directorate of Civil Aviation (Ministry of Transport, Communication and Water Management)
- Directorate of Roads and Transport (Ministry of Transport, Communication and Water Management)
- Institute of Telecommunication Frequency Management (Ministry of Transport, Communication and Water Management)
- National Occupational Safety Inspectorate (Ministry of Economics)
- National Office of Telecommunications (Ministry of Transport, Communication and Water Management)
- National Office of Water Management (Ministry of Transport, Communication and Water Management)
- National Police Headquarters (Ministry of Interior)
- National Tax Office (Ministry of Finance)
- Office for Environmental Protection (Ministry of Environmental Protection)
- State Service for Public Health and the Supervision of Epidemics (Ministry of Health)

It is worth mentioning that, in the past, two other central offices were concerned with the management of state property. In 1992, parliament passed two Acts (Acts No. LIII and LIV) which determined the enterprise assets that were to remain permanently, or temporarily, in state ownership. The State Property Agency exercised, in accordance with decisions of the government, the rights of ownership for assets to be held temporarily under state ownership. This agency was a budgetary organisation directed by the government through the government commissioner for privatisation. The agency's chief decision-making body was the board of directors. The prime minister appointed the board's chairman and 11 members for a four-year term. The state audit office supervised the activities of the State Property Agency.

The State Heritage Management Company was responsible for the management and efficient operation of state-held enterprise assets that were to remain permanently under state ownership. The company was a single-entity corporation in which a government-appointed person exercised the state's rights of ownership. The prime minister appointed the 11 members of the company's board of directors, and the five to seven members of the supervisory committee that oversaw the company's operations. The company awarded concessions for the management of state-held enterprises on the basis of competitive open (or limited) tendering procedures.

In 1995, the State Heritage Management Company was transformed into the Hungarian Privatisation and Heritage Management Company (ÁPV Rt.). This new company also acts as the legal successor of the State Property Agency. Its board of directors is composed of a president and ten members nominated by the government. Its principal decision-taking body is the supervisory committee whose 11 members are nominated by the government for three-year terms. They oversee the company's activities. The state audit

office audits the company's financial operations. A minister without portfolio responsible for privatisation exercises the state's ownership rights. At present, these responsibilities are assigned to the minister without portfolio who heads the prime minister's office.

3.8. *Executive Budgeting Processes*

Since the early 1990s, the budgetary process has been undergoing modernisation. The Ministry of Finance is responsible for reforming the budgetary system and for initiating and co-ordinating the modernisation of financial management. One of the first measures of this modernisation programme has been the adoption of a new law conforming to EU requirements, regulating budgeting and financial management (Act No. XXXVIII of 1992). It came into force in July 1992. Its main principles are the following:

- the state budget consists of a budget for central administration (central budget), a budget for separated funds, a budget for local governments, and a budget for the national social insurance fund;
- the central budget is divided into chapters;
- management of budget-sponsored institutions is based upon an annual budget;
- the budgetary year is the same as the calendar year.

The minister of finance is responsible for preparing and co-ordinating the budget and for implementing the central budget. He initiates government measures when there is a significant difference between budgetary allocations and actual expenditure. The minister of finance manages the state deficit and prepares proposals for expenditure from the budget reserve fund. He or she also exercises, with the agreement of the minister concerned, ownership rights of state properties belonging to the treasury. The minister of finance registers budget-sponsored institutions, state debts and treasury property and is authorised to regulate the bank accounting systems of the central budget and the budget resource allocation system.

The line ministers co-operate with the minister of finance during the preparation of the budget, direct the planning of their respective budgetary chapters, prepare detailed budget proposals, follow up on implementation, and prepare the final accounting report in respect of their budgetary chapters. On the basis of the principles determined by the Ministry of Finance, the line ministers manage state funds that fall under their authority.

The government prepares a draft budget and presents it to parliament. The budget for the year and the statement on its implementation (final accounts) must be approved by parliament. During the decision-making procedure, each committee of parliament discusses the chapter(s) of the draft budget that fall under its responsibility. If, in the course of the budgetary year, the implementation of the budget is jeopardised by unexpected circumstances, the government is obliged to initiate a supplementary budget. After the first six months of the budgetary year, the government is obliged to inform parliament of the general budgetary situation.

The state audit office, as a central body of the parliament, has an important role in budgetary matters. It reports on the draft of the budget and on the final accounts of the state budget. Both reports must be presented to parliament at the same time as the draft budget and the final accounts.

3.9. *Advisory and Consultative Arrangements*

There are numerous advisory bodies attached to ministries. Ministers decide on their remit and membership. The administrative state secretary in the prime minister's office can nominate political advisors and chief advisors to carry out tasks related to the preparation of government decisions and the prime minister's activity. The ministers have the same possibility; in this case, the advisors' tasks have to be connected to the ministers' activities. The government determines the number of advisors for each ministry and for the prime minister's office. Their tasks need to be specified in the standing orders of the respective institution.

4. *Executive Linkages*

4.1. *The Executive and the Presidency*

The president is the head of state of the Republic of Hungary. He stands for national unity and oversees the democratic order of the state. The president of the republic is elected by parliament for a five-year term, and may be re-elected for a second term.

The president of the republic has an important role in the formation of the government. He proposes to parliament the nominee for the post of prime minister and appoints the ministers on the recommendation of the prime minister.

The president of the republic has limited authority. He can usually only act according to proposals made by the prime minister or the government. While presidential authority is not regulated in detail, the constitutional court has declared that "the president can reject a proposal only in very exceptional cases". The president requires the counter-signature of the prime minister or another relevant minister to exercise some aspects of his authority. This applies, for example, to his authority to conclude international treaties; to appoint and accredit ambassadors and envoys; to grant pardon; and to appoint or dismiss a minister or state secretary, the president of the Hungarian National Bank, the vice-president of the supreme court, and judges. A counter-signature transfers responsibility for the action of the president to whoever countersigns it. Areas of presidential authority not requiring counter-signature include: representing the Republic of Hungary; exercising presidential privilege to participate and speak at parliamentary plenary sessions and at meetings of parliamentary committees; initiating legislation and referenda; and setting the date for parliamentary and local elections.

The constitution gives the president the right to initiate legislation and a limited veto power. Once an Act is passed by parliament, it is signed by the speaker and sent to the president of the republic. The president signs it and sends it for promulgation. If the president does not approve the Act or any provision thereof, he may return it, unsigned, with his comments to parliament for re-consideration ("delaying veto"). In this case, parliament must debate the proposed Act again and re-submit it to the president. Once the re-considered Act has been returned to him, the president is obliged to sign the Act and send it for promulgation.

If the president considers unconstitutional a provision of a proposed Act, he may request a report on its constitutionality from the constitutional court ("constitutional veto"). If the constitutional court judges it unconstitutional, the president returns the proposed Act to parliament. Otherwise, he is obliged to sign the Act.

4.2. *The Executive and Parliament*

Parliament elects the prime minister and approves the government programme. Government activity is based on laws which, in the majority of cases, are prepared and proposed by the government. The government proposes the legislative timetable of parliament.

Members of government participate in the sessions of parliament. Political state secretaries often represent ministers. Upon the request of a parliamentary committee, members of government have to appear before committee meetings and provide information as requested.

The government must regularly account for its actions to parliament. Parliament controls the government by different instruments, including questions put to ministers or the government, interpellations, or the establishment of commissions of inquiry. Parliament also controls the implementation of the annual budget.

4.3. *The Executive and Political Parties*

The operation of coalitions is governed by informal rules. Typically, a core of party leaders and key ministers takes the most important decisions. The main linkage between political parties and their ministers is the prime minister, who is usually also the leader of the largest coalition party. The leaders of the other governing parties are also usually members of government. Their political position is stronger than might be suggested by the status of the ministries they head.

The provisions on party political finance are contained in Act No. XXXIII of 1989. Political parties are financed partly from the state budget. Twenty-five per cent of the overall public subsidy is divided between the parliamentary parties; the remaining 75 per cent are distributed amongst the political parties that obtained more than 1 per cent of the vote at the last general elections. The allocation is proportional to parliamentary election results. The parliamentary groups are financed through the budget of the parliament. The state audit office regularly checks the accounts of the political parties that receive funds from the state budget.

4.4. *The Executive and Organised Civil Society*

The structure of the trade unions has changed in parallel with the political system. Under the previous regime, trade unions were not independent and the Communist Party controlled their operation. At present, the old trade unions still exist, but many new trade unions have been established. Many of these newly established unions are small and represent the interest of small numbers of employees. Employees in public administration are free to join a trade union.

Trade unions have an important role in the National Interest Conciliation Council where they represent the employees' interests. Government and the employers are also represented on this council. This body debates government proposals that may influence the working and living conditions of the population. Amongst other important functions, the National Interest Conciliation Council decides on the level of the minimum wage and agrees on increases of real wages as a national average standard.

4.5. *The Executive and the Media*

The government has a spokesperson who regularly informs the press about government meetings and other news. A government press conference is held every week, on Tuesday afternoons, following the government meeting.

Ministries inform the press about their activities through their own press departments. The heads of press departments act as ministerial spokespersons. The most important non-ministerial institutions have their own spokespersons.

With prior approval from their superior, civil servants may inform the press about professional-technical issues.

The government website is: <http://www.meh.hu>.

5. Subnational Government

5.1. *Decentralised State Administration*

Public Administration Offices: In September 1994, taking into account the experiences of the first term of local self-governments (elected in 1990), parliament approved amendments to the Local Self-Government Act (No. LXV of 1990). These amendments abolished the office of commissioner of the republic in the seven regions and in the capital, and replaced it with public administration offices (PAOs) in the counties and the capital. The minister without portfolio heading the prime minister's office, in collaboration with the minister of the interior, appoints, guides and supervises the heads of the PAOs.

The most important tasks of PAOs are to:

- supervise the legality of the operations of local governments;
- request, if necessary, that the state audit office conduct an audit of a local authority's financial management;
- co-ordinate, from the standpoint of administrative organisation, the activities of other deconcentrated state administrative authorities; and
- provide professional assistance to local government in matters falling within its sphere of competence.

At the local government level, the PAO is the public administration authority for public affairs within its administrative jurisdiction (as determined by acts and government decrees).

If a PAO determines that a local authority has acted illegally, it asks the local authority to cease the illegal action within a given time period. The local authority must examine the matter and inform the head of the PAO of any corrective measures taken, or of any disagreement with the PAO's finding, within the time specified.

The head of the PAO can petition the constitutional court to review a local government directive, or the ordinary courts to review a local government's resolution. The submission of a petition does not delay the implementation of directives or resolutions. The PAO may ask the courts to suspend implementation, to avert serious damage to the public interest.

Deconcentrated State Administrative Authorities: Deconcentrated state administrative authorities exist to manage administrative matters that fall outside the authority of local self-governments. They exercise their authority independently of the county and municipal governments and are responsible directly to higher administrative authorities, ministries or the government. Deconcentrated state administrative authorities exist for a wide range of functions, including, for example, water management, land registration, police, tax administration, reparations, public health and the control of epidemics. The total number of deconcentrated state administrations of this type reaches almost thirty.

5.2. Regional Government

There is no regional government in Hungary.

5.3. Local Government

The constitution stipulates that any enfranchised citizen of a village, a town, the capital and its districts, or a county is entitled to the right of local self-government. Local government means autonomous and democratic management of local public affairs by the communities concerned and the exercise of local public authority in the interests of the local population. To implement this provision of the constitution, the former Soviet-type county and municipal local government system was fundamentally transformed. The main elements of this change are the identification and separation of central affairs, county affairs and municipal affairs, substantial decentralisation of authority, subsidiarity, and financial autonomy.

At present, Hungary has 3 131 local self-governments, of which 2 832 have a population of under 5 000 inhabitants. There are 19 counties and four types of municipalities (the figures in brackets indicate the percentage of the Hungarian population living in them):

- 2 913 villages (36.5 per cent);
- 195 towns (26 per cent);
- 22 cities with county rights (19.9 per cent);
- Budapest, the capital, which is divided into 23 districts and has a special status (17.6 per cent).

The Local Self-Government Act sets out provisions for county and municipal government and determines the basic principles of the separation of central and local affairs. Citizens may influence local government through a body of elected representatives. They may also participate in local referenda.

Local government constitutes a system in which there are no hierarchical relations. Generally, state bodies have only normative control over local authorities. Their decisions are subject to review by the local courts and by the constitutional court.

Parliament regulates:

- the legal status, exclusive tasks and functions, mandatory tasks, types of mandatory bodies, guarantees of operation, financial means and the basic rules of the economic management of local governments; and
- the legal status of the representatives of local government, the rules for their election, and their rights and duties.

The president of the republic calls local elections.

The government ensures that the legal supervision of local government complies with the law, determines the qualification requirements of local government personnel by decree, directs the implementation of the tasks of state administration and ensures the conditions of their execution. An Act of parliament or a government decree authorised by an Act of parliament may confer state administrative tasks on municipal mayors, the mayor of the capital or the presidents of county councils.

Amongst the line ministries, the minister of the interior has a key role in the relationship between the central state organs and local government.

There are only two ways for direct central intervention in local government affairs:

- Parliament may dissolve a body of representatives (after a motion has been made to this effect by the government and in consultation with the constitutional court) if its operation is unconstitutional. Only once, during the first term, parliament dissolved a body of representatives of a village;
- The public administration offices exercise limited control over the legality of the activities of local governments.

Local governments are legal entities and may pass by-laws. They are free to regulate public affairs with a local interest (local social questions not covered by law, such as local services). Local governments are entitled to the right of free association and may create special interest associations. The most popular type of association deals with joint administration of certain local tasks.

In accordance with the law, the chief tasks of local government include: local development, re-settlement, protection of the built and natural environment, housing management, water management, sewage, maintenance of public cemeteries, maintenance of local public roads and public areas, local public transport, garbage collection, settlement clearing, fire protection, local public security, collaboration with local energy suppliers, employment promotion, primary education, health care and social services, and enforcement of the rights of national and ethnic minorities. Local governments may voluntarily undertake any local matter not covered by legal provisions and not reserved for another authority.

County governments are also legal entities. A body of representatives directly elected by the citizens executes their tasks and functions. The president of the county council represents county governments. They execute tasks laid down by law. An Act may require county governments to provide public services of a regional character, i.e. covering large parts of the county territory. A county government may issue decrees within the range of its own activities and may call county referenda. County governments must provide services such as secondary education, vocational training, student hostels, and special health care beyond basic care, if municipal governments do not provide these services.

Financial transfers to local government consist of grants (general and earmarked), equalising grants and shared tax revenues. These sources account for the bulk of local government revenues.

6. Personnel Management

6.1. *Legal Bases and Principles of the Public Service*

Under the communist system, civil servants had no special legal status. They had the same rights and obligations as other employees, and there were no special criteria for becoming a civil servant. For this reason, a new law was enacted concerning the legal status of civil servants (Act No. XXIII of 1992), which

came into force on 1 April 1992. The political aim of this act was to establish a neutral, impartial civil service with up-to-date professional skills to support the work of the public administration.

The law defines the notion of civil servant and specifies the administrative authorities covered by its provisions. Civil servant status may be accorded to Hungarian citizens who meet the required educational qualifications. With a few exceptions, civil servants are appointed on a permanent basis. When appointed, civil servants take an oath. They may resign at any time. The new provisions establish a career system, which fixes grades based on individual qualifications and seniority of service. Civil servants are expected to join the service at the entry level of their respective career group. Prospective civil servants must pass a special administrative examination. Civil servants who possess the necessary work experience defined by law may be promoted if, after a probationary period, their qualifications meet the requirements for the higher position. In a few cases, civil servants may be promoted before the end of the probationary period, but only after they meet the requirements of the higher position. The salary of civil servant is determined through a general classification, although local governments are authorised to depart from these rules. Also, with approval of the government, ministers and the heads of central offices may offer different salaries.

By law, civil servants are obliged to carry out duties that benefit society, to act in accordance with the rules and decisions of the authority in which they work, and be professional, impartial and just. A civil servant must carry out the instructions of his direct superior, except if they violate the law. A civil servant has the right to offer in writing different opinions, if he disagrees with the decision or instruction of his superior. A civil servant may turn directly to the labour court to enforce claims connected with civil service legislation. Civil servants may join trade unions and have the right to strike. They are registered with a central civil service registration system that is directed by the Ministry of the Interior.

6.2. *Personnel Management*

The government has prime political responsibility for the development of personnel policy. Personnel management is decentralised. Ministries and non-ministerial central institutions independently select their own personnel and decide on appointments and dismissals. In the ministries, employer's rights are exercised by the administrative state secretary; in the central administrative offices, this function is carried out by the head of the authority. The system of promotion is defined in the Act on the legal status of civil servants. In cases defined by law, appointments are made on the basis of open competition. The competition and the vacant posts have to be published in the official journal of the Ministry of the Interior.

Civil servants are obliged to participate in training measures that are offered centrally or by the administrative body for which they work. A government decree concerning the continuing in-service training of civil servants regulates how the annual budgetary allocation for training purposes is to be spent. It is administered by the Ministry of the Interior.

7. *Administrative Oversight and Control*

7.1. *Internal Oversight and Control*

The government control bureau is directly subordinate to the government and is responsible for internal oversight and control. The work of the bureau includes the supervision of the revenue of the central budget and budgetary expenditure of the government, subsidies and benefits. The bureau also controls the activities of the central budgetary offices, foreign aid expenditure and the management of the separate state funds.

7.2. External Audit and Control

The state audit office is independent and accountable only to parliament. The state audit office supervises the management of state finances. As part of this responsibility, the audit office checks whether the state budget as proposed by the government is well founded and whether proposed expenditures are appropriate. It countersigns the contracts on loans taken by the treasury, performs a preliminary check on the legality of budgetary expenditures, scrutinises the final accounts of the state budget, and supervises the management of state property and the activities of state-owned enterprises and business ventures. The state audit office is mandated to ensure that those responsible conserve and add to the value of the state's assets.

The state audit office monitors publicly financed institutions, state budgetary support allocated to local government, social foundations and other organisations. It also controls the administration and allocation of the national social insurance fund.

On the order of parliament or at the request of government, the state audit office may conduct *ad hoc* investigations.

The president of the state audit office reports to parliament on investigations carried out during the year. This report must be published. Parliament elects the president and vice-presidents of the state audit office.

7.3. Public Redress

Generally, an administrative Act may be challenged by any concerned person or organisation and reviewed by the hierarchically superior administrative agency. There are no separate administrative courts. At the local level, the ordinary courts are empowered to rule on the legality of most administrative Acts; at higher levels, special judges of the ordinary courts have the same authority.

The courts in the Republic of Hungary are organised on three levels: the supreme court of the Republic of Hungary; the court of the capital city and county courts; and local courts. Legislation may provide for the establishment of specialised courts to deal with specific matters. At the court of first instance, courts consist of councils composed of professional judges and lay assessors. At higher levels, there are only professional judges. Judgements of the local courts may be appealed against before the court of the capital city or the county court. Judgements in the first instance of the court of the capital city or county courts may be appealed against before the supreme court. The supreme court sets guidelines for the judicial work of all courts. The directives and decisions on questions of principle of the supreme court are binding on all courts. The president of the supreme court is nominated by the president of the republic and elected by parliament. The vice-president of the supreme court and all other judges are appointed by the president of the republic. Judges are independent and subordinate only to the law.

In accordance with the constitution, the prosecutor's office also has an important role in protecting citizens' rights. In the event of a violation of law, the prosecutor's office acts to uphold the law and ensure conformity with the law.

Mention should also be made of the institution of the ombudsman. There is no tradition of ombudsmen in Hungary, but the amended constitution does contain basic provisions for the creation of this institution. In accordance with the constitution, there are two ombudsmen with different remits. The National Assembly Commissioner of Civil Rights investigates irregularities concerning constitutional rights and may initiate general or individual measures in order to remedy them. The National Assembly Commissioner of National and Ethnic Minority Rights investigates the irregularities concerning national and ethnic minority rights and, again, may initiate general or individual measures in order to remedy them.

The ombudsmen are elected by parliament, on the nomination by the president of the republic with the votes of two thirds of the representatives. In the case of the ombudsman for the protection of national and ethnic minority rights, before his nomination, the president consults with elected representatives of the minorities.

For the protection of certain constitutional rights, parliament may also elect special commissioners (ombudsmen). Following this constitutional provision parliament has elected an ombudsman for the protection of data.

8. Administering European Integration

8.1. *The Institutional Framework of EU-Related Policy-Making*

The government determines policy on EU integration. It regularly reviews the progress of integration policy and defines future tasks and priorities. Ministers and the heads of the non-ministerial central offices are responsible within their respective areas of competence for the execution of these tasks, and the organisation and co-ordination of appropriate structures and procedures.

The government has created an Interministerial Committee for European Integration to co-ordinate the preparation of government decisions and integration-related activities of the ministries and to discuss substantive issues related to EU Phare Programmes. State secretaries and deputy state secretaries usually attend the committee. Representatives of affected interests can be invited to participate in the committee's deliberations.

To co-ordinate and advance EU-related initiatives on a day-to-day basis, a state secretariat for integration has been established within the Ministry of Foreign Affairs. The secretariat is responsible for ensuring continuous interministerial co-ordination. Its head and two deputy heads are nominated by the prime minister on the proposal of the minister for foreign affairs.

In each ministry and non-ministerial central administrative organ, special integration units have been established to co-ordinate EU-related measures.

8.2. *Managing the Approximation of Laws*

The minister of justice co-ordinates the preparatory work on legal harmonisation in preparation of EU accession. With the close involvement of all ministers concerned, the Ministry of Justice establishes the legal approximation programme designed to prepare accession; supervises the execution of the programme; and ensures the integrity of the principles and methodology of the approximation of legislation. All legislation proposed by the government or parliamentary committees is assessed with a view to its compatibility with EC law.

In 1995, the government approved the approximation programme for a five-year period. This programme is taken into consideration in determining the half-yearly legislative plan of the government and the ministries and in deciding on the legislative timetable proposed to parliament.

The Interministerial Committee for European Integration evaluates the progress of the approximation of legislation and its economic effects.

8.3. *Implementing the Acquis Communautaire*

The government has approved a National Programme for the Adoption of the *Acquis* (NPAA). This is a basic documentation of the measures required in advance of accession and sets out the necessary steps for the adoption and implementation of the *acquis communautaire*. The list of derogations and provisional arrangements is prepared by the ministries and approved by the government.

The national programme and arrangements for institution-building, investment and economic development are reviewed annually.

9. Plans for Reform and Modernisation

Reforms of the central government structure preceded the changes in the political system and continued after the first free elections.

In accordance with a government decision (No. 2013/1999 (II.10), a project on the development of public administration for the years 1999-2000 was prepared and approved (No. 1052/1999 (V.21). The objective of this two-year project is to define -- on the basis of experiences gained in the modernisation of the administration in the course of several government cycles and of the priorities defined in the government programme, and taking into consideration the recommendations of Agenda 2000 setting out the necessary conditions and tasks for EU accession -- the main orientations for development and to set out in a unified way the development tasks for the various sectors.

This project includes the following four chapters, which reflect the main scope of actions of the government:

- development of central public administration;
- development of territorial public administration and municipalities;
- creation of an effective public administration;
- development of the qualifications of staff working in the public administration.

10. Key Statistics

10.1. Budgetary Data

Some Important Data from the 1998 Hungarian Budget <i>Source: Act No. XC (1998)</i> (Millions of Hungarian forints, HUF ¹)	
Total State Expenditure:	3 510 634.1
Of which the expenditure of the main state bodies:	
President of the Republic (including the amount of awards 63 MHUF)	368.0
Parliament (including party sponsorship)	6 718.4
Constitutional Court	667.9
Courts	28 832.4
Prosecutor's Office	11 340.5
State Audit Office	2 380.2
Ombudsmen's Office	568.3
Prime Minister's Office (including the budget and sponsorship of other central organs and programmes)	30 313.6
Ministry of the Interior	170 934.2
Ministry of Defence	134 570.2
Ministry of Social Affairs and Family	25 768.0
Ministry of Justice	20 636.7
Ministry of Transport, Communications and Water Management	128 581.8
Ministry of Foreign Affairs	25 435.2
Ministry of Agriculture and Regional Development	75 712.9
Ministry of Health	53 785.3
Ministry of Finance	88 481.0
Ministry of Education	131 182.9
Ministry of Economy	42 800.5
Ministry of Environmental Protection	18 218.9
Ministry of National Cultural Heritage	51 943.3
Ministry of Youth and Sports	11 869.2
1. On 1 September 1999 exchange rates were: (<i>Source: Hungarian National Bank</i>)	1 US\$ = 239.41 HUF 1 ECU= 254.28 HUF

10.2. Personnel Data

Civil servants: 1999 - 1st trimester	108 249
Male	32 379
Female	75 870
Employed by central offices	66 733
Employed by local government	41 516
Post-secondary education & baccalaureat	87 714
Administrative secretariat	9 871
Technical personnel	10 664
Public employees: 1999 - 2nd trimester	573 600
of this total, breakdown:	
- public administration and social security	86 300
- teaching	234 900
- health services; social services	192 500
- other services	59 900