Opportunities for central (regional) government to intervene in decisions and operations of local governments in Hungary

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Abstract: The regulation of the relationship between central and local government in Hungary has undergone significant transformation in the last decade. The government has robust tools to control local activities, just these tools are rarely applied by the supervising authorities. The main transformation of this relationship can be observed in the field of public services. The formerly municipality-based public service system was transformed into a centrally organised and provided model, thus the role of local governments in Hungary has decreased. The centralisation process was strengthened by reforms during the COVID-19 pandemic.

Keywords: centralisation, decentralisation, legal supervision, central government, municipalities, Hungary

1. EVOLUTION OF HUNGARIAN LEGAL SUPERVISION OF MUNICIPALITIES

1.1. THE BEGINNING: REGULATION BEFORE THE DEMOCRATIC TRANSITION

A continental (mainly German) municipal model was followed by Hungary before World War II. The legal supervision of municipalities evolved during the second half of the 19th century. The local municipalities (communities) were supervised by county self-governments, and the counties were supervised by county governors (főispán) who were appointed by the Government. Before 1907, the decisions of the county governor could be appealed to the Minister of Interior, so there was no judicial control. In 1907 a new court mechanism was introduced, the warranty complaint, thus the decisions of the county governor could be revised by the Hungarian Royal Administrative Court.

This system remained in place until the end of World War II. After World War II, a Soviet-type system was introduced in 1950, and the self-governance of the counties and municipalities were abolished by Act I of 1950 on the Councils. This system was partially changed in 1971. Act I of 1971 on the Councils (the third act on the councils) revamped the system. The partial self-governance of the councils was recognised by the new Act, although they remained local agencies of the central government as well. Therefore, the county...
councils and the local councils were not directed by the central government, their actions and decisions were supervised. The decisions and actions of the counties were supervised by an organ of the Council of the Ministers (Office for County and Local Councils of the Council of Ministers) and the decisions and operation of the local councils were supervised by the county councils. Although there was supervision, the decisions of the supervisory authorities could not be revised by the courts. A transitional model evolved: it was not a pure Soviet-type model, but it was different from the liberal models, as well.

1.2. THE REGULATION OF THE DEMOCRATIC TRANSITION (1990-2010)

In 1990, with the Amendment of the Constitution of the Republic of Hungary and the new Act on Local Self-governments (Act LXV of 1990, hereinafter: Ötv) the former councils were replaced by self-governments. The concept of the Ötv was based on the European Charter of Local Self-Governments, but the rights and autonomies of the local self-governments were even broader. The 'fundamental rights' of the local self-governments were regulated by Section 44/A of the Constitution,¹ the Hungarian regulation was based on the approach of inherent (local government) rights, similar to the Jeffersonian concept of local self-governments.²

The control of the legality of local government actions was based on the French model, on the reformed French municipal model of the Loi Defferre.³ This task was fulfilled from 1990 to 1994 by the Republic’s Commissioner (whose office was organised at regional level), from 1994 to 2006 by the County Administrative Offices and from 2007 to 31 December 2008 by the Regional Administrative Offices.⁴ The supervising bodies could not suspend the implementation of the local government decisions, they could only initiate a review procedure at the Constitutional Court. This was an exclusive of right of these bodies. The Constitutional Court had the right to annul local government decrees. Besides this, on the grounds of unconstitutionality, an actio popularis could be filed by anyone against unconstitutional local government decrees. Other local government decisions could be contested/challenged at the (ordinary) courts.⁵ Beyond the individual acts ruling on subjective rights and obligations according to the Administrative Procedure Act, self-government decisions could only be litigated by the head of the (county) administrative office as the supervising authority after an unsuccessful notification procedure. Decisions, including local government resolutions, could be annulled in these processes by the courts.

Although the regulation on legal supervision and the judicial review was up-to-date, several dysfunctions occurred in practice. The main reasons for this were the extra-legal problem of scarce resources. On the one hand, the legality control units within central government agencies were quite small: only about 300-350 posts were created for this task.⁶ An average legality controller had to control all the issues of 10 municipalities. The central government agency – according to the adapted French model – could only initiate a judicial review of local government decisions. The competence for annulment lay with the courts (local government resolutions) or with the Constitutional Court of the Republic of Hungary (local government decrees). These bodies could also suspend the implementation of decisions. The courts and the newly organised Constitutional Court had significant resource problems: the procedures were often delayed, which hampered the efficiency of the legal protection.⁷

A weak tool for the prevention of the omission of the municipal bodies were introduced by the municipal system of the Democratic Transition: Act XXXII of 1989 on the Constitutional Court stated that an action is missed by a public body and the Constitution and especially the fundamental rights are infringed by the omission, the omission could be stated by the Constitutional Court and it obliges to terminate it.⁸
Similarly, as an ultima ratio of the supervision system, the dissolution of a municipal council (officially called a ‘body of representatives’ in Hungary, and as an ‘assembly’ in the counties, the capital and towns with county status – after the Democratic Transition) by the Parliament was institutionalised. If the Constitution was permanently infringed by the activity of a body of representatives (essentially the council) of a municipality, this body could be dissolved by the Parliament. This procedure was very complicated, full of guarantees. The procedure had to be initiated by the Government, with the initiative based on the legal supervision of the county agency of the Government. This initiative had to be commented on by the Constitutional Court, giving its opinion. After that the Parliament decided, but in the parliamentary debate the municipality could take part. It was a very rare tool in the Hungarian system, only 2 municipal bodies were dissolved between 1990 and 2010 (there were 5 municipal terms and more than 3200 municipalities in Hungary).

The legal supervision, as well as the judicial and constitutional review of the local government decisions, required a reform which was achieved by the Fundamental Law of Hungary and subsequently Act CLXXXIX of 2011 on Local Self-Governments of Hungary (hereinafter: Mötv).

### 2. TRANSFORMATION OF THE HUNGARIAN SYSTEM

#### 2.1. TRANSFORMATION OF LEGAL SUPERVISION

In 2011, a shared competence system was introduced by Article 24 and Article 25 (2) c) of the Fundamental Law and by Section 136 of the Mötv. Since then, the right to review the legality of local government decrees belongs to the Local Government Senate of the Curia, Hungary’s supreme court, which can annul local government decrees if regulations of an act of Parliament or of decrees by central government bodies are violated. A local government decree can be annulled by the Constitutional Court if it is unconstitutional. The delimitation of the powers of these two bodies was uncertain, but Decision 3097/2012 of the Constitutional Court (published on 26 July) stated that the constitutional complaint or motion can only be decided by the Constitutional Court if it refers exclusively to a breach of the Fundamental Law. If there is also a question of legality, not only of constitutionality, the Constitutional Court’s lack of competence is declared and the complaint or motion is transferred to the Curia. This regulation was partially transformed after 2017. The Constitutional Court stated its competence in cases where not only the Fundamental Law but other Acts of Parliament are infringed, if fundamental rights are seriously harmed by the municipal decree [Decision 7/2017 (published on 18 April)].

The legal supervision of local government decisions is performed by the County (Capital) Government Offices. Their competence is regulated by the Mötv. and by Act CXXV of 2018 on the Administration of the Government. The ombudsman can examine the legality and harmony with fundamental rights of local government decrees as well. The judicial review of a local government decree can thus be initiated either by the county (capital) government offices or by the ombudsman. The procedures of the Curia can be initiated by the judge of a litigation too, if the illegality of a local government decree that should be applied in the case is probable. An a posteriori constitutional review of the Constitutional Court can be initiated by the judge of the given court case, by the ombudsman and by the Government of Hungary. The latter is based on the notice of the Government Representative (head of the county or capital government office) and on the proposal of the minister responsible for the legal supervision of local governments (now the Minister leading the Prime Minister’s Office).

The omission procedure is a new element of the system. As I mentioned, the previous model institutionalised a weak tool. In the new model, the Curia can declare that a local govern-
ment failed to adopt a decree. If a resolution or service provision has been missed by the municipality, the responsibility belongs to the designated county (and Budapest) courts (8 of the 20 county courts), which have administrative branches (these courts actually operate on a regional level). The procedure has been regulated by Act I of 2017 on the Code of Administrative Court Procedure since 2018. A case can only be initiated by the county government office if a municipal decree has not been passed, and it can be initiated by the county government office and by the party assuming an individual infringement. In Hungarian public law, the authorisation for adopting a decree can stem from an obligation of the legislator. Although the local governments also have original legislative powers, several important subjects of these original powers are listed by the Mötv. An omission procedure is justified by the failure to adopt a decree in these fields. Similarly, the county government offices can provide the omitted services and adopt a missing resolution as well.

Prima facie, full legal protection is provided to individuals by this new model of judicial and constitutional review. If we take a closer look at the regulation, several lacunas can be noticed. The main problem is that individuals affected cannot initiate the judicial review of a local government decree directly. As mentioned above, only the judge of the case, the ombudsman and the county government office, may submit a request to the Curia. The procedure aims to safeguard public interest first of all, while safeguarding subjective rights and positions only applies as a secondary aim. Although individuals can submit a constitutional complaint to the Constitutional Court against the decisions of the courts, the success of these procedures is highly doubtful, as a local government decree rarely violates the Fundamental Law only, without being contrary to lower sources of law. Unconstitutional local government decrees often violate an act of Parliament or a decree of a central government body, and – if the constitutional complaint is based on the unconstitutionality of the applied decree – the decree cannot be reviewed by the Constitutional Court for lack of competence. Only the Curia is authorised by the new constitution and by the Court Act to conduct a judicial review of the legality of local government decrees. Other hindrances can stem from the strict legal requirements of the admission procedure of the Constitutional Court. Thus a decision on the merits of the complaint rarely occurs.

Therefore the main problem stems from the lack of a remedy similar to the constitutional complaint for local government decrees, which would be necessary because of the shared competence of norm control in this field. The judicial review procedure of the Curia cannot be initiated directly by an individual; individuals can merely – and not bindingly – ask the county government office, the ombudsman or the judge of the given case to ask the Curia for a revision of the legality of the contested local government decree. If an individual submits a direct application to the Curia to annul a local government decree, or if the Constitutional Court transfers such a complaint to the Curia because of the shared competence, the application or the complaint will be rejected due to the lack of standing.

Until 2020, the local government body could not contest the decision of the Curia before the Constitutional Court. This changed with an amendment of Act CLI of 2011 on the Constitutional Court in 2019, thus municipalities have the right to submit a constitutional complaint against court decisions (including decisions of the Curia) that infringe their competences. It is not clear, and because of the novelty of the regulation a standing practice has not evolved, whether the municipalities can or cannot submit successful applications against the decisions of the Curia based on an infringement of competences, if they do not agree with the decisions of the court. So far there has been one single complaint against the resolution of the Curia, and it was rejected based on the logic of the regulation before the 2019 Amendment. In this case, a local government appealed the resolution of the Curia, and
the Constitutional Court rejected the complaint. In the practice of the Constitutional Court, the local government cannot submit a constitutional complaint because it can only be submitted on the grounds of a violation of fundamental human rights. According to the interpretation of the Constitutional Court, local governments have no fundamental rights, they just have “competences protected by the Constitution”. There is no means of contesting, no effective complaint against decisions which infringe the self-governance of the local governments. This practice – which does not recognise the right to submit a constitutional complaint – is a strong limitation to the autonomy of local governments because their competences are only partially protected. As I mentioned, this regulation changed in early 2020, but there has not been any relevant case based on the amended regulation, therefore its impact cannot yet be estimated.

It is clear that the legal regulation on the control of local government decision-making was significantly transformed after 2012. If we look at the actual practice, these procedures are rarely used by the supervising authorities. First of all, the supervising authorities have limited resources – similarly to before. Therefore, they detected a low number of infringements during their activities (see Figure 1).

![Figure 1 – Number of municipal decrees, other municipal decisions and infringements of local decisions detected by county / capital government offices in 2019 (Source: OSAP 2019)](image)

If an infringement is detected, the municipalities are mainly cooperative: the majority of the calls for legality are accepted by the municipal bodies: only 1.58% of the calls were rejected in 2019 (see Figure 2)

![Figure 2 – Legal notices in 2019 (Source: OSAP 2019)](image)

Because of the lack of the resources and the large number of municipal decisions, the focus of legal supervision activity of the county government offices was transformed. As I mentioned earlier, the a priori tools were institutionalised in the early 1990s. Legal supervision in Hungary now focuses on preventing infringements. The main tool of the county government offices for this prevention is the professional aid (assistance) to the municipal bodies (see Figure 3)

![Figure 3 – Professional aid and legal notices of the county (capital) government offices in 2019 (Source: OSAP 2019)](image)

Therefore, the role of court cases has remained very restricted, and the majority of these cases are not submitted by the county (capital) government offices, but by the judges of litigations and the ombudsman. Hence court cases are mainly based on the protection of subjective rights (private interests) and not on the protection of public interests (see Table 1 and Figure 4).
2.2. NEW TOOLS FOR CENTRAL GOVERNMENT TO INTERVENE: DELIMITATION OF FINANCIAL AUTONOMY OF THE MUNICIPALITIES

The paradigm of the relationship between central and local government was radically transformed by the new Hungarian Constitution, by the Fundamental Law. The former regulation was based on the passive role of the central government, but now it has responsibilities which provide it with strong and active intervention into local affairs.

First of all, as I mentioned, a missed decision can be made up by the County Government Offices. Although these procedures are rare (3-6 each year), it provides for the possibility of the central intervention.

Secondly, if an obligation based on international law or European Law is jeopardised by the municipalities, the Government can do it instead. The main reason was that several omissions and in-
fringements of the municipalities caused procedures against (the central government of) Hungary at the European Court of Justice. To prevent these procedures, the Government has the possibility to take municipal decisions instead. Although it is clear that the political question doctrine could be applied for these cases, the resolution of the government can be sued by the municipalities.

During the 2000s, municipal debt was a great challenge. The new Municipal Code, the Mötv. and the Act on the Economic Stability of Hungary have regulations to prevent municipal indebtedness. First of all, municipalities are not permitted to plan an annual operational deficit in their budget, deficits can be planned only for investments and developments. Secondly, permission of the Government is required for municipal borrowing (in principle). These resolutions cannot be sued by the municipalities. The investment decisions of municipalities are subject to significant control by the (central) government. This control is strengthened by the centralisation of the national management of the EU Cohesion Funds. Since the majority of local investments and developments are co-funded by the EU cohesion funds, the central control is strengthened by the centralised management. These tendencies were encouraged by the ASP system, which is a centrally monitored application centre for local budgeting and spending.

3. TRANSFORMATION OF MUNICIPAL TASKS: STRONG CENTRALISATION AFTER 2011/12

After 2010, the newly elected Hungarian government decided to reorganise the system of human public services. The main goal of the reform was to centralise the maintenance of public institutions in the fields of primary and secondary education, health care and social care. Before 2010, most of the institutions were maintained by local governments: e.g. inpatient health care was a compulsory task of the counties, primary care was under the authority of the municipalities. According to government statements there were serious problems before 2010 in these sectors. The local governments lacked sufficient budgetary resources to maintain their institutions effectively and transparently, therefore only the state administration could provide these public services at a unified high level of quality. Government decision-makers deemed that only central government control is able to ensure equal opportunities in these sectors. The Government established agency-type central bodies and their territorial units to maintain institutions (e.g. schools, hospitals and nursing homes) in the aforementioned three fields:

- health care: National Institute for Quality- and Organisational Development in Healthcare and Medicines (reorganised in 2015 as the National Health Care Service Centre);
- primary and secondary education: Klebelsberg Centre and the Directorates for the School Districts for the maintenance of service providers;
- vocational education: National Office of Vocational Education and Training and Adult Learning and the (regional) Vocational Training Centres;
- social care and child protection: General Directorate of Social Affairs and Child Protection.

Agencies are widely used types of non-ministerial central administration. These bodies are usually independent from Government to some extent, and are entitled to make rules and individual decisions too. Their main advantage is that they concentrate on a few specific tasks, while the ministries can develop policies and adopt rules at a higher level. Furthermore, agencies as buffer organisations can provide a much more flexible framework of human resource management during personnel downsizing campaigns, which are rather frequent in Hungary. In spite of their (respective) autonomy, agencies often carry out political tasks and frequently operate under tight governmental or ministerial control.

Another very important aspect of centralisation is the organisational power of the Government and
the minister overseeing these agencies. In accordance with the Fundamental Law, the Government may establish government agencies pursuant to provisions laid down by law (Art. 15). The origin of this power is the authorisation of the Parliament to the Executive to implement its program in certain sectors and in general. For this purpose, the Government must have an appropriate and well-constructed administrative system. The transformation can be observed by an analysis of the annual budget of the Ministry of Human Capacities, which is now responsible for the centralised service provision.\textsuperscript{28}

Table 2 – Total expenditures (in HUF million)\textsuperscript{29} of the budgetary chapter directed by the Ministry of Human Capacities

<table>
<thead>
<tr>
<th>Year</th>
<th>Total expenditures (in HUF million) of the budgetary chapter directed by the Ministry of Human (formerly National) Capacities*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,535,370.6</td>
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<tr>
<td>2012</td>
<td>1,949,650.5</td>
</tr>
<tr>
<td>2013</td>
<td>2,700,363.9</td>
</tr>
<tr>
<td>2014</td>
<td>2,895,624.8</td>
</tr>
<tr>
<td>2015</td>
<td>3,049,902.2</td>
</tr>
<tr>
<td>2016</td>
<td>3,011,947.7</td>
</tr>
</tbody>
</table>

* The inflation rate was 3.9\% in 2011, 5.7\% in 2012, 1.7\% in 2013, and -0.9\% in 2014 based on the data of the Hungarian Central Statistical Office.\textsuperscript{30}


In short, the maintenance agencies in these three sectors are rather tightly subordinated to the Government and more directly to the Minister of Human Capacities. This influence expands to the territorial units. Thus, the role of the municipalities has been significantly weakened, which is clear based on the municipal expenditures.\textsuperscript{31} In 2010 the municipal expenditures were 12.5\% of GDP and in 2017 only 6.3\% (in the EU-28, municipal expenditures were 11.9\% of GDP in 2010 and 10.7\% in 2017) (see Figure).

**Figure 5 – Local government expenditures (as \% of GDP) in the EU-28 and in Hungary between 2010 and 2017**

Source: Eurostat\textsuperscript{32}

This process has been strengthened by legislation after the COVID-19 pandemic. The regulation on local taxation was amended, and the shared revenues from the vehicle tax have been centralised, while the most important local tax, local business tax, has been reduced for small and medium enterprises, thus local revenues were reduced and national incomes became more centralised.

4. CONCLUSIONS

The regulation on the relationship between central and local government in Hungary has undergone significant transformation in the last decade. Although the government has robust tools to control local activities, the main transformation can be observed in the field of the public services. The former municipality-based public service system was transformed into a centrally organised and provided model, thus the role of local governments in Hungary has decreased.

Notes

2 Jefferson stated that the right of local communities to self-governance is an inherent right, not a right which is devolved by the central government (Bowman and Kearney 2011: 235-236).


4 From 1 January 2009 to 1 September 2010, due to a constitutional court decision there were no bodies which could control the legality of decrees of local governments. The main reason for this was that the regionalisation of the Administrative Offices was not performed by an act adopted by a qualified (two-third) majority, and therefore this Act was declared unconstitutional by the Constitutional Court of Hungary. Given the lack of the two-thirds majority of the then governing parties and the strong opposition against the regionalisation the Parliament could not adopt the required act. Qualified majority acts are a speciality of the Hungarian law (Jakab and Sonnevend, 2013, 110.).


9 In the case building of the minarets and the practices of the muezzins were banned by the municipal decree, by which not only the constitutional regulations on the freedom of faith, but the regulations of the Act on Freedom of Faith and the regulations of the Act on Protection of the Built Environment (the municipalities do not have competences on the ban of these religious buildings) were infringed. According to the former regulation, the case – which was initiated by the ombudsman – should have been transferred to the Curia (the Supreme Court of Hungary), because not only the rules of the Fundamental Law were infringed by the local regulation. The Constitutional Court decided the case and quashed the regulation. In the justification the competence of the Constitutional Court was based on the serious infringement of the fundamental rights of the citizens and the required high level of their protection.


12 See for example the Resolution No. 3097/2012. (published on 26th July) of the Constitutional Court, the Resolution No. 3107/2012. (published on 26th July) and the Resolution No. 3079/2014. (published on 26th March) of the Constitutional Court.

13 See for example the Resolution No. 3315/2012. (published on 12th November) of the Constitutional Court in which the Constitutional Court rejected the complaint because the decision of the local government could be appealed. The Constitutional Court rejected the complaint for the same reason in the Resolution No. 3234/2013 (published on 21st December).

14 For example the Constitutional Court accepted the complaint in the Resolution No. 3121/2014 (published on 24th April) but dismissed it because the local government decree which regulated the fees, the licences and the appearance of the taxis of Budapest was declared constitutional.

15 See the grounds of appeal of the Resolution of the Local Government Court of the Kúria No. Köf. 5054/2012/2.

16 Such an effective remedy is the German Kommunlaverfassungsbeschwerde which can be submitted for the infringement of the local government competences guaranteed by the Grundgesetz (Umbach and Clemens 2012: 1625-1632).

17 See Resolution No. 3123/2014. (published on 24th April) of the Constitutional Court.


19 In 2012 and 2013 the significant number of the cases initiated by the county government offices were based on the transfer of pending cases from the Constitutional Court to the Curia.


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23 These governmental statements are summarised in the Rapporteur’s Justification of Act CLIV of 2011 on the Consolidation of the Self-governments of Counties and the Rapporteur’s Justification of Act CXC of 2011 on Public Education.


26 On politicisation see ibid.


29 In January 2020 1 EUR is about 360 HUF and 1 RUB is about 4 HUF.

