

László Kákai Ph.D.

Associate professor
University of Pécs

Is decentralization or recentralization of the Local Government budget in Hungary?

Final abstract

Hungary gave birth to a mixed system of governments as a result of an impulse of change of regime, wanting all to change and democratize, and it resulted in the mixture of the models of Northern and Southern Europe.

In one respect, Hungarian local governments possess almost as comprehensive tasks as the local governments of Northern Europe, consequently big cities of hundred thousands of inhabitants have the same comprehensive tasks as small villages of some hundred. On the other hand, Hungarian local governments are predominantly organs with a small number of inhabitants, just like in Southern Europe, but in contrast with local governments of Southern Europe, our local governments carry out comprehensive tasks of services. Mid-level local governments, i.e. micro-regions and counties, supply only “remaining” tasks. Today practically a comprehensive task system of public services of Northern European character is built on a structure of Southern European character, which is characterized by the settlement structure of the high proportion of settlements with small number of inhabitants.

In my presentation I try to show how the economic crisis and the governmental centralised reform can influence the fiscal position of local government system.

Whether the more centralised state can be a solution for saving the local governments' economic situation is close to bankruptcy?

The presentation demonstrates which solution was applied by the state to avoid the wave of bankruptcies of Local Governments and therefore the used/introduced reform what kinds of local autonomy model was created.

Is decentralization or recentralization of the Local Government budget in Hungary?

Introduction

Hungary gave birth to a mixed system of governments as a result of an impulse of change of regime, wanting all to change and democratize, and it resulted in the mixture of the models of Northern and Southern Europe.

In one respect, Hungarian local governments possess almost as comprehensive tasks as the local governments of Northern Europe, consequently big cities of hundred thousands of inhabitants have the same comprehensive tasks as small villages of some hundred. On the other hand, Hungarian local governments are predominantly organs with a small number of inhabitants, just like in Southern Europe, but in contrast with local governments of Southern Europe, our local governments carry out comprehensive tasks of services. Mid-level local governments, i.e. micro-regions and counties, supply only “remaining” tasks. Today practically a comprehensive task system of public services of Northern European character is built on a structure of Southern European character, which is characterized by the settlement structure of the high proportion of settlements with small number of inhabitants.

The Hungarian system of governments belongs to the so-called group of governments with wide responsibility which possess general authorization. The Hungarian model has given the settlements self-government rights; therefore the number of the sub-national level has almost doubled compared to the former local council system. The institution of the compulsory association had not been incorporated into the new model, and this fact caused severe cost-effectiveness problems.

An examination carried out in connection with comprehensive scopes of duties and competences by the *State Audit Office* between 1995 and 1999 stated that most governments had not surveyed or assessed available sources of power regarding what tasks they could undertake among their obligatory and voluntarily ones.¹ This was a general occurrence that governments only refer in their structure and work regulations to all rules which prescribe their tasks. On the other hand, they regard as their tasks what they voluntarily undertake in their budget for years. You can experience the same situation in connection with undertaking district or regional tasks with the following difference: local governments were given the opportunity of choice and examination in respect of carrying out or handing over their tasks. County governments have experienced a lack of financial resources, which can partly be explained by the handover of institutions originally maintained by local governments to them. You can imagine that in the frittered settlement system, hardly fewer than 3200 local authorities supported 12800 publicly financed institutions, according to the data of the Hungarian State Treasury of 1st July 2008 (Vígvári 2009: 25).

Governments in Hungary are traditionally characterized by a supply of institution centred public tasks. The number of publicly financed institutions began to increase again after 2002², in spite of important multiplication of associations. This number was 14 329 by the end of December 2006 (Vígvári 2007: 25).

The scope of duties of governments has been increasing in the last 20 years. The primary reason for this is that sectorial laws have got the right to load governments with obligatory tasks and to expand the essence of tasks enumerated in the Act about Governments. The administration bestowed 3646 scopes of duties and competences on governments and their organs between 1995 and 1999, which is controlled by 351 rules altogether (133 of which are

¹ www.asz.hu/ASZ/jeltar.usf

² The number of the organs of governments decreased between 1995 and 2002, and it was far from 14000.

laws) – according to the report Nr.0012 of 2000 of the *State Audit Office*.³ This also means that it is difficult to get a clear picture as regards the real tasks of governments. This particularly manifests itself in governments which experience bankruptcy proceedings or the procedure of paying debts.

Governments are “overloaded” by obligatory exercises through the regulation of competences. The conditions of supply are defective therefore they can scarcely satisfy local claims, consequently the satisfaction and the trust of local society is lost thus the legitimacy of the system is reduced. At the same time tasks could be transferred from governments to the state sector, because the interpretation of “priority” in local public affairs failed to come about in concrete debates of task definition.⁴ This was especially typical in respect of mid-level tasks that state deconcentrated organs and institutions got authorization instead of local governments of counties. Many domains got out of the sphere of governments and they turned into state tasks (e.g.: transport, nature and environmental protection, sports, protection of historic monuments, control of trade and market, consumer defence, management of agriculture and transaction of lands, etc.). *Human public services* have become supplied by either state or government organs (e.g.: education, teaching assistance, family counselling centre, public guardianship authority, centre hospitals in public health service, etc.). The role of county development councils has become formal, and their competence for decision has mostly been handed over to regional councils.

Financial situation of local governments

If we approach the topic from the financial bases of the system of Hungarian governments, we can observe interesting occurrence as well.

The local government resources available to finance the own expenditures is basically furnished by three sources: (1) revenues shared with central government (personal income tax (PIT), motor vehicle tax, Duty tax, etc.) (2) own revenues (basically local taxes), (3) credits, issuance of municipal bonds. The legislator has always tried to limit the use of the issuance of municipal bonds which is explained by the practical fact that local governments cannot go bankrupt. Since the mandatory tasks (street lighting, basic health services, primary school instruction and education, etc.) must be supplied, if their level of debt makes it impossible for a local government to supply mandatory tasks, the State’s central budget should financially substitute the local government. Until recently, the amount of the loans was limited to 70% of the sum of the principal own source revenues of the local government. However, this restriction was not a real limitation for local governments.

Perhaps it is the most important to make it clear that the Hungarian sponsoring system has moved in the last 20 years from the direction of normativity towards the direction of “hand control”. The recent eighteen years have shown that the measure of normative sponsoring has been decreasing. While the measure of normative state contribution in 1991 the proportion calculated in the GFS⁵ system was nearly 43% of the complete income of governments, by 2008 it amounted to only 16% together with normative supports of defined application.

The proportion of the income of governments amounted to 16% of the complete income of the governments with a view of GFS, this proportion exceeded 31% by 2008. The greatest part within this (the proportion exceeded 54% of the incomes in the given year) is represented by local taxes (this proportion was only 15% in 1991). 84% of local tax incomes comes from local business taxes (LBT). It means that the predominant majority of the local tax burden is

³ www.asz.hu/ASZ/jeltar.usf

⁴ The number of the intermediate units reaches a hundred (approx.30 deconcentrated regional administrative organs), besides 19 county development councils and 7-8 regional development councils, you can find 174 micro-regional development councils.

⁵ Government Financial Statistics.

borne by enterprises. The local business tax amounts to 14.2% (465.075 billion Ft) of the total income of local governments in 2008 (this was in 1994 only 3.9 %). At the same time, there is a huge dispersion regarding the forthcoming proportion of incomes of governments from business taxes (it is between 0 and 35). The other problem is that it shows a big concentration, i.e. 75–80% of the total local business tax is concentrated at about one tenth of governments.

The share of expenses of governments shows a continuous decrease to GDP⁶ in a way that meanwhile special decrease in tasks has not happened. Moreover, different professional (sectorial) laws were created after the Act of Government (AG) came into force. They ascertained further obligatory tasks. These laws partly include such professional standards whose financing is not included in the normative state contributions. The number of obligatory tasks of government has not decreased, but it has grown. At the same time the governments are not provided with central sources proportionally to growing tasks. This has resulted in the following: the real value of expenses of governments has decreased by 10% in the last 13 years⁷ (Vígvári 2006: 26). The deterioration of conditions of governments is well indicated by the fact that the sources of governments in real value in 2000 constituted only 49% of the sources in the year 1991 (Lóránt, Somogyiné and Bukova 2002).

The governments finance their deficit of their current budget mostly from credit. The debt of local governments was only about HUF 115 billion in early decade of 2001. This number became almost six times higher by 2007 (to HUF 669 billion), it grew further in 2009 and already exceeded 800 billion HUF. Another important element of growth of total debt must be sought in the practice of bond floating of governments (Schultz 2009: 423). The bonds were floated by one numerically small but important group with regard to budgetary and the financial importance of governments (cities with county rights, one part of cities, county governments). The value of bonds of governments reached hardly HUF 25 billion 4 years ago in 2006; opposite this, the real “boom” was in 2007, when the value of floated bonds reached HUF 200 billion and by the end of the decade it reached a sum of 400 billion (Schultz 2009: 424). Over the period 2005–2010 the municipal bonds has grown from nearly zero to HUF 610.6 billion. On the other hand, the issuance of municipal bonds was not based on well-founded, long term and transparent decision taking account all the relevant circumstances and risks. The majority of the bonds issued by local governments have received a moratorium of several years on amortisation and, in several cases, on payment of interest. Therefore, the obligation of amortisation will not appear for several years, but once the amortisation started, it creates greater obligation for local governments.

Nearly 90% of the bonds were issued in foreign currency (CHF and EUR) and therefore their remuneration is linked to the given foreign currency. In other words, local governments which have their revenues in HUF have undertaken obligation in foreign currency.

By contrast, the volume of the deposits of the local governments has increased from HUF 255.6 billion in 2006 to HUF 522.1 billion in 2008, while it has decreased from HUF 489.8 billion in 2010 to HUF 405.5 billion in 2011. These figures represent the reproduction of the deficit. The repayment of this part of the debt is not probable.

Consequently, the local authorities can improve their financial liquidity and stability through this financial transaction in the short run, but they do it at the expense of their future obligations, and therefore they are “consuming” their future.

The increasing management problems, the increase of the cash deficit and the indebtedness of the local governments imply that the financial situation of local government sector should be taken under control. The importance of these difficulties for the national economy was clearly demonstrated by the fact that in 2010 it was precisely the deficit in the local government sector which destroyed the general government debt in percentage of GDP [Ministry of

⁶It was approximately 18% after the change of the political system. Today it has decreased to 13%.

⁷Ending in 2003.

National Economy (2011)]. The total annual debt of the local governments in 2009 was representing nearly 40% of the total revenues of the sector (HUF 3284 billion). In 2005 this ratio was only 22%. One of the main reasons of the sharp increase of the indebtedness consists in the fact that because of austerity measures of the State's central budget the revenues transferred by the State's central budget (shared revenues) have decreased. The local governments were also forced to take more tasks. The provision of own financial contribution for the EU tenders necessary for local developments has entailed a considerable financial burden for local governments.

According to the Hungarian Central Bank statistics, the gross, consolidated public debt of Hungary, calculated according to the European Union methodology, reached HUF 21.749 billion at the end of last year. In the same period, the local government debt was around HUF 1.200 billion, which is little more than one twentieth of the total public debt.

Between 2007 and 2010 a clear deterioration was evidenced in the financial equilibrium situation of local governments and the financial risks increased. The current public sector balance has continued to moderate since 2008, from HUF 172 billion in 2007 to HUF 76 billion in 2010. All types of local governments have been hit by the diminution of budget resources, while the financial situation of the intermediate level of territorial self-governance deteriorated because of the diminution of levies revenues. Between 2007 and 2010, the income of county governments decreased, in absolute terms, by 16.9 per cent, while the joint increase by 6.1 per cent of the income of the capital's Metropolitan Assembly, the local government of cities of county rank and the local government of cities meant also diminution in real terms.

The financing problems of the local government sector is also indicated by the fact that in 2010, 51 city governments, while in 2011, 156 city governments from the 304 benefited from the ÖNHIKI support⁸.

The liabilities against financial institutions increased overall by 77.7 per cent between 2007 and 2010. The indebtedness increased by 8,8 per cent in case of the capital, by 143 per cent in case of the county governments, by 100 per cent in case of the cities of county rank and by 92 per cent in case of the cities.

The 85 per cent of the debenture stock and outstanding credit at the end of 2010 will become effective from 2014, and will entail a considerable financial burden and risk on the local governments because of the variation of the exchange rates and the interest rates.

Table 1 Annual mandatory repayment instalment (billion HUF)

	2012	2013	2014	2015	2016
in HUF	40.8	46	42.4	31.7	26.8
in EUR	34.3	51.8	47.3	52.2	49.2
of which EUR	12.3	17.6	16.6	15.7	16.1
of which CHF	22	34.2	30.6	36.5	33.1
Sum total	75.1	97.8	89.7	83.9	76

Source Napi Gazdaság

By the way, over the period 2005–2009 a difference of one percentage point between the growth rate of expenditure and revenue has generated HUF 360 billion external financing requirements. The State's central budget forecasted an increase of debt volume of HUF 50 billion for 2010; instead the growth was HUF 175.1 billion.

⁸ ÖNHIKI support = Financial support for local governments being in disadvantaged position through no fault of their own. The number of these local governments was 1221 in 2012, which nearly corresponds to the 40 per cent of the total number of local governments (3168 settlements).

The local government debt data show a cyclical element tied to timing of the elections since the level of the debt increases considerably every four years (see annex 1). Second, till 2004 the increase in debt was moderate in non-election years. Third, till 2003 the average foreign currency denominated debt corresponded to one third of the total debt. However, between 2004 and 2008 significant changes occurred. On the one hand, during these five years the debt increased significantly – by 20–30 per cent – each year. On the other hand, especially between 2007 and 2008, the outstanding debt in foreign currency increased considerably and consequently almost two-thirds of the total debt was already denominated in foreign currency.

From 2009 the emergence of the US subprime crisis has led to decrease in the HUF exchange rate, a tendency further aggravated by the economic policy post-2010. Therefore, because of the important open currency position the volume of loans has significantly increased. From this year, the regulation of the borrowing was strengthened since without the authorisation of the central government local governments can only apply for a "one year" loan which must be repaid within one year. Finally, the budget for 2013 introduced the so called "contribution to the tasks" which reduces significantly the financial resources of local governments.

At the end of 2012, the Hungarian government worked out a programme aimed at replacing self-governments debt. According to this programme, the government assumes overall HUF 612 billion of debt from 1956 self-governments.

Table 2

Category	Number of local governments	Debt assumption measure	Volume of assumed debt (billion HUF)
Összesen	1 956	56,7%	612,1
under 5 000 inhabitant	1 673	100,0%	97,3
above 5 000 inhabitant	283	48,6%	514,8
<i>of which where the amount of the local tax revenue per capita compared to the national average</i>			
≥100%	134	40,0%	244,7
<100% and ≥75%	54	50,0%	145,1
<75% and ≥50%	57	60,0%	79,4
<50%	38	70,0%	45,6

Source: kormany.hu

In the framework of this programme, the government assumes the total debt (credit, bonds, in forint, in foreign currencies) of the settlements under 5.000 inhabitants (97.3 billion HUF). In contrast, in case of the settlements with 5.000 inhabitants or more, the rate of the assumption is based on the local tax revenue of the respective settlements compared to the national average, and founded on separate agreements with the single self-governments. However, the State assumes globally 40% of their debt (514.8 billion HUF) regardless of the fact whether the loan had been taken by the given self-government for operation or development purposes.

Changes in the rule system

In case of local government offices, in addition to the evident subjection of the public notaries to the supervision of mayors, it is also important to emphasize the rules concerning the creation of integrated municipal offices (which are similar to the former district notaries). While previously only the settlements under 1,000 inhabitants was obliged to set up a common local government office, and the legislation provided an exception from this rule in several cases, according to the new legislation, every settlement under 2,000 inhabitants are

bound to operate a common office. This common office should cover at least 2,000 inhabitants or 7 settlements. (For example, the new regulation does not allow to two settlements with 300 inhabitants to set up a common office.) Basically, there is no exception from this rule. If within 60 days of its establishment, the self-government does not come to a decision on this matter, it is the competence of the government office to take the decision on behalf of the self-government. The legislation lays down in more details the rules concerning the procedures and responsibilities of the self-governments.

The most determinative changes, in terms of the organisational structure of the local governments, outside the self-government system but in close connection, occurred in the field of the deconcentrated bodies. The self-governments are supervised by the county government offices, and other deconcentrated bodies take over a significant part of their duties. The county institutions' funding centres are responsible for the operation of the public service institutions, which was previously subject to the supervision of the county governments. The government justified basically the creation of these centres on the ground that acquisitions conducted jointly and in larger quantity may decrease the operating costs of self-governments. It is of interest and probably not independent of the huge volume of the acquisitions that these bodies operate under a dual management.⁹ So, on the one hand they are under the direction of a government agent and, on the other hand, under the direction of the minister responsible for its control. This organizational solution seems incomprehensible and absurd (Gajduschek 2012).

Important changes have occurred in terms of tasks and responsibilities. The former responsibilities of the county government will disappear completely. The operation of secondary institutions and other institutions that local governments are not able to maintain will be transferred to the county institutions' funding centres. In general terms, the responsibilities of the county governments concerning the mid-level management and management and delivering territorial public services will end. Instead of these tasks, the county governments will be made liable for duties (territorial development, rural development, spatial planning and also other coordination tasks) of the former regional development councils, considered as a weightless matter, without the transfer of any substantial power or financial resources. The loss of function, power and importance is clearly indicated by the fact the annual budget of the county governments had been substantially reduced and corresponds therefore to the tenth or twentieth of their previous annual budget. However, compared to the former regional development councils, this reduced budget is still very important in relation of the extent of their tasks.

Although the priority order was previously also evident in case of the mandatory and the voluntary tasks, the new regulation makes explicit that the self-government may undertake any voluntary task only if its obligations has been fully supplied, and furthermore only its own resources or the government financial support dedicated especially to special duty in question may be used for these voluntary tasks.

It seems that self-governments shall resign from the two biggest public service fields: health and education. In case of the former, the self-governments were responsible for smaller tasks which consisted especially in delivering services in the areas, on time and in way corresponding to the needs of the local population. The education is a most important field not only for the self-governments but also for the inhabitants. The half or third of total annual budget of the small and medium-sized settlements was used for this purpose. With the loss of

⁹ It is important to note the so called 'dual management' is not unknown for the Hungarian administrative science. Previously, this system was employed for the specialized administrative bodies of the councils and executive committees. The key point of this system consists in the separation of the organizational and professional managements. The former is controlled by the head of the local authority, while the latter is led by the specialized central body.

the two biggest public human service areas, the self-governments are responsible only for the “remaining”, less important fields (Gajduschek 2012)

The renationalisation will probably affect also the service providers’ composition. In this respect, the situation in Hungary, following international trends, is rather heterogeneous. Beyond the institutions operated by the state and self-government, the role of ecclesiastical institutions, compared to the international experiences, is high and is still increasing. However, non-profit (foundations) and for-profit organizations participate also in the service delivering (Kákai 2007).

The main principle of the self-government system established after the regime change consisted in the “equality of rights” of the local governments, which also prevailed for the duties and competences. The majority of the mandatory tasks had been fixed in the Act on Local Governments which concerns every local government, the smallest included. The new regulation, in sharp contrast with the former legislation, follows the principle of “installation of task” adjusted to the size and functions of the each settlement. The specific competences are not therefore fixed in the Act on Local Governments but in the single sectorial laws (e.g. on education, on social care). The biggest settlements have obviously more powers. A new category of settlement appears: the chief town of an administrative district which is basically responsible for sub-regional duties for all the territory of the district. The role of the cities of county rank will change. While previously these the cities of county rank were required to provide services – not only at local government, but also at county level – for the inhabitants of the city, according to the new system the principle turns, and some public services provided by these local governments must have a county dimension. For Budapest, the legislation declares also explicitly that the capital must provide services at county and also at local levels. However, the division of tasks and responsibilities between the capital and the 23 districts of capital hardly changes.

The following important change regarded the introduction of the system of administrative districts is required to be in force on 1st January 2013. In the framework of this amendment, 198 new administrative districts will be established in Hungary. Administrative district offices, which will take over administrative functions of the notaries, will be established from 2013 in all 23 districts of the capital and in 175 localities in the provinces. The government has already made a decision having regard to the chief towns of the administrative districts and to fields of their competence, as well. The district offices will act as the local offices of the government offices and will provide assistance to citizens in the managing of state administration related affairs, such as Cadastral Agency, public health insurance, pension fund, certificate delivery office, social affairs, child protection, child welfare authority and construction authority.

The indebtedness of the sector of governments, small settlements becoming financially and functionally unviable point towards the incredibly picture of collapse of the system of governments. The system of governments is “*still on its feet*”, it has become a puffer which includes all the work that other participants do not want to carry out.

Based on the above mentioned processes, it is possible to establish, that the transformation of the Hungarian self-government system might not be postponed. The former system had to face increasing anomalies which had a huge social cost, were not sustainable in the longer term and most of them might be managed by appropriate changes. Overall, the government has given a kind of response to the acute problems inherent in the self-government system. The main characteristics of these responses were the unequivocal diminution of the self-government autonomy and the strengthening of the state hierarchy. Although the tendency – namely the reduction of the excessive autonomy, considered dysfunctional by the politicians and researchers – seemed inevitable, the professional goal and potential effect of specific solution methods are not yet clearly visible whether it is the nationalization of administrative,

regulatory competencies or public services (Gajduschek 2012). For the former the too little, for the latter the too much nationalization may perhaps be called into question.

Summary

The functioning of the self-government system is not independent of the quality of the public policy and public finances system over the past twenty years. The severe problems with the Hungarian self-government system do not constitute a failure of the decentralisation but are the “results” of the public policy over the past twenty years or rather they originate from the lack of a coherent public policy.

Overall, budgetary restrictions were successfully implemented in the sub-system of local governments. However, structural reforms linked to these restrictions regularly fell short due to political resistance. This process is clearly indicated by that the financing system of local governments tries to apply the techniques of welfare systems. In addition, the whole economic policy was restrictive especially during the government periods of 1994-1997, 1998-2000 and 2003-2004, and after 2006. It can be stated that the economic basis and finances of local governments are rooted, in terms of common law, in the independence of self-governance; however, local governments could not be kept from financial failure at all. This is of macro-economic and national economic importance as Hungarian local governments belong to the so-called Scandinavian model regarding their weight in the economy and public finance, where expenditures compared to the GDP and state budget are high (e.g. about 13% of GDP and 25% of national expenditure in 1995, and 24% in 2004) (Pálné 2008: 160).

First and last, considered politically the changes in Hungary, the transformation of the self-government system is a success. Claiming the effective anomalies, the role of the state has been strengthened, the further centralization of the state has been implemented, and the possible balances against the central power has been further weakened. The self-government system has been weakened and emptied without any significant resistance, apart from the lobbying of politicians acting under the double mandate of member of parliament and mayors, and supporting the government. The secret of this consisted in a brilliant solution: the above mentioned changes have not affected the structures, which is particularly sensitive point not only for the public opinion but also for a huge part of the politicians. Meanwhile, the biggest part of the functions has been transferred from the self-governments to the state. The different symbolical elements (elections, bodies, offices) remain in use as well as the principle of “one settlement, one self-government”, which is obviously untenable for autonomous self-governments with wide power. Whereas, these structures had been mainly deprived of their competencies. In case of the remaining functions, the administrative supervision of the state has increased, while the role of the self-management has decreased. The central government, by providing sufficient resources exclusively for the mandatory duties (or maybe neither for them), would reduce the self-governments to a merely executive role.

References

- Gajduschek, Gy. (2012). ‘A magyar önkormányzati rendszer ’átalakítása’, értelmezési kísérlet igazgatási és politológiai szempontból’. (kézirat)
- Kákai, L. (2007). ‘Civil szervezetek a helyi és területi közszolgáltatások ellátásában’ in Horváth M. T. (eds.), *Piacok a főtéren. Helyi kormányzás ls szolgáltatásszervezés*. Budapest: MKI-KSZK, pp. 161-210
- Lóránt, Z., L. M. Somogyiné, and A. Bukova (2002). ‘Az önkormányzatok költségvetési kapcsolatai 1991–2001 között az Állami Számvevőszék ellenőrzései tükrében’, *Magyar Közigazgatás* 6, pp. 360–71.

- Pálné, K. I. (2008). *Helyi kormányzás Magyarországon*. Budapest-Pécs: Dialóg Campus.
- Schultz, G. (2009). 'Önkormányzatiság és területi közigazgatás – válságos idők' in G. Fodor G. and I. Stumpf (eds.), *(V)álságkormányzás. A 2. Gyurcsány-kormány harmadik éve*. Budapest: Századvég Kiadó, pp. 413-433
- Soós, G. and Kákai, L. (2010). 'Remarkable Success and Costly Failures. An Evaluation of Subnational Democracy in Hungary' in John Loughlin, J., Hendricks, F. and Lindstrom, A. (eds.), *The handbook of Subnational Democracy in the European Union* Oxford: Oxford University Press, pp. 528-551.
- Torma, A. (2002). 'Önkormányzati reformok Nyugat-Európában és tanulságaik', *Magyar Közigazgatás* 9, pp. 513-521.
- Vígvári, A. (2006). 'Politika, gazdaság és reformkényszer a helyi önkormányzati szektorban, 1990–2004', in Böhm, A (eds.), *A helyi hatalom és az önkormányzati választások Magyarországon 1990–2002*. Budapest: MTA PTI, pp. 11–65.
- Vígvári, A. (eds.) (2007). *Családi ezüst. Tanulmányok az önkormányzati vagyongazdálkodás témaköréből*. Budapest: Complex ROP 3.1.1. Programigazgatóság
- Vígvári, A. (2009). 'Atipikus önkormányzati eladósodás Magyarországon', *Közgazgazdasági Szemle* 7-8, pp. 709-730.

Annex 1

Several indicators of financial situation of Hungarian local governments (1991–2010)

Indicator	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GFS expenditure as a % of GDP	15,0	16,9	16,9	17,2	14,4	13,2	13,3	13,4	13,0	12,2	12,5	13,3	13,4	13,0	13,5	13,5	12,3	12,6	12,3	12,7
Number of operating subsidies	35	42	45	48	54	58	77	86	91	73	89	88	120	137	162	134	158	140	144	136
Local tax revenues as a % of GDP	0,4	0,6	0,8	0,8	0,8	1,2	1,3	1,4	1,7	1,6	1,7	1,7	1,7	1,8	1,8	1,9	2,0	2,1	2,2	2,0
The volume of the debt of local government sector as a % of own and shared revenues	14	12,6	19,7	35,0	24,6	17,5	19,0	19,5	18,0	17,5	19,1	26,6	25,5	27,3	33,3	41,6	53	63	58	70

Source Ministry of Finance and Ministry for National Economy