Budget transparency in Hungary using the example of the 2022 Budget Act

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How transparent is the Hungarian budget? Let's say we read in the press that the government wants to place universities in the hands of foundations in order to improve their efficiency and increase their financial resources. Let's see how this is reflected in the 2022 budget, adopted in mid-June 2021.[1]

As a first step, we may look up the bill on the 2022 Hungarian budget on Parliament's website (because that website contains no law, only bills in various stages of negotiation). This is the pre-vote, non-final proposal seems to be the most transparent and informative, as it shows the main sections separately, without having to search through thousand-plus pages without a table of contents. Thus we open the link to the government's original proposal, and Annex 1 to the bill, where all the budget appropriations are listed. Out of old routine, we open up Chapter XX, Human Resources, because we remember that this is where education is included, but we are disappointed to find that it only includes public education. We search in the pdf for the word 'higher education', and it gives us Chapter XVII, Ministry of Innovation and Technology, and within that Chapter, Title 20, Subtitle 67: Higher Education.

Looking into the details, we see three groups of legal titles under the chapter (rounded):

in million HUF

Title number	Subtitle number	Title group number	Title number	Appropriation group numb	Highlighted appr. Number	Title name	Subtitle name	Title group name	Title name	Appropriation group name	XVII. CHAPTER	Appropriation of 2022			
											Highlighted appropriation name	Operating expenditure	Operating income	Capital expenditure	Capital income
	67					Higher education tasks									
		1				Support for non-state higher education institutions						172 484,6			
		2				Special tasks in higher education						8 651,6			
		7				Support for International, European Union and across the border programs						1 017,7			

Since the word higher education does not appear elsewhere in the annex, it seems that we have not yet found what we are looking for, that is, public higher education institutions. Therefore, we open the final accounts of the 2020 budget to see if we can find the line we are looking for to include public universities; alas, after pressing Ctrl+F, the word 'higher education' does not come up. What a surprise!

Suspicion seizes us, and our research yields the result that higher education is indeed included, but the IT people have not managed to make the document searchable, so the words containing the letter 'ő' (with the diacritical mark) cannot be found in the budget (the search engine cannot find the Human Resources (Emberi Erőforrások, containing an 'ő') chapter either, which is where we got suspicious). There's nothing else to do but look for synonyms: luckily, the term 'university' comes to our mind.

[1] Perhaps not independently of the opacity of the Hungarian budgets discussed here, there is little public policy analysis that attempts to systematically process budget data. This has an impact on the quality of public policy discourse. One of the few counter-examples is the housing report of the NGO Habitat for Humanity, published since 2012, which year by year analyses how much of the public budget is spent on various housing-related measures.

Let's see what the 2022 budget bill then gives us for university. It says "Universal Postal Service" twice, but the third time it yields "Universities, Colleges", under the heading of the Ministry of Innovation and Technology.

Sub-heading 14 Universities Colleges in the Innovation chapter shows the following data:

in million HUF

Title number	Subtitle number	Title group number	Title number	Appropriation group number	Highlighted appr. number	Title name	Subtitle name	Title group name	Title name	Appropriation group name	XVII. CHAPTER	Appropriation of 2022			
											Highlighted appropriation name	Operating expenditure	Operating income	Capital expenditure	Capital income
14						**Universities, colleges**							28 167,4	3 249,5	393,5
				1		*Operating budget*									
					1	Personal benefits						39 260,7			
					9	Other operating expenses						37 077,2			

Based on the difference between operating revenues and expenditures, the state subsidizes the operation of public universities with a net amount of HUF 48 170.5 million of taxpayers' money. In addition, a net amount of HUF 2 856 million is earmarked for capital formation (investment, renovation), net of the revenue shown; that is, including operating expenditure, the net subsidy is HUF 51 026.5 million (gross expenditure HUF 79 587.4 million).??

Comparing this with the HUF 172 billion identified previously as funding for non-state higher education institutions, it is immediately apparent that most of the universities are outside the budget, i.e. in maintained by foundations. The HUF 48 billion is to support the few universities (ELTE, BME, etc.) that have not undergone a "model change". So the higher education expenditure for 2022 so far is 172+9+1+39+37+3= HUF 260 billion. The question is whether this is more than it was in 2021?

XVII. MINISTRY OF INNOVATION AND TECHNOLOGY

In million HUF

Title number	Subtitle number	Title group number	Title number	Appropriation group number	Highlighted appr. number	Title name	Subtitle name	Title group name	Title name	Appropriation group name	XVII. CHAPTER	Appropriation of 2021			
											Highlighted appropriation name	Operating expenditure	Operating income	Capital expenditure	Capital income
14							**Universities, colleges**						322 055,3	25 677,7	5 522,6
				1						*Operating budget*					
					1						Personal benefits	225 651,1			
					9						Other operating expenses	238 464,6			
20	67							Higher education tasks							
		1							Support for non-state higher education institutions			59100,9			
		2							Special tasks in higher education			8 851,6			
		7							Support for International, European Union and across the border programs			1564			
		12							Establishment of a complex development center in Mórahalom			117,5			

To answer this question, we need to add up the corresponding lines of the 2021 adopted budget (Chapter 17, Title 14 and Chapter 17, Title 20, Chapter 67).[2] By performing the above operations we find that the state subsidises the operation of public universities in 2021 with a net amount of HUF 142 060.4 million. In addition, the budget for 2021 foresees a net amount of HUF 20 155.1 million for capital expenditure, for a total of HUF 168 528.6 million in central government support. To this must be added the central subsidy of HUF 69 634 million from Chapter 67 of Title 20 for non-state higher education institutions. If we consider the evolution of total higher education expenditure as more relevant, we need not deduct the universities' and colleges' own revenue. In this case, the projected total expenditure for 2021 is HUF 559 billion. This may come as a bit of a surprise: it means that the HUF 260 billion of total expenditure planned for 2022 is well below the HUF 559 billion planned for 2021.

The figures are getting chaotic; it's time to put them into a more transparent table.

Out of our analytical instinct (routine), we start by constructing a larger table than the one that can be constructed from the data collected above. On the one hand, we look back at the 2020 facts from the final accounts, and on the other hand, we will check what was included in the final law in addition to the contents of the 2020 bill examined above, just to be on the safe side. The final accounts (or more precisely the final accounts bill submitted by the government) can be found on the website of the National Assembly, while the promulgated 2021 budget law must either be found in the Hungarian Gazette, or we must know the trick that the voted law is always listed on the website of the National Assembly under the name "Text of the law sent to the President of the Republic for signature". Of course, in principle the Official Gazette is the safer option, as the President of the Republic may send the law back to Parliament for consideration, but in budgetary matters you cannot go wrong with the Parliamentary website.

So now we have

- **Final accounts for 2020 (still only a bill at the time of closure of the manuscript (early November 2021)),**
- **2021 bill submitted and adopted law**
- **2022 bill submitted and adopted law**

Browsing through the five budget versions, we come across the National University of Public Service (NKE) in Chapter XI, Prime Minister's Office. We would not have been surprised if Semmelweis (Medical) University had been part of the health section of the EMMI, as the Zrinyi Military College (later the National Defence University) was previously part of the Ministry of Defence, but we checked these separately when looking for higher education items. Neither the XX EMMI nor the XIII Ministry of National Defense chapters contain either a university or a college.

In contrast, the Prime Minister's Office (the administrative body of the Prime Minister) manages a university, although the names we took into account earlier ('Universities, colleges' and 'Non-state higher education institutions') did not in any way suggest that these headings did not cover everything. Nor does the justification for the Innovation Chapter of the 2021 Bill suggest that the University of Public Service would be an exception. Therefore, if we want a complete count of higher education expenditure, we need to aggregate the data for the NUPS as well.

[2] The above extract shows the figures of the 2021 budget in force in mid-November 2021.

If you look on the Parliament's website for the phrase 'Hungary's central budget for 2021', you can see that there were six attempts to amend the 2021 budget law so far. Four of these were tabled by opposition MP's, so there's no point in looking into them.[3] There are two proposals left, both tabled by the government, so there is a good chance that they would become law. The first, which was debated in Parliament at the end of May (i.e. practically in parallel with the 2022 budget bill) under the number T/15974. This contains a 68-page list of line-by-line amendments, including changes to higher education institutions. It shows that the accumulation expenditures for Universities and colleges have risen form HUF 11.7 billion to HUF 25.7 billion (rounded up), while the appropriation for 'Special tasks of higher education' has increased from HUF 3.5 billion to HUF 8.9 billion. There are no other changes in the lines we are currently monitoring.

16. XVII. MINISTRY OF INNOVATION AND TECHNOLOGY chapter, 14. The following provision replaces the title of universities, colleges:
"

Title number	Subtitle number	Title group number	Title number	Appropriation group number	Highlighted appr. number	Title name	Subtitle name	Title group name	Title name	Appropriation group name	XVII. CHAPTER	Appropriation of 2021			
											Highlighted appropriation name	Operating expenditure	Operating income	Capital expenditure	Capital income
14						**Universities, colleges**							322 055,3	25 677,7	5 522,6

19. XVII. MINISTRY OF INNOVATION AND TECHNOLOGY chapter, 20. Title of appropriations managed by chapter. 67. tasks of higher education subtitle. 2. The following provision replaces the title group of special tasks of higher education:
"

Title number	Subtitle number	Title group number	Title number	Appropriation group number	Highlighted appr. number	Title name	Subtitle name	Title group name	Title name	Appropriation group name	XVII. CHAPTER	Appropriation of 2021			
											Highlighted appropriation name	Operating expenditure	Operating income	Capital expenditure	Capital income
		2				**Special tasks in higher education**						8851,6			

As a check, let's see what the Netjogtár shows, as that is where you can always find the current version of the law. Indeed, all the higher education numbers correspond either to the original budget law published in the Official Gazette or to the value disclosed in the amendment T/15974.

So we've already looked at everything on the Parliament's website, the Official Gazette and the Netjogtár. The only remaining question is whether the Government itself will publish anything more about the higher education budget. On the Ministry of Finance's website, we are pleased to see the 'Public Finance Budget' menu item, but unfortunately there is nothing here that we can use at the moment (mostly "service bulletins" for other government departments related to the process of budget planning and reporting can be found here). A little further down, however, there is the 'ÁHT jelentések' (General Government reports) tab. The meaning of the acronym is probably not entirely obvious to those who do not work in the central budget area of a public body. Some of the less experienced beginners will probably give up after scanning the 'Public finance budget' section; only the more persistent will browse through each subsection. We belong to the latter group, but this does not get us much further because the monthly budget reports under the General Government reports tab aggregate data on grants paid to central government bodies (e.g. public universities and colleges) and grants paid to non-public bodies (e.g. non-public universities).

[3] In neither case did the Budget Committee support even the inclusion of the item on the agenda.

You may also want to check the website of the Hungarian State Treasury - not the Ministry's website, as this option is not linked from there. We have more luck at allamkincstar.gov.hu. Right in the main menu there is a 'Budget Information' tab, from here you can go directly to the 'Central Budget Implementation Data' by finding the somewhat Kafkaesque gateway called 'Central Subsystem'.

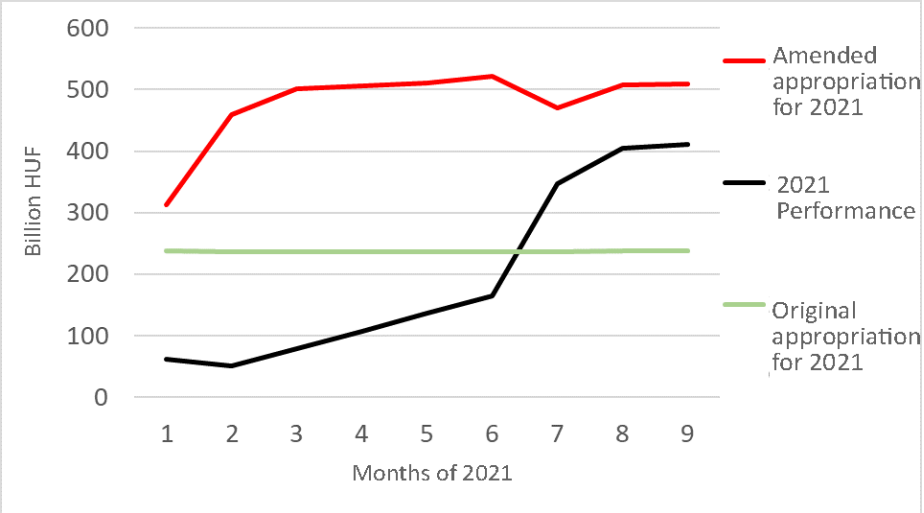
We are delighted to find on the Treasury website fresh, detailed data (much more detailed than the monthly reports of the Ministry), in excel format, i.e. machine-readable and processable, as opposed to the hardly searchable pdfs of the past. Although the January data were only published on 29 June, we can now browse the September statement at the beginning of November. So we start copying the figures for the 2021 budget. It is with some relief that we first find, to the decimal point, the same figures we once looked up in the Official Gazette in the column entitled 'Initial appropriations for 2021', so we are in the right place.

Moving on to the '2021 Revised Appropriations' columns, surprises are in store. It's not surprising that the National University of Public Service, 'found' at the Prime Minister's Office, has annual personnel expenditure of HUF 10.2 billion instead of HUF 7.7 billion, and other operating expenditure of HUF 13.2 billion instead of HUF 7.7 billion (an increase of 30% and 70%, respectively). Other universities also show an increase in the September statement under review.

Budget data of 2021 - 09. month (in million HUF)

Chapter number	Title number	Subtitle number	Title group	Title number	Appropriation gr	Highlighted app		Original appropriation of 2021				Edited appropriation of 2021				Fulfillment of 2021			
								Operating expenditure	Operating income	Capital expenditure	Capital income	Operating expenditure	Operating income	Capital expenditure	Capital income	Operating expenditure	Operating income	Capital expenditure	Capital income
17	00	00	00	00			XVII. MINISTRY OF INNOVATION AND TECHNOLOGY												
17	14	00	00	00			Universities, colleges		322 055,30	11 682,70	5522,6		410 874,50	102 792,10	18 463,20		269 926,70	53 777,20	15 397,10
17	14	00	00	00			*Operating budget*												
17	14	00	00	00	1	2	K1 - Personal benefits	225 651,10				262 395,30							
17	14	00	00	00	1	2	K2 - K5 other operating expenditures	238464,6				509 688,60				228 334,90			
17	20	67					Tasks of higher education									410 577,30			
17	20	67	01	00			Support for non-state higher education institutions	59100,9				145 887,60		79 477,10		39 930,80	7	75 196,70	
17	20	67	02	00			Special tasks in higher education	3451,6				115 261,80	89,5	4 105,30		106 761,30	358,7	5	4,9
17	20	67	04	00			Forming French University at University of Szeged												
17	20	67	07	00			Support for International, European Union and across the border programs	1 564,00				1 851,60	480,6			1 177,80	480,6		
17	20	67	12	00			Establishment of a complex development center in Mórahalom	117,5				0		70,8					978,4

The HUF 27 billion increase in the state 'Universities, Colleges' personnel allowances (from HUF 225 billion to HUF 262 billion) may be surprising in itself, but when we see that the other operating expenditure of the same institutions has increased from HUF 238 billion to HUF 510 billion, we start to lose our faith. What can have happened? To find out, it seem logical to look back at the monthly treasury statements to identify when higher, revised appropriation appeared first. In January, everything was as originally planned. But surprisingly, in June, when Parliament was debating the second amendment to the Budget Act (T/16566), and thus the line could have been amended, the Treasury already knew what the MPs did not. To unravel the story, we must first extract the relevant data from each monthly table. The figure below shows the largest item, the 'Other operating expenditure' line for Universities and Colleges, showing plan, revised plan and actual data broken down by month.



Other operating expenditure of universities and colleges based on monthly data provided by the Hungarian State Treasury

So what we see is that Parliament has not amended the law, at least not this line. This is evidenced by the text in force in mid-November, extracted earlier for NetJogtár, where the whole of the HUF 238.5 billion is still disclosed under other operating expenditure. In contrast:

1. On the Treasury's website, under the heading 'Amended Appropriation', we see a completely different figure, hundreds of billions higher, and it is clear that this is the relevant Treasury appropriation, as the level originally understood and approved by Parliament was already significantly exceeded by the actual spending by July.
2. The Treasury was expending a much higher appropriation when Parliament amended the Finance Act twice late spring. On neither occasion were MPs informed that the appropriations were already in a completely different range to what they had voted for the previous year. Incidentally, at the time of the Parliamentary amendments, these monthly reports were not available on the Treasury website; the first one (January) having been published on 19 June.
3. And the Ministry of Finance's monthly budget reports fail to mention (or explain, crying out loud!) these changes.[4]
4. It is unclear how the 2022 budget law has taking into account (if at all) the significantly increased expected expenditure in 2021 compared to the original plans. This is demonstrated by the fact that even in the justification for the chapter of the Ministry of Innovation and Technology signed by the ministers on 11 May 2021, the proposed 2022 appropriation is still derived from the original 2021 appropriation, even though the 2021 appropriation was already hundreds of billions higher by then, which fact is not mentioned in the text. If there were any representatives who studied the proposal, they could only decide on the apparently underestimated amount in light of last year's underestimated appropriation.

[4] In principle, even without a parliamentary amendment, the increase in appropriations could be caused by a possible carry-over from the previous year (unused expenditure entitlement), but in the personal allowances line such an increase is not allowed per se, and in the range of hundreds of billions it is particularly impossible.

To give a sufficiently clear picture of the first level of transparency problems, let's summaries what we have seen so far:

1. The design of parliamentary and government websites is less than user-friendly. There is no website where the budgetary process, including the preparation, adoption, implementation and reporting phases of laws, could be tracked.
2. Parliament and the Government publish all budget documents in pdf format only, only the Treasury publishing data in machine-readable format, which are significantly different form all other data disclosures. A reconciliation of the various data is either not produced or not published. Explanations of the content of the discrepancies are missing.
3. The descriptions on websites are often incomprehensible. If these websites are exclusively for professionals, it means that there is a lack of communication aimed at citizens (e.g. dedicated interfaces, statements), i.e. a lack of transparency.
4. Parliamentarians do not have much of the information they need to make decisions on the budget law at the time they take them. The government does not even take the opportunity of parliamentary amendments to present the current situation transparently and to introduce changes to the existing law. The 'lag' of the status of legislation means that even those who want to be informed cannot find a firm grip on what the government has spent or plans to spend. (For example, the appropriation for higher education spending in as evidenced in the 2021 act, only includes the May amendment even in mid-November. All the information available to the Treasury does not appear anywhere else, and the Treasury website does not include any explanations, transfers, etc.)
5. The government's budget volumes do not help citizens to find information on the topics that interest them most.

The above has obviously led many people to consider that higher education as a subject is important and concerns many people, so there must surely be some kind of overall picture of it in the budget volumes, overarching institutional and departmental fragmentation. We cannot rule out the possibility that other headings will also contain items relating to higher education, and we are particularly interested in how much of the public budget is spent on higher education-related tasks.

This is a legitimate question, supported by the fact that for several decades there has been an internationally accepted statistical classification system and methodology for the thematic (functional) grouping of government expenditures, which is also presented by the Hungarian Central Statistical Office on its website. The Classification of Function of the Government (COFOG) includes government sector expenditure classified into 10 main groups. In this system, category 9 is education, and within this, one of the categories (9.4) is higher education. Let's see how this is reflected in the Hungarian budget documentation.

In the annexes to the explanatory memorandum of the 2022 budget bill (general), we find so-called functional tables. It should be noted, however, that this budget law covers the central subsystem rather than to the whole of the general government including local governments[5] (see the former Kafkaesque term for the 'Central subsystem').

The published tables come in unconsolidated and consolidated versions[6] - we will first look at the unconsolidated one to check whether it spends more on high education than the three parts that we found so far aggregated.[7] In the .pdf table we can easily find the line 'F04.c Higher education' that appears to be of interest to us.

Functional expenditure of the central subsystem
(in terms of cash flow)

million HUF

Main group number	Group Number	Main government functions Main group name Group name	Appropriation for 2021	Appropriation for 2022
		WELFARE FUNCTIONS	**14 223 378,8**	**16 330 682,3**
F04		***Educational activities and services***	***2 302 870,5***	***2 223 269,2***
	F04.a	School preparation and primary education	216 182,3	231 945,3
	F04.b	Secondary education	346 721,6	378 079,9
	F04.c	Higher education	598 903,5	454 075,4
	F04.d	Other education	1 141 063,1	1 159 168,6

Wait a minute! What is 'F04.c'? Higher education is featured in the functional categories in line 9.4, isn't it? Not in the Hungarian government presentation. After a quick read-through we can see that the two systems are not evidently in sync. The internationally used COFOG system has 10 main categories, while we have 16. Within the main function of education, the COFOG system has 8 functions (one of which is higher education), while the Hungarian budget volume has only 4. Fortunately for us, 'higher education' is also included here, so we can use this as basis.[8]

[5] In the case of higher education, this should not be of great importance, as local authorities are not considered as maintainers of universities.

[6] Consolidating means filtering out monthly flows between two public institutions, just as you don't have to take into account the spending of parents when they give pocket money to their children. You only need to add up what is paid by family members/public institutions outside the family/public sector. This is usually done by first adding up the total spending of all institutions (this is the unconsolidated figure) and then subtracting from it the items where one public institution paid another. This operation is called consolidation.

[7] That is, 'National University of Public Service', 'Universities, Colleges', and Chapter 17, Title 20, subtitle 67 ('Subsidies to non-state higher education institutions', etc.)

[8] According to urban legend, the COFOG system was being developed in the late 1990s under the auspices of the OECD experts at the UN. Hungary, an OECD member since 1996, also took part in this process and - in a very different way from today's practice and following international trends - applied the latest working version to the Hungarian budget at the first opportunity. Then the work continued in the OECD, the system of categories was somewhat reworked, the final version was published by the UN in 2000, but by then there was a different State Secretary responsible for the budget, who was not used to following international trends, and the Ministry of Finance has been producing functional annexes in an internationally incomparable format ever since.

The functional annex to the 2022 budget bill contains a two-item 'time series': 2021 appropriations and 2022 appropriations. The 2021 figure is probably the same as in the original law, as it does not correspond to the figure in the annex to the 2021 budget bill, which was submitted in autumn 2020. It would have been nice to have this clearly spelled out because, as previously presented, at the time the 2022 appropriations bill was submitted (May 2021), the 2021 appropriations were already completely different than when they were adopted. For the sake of sci-fi fans, we note that perhaps the actual figures could have been quantified.

Let's see how successful we have been!

	2021 Act	2022 Bill
Own summary[9]	HUF 559 427.4 million	HUF 277 395.1 million
Functional table	HUF 598 903.5 million	HUF 454 075.4 million

For 2021, the result is close, 92.8% was 'found' of the amount shown in the functional classification. However, the 61% in 2022 is a significant discrepancy: the budget lines that can be categorised as higher education do not even come close to the amount shown in the functional annex. However, this does not make it any less difficult to answer our original question. In both versions, the result is that the government intends to spend significantly less on higher education in 2022 than it planned in 2021. However, we know how relevant the word 'planned' is, as we have seen that the actual numbers are likely to be far above plan (they were already above plan in July 2021). So will the fall be even more dramatic than the above table suggests? We can't say for sure, but what the government actually plans to do, even at the level of trends, is something we can't find out from the budget volumes - neither we nor the MPs who vote on them.

What could be causing the difference between our aggregation and the data shown on the higher education function? It would be useful to know what we have left out of the appropriations; however, there is no table in the published volumes that would show what proportion of which appropriations the government allocates to which function. All that remains for us is to continue browsing the annexes for items that appear to be related to higher education. Instead, let's look at the Treasury's website to see if we can find some clues to the functional data. We find a very promising link: 'functional correlation'. It is not exactly what we excepted - it does not contain the correlations between the two views - but is does at least show how the Hungarian (16 main functions) classification system can be mapped to the international (10 main functions) system. It quickly becomes clear that the two systems only correspond clearly at the third, sub-functional level, but that the two systems produce functions from the sub-functions in different groupings.

The good news is that there is only one place where the two systems split the same amount into two sub-functions in different ways, i.e. the correlation may not be clear-cut. In light of this, it is hard to understand that, if the 'Hungarian-style' functional classification is used, why is the third, sub-functional level breakdown not communicated in the parliamentary materials? This would allow for the perfect reproduction of the internationally comparable COFOG breakdown - but, as can be seen from the above, the annex to the proposal only drills down to the second level ('higher education').

[9]A more detailed account of our own summary than previously presented can be found in the annexes.

Keep browsing the Treasury website. In the rather detailed table 'Functional balances', where you can also find functional data (in nominal and GDP terms) of the previous budget and final account acts, you can also find a different breakdown. 'Detailed breakdown: Breakdown of items by government identification code for the selected year and functional line'. The 'breakdown of items by functional line' sounds like something that might help us to identify the higher education items, but what can the 'government identification code' possibly be?

Black-belt contestants may read the relevant government decree; for the rest of us we could say that for a budget line, this is like a person's ID number and address. Every public institution has such an identifier with which it is registered and which (in principle) never changes. People sometimes change their address - even if perhaps not as often as appropriations move around within the budget - but their ID number remains the same.

Similarly, the ÁHT (general government) identification code is used to identify appropriations in the budget even if they move. Just as more than one person can live at an address, so too can more than one public institution be listed under the same budget heading. Then the following year, some may move in together, others may move out - but the codes will still identify them. That's useful, but we have the same problem with the Treasury publication based on such data as we do with the functional breakdown: we can't match the 2022 budget lines to the ÁHT identifiers, and therefore to the functions. Annoyingly, as of November 2021, 5 months after the adoption of the 2022 budget, the table still does not include the ÁHT-ID-functional mapping for 2022, so this would be little help in any instance.

If not 2022, we can look at the 2021 correlation table in the hope of finally figuring out what we have missed in our aggregation**. The table lists 5 items for F04c Higher Education:**

General Government id. code	**Budget line name**	**Original appropriation (HUF million)**	**Breakdown (appropriation)**
TOTAL		**530,385.3**	**100%**
227942	Universities, colleges	475,798.4	90%
302891	Special tasks of higher education	3,451.6	1%
304191	National University of Public Service	15,586.7	3%
353795	Asset management tasks in higher education	2,000.0	0%
381084	Stipendium Hungaricum	33,548.6	6%

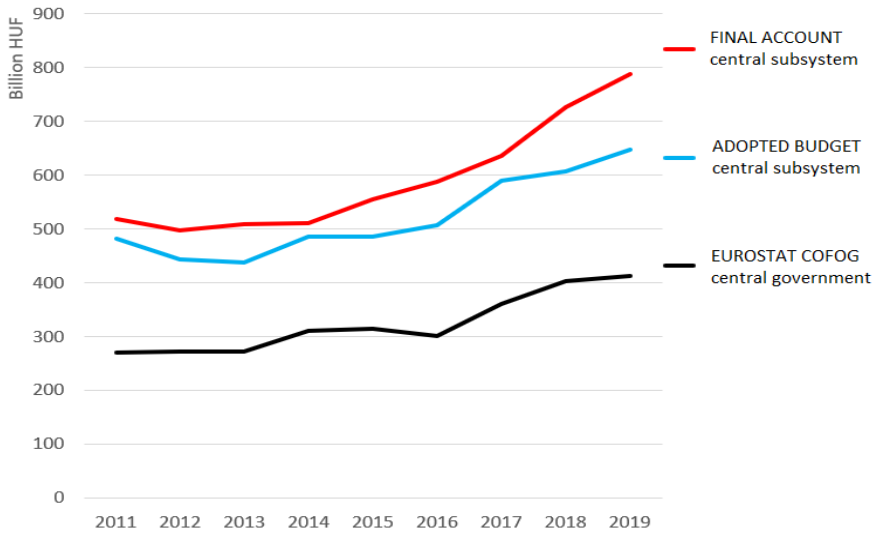
We are familiar with the first three items; they are right down to the penny (in the budget it means in the order of 100 th). We have not been able to identify the 2 billion forints of 'higher education asset management', but this could be hidden in the 4.9 billion forints of other items of Chapter XLIII asset management expenditure. (This is where the ÁHT codes versus budget lines matching would come in handy.) Surprisingly, the more than 33 billion of the "Stipendium Hungaricum" scholarship programme

in the Ministry of Foreign Affairs and Trade's chapter XVIII is also included in Hungarian higher education expenditure, although this is used to train foreign students, not Hungarians - hence the item in the Foreign Ministry. Hungarian university teachers may be paid indirectly from a part of this[10], but accounting for the programme to support foreign students' studies in Hungary here is a bit like including the maintenance of a teachers' retirement home in education expenditure.

In the case of the ERASMUS programme, this could be justified as Hungarian students can go abroad in exchange for students from other EU countries. In the case of Stipendium Hungaricum, however, students (somewhat more than ten thousands of them) come mainly form countries where Hungarian students do not exactly line up to enrol. If we were to make up a conspiracy theory, we might conclude that this was a way of cosmeticizing higher educating spending, but that is probably not the case. Surprisingly, this list completely omits the planned 59.1 billion for non-public higher education institutions. This, in turn, means that the HUF 530.4 billion in expenditure appropriations for the higher education function published on the Treasury website does not correspond to the HUF 598.3 billion in higher education expenditure in 2021 in the 2022 budget bill.

So we are left with the functional data of the 2022 budget bill, which we cannot check even against the seemingly unreliable data from the Treasury. What we can do, however, is to look at how higher education expenditure reported in the parliamentary budget and final account volumes compare with each other and with the data produced by the CSO according to international methodology. Because, as a member of the EU, Hungary (i.e. the Hungarian Statistical Office) also has to produce the figures according to the international COFOG system, which are then published on the EUROSAT website, in English.[11]

The graph below shows the higher education expenditure of the central government / central subsystem in billion HUF according to the adopted budget laws, final accounts and EUROSTAT.

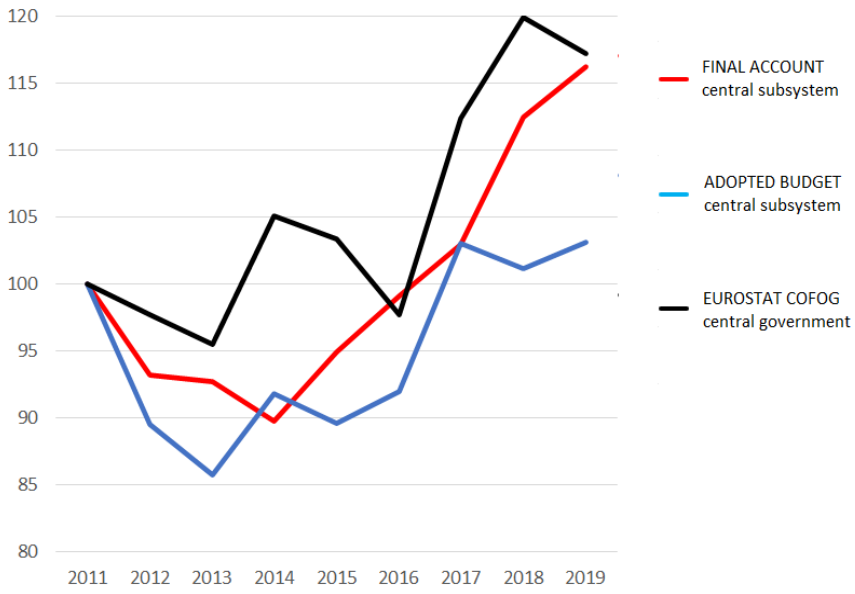


[10] According to the description, students receive a monthly grant of HUF 43,700, a maximum rent subsidy of HUF 40,000 and HUF 100,000 per year in health insurance, which is HUF 11-12 billion per year for 10 200 students, so out of the HUF 33 billion, tuition fees could be up to HUF 20 billion.

[11] For the sake of accuracy we note that there are also government expenditure data broken down by COFOG on the CSO website, but they only refer to government consumption, which is not at all comparable with the budget data as it does not include, for example, investment.

According to the final accounts, the government always ends up spending substantially (previously 50, more recently 150 billion) more than what the parliament (mostly unknowingly) approved in the original law, but according to international methodology, the Hungarian government consistently spends much less on higher education than the figure Government presents to the Parliament. Yet it would seem that at least the 'tune' of the curves is similar, i.e. it would seem that something similar is being measured and therefore one could assume that the figures presented to parliament are at least indicative of trends. Bad news: they aren't. The 'tune' in the curves above is largely caused by inflation[12] between 2011 and 2019.

The following graph shows the inflation-adjusted figures relative to the 2011 base year.



We see that, although the adopted and announced budget plans had little to do with delivery, the final accounts and EUROSTAT data show that overall higher education spending increased by roughly 17% in real terms between 2011 and 2019. The problem is that if you look at what has happened in the intervening years, it is clear that this concurrence of around 17% is more of a coincidence: the discrepancies between the final accounts and EUROSTAT data (not just in level but also in direction of change) slide back and forth over the 9 years. Based on the data submitted to the Parliament, we cannot even estimate what the EUROSTAT table for 2022 will show when it is published. It is no coincidence that the government never even produces the table of the annual Convergence Programmes - which is supposed to be compulsory - showing how much it intends to spend on the 10 COFOG core functions in the next 5 years.

[12] In this case, it is not the consumer price index that should be used but the so-called GDP deflator.

There is one more element to the story: the efficiency gains in universities and colleges, which have been the main justification for the organisational transformation called 'model change'. Can this type of change be tracked in the Hungarian budget data?

In order to discuss efficiency, we would need a denominator (input, expenditure) and a numerator (output, profit). Above we struggled to get reliable data on financial inputs[13] but have failed. It is not necessary to go through another lengthy search to establish whether input and output non-financial indicators are available in the budgetary and final accounts documents to measure the effectiveness of government activities, including higher education. No useful information is available in this regard. To support this claim, let us look at the higher education section of the justification of the innovation chapter. We may recall that, for the information of MPs, the 2022 appropriation was compared here with the 2021 appropriation that was originally adopted, which by then was completely out of date.

Title 14: Universities, colleges

In million HUF, with one decimal point

14. Title	Expenditure	Income	Support	Average statistical headcount* (capita)
Legal appropriation for 2021	475 798	327 578	148 221	40 976
Changes by title				
Redeployment within a chapter	-110 476,3	0,0	-110 476,3	
- Renaming of the grant appropriation for universities changing the model on 01.08.2021 in favor of the appropriation managed by the chapter on the support of non-state higher education institutions on 20/67/01 (Supporting the tasks of an institution maintained by asset management foundation)	-110 476,3	0,0	-110 476,3	-39 058
Recommended appropriation for 2021	79 587,4	28 560,9	51 026,5	8 501

[13] Non-cash expenditure is the only possible way to measure expenditure. Relevant information is the number of teachers in universities, the implicit rent of buildings (which is unlikely to be included in budget expenditure), etc. It is not necessary to interpret the concept of efficiency too broadly to formulate a hypothetical (!) proposal that everyone would be better off if (1) the number of teachers were reduced by 10 percent, (2) the remaining 90 percent were paid 12 percent more, (3) the 0.8 percent increase in the wage bill were financed without any problem by taxes on the 10 percent of the workforce finding work in the private sector. Output in higher education has not changed, direct output has increased (by 0.8 per cent), so efficiency has in principle deteriorated but only if we take the narrowly defined monetary outlay as expenditure, rather than the number of teachers. Naturally, such a transformation only makes sense if the 10 per cent in question can actually find work in the private sector, otherwise efficiency at the aggregate level would be greatly reduced.

Now, on the right-hand side of the same table, a series of data appears which could form the basis for calculations on efficiency ('Average statistical headcount'). However, this is useless, because it does not show how many people work/teach in higher education institutions, but how many of them are covered by the Public Employees Act. Accordingly, we see that while the average number of staff in 2021 was 40976[14], it will be reduced by 39058 in 2021 (by means of intra-heading transfers), leaving a proposed average of 8501 in 2022.

Apart from the fact that the operation is flawed by more than 6500 people, and we are not given any information about where and why these 6500 civil servants are entering higher education, the more serious problem is that no attempt is made to provide any data from which any meaningful conclusion can be drawn. Given that the institutions have been moved to foundations only in legal terms, and in fact will continue to receive almost all of their funding from taxpayers' money in 2022 rather than from the new heads of their boards of trustees, taxpayers will most certainly be indifferent whether or not those whose salaries they are expected to fund are public employees. Of course, no one can seriously think that a headcount that is reduced to it's fifth from one year to the next for purely administrative reasons can be used to calculate an efficiency index, either in the numerator or in the denominator. Not that higher education performance cannot be measured. Clearly it can - even if imperfectly.

If the reader is feeling frustrated because we have dragged you through the budget trenches of higher education only to show that we know nothing about how much better off universities will be next year, you are right. You may believe that we could have presented similar 'intellectual adventures' in health, sports investment and a host of other government functions. This is just one, albeit very important, aspect of the lack of budgetary transparency. So let us summarise the second level of opacity, relating not only to the form but also to the logic of data disclosure.

1. The government fails to follow international standards, even where there is no advantage in deviating from them, and where the necessary data would be available.
2. There is no mechanism to ensure the consistency of data with similar content appearing on different public platforms (documents, websites), and to present and explain their discrepancies in a transparent manner.
3. It is not a problem in itself that the appropriation approved in the Budget Act is not the best possible predictor of the actual figure of the final accounts, because there may be factors that systematically cause the figures to differ from the amount of the new expenditure entitlements approved in the Budget Act, but if this happens over many years, then a best estimate should be presented in the annexes to the justification at the planning stage. This, however, does not happen.
4. The functional tables would also require detailed explanations for both the budget and the final account acts.
5. In the Hungarian budget system, there is no role for performance information, the only measure of plan delivery being whether funds are spent[15].

[14] Of course, we have no idea how this relates to the actual number of teachers and/or staff as there may be plenty of part-time lecturers, and the receptionist may be a civil servant.

[15] Cf. Marczell, Kinga – Romhányi, Balázs: Javaslat a magyar költségvetési rendszer célközpontú alakítására

As a prelude to the third level of transparency problems, we list, by way of example, some questions (now departing form the subject of higher education) that should be answerable by common sense on the basis of budgetary documents, but are not so in Hungary:

1. What does the government assume about the pandemic in 2022? It is clear that no one on earth can say where the epidemic will go, and any statement in this regard has a huge degree of uncertainty, but that still means that certain assumptions had to be used to make the calculations. It would be important to know what the government has assumed in concrete terms, what the scenarios are that do not threaten the budget and when intervention will be necessary. Unfortunately, the 16-page general justification of the bill says nothing about this.
2. What would happen to the Hungarian economy and the budget if Parliament did not pass new laws, and how much would the new budget change the situation in comparison? This would require a so-called budget baseline to be published, which the government is not doing. The convergence programmes also have a compulsory element of 'projections without measures'. While it is true that the Hungarian convergence programme only shows the revenue side as a single figure per year, it is clear from this alone that most of the necessary calculations had to be done by the staff, so there would quite a few things to divulge to MPs and taxpayers.
3. How sensitive are the plans to different (e.g. epidemic-related) assumptions, what happens to the deficit or the national debt if one or other of the major assumptions does not materialise or does not materialise as expected? Based on past experience, what is the likelihood of this happening? (All in all, this can be called fiscal risk analysis.)
4. What are the measures proposed by the Government that will make a difference to the economic situation? If there were a baseline, the question would immediately follow: what measures would take us from the baseline to the number in the budget bill. This would require a presentation of the budgetary impact of the main measures proposed. In the convergence programme, as required by the EU, the Hungarian government has presented its measures related to the epidemic and their budgetary impact, but these occurred mostly in 2020 and 2021, and do not determine the developments in 2022. The impact assessment of these other measures (e.g. tax changes, petrol price reduction, support for renovation of housing, transformation of universities) is not presented in the convergence programme or in the draft budget bill.
5. Has the parliamentary debate improved or worsened the budget in light of the priorities of individuals or groups? For example, if I want to judge how the proposals tabled by my constituency MP have affected the budget, I would also need to know the budgetary impact of these amendments voted (or at least debated) during the parliamentary debate. What is more, for the budget law that was finally adopted, the Government would have to produce an updated version of the entire documentation – complete with macro-paths, functional tables and explanations. Such an update is never produced, which means that the many seemingly valuable data that are posted on the parliamentary website with the budget bills can only be used with great caution, as it can easily turn out that what was still relevant in the context of the bill is no longer consistent with the adopted law[16].

[16] In the budget debate, particular proposals for amendment may have some explanation, but generally there is no budgetary impact assessment to accompany them. To use a fictitious example: if a motion submitted by an MP were to move forward to 2022 the implementation of the 13th month pension from its formerly proposed 4-year gradual implementation, it would be necessary to calculate its effects to VAT revenues, inflation, etc. (In effect, such an amendment would occur only at the proposal of the Government). Such a

6. When we read in the press that 'a brutal budget deficit figure has been announced' and that the deficit in October was 630 billion forints, it would be nice to know what the figure would have been that should not have surprised us, or in other words, how big the surprise really is. The way in which revenues, expenditure and the balance develop over the year depends on many factors. Some items have an inherent annual seasonality, e.g. Christmas spending has a beneficial effect on VAT receipts, corporation tax has to be paid by companies by mid-December to the best of their ability at the time[17], there may be months when a relatively large amount of interest is due on government debt because of the interest payment date on government bonds issued many years earlier, etc. Many items are expected to come in or go out at a steady rate (1/12th each month). A substantial part of the intra-year fluctuations is predictable based on many years of experience. It would be kind of the Ministry of Finance to communicate at the beginning of the year what developments it expects each month, so that we can compare it with what we have. Unfortunately, no such estimate is made, or if it is, it is not made public.

The internationally accepted measure of budget transparency is the Open Budget Index, produced every two years since 2006 by the International Budget Partnership (IBP), an international NGO. It is the best-known component of the Open Budget Survey, which assesses not only transparency in national budgets but also parliamentary and audit oversight and the participation of the wider society. In a first step, a local NGO, the local partner of the IBP, is asked to provide evidence-based answers to over 140 questions, and in a second step, another NGO, which is not known to the local partner, is asked to comment on the answers. In the third step, the Government may comment on the answers and suggest a different assessment; in the fourth step, the local partner may respond to the comments received, and finally, in cases of dispute, the experts at IBP headquarters will decide.

As can be seen from the description of the process, one of the main goals of the OBS is objectivity: the index does not measure perception (like Transparency International's corruption index), but facts. It is not just a question of proving that something (e.g. a specific government document) exists, but also that it does not exist (or exists but is not published).

The OBS methodology is based on the assumption that in a transparent budget system, at least 8 types of documents should be prepared each year:

1. **Pre-Budget Statement**
2. **Executive Budget Proposal**
3. **Enacted budget**
4. **In-year reviews**
5. **Mid-Year review**
6. **Year-End Report**
7. **Audit Report**
8. **Citizens' budget**

transfer could be substituted by the Government or an independent budgetary institution publishing a baseline respecting the effects of the approved budget, and the various functional and economic breakdowns being updated regularly rather than published only at the time of the publication of the final accounts (this would require no substantial additional effort in possession of the data).

[17] The December TAO receipts are higher than the average even if firms have to pay estimated tax advances during the year based on data from previous years.

The first 109 questions of the OBS cover these eight key documents, and the Open Budget Index is the average of the responses to these questions. Hungary has consistently been one of the countries that disclose 'limited' information since the first measurement in 2013, for example because:

- two of the 8 key documents, the pre-budget statement and the mid-year review, are not prepared at all;
- the Citizens' Budget as a 'document' merely presents 4 pie charts on 4 pages at the very end of the justification to the budget bill[18] (plus another 'title page' listing economic policy issues without structure or message). The government does nothing to ensure that the Citizens' Budget reaches citizens;
- the bill does not contain a baseline, impact assessments, sensitivity analyses, estimates of the expected outturn of appropriations for the current year, forecasts by function, etc.;
- the volume does no link most of the measures to the government's policy agenda.

The IBP'S biennial waves of measurement not only allow cross-country comparison, but also – due to their relative methodological stability – allow to examine the evolution (or regression) of the various countries in terms of fiscal transparency. Experience since 2006 has shown quite clearly that transparency is not a question of money or wealth, but primarily of political will. The information the publicity of which the OBI holds governments to account for is needed for quality economic policy-making anyway. If such information is not available to the government, it will not be able to govern effectively. Whereas, if it is available, the cost of electronic publication in the Internet age is negligible, so if something is not published, it is because of political will.

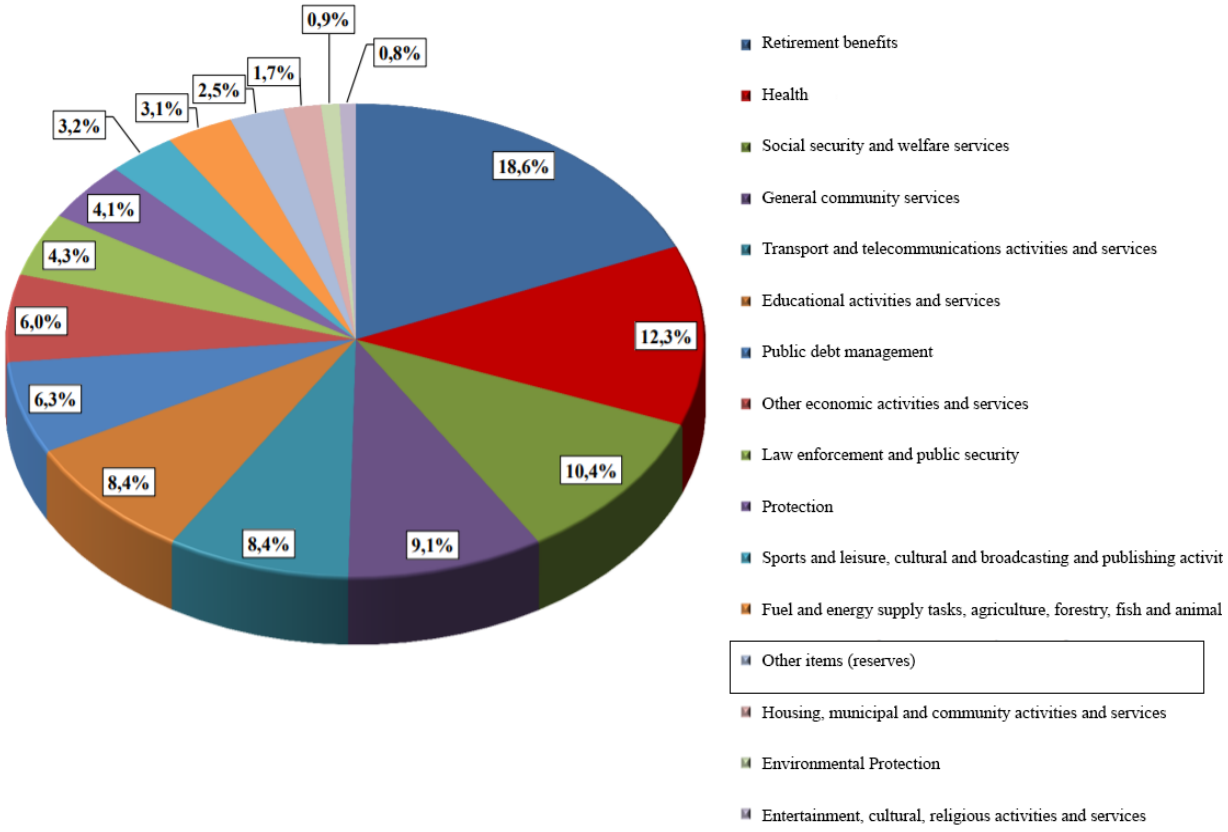
Observations starting in 2013 show that Hungary is virtually stagnating, with slightly worsening rather than improving results (as shown by the latest survey in 2019). There is no sign that the government has any intention to improve transparency. In fact, there are several phenomena which, although not included in the OBI questionnaires, illustrate the extent to which the government intends to treat the budget as its own internal affair.

Previously, the practice (as in most other countries) was for the government to submit the budget to Parliament at the end of September, and then, after about three months of debate, the adopted law was passed, at the last minute before the start of the budget year. In contrast, in recent years, the government has submitted the budget bill as early as May and pushes it through Parliament in about six weeks. Although the official justification is that this is good because it crates predictability, it is clearly a political stunt, since adopting the law six months earlier than necessary increases the likelihood that by the time the budget year actually starts, the appropriations in the law will be completely out of date (see higher education). While the monitoring role of parliament and society is inherently weak, it was even more so in the emergency of the COVID epidemic, when the Government, bypassing the National Assembly, which was in session the whole time, decided to introduce thousand-billion measures for 'economic protection' reclassification, the introduction of new taxes and to override budgetary rules in order to use reserves. In order to exercise the control function, the opposition chairman of the Budget Committee made several attempts to hear the Finance Minister, to no avail. In the monthly budget reports, only the total amount of expenditure related to the epidemic was reported, and it was not possible to identify the spending on individual measures.

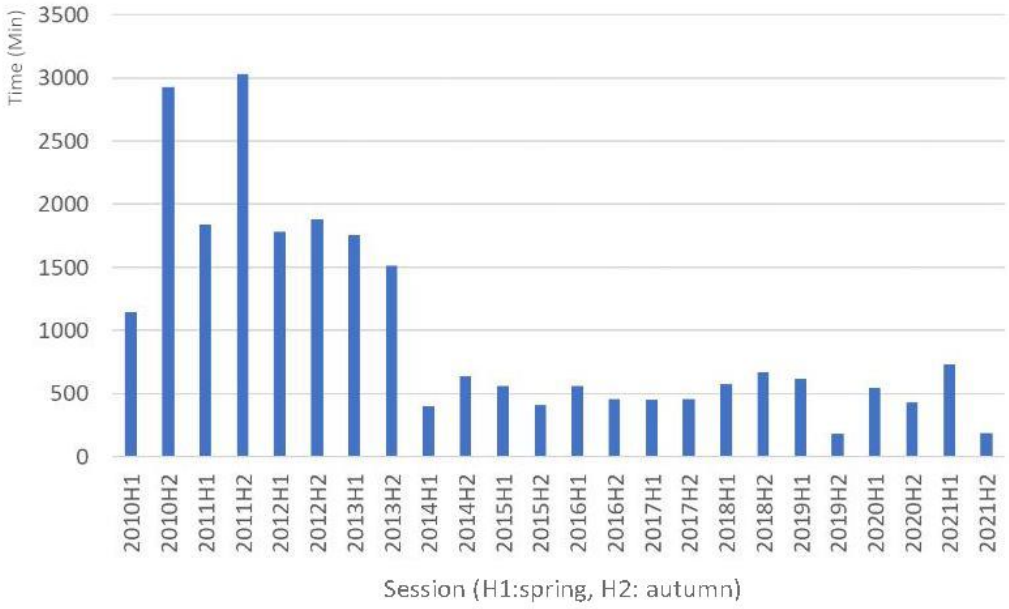
[18] https://www.parlament.hu/irom41/16118/t_16118_II_fejezeti.pdf (pp. 1253-1257)

The obsolescence of appropriations causes problems for the government in times of peace either, to this end, two main techniques are used: on the one hand, the government has almost unlimited possibilities to regroup appropriations during the year, and on the other hand, the law contains extremely high reserves to start with. For example, the functional annexes and the above-mentioned pie charts of the 2022 budget law show that the next year's budget will contain HUF 560 billion (2.5%) in reserves, the purpose of which the government has not been able to classify even at the level of the main functions.

The total consolidated cash flow expenditure of the central subsystem planned for 2022 is HUF 22,426 billion, the distribution of which according to its main functions is as follows:



In such circumstances, it would not make much sense to have knife-edge debates in the National Assembly, which is supposed to control the executive, about figures that the Government is then practically free to rewrite, circumvent or ignore, and therefore it is a waste of time to dwell on them. And indeed, they do not dwell on them at any length; they devote to them roughly one working day every six months (per session), or about 16 hours a year. Even Santa Claus and the Easter Bunny work more than that, but at least it makes some sense.



Total length of meetings of the Parliament Budgets Committee in minutes per session