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Proposals for the Reform of Constitutional Regulations on Public Finances

SUMMARY: The main purpose of this paper is to make specific proposals in the areas of public finance and the budget process in the context of the reform of the Hungarian Constitution. In preparing the proposals the author has reviewed the prevailing constitutional regulations as well as the relevant practice of the Constitutional Court, and examined and compared the constitutional schemes of European countries. The paper finds that a number of aspects of the constitutional regulation of public finances in Hungary are debatable and inadequate, and as such, its contents ought to be partially revised and supplemented. Accordingly, a number of guaranteed, fundamental rules typical in parliamentary constitutional states should be included in the constitution.

KEYWORDS: public finances, constitutional regulations, Constitutional Court practice, parliamentary constitutional state

INTRODUCTION AND STARTING POINTS

In several aspects and from several viewpoints, a great amount of criticism and reform intentions have been expressed recently in relation to our Constitution (i.e. the effective Act XX of 1949^{*}). The latest development in this field is that the preparation of a new Constitution gained momentum, and numerous concepts and proposals have been disclosed as regards its contents. I agree with several widely respected experts in that even though the Hungarian Constitution was designed explicitly for a temporary period – as stated in its preamble (“until the new Constitution of our country is approved”) –, its contents are fully consistent with the constitution of a democratic and constitutional state, and it *has clearly proved to be long-lasting document. It has also stood the test of*

both time and practice in terms of its main principles and structure, establishing a high quality public law system even in international comparison. Contributing to the constitution drafting process currently in progress, László Sólyom stated: “based on the analysis of preliminary issues and methodology, a communis opinio has now emerged. Thus, there is a broad agreement that there is no constitutional constraint and that the next Constitution should also contain the basic principles and indeed, the main institutions of the current Constitution...” I share this opinion and I do not see a need for the “systemic” modification and full revision of the constitutional principles and main regulatory contents, which have already been established in the legal practice. *However, it is also clear that the specific provisions of the Constitution contain numerous legislative defects, inadequacies, and occasional obsolete rules, often in the correlation of details.* Thus, whenever a new constitution is drafted in future – including the formally renewed Constitution that is to replace the

^{*} In this paper the capitalised version of the word Constitution is used when referring to the currently effective Act XX of 1949 on the Constitution of the Republic of Hungary.

existing “temporary” one – these regulatory defects and inadequacies should undoubtedly be eliminated through the sublime legislative task.

Another aspect to consider in relation to constitution drafting and more specifically, to the constitutional regulation of public finances, is the fact that the Act on Public Finances effective as of 1992 should be renewed both in its structure and its system. This act has been amended on countless occasions since its adoption. However, these amendments were often made on an ad hoc basis, merely satisfying short-term or momentary requirements; in other words, they lacked both transparency and a systemic approach. *There would be a need, therefore, to revise the statutory regulations of public finances and fiscal management (and the relevant implementing regulations) in a complex and transparent manner, focusing on the performance of public tasks.* Moreover, the State Audit Office of Hungary has repeatedly called for a comprehensive update of the legislative framework as well. Thus, the renewal of public finance (in a wider sense of the concept, from planning to control) and fiscal management regulations should be focused on the foundations. Consequently, the need for such statutory regulations also points to a reform of the constitutional foundations.

Based on the considerations outlined above, the purpose of this paper is to review the European constitutional practice regarding the rules on public finances included in the Constitution, and to make specific proposals for the Hungarian constitutional process, which can assist and contribute to the work of reforming the Hungarian Constitution and drafting a new Constitution.

In consideration of the above, I have developed my proposals according to the following aspects and methods. First of all, based on the currently effective Constitution and the applicable Constitutional Court practice, an accept-

able and sustainable, complex model can be derived and outlined for the economic and public finance system. Therefore, the declaration of the social market economy, the discrimination-free recognition of types of ownership, the protection of specific fundamental rights – in particular, the right to work, the freedom to conduct a business and the protection of the right to property –, as well as the regulation of the institutions of the central bank and the State Audit Office of Hungary constitute a good basis for a future Constitution and the fine-tuning of the rules it contains.

Secondly, being a fundamental law, stability and, to the extent possible, constancy are important features of a constitution, which implies that frequent amendments to it should be avoided. Therefore, the future Hungarian Constitution should establish a transparent and stable set of rules i.e., a foundation which, at the same time, is capable of adapting to changing conditions and changing values. Accordingly, the constitutional process should strike a careful balance between laying down all fundamental and guarantee provisions regulating the proper operation of the constitutional state, while making sure that the regulation does not get bogged down in details.

Finally, I also reviewed the constitutions of other European countries, and the comparison and examination of their contents provide a very good basis for determining the desired methods, depth of regulation and contents of the Constitution.

PUBLIC FINANCES IN THE CONSTITUTION, BASED ON A EUROPEAN OVERVIEW

For the purpose of this paper, the concept of an *economic constitution* refers to all standards, rules and legal regulations laid down in the constitution which pertain to the economy and economic activities of the particular state

and the citizens and organisations operating in that state.

The concept of a *public finance constitution* refers to all standards laid down in the Constitution which pertain to the finances of the Hungarian government, i.e. the revenues and expenditures (together: public funds) of the government, the use of such public funds and public property for the purpose of performing public tasks and the related institutional rules and procedures. Public finance standards designate not only the subject matter, but also the (material) prerequisites and means of state operations and the performance of public tasks.

Looking at the text of the various *constitutions of EU Member States*, we find that *a vast majority of them address public finances in a structurally separate section, i.e. an independent part, chapter, sub-chapter, etc.* (For a list of these countries and a review of the subject, see the analysis of Borsa, D.) Consequently, the Hungarian Constitution should adopt “European style” regulations in this area as well. Another question to examine is the extent to which the constitutions of EU Member States are identical or similar in terms of economic and public finance aspects. It can be generally stated that the fundamental and key rules which contain the guarantee elements of a constitutional-democratic and parliamentary political system are the following: basic principles; competence and procedural rules; procedural and restricting (disciplinary) regulations on the state budget and national debt. These rules are generally divided into fiscal and monetary provisions.

The analyses conducted reveals that the constitutions of most EU Member States cover the following topics.

- ▶ Key rules pertaining to the state budget, the supplementary budget and the execution of the budget (final accounts). In most cases, these constitutions also define the deadline,

the legal entity (typically the competence of the government) and the frequency (annually, or biannually, etc.) by which the budget appropriation bill must be submitted. They also define temporary provisions to be applied in case of a failure to adopt a budget by the specified deadline, including public law sanctions as appropriate.

- ▶ Taxes, customs, duties and other similar public revenues (of the central government and local municipalities). The rules pertaining to these payment obligations are often included among the standards related to constitutional obligations, which follow the provisions on fundamental rights.

- ▶ In most European states the state audit office assumes the role of supreme audit institution. The fundamental rules governing these institutions or the auditors themselves are laid down at the constitutional level. A great significance should be attached to the fact that certain guarantees are incorporated into the constitutions with a view to ensuring that the head(s) of the institution or, as the case may be, all auditors act independently, free of any external influence. A typical example of such stipulations is the appointment of these persons by the head of state (the monarch in a monarchy) or by legislation. Obviously, there are examples or solutions for other similar guarantees as well (exclusion of being instructed in the course of work, etc.).

- ▶ Currency and customs regulations and subjects related to the issuance of money and banknotes. Obviously, these constitutional provisions can be interpreted and applied in accordance with the EU standards; as the European economic and monetary integration progresses, their importance is gradually decreasing.

- ▶ In the context of the previous point, a crucially important and constitutionally regulated institution of the monetary policy is the central bank, i.e. the set of rules applicable to the cen-

tral banks of specific countries as well as its executive officers and governing bodies (e.g. Monetary Council etc.). Undoubtedly, the role of national central banks has also been reevaluated and modified in accordance with the operation of the Economic and Monetary Union and the progress of the integration process.

Consequently, the regulatory subjects listed here typically are parts of separate sections, chapters, sub-chapters, etc. on public finances. In addition, consideration should be given to other issues relating to those rules on public finances, which are separated from the regulations, and are included elsewhere in the text of the constitution. Of course, a great number of provisions could be listed in relation to government expenditures, revenues and public finances (thus, for example, all constitutionally regulated institutions and obligations, as well as the active protection of fundamental rights generate public expenditures); however, the scope of this paper is limited to closely related constitutional provisions in the narrow sense of the concept. These regulatory objects, defined in other parts of the constitutions, may be the following.

► Provisions of fundamental rights applicable to the economy. This category typically includes the aforementioned regulations of property protection. In addition, this category encompasses the fundamental rights related to the freedom of occupation (in other words, economic freedom), in particular, the freedom to choose an occupation, the right of free access to economic activities and the right to pursue such activities. It may also include enterprises and economic organisations established under the principle of economic freedom, considered worthy of distinction by the particular state and eligible for the support guaranteed by the constitution. Thus, constitutions specifically take note of small enterprises, cooperatives and state-owned economic organisations.

► Provisions applicable to legislative bodies (parliaments) and their operation. This category contains public finance issues in a broader sense, including, for example, the remuneration of MPs (according to European practice, such decisions are applicable to the next legislative period at the earliest). Out of the elements of public finances in the narrow sense of the word, the category covers regulations pertaining to the budget, the parliamentary decision on the final accounts, government loans, credits and any other similar transactions generating debt, as well as public property issues falling within the scope of legislative tasks. In addition to these, the parliamentary aspects of the main issues listed should be mentioned, in particular, various personal decisions (appointment, removal) and topics related to auditing and the provision of information.

► Referendum provisions. Issues concerning the budget, taxes, duties and other similar public revenues are typically excluded from the issues on which a referendum may be held; therefore, in order to ensure the protection and sustainability of the operation of the state and the performance of public tasks, they cannot be put to a referendum (*referendum, plebiscitum*).

► Last, but not least, the constitutional provisions related to the public finances of various local municipalities (at the settlement, district, regional, etc. levels) should be taken note of. In the area of public finance regulations provisions on local taxation may be mentioned. In addition, a municipality may have its own individual property. Constitutional guarantees are also usually granted as regards independence and the right of self-determination (local autonomy). In this context, and generally in relation to local municipality rights, the Hungarian Constitution has generous provisions providing extensive autonomy; in particular, it ensures that a local municipality may manage its revenues individually, may pursue a

business activity on its own responsibility, i.e. the municipality is entitled to collect its own revenues for performing its statutory (public) functions, and that it must receive state support proportionate to such tasks.

POTENTIAL FUTURE REGULATIONS ON PUBLIC FINANCES IN HUNGARY

The constitutions of the various European countries regulate public finances with the contents listed above, in structurally and formally separate parts. I am undoubtedly aware of the fact that a new constitution can only be established by using a systemic approach, whereby the various parts and provisions are integrated into the whole system and furthermore, the standards laid down in specific parts of the constitution – in this particular case, in the chapter on public finances – are not clearly determined either, as different provisions can be covered by various different parts of the constitution. Of course, there are various possible solutions concerning the content of the legislative provision, and certain alternatives can be applied as regards its details. However, in case of potential differences in the details I would not recommend any substantial differences from what is outlined above concerning the relevant issues and the depth and the extent of the regulation.

It should be noted that references to different laws in the chapter on public finances in the draft legislative provision are limited to “plain”, simple laws. Consequently, this paper disregards the fact that the adoption of such laws may require a qualified majority or any other special procedure as it is irrelevant for the purposes of this paper.

Finally, as regards the ongoing preparation of the constitution concept I must emphasize the importance of ensuring that the regulatory elements outlined below function as constitution-

al guarantees; indeed, a too short “core constitution” may lead to more risks and (legal) uncertainties than benefits. As László Sólyom explained: *“the creation of an overly short constitution without a sufficient level of detail would inordinately narrow down precisely the guarantee role of the constitution and, contrary to expectations, even respect for the constitution would be lost in the ensuing chaos...”*

► *With regard to the state budget, it would be necessary to integrate into our Constitution more of the guarantee-type, fundamental rules typically applied in parliamentary constitutional states.* The first such rule should be to entrust the Parliament with making a decision on the state budget and its execution in the form of legislation each year. In my opinion, the executive powers with accountability to Parliament (a fundamental status of exercising power under public law) assume that the legislator demonstrates its confidence in the government each year, and at the same time it grants proper authorisation to collect revenues and pay expenditures. In view of the Hungarian situation, given the practice of budget planning and fiscal management, the preparation of an elaborate and detailed longer-term budget may not be a reasonable expectation. Even if a multi-annual budget is approved, it is likely to require significant modifications as early as the second year. In any case, if the Constitutional powers deem the submission of a multi-annual draft bill reasonable in future, it should be the Constitution that provides for the necessary authorisation. There have been numerous proposals for the inclusion of the supplementary budget in the Constitution. However, in my opinion this would necessitate the definition of the concept as well as the cases when the submission of a supplementary budget is required or permitted, and other relevant provisions may have to be clarified as well. As this would lead to excessive details in the provisions of the Constitution, I believe this idea should be

rejected. In my opinion, the issues of the supplementary budget should be covered by the act on public finance or public funds (or any other act that might be dedicated to similar matters). On the other hand, I present a proposal concerning the significant guarantee-type constitutional provisions related to the budget and its amendments in general.

▶ *In terms of the contents of the budget, it should be acknowledged as a principle that the budget must include all public revenues and expenditures.* There have been suggestions to specify the equilibrium criteria and the public debt ratio in the Constitution; however, in my opinion these issues should be regulated at the legislative level at most. The rules in question are too rigid and specific to be included in the Constitution; they cannot reckon with any temporary difficulties, crises or extraordinary circumstances the government might have to face, nor with any resulting economic policy measures (as demonstrated by the various impacts of the latest global economic crisis and the temporary imbalances and ballooning national debts resulting from the responses to it).

▶ Moreover, it should be stated in the Constitution that *the government has exclusive competence to submit budget appropriation bills and final accounts bills, or any amendments thereof.* While this has never been called into question in practice and the currently effective Act on Public Finance defines the general responsibility of the government in this area, in view of the factors described above, it would be worthwhile to lay down this rule in the Constitution as a guarantee.

▶ Concerning the budget act, the act on the final accounts and the expenditures and revenues presented therein, a “defence rule” should be integrated into the Constitution to the effect that, *in the budget act or in the act on the execution of the budget Parliament may not cancel or reduce any expenditures or re-*

venues which are prescribed by the provisions of another act, without an amendment to the re-levant act.

▶ *The principles of the state budget, the final accounts and the temporary financial management of the government without an approved budget, the rules pertaining to the preparation of the relevant draft legislations, the links between the state budget and local municipality budgets and the general rules of fiscal management (in particular, the beginning and end of the fiscal year) are issues to be regulated at the legislative level.* On the other hand, the key content elements of the prevailing act on public finance or public funds (which may of course have a different title) should be defined in the Constitution.

▶ Following the activities of Hungarian legislation over the past twenty years has made it clear that the debate on the budget appropriation bill invariably involved a great amount of difficulties and draft amendments, which unreasonably hindered and delayed effective legislation. In this sea of proposed amendments many proposals were not properly justified in terms of the liability side – i.e. the financial coverage –, which, had they been accepted, could have seriously upset the (relative) budgetary equilibrium. For this reason – and also on the basis of European constitutional examples –, it would be appropriate for the Hungarian Constitution to prescribe that, in case of *any proposed amendment to the act on the state budget or the budget appropriation bill* which would result in lower revenues, higher expenditures or the restructuring thereof, *the party submitting the proposal is required to attach a financial calculation indicating the exact source of funding for the proposed amendment.*

Moreover, the Constitution should lay down, as a general rule – obviously in a chapter devoted to constitutional or general legislation, rather than that of public finance –, that *the author of each draft bill (or any other piece of leg-*

islation) should attach a fiscal annex to the proposal in question.

▶ In order to ensure stable governance and a sound basis for public finances, *it is advisable that the Constitution define the final deadline for presenting the budget appropriation bill and the final accounts bill, as well as the deadline by which Parliament must pass a decision on them.*

▶ A precisely scheduled and consistent adoption procedure preceding the promulgation and entry into force of the budget appropriation bill and the final accounts bill could ensure a stable and sound fiscal management for the state. *At the same time, the government must be prepared for, and regulate the cases where, for some reason, the country does not have an approved, effective budget by the specified deadline.* The Constitution should lay down the bridging rules applicable to such temporary (*provisional*) conditions as well. Stable and predictable governance and fiscal management could be the fundamental principle upon which these rules are based. The adoption of a separate act on temporary fiscal management would not be reasonable; indeed, it would be counterproductive as it would only prolong the uncertain situation. On the other hand, if Parliament failed to approve the budget itself, it would be highly doubtful whether it is able or willing to pass any act providing for such a transitional period. As regards such cases, general provisions should be enacted as part of the act on public finance or public funds, while the rules applicable to the specific financial period should be laid down in a government decree in more detail.

Temporary fiscal management could be conducted in cases where the budget act cannot be approved by the beginning of the fiscal year because Parliament is hindered in its decision-making function (based on the concepts of the currently effective Constitution, this means that Parliament is not in session; for example, its sessions have been adjourned or a special sit-

uation has arisen), or if Parliament has dissolved itself, or has been dissolved by the President of the Republic.

A similar temporary situation may occur when the President of the Republic raises constitutional concerns about the budget act or its amending budget adopted by Parliament, and submits it to the Constitutional Court for a constitutional review. Naturally, this assumes that such preliminary provision control is, in some form, a part of the control standards safeguarding the Constitution. However, precisely to avoid such an unstable situation and in consideration of the time limits of a temporary financial management, an appropriate deadline should be also set for provision control.

Naturally, any such temporary fiscal management (*indemnity*) should cover a relatively short transition period, and to guarantee that it does not become a prolonged period of an unstable condition, the Constitution should include appropriate sanctions with a deterring effect. Consequently, if Parliament fails to pass the budget act within two months of the beginning of the fiscal year, the President of the Republic should be required (or possibly entitled) to dissolve Parliament on short notice, and bring forward the next scheduled election. In relation to the final accounts I would not recommend the inclusion of such a strict rule in the Constitution; indeed, in theory, a government can continue to operate smoothly even though its final accounts have not been approved. As the practice observed in previous years demonstrates, with some exaggeration, the approval of the Act on the Final Accounts has been a mere formality without any material dispute.

▶ In my opinion – which is in fact supported by appropriate European regulatory practices –, *to safeguard against government indebtedness, adequate guarantees and legal controls should be integrated into the Constitution, albeit without specifying the level of debt.* As a reason-

able rule, it should be ensured that no state loans or credit facilities can be disbursed to the government and no guarantees or other similar expenditure commitments can be undertaken by the government unless explicitly prescribed by legislation or, in legally specified cases, a government resolution. Another typical practice is when the courts of accounts countersign the measures and contracts relating to the borrowings of the state budget. As to the daily practice of performing public tasks, a mandatory guarantee requirement could be adopted to the effect that organisations and persons operating from public funds and performing public tasks may undertake financial liabilities or appropriate funds that generate public expenditures only to the extent it is in compliance with legal provisions (budget act, act on public finance).

▶ The state treasury is an important, key participant in, as well as the main executor of, the fiscal policy of most civilised states. In view of its core function and the references to such institutions in other European constitutions, it should probably be recognised in our own Constitution as well. The specific tasks, organisational framework and management of the treasury should be laid down in legislation.

▶ On the other hand, as regards taxes, customs, duties, fees and other public dues under different titles, *it appears to be necessary to insert another guarantee-type provision in the Constitution to the effect that any such payment obligation should be legally imposed with key rules specified by legislation.* Precisely to prevent the circumvention of this constitutional provision by taking advantage of the “rich Hungarian language”, it is important to introduce an unambiguous definition (perhaps introducing a collective noun, such as the term “public law revenue”) to make it clear that this legislative guarantee covers not only the listed examples, but any other tax-type payment obligations, whatever title they may have.

▶ As noted above, nearly all European constitutions include some references to courts of accounts and auditors. Accordingly, *the State Audit Office of Hungary (SAO) has been included in the Constitution and has become a key actor in the audits performed during the past two decades.* Consequently, the fundamentally satisfactory *Hungarian regulations* would require *only a few amendments.* Such an amendment could involve the clarification and updating of the list defining the fundamental tasks of the SAO. Importantly, in addition to the long-established, more traditional regulatory audits – which are primarily post-audits by nature –, the monitoring of fiscal policy and its implementation should be strengthened, with a focus on prevention, transparency, risk detection and risk analysis. As György Kopits put it, this task involves *“real time supervision with an extensive scope, including the mid-term and long-term assessment of the plausibility of macro-fiscal forecasts, fiscal risks and sustainability.”*^{vi} The role of the Fiscal Council and its relationship with the State Audit Office of Hungary cannot and should not be disregarded. In my opinion, it will be the responsibility of future constitutional powers to review the relationship and respective tasks of the State Audit Office of Hungary and the Fiscal Council and to decide whether to preserve the latter institution. If a broad consensus can be reached in the eventual constitution drafting process that both the Council and the SAO should be maintained, both institutions and their respective roles should be recognised in the Constitution. I would refrain from taking a position on whether this institutional duality should be maintained or not. What I do consider *important*, is to make certain that *the fundamental tasks* (allocated to the State Audit Office) *are furnished with sufficient efficiency and effectiveness* even in the draft text presented below. Obviously, these tasks could be performed or even shared by several organisations, in which

case it would be important to allocate and separate the tasks and competences precisely *in order to avoid any* redundant organisational overlaps.

Undoubtedly, *a constitution should regulate the tasks of the courts of accounts* (if not all of them, at least the most important ones). In addition, *it is important to cover professional independence, operation free of external influence, and the main provisions ensuring transparency.* The former may include procedures related to the appointment of the manager or managers, the exclusion of being instructed in the course of work and regulations on the conflict of interest as regards remuneration, generally applicable to the employees of the institution. In terms of transparency, it is best guaranteed by the publicity of the reports issued by the State Audit Office. Additional rules related to tasks, operation and procedures should be addressed in a separate act pertaining to the institution.

▶ As noted above, the provisions of the constitutions on public finances are generally divided along the lines of fiscal and monetary policy. According to the aforementioned international examples, nearly all constitutions include provisions concerning the central banks (national banks, federal banks, etc.), controlling the monetary policy of the state. In this context, *our Constitution is in line with expectations and contains the main rules pertaining to the National Bank.* Nonetheless, I believe that *certain modifications, similar to those proposed for the State Audit Office, should be made in relation to the independence from executive powers and transparency.* Among the “labour law” type provisions applicable to individual managers only the most important guarantee-type provisions should be enshrined in the Constitution, while more elaborate regulations should be laid down in the act on the specific institution. On the other hand, it would also be fair enough to include these rules in the Constitution.

Concerning the constitutional regulation of various appointments and removals, parliamentary audits, reporting arrangements and responsibilities in general, I am of the opinion that – except for justified cases – standard solutions should be identified for the head(s) of the national bank, the State Audit Office of Hungary and any other institution specified in the Constitution.

SUMMARY STATEMENTS

On the basis of this paper and previous analyses by different authors, *we may conclude that certain aspects of the constitutional regulation of public finances are debatable and inadequate, and as such, its contents ought to be partially revised and supplemented.* Thus, especially in the course of constitution drafting on public finances, some guarantee-type, fundamental rules typical in parliamentary constitutional states should be integrated into the constitution in relation to public debt, taxes, duties and other similar payment obligations. In addition, it would be important to guarantee, at the constitutional level, professional independence, operation free of external influence and transparency for the State Audit Office of Hungary and the national bank. Based on the aspects outlined in the introduction and the subsequent observations, and with a view to contributing in good faith to the preparation of a future Hungarian Constitution, a specific *textual proposal is presented* below.

DRAFT TEXT OF THE CHAPTER ON PUBLIC FINANCES

“Public finances

. § (1) *Each year Parliament shall pass an act to approve the state budget containing all revenues and expenditures, and to authorise the govern-*

ment to execute the budget and the final accounts reflecting the execution of the state budget.

(2) The principles of the state budget, the final accounts and the temporary financial management of the government, the rules pertaining to the preparation of the relevant draft legislations, the links between the state budget and local municipality budgets and the general rules of fiscal management shall be laid down in separate legislation.

(3) The budget appropriation bill, the bill on the execution of the budget and any proposed amendments thereof shall be presented to Parliament by the government.

(4) In case of any proposed amendment to the budget act or the budget appropriation bill which would result in lower revenues, higher expenditures or the restructuring thereof, the party submitting the proposal shall attach a financial calculation indicating the exact source of funding for the proposed amendment.

(5) In the budget act or in the act on the execution of the budget Parliament may not cancel or reduce any expenditures or revenues which are prescribed by the provisions of a separate act, without an amendment to the relevant act.

. § (1) The government shall present to Parliament the budget appropriation bill for the following year not later than three months prior to the beginning of the fiscal year specified in a separate act.

(2) The bill on the execution of the budget shall be presented by the government within six months following the end of the fiscal year, and shall be approved by Parliament within one year following the end of the fiscal year.

(3) If under the provisions of Article ..., the President of the Republic submits the budget act or any amendment thereof to the Constitutional Court for review prior to signature, the Constitutional Court shall pass a decision within forty-five days following the receipt of the presidential request.

. § (1) The Budget Act shall enter into force at the beginning of the fiscal year. If Parliament does not approve the budget act by the beginning of the fiscal year, monthly expenditures for the specific year shall be limited to one-twelfth of the expenditures of the previous year's budget until the Budget Act is approved. The rules pertaining to the temporary financial management of the government for such a period shall be regulated by a government decree.

(2) If the Budget Act may not be approved by the beginning of the fiscal year because Parliament is hindered in decision making, has dissolved itself, or has been dissolved, the provisions of Paragraph (1) shall apply.

(3) If Parliament fails to approve the budget act within two months of the beginning of the fiscal year, the President of the Republic shall dissolve Parliament within fifteen days and simultaneously set a date for the elections.

. § (1) The Hungarian government may not take a loan or a credit facility or provide surety, guarantee or any other financial collateral, unless explicitly prescribed by legislation or, in legally specified cases, a government resolution.

(2) Organisations and natural persons performing public tasks may undertake financial liabilities or appropriate funds only to the extent it is in compliance with legal regulations.

. § The tasks, the organisation and the operation of the Hungarian State Treasury are governed by a separate act.

. § Taxes, customs, duties, fines and any other financial obligations payable unilaterally to the government or a municipality (hereinafter: public law revenue) may only be imposed by law or any other legal regulation prescribed by legislation. The subject matter of public law revenues, the obligors, preferential payments, exemptions and the negative legal consequences of the non-

payment of public law revenues shall be laid down by legislation.

. § (1) As the financial and economic audit institution of the National Assembly, within its scope of competence the State Audit Office of Hungary shall:

a) review and formulate an opinion on the substantiation of bills and draft resolutions submitted to Parliament, and prepare projections and estimates on the financial and fiscal impacts of such proposals;

b) audit the final accounts prepared in relation to the execution of the budget;

c) audit the financial management of the general government and public organisations, the use of budget transfers and the collection of public law revenues;

d) audit the management and use, as well as the utilisation and transfer of public and local municipality property and the value preservation and property enhancing activities of parties in possession public property;

e) perform any other task within its scope of competence by virtue of law.

(2) The president and vice president of the State Audit Office of Hungary shall be elected and removed by Parliament based on the proposal of the President of the Republic, as specified by law.

(3) The executive officers and auditors of the State Audit Office of Hungary shall act independently in the course of performing their tasks, and they may neither request, nor accept any instruction.

(4) With the exception of scientific, tutorial, artistic, proofreading, editing and intellectual activities subject to legal protection, the executive officers and auditors of the State Audit Office of Hungary may not accept any other assignment or pursue any occupation generating income, may not accept any remuneration or establish any legal relationship implying a membership, employment or work, and may not enter into any

contract for the position of an executive officer or a member of a supervisory board.

(5) The State Audit Office of Hungary shall inform Parliament on its audits and its audit reports are publicly accessible documents subject to mandatory disclosure.

(6) The organisation, operation and other tasks of the State Audit Office of Hungary are specified by legislation.

. § (1) The National Bank of Hungary is the central bank of the Republic of Hungary, exclusively owned by the Hungarian state. The National Bank of Hungary and its supreme decision-making body, the Monetary Council, are responsible for the monetary policy and price stability in accordance with the provisions of the law. The National Bank of Hungary has the exclusive right to authorise the issue of banknotes and coins.

(2) The Governor of the National Bank of Hungary and the members of the Monetary Council shall be elected and removed by Parliament upon the proposal of the President of the Republic, as specified by law.

(3) The Governor of the National Bank of Hungary and the members of the Monetary Council shall act independently in the course of performing their tasks and, with the exception of the European Central Bank, they may not request or accept instructions from any organisation or person.

(4) With the exception of scientific, tutorial, artistic, proofreading, editing and intellectual activities subject to legal protection, the Governor or any other executive of the National Bank of Hungary and the members of the Monetary Council may not accept any other assignment or pursue any occupation generating income, may not accept any remuneration or establish any legal relationship implying a membership, employment or work, and may not enter into any contract for the position of an executive officer or a member of a supervisory board.

(5) *The Governor of the National Bank of Hungary shall regularly report to Parliament on the activities of the Bank. These reports are publicly accessible documents subject to mandatory disclosure.*

(6) *The Governor of the National Bank of*

Hungary shall issue decrees within his/her scope of competence specified by law, which decrees may not be inconsistent with such law.

(7) *The organisation, operation and other tasks of the National Bank of Hungary are specified by legislation.”*

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