Subnational Business Ready in the **European Union 2024:**

HUNGARY

WORLD BANK GROUP
Development Economics | Global Indicators

SUBNATIONAL BUSINESS READY

With funding by the European Commission

Contents

Foreword

In a world of stifled business growth, unemployment, and multiple socioeconomic crises, the significance of understanding and enhancing the business climate cannot be overstated. The launch of the *Subnational Business Ready* (B-READY) studies occurs at a pivotal moment in the context of Europe's economic landscape—they provide a rigorous and comprehensive examination of the business environments across diverse regions within six European Union Member States: Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic. This initiative is not solely analytical—it is fundamentally transformative, aiming to catalyze policy reforms and invigorate the private sector by leveraging diverse regional strengths within the European Union.

The effective cooperation between the World Bank and the European Commission, particularly the Directorate-General for Regional and Urban Policy (DG REGIO), has been instrumental in supporting Member States in achieving cohesive policy objectives. This collaboration has also generated globally relevant analytics and knowledge spillovers. The launch of these Subnational B-READY studies builds on previous studies, funded by DG REGIO, in which 115 locations from 16 Member States were benchmarked between 2017 and 2022.

The World Bank's commitment to promoting economic development and mitigating barriers that hinder private sector growth is closely aligned with its goal of eliminating poverty on a livable planet. This is reflected in the methodical approach of the Subnational B-READY team—analyzing and comparing business environments at the local level to foster sustainable and inclusive economic growth. By incorporating aspects of environmental sustainability into its assessments, the Subnational project directly supports the World Bank Group's livable planet mandate. With the continuous support of the European Commission, the project provides an overview of countries' regulatory processes, highlighting regional variations in business regulations and their practical implementation. The Subnational studies provide pathways to developing effective regulatory frameworks and enhanced administrative processes that are pivotal for economic resilience and growth.

By focusing on a range of topics, including Business Entry, Business Location, Utility Services, Dispute Resolution, and Business Insolvency, the Subnational project ensures a comprehensive evaluation of factors that influence business climates. Facilitating business entry is key for job creation and economic growth, with simple registration processes and transparency safeguarding business integrity. Secure property rights and effective land administration promote investment and market efficiency, while a robust environmental framework for construction protects the public and ensures sustainability. Reliable utility services, especially electricity and water, are critical for operations and profitability. Efficient dispute resolution and strong judicial systems encourage investment by providing timely and cost-effective processes. Finally, robust business insolvency frameworks are essential for economic stability, resilience, and job preservation. Understanding and optimizing these areas is crucial for crafting environments conducive to sustainable and inclusive business operations.

Moreover, the collaborative nature of the Subnational B-READY studies—conducted in alignment with the priorities of the national and local governments—guarantees that insights from the studies are both relevant and action-

able. This engagement is a testament to a shared commitment from various governmental levels to refine business practices for amplified economic impact.

As these assessments unfold, the objective extends beyond identifying discrepancies; the aim is to guide policy makers and foster a dialogue between local and national governments and the private sector. The exchange of best practices and success stories is intended to spark innovative and effective reforms across regions, setting a precedent for future economic enhancements.

In essence, the Subnational B-READY studies for these six nations represent more than mere reports—they are a guide toward smarter, more efficient policies that empower businesses and foster substantive economic growth. We are confident that the insights from these assessments will catalyze significant strides in private sector development and economic policy making at both regional and national levels.

We extend our deepest gratitude to all contributors, partners, and stakeholders, whose expertise and unwavering dedication have been instrumental in sculpting these comprehensive studies. Your continued engagement and insightful feedback are crucial as we advance our mission to enhance business environments globally, paving the way for an era of renewed growth and prosperity.

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The report was edited by Matt Zoller, Deviah Machimanda Appaiah, Charles Hagner, and Susan Boulanger; the layout was produced by Luis Liceaga.

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Data collection was carried out in collaboration with Buildecon (the team was led by Janos Gaspar and Eszter Falucskai) and Szecskay Attorneys at Law (the team was led by Lilla Kiss). The Hungarian Association of Bailiffs and the Hungarian Association of Insolvency Practitioners also contributed valuable data. More than 150 business consultants, engineers, lawyers, electricians, architects, construction experts, utility providers, public officials, judges, and enforcement agents contributed to the study. The team would like to express its special gratitude to the national and local public officials who provided comments during consultation and data review period.

Subnational B-READY is a product of the Development Economics Vice-Presidency (DECVP), led by Indermit Gill, Senior Vice President and Chief Economist of the World Bank Group. B-READY is housed in the Global Indicators Group, Development Economics (DECIG), and is supervised by Norman Loayza (DECIG Director). The Subnational B-READY projects are implemented by a team led by Mădălina Papahagi (Senior Private Sector Specialist, DECSN) and Valentina Saltane (Manager, DECSN), in collaboration with other DECIG units (Business Ready, led

by Valeria Perotti, and Enterprise Analysis, led by Jorge Rodriguez Meza).

The Enterprise Analysis team collected all the B-READY firm-level data through expanded Enterprise Surveys and provided invaluable advice on questionnaire design and indicator development. This team is led by Jorge Rodriguez Meza (Manager) and consists of Gemechu Aga, Nesma Ali, David C. Francis, Norma Janeth Gomez Caceres, Caroline Gomes Nogueira, Arvind Jain, Filip Jolevski, Nona Karalashvili, Hibret Maemir, Eugenia Aurora Rodriguez Cuniolo, Davide Salvatore Mare, William Soh, Nazim Tamkoc, Kohei Ueda, Domenico Viganola, Rose Wairimu Gachina, and Joshua Wimpey.

The team extends its apologies to any individuals or organizations inadvertently omitted from this list and conveys its appreciation to all contributors to the Subnational B-READY in the European Union studies, including those whose names may not be listed here.

Executive Summary

Subnational Business Ready (B-READY) in the European Union: A Comprehensive Assessment of Regional Business Climate

The Subnational B-READY in the European Union (EU) series is a project led by the World Bank in partnership with the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) aimed at assessing and enhancing the business environment across different regions within the EU. This year, the Subnational B-READY series cover 40 cities in six EU Member States—Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic—covering 36 European regions. This phase builds upon the World Bank's previous Subnational studies conducted in these countries between 2017 and 2022. More broadly, the former Subnational in the EU reports assessed business environments in Bulgaria, Hungary, and Romania (2017); Croatia, the Czech Republic, Portugal, and the Slovak Republic (2018); Greece, Ireland, and Italy (2020); Austria, Belgium, and the Netherlands (2021); and Denmark, Finland, and Sweden (2022), covering 115 locations across 16 EU Member States. These studies have laid the groundwork for identifying regulatory gaps and sharing best practices to strengthen the EU's regional economic cohesion. As part of an ongoing effort, the team is launching the second round of measurements, which will cover over 60 cities from the Czech Republic, Greece, Ireland, Italy, Poland, and Spain. A third round is set to begin in 2025, expanding the assessment to more EU Member States.

Objective

The primary objective of the Subnational B-READY studies is to identify and address regional disparities in regulatory environments and to promote reforms that foster private sector growth, job creation, and sustainability. The Subnational B-READY series delivers a rigorous, data-driven analysis of business climates at the local level, offering actionable insights for policy makers. By examining key areas of the life cycle of the firm—Business Entry, Business Location (including Building Permitting, Environmental Permitting, and Property Transfer), Utility Services (Electricity, Water, and Internet), Dispute Resolution, and Business Insolvency—this report offers a road map for improving administrative processes and regulatory frameworks that directly affect businesses at the local level in seven Hungarian cities: Budapest, Debrecen, Győr, Miskolc, Pécs, Szeged, and Székesfehérvár.

Intended Audience

This Subnational B-READY report series targets a wide audience, from national to local government officials, and from private sector stakeholders to development agencies, policy makers, and researchers. The findings are meant to help these groups identify best practices, reduce regulatory bottlenecks, and foster a more unified and efficient business environment across regions. Additionally, the collected data serve as an effective tool for local governments, enabling them to benchmark and track performance over time vis-à-vis not only national standards but also international benchmarks. The comprehensive underlying country-specific datasets provide ample opportunities for further research in the area of private sector development and growth.

The Importance of Regional Data

An insight into regional dynamics allows an economy to be more inclusive and sustainable in its economic growth. The Subnational B-READY reports offer governments the evidence needed to design targeted reforms, allowing regions to enhance their business climates and bridge performance gaps. It is hoped that the key findings will encourage peer learning across regions by disseminating good practices observed in high-performing cities. It is expected that such a sharing of best practices would lead to cross-regional improvements and eventually spur competitiveness across the EU.

By highlighting both achievements and areas for improvement, these assessments aim to support national and regional policy makers in driving meaningful reforms. In this way, the project exemplifies the shared commitment of the World Bank and DG REGIO to enhancing economic cohesion and resilience within the EU through rigorous analysis and evidence-based policy recommendations.

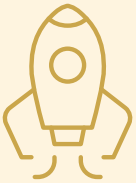
Key Findings

- The seven Hungarian cities benchmarked by this study have strengths in different areas. Miskolc leads in two areas: Dispute Resolution and Business Insolvency. Obtaining building permits and environmental clearances for construction and transferring property (Business Location) is easiest in Budapest, while Debrecen leads on Utility Services (electricity, water, and internet). Győr, despite not performing at the top of any area, is the runner-up on three topics: Business Location, Utility Services, and Business Insolvency.
- City performance varies notably across areas. For example, Budapest has room for improvement on Business Insolvency, Utility Services, and Dispute Resolution. Similarly, Debrecen has the second to lowest score on Business Location. Pécs and Szeged register a good performance on Business Location and Dispute Resolution, respectively, but Pécs lags behind on Dispute Resolution while Szeged trails on both Business Location and Utility Services. The differences in strength mean all seven cities have something to share with and learn from each other.
- Hungarian cities have the highest average scores in the areas of Business Entry and Business Location, 89.9 and 83.2 out of 100, respectively. These are also the areas registering the smallest performance gaps across cities, indicating that company incorporation as well as property transfer and building and environmental permitting, subcomponents of the Business Location topic, are implemented with equal effectiveness across the measured regions.
- The Utility Services topic, which comprises electricity, water, and internet, has the weakest country average score, 64.8. The country also has room to improve on the Dispute Resolution and Business Insolvency topics, where the average city scores are 75.6 and 79.4 points, respectively.
- Dispute Resolution is the area registering the largest gap across all measured areas: the difference between the worst (Pécs) and best (Miskolc) performers on this topic is eight points.
- Hungarian cities also have substantial room to learn from each other on the Utility Services topic, where the difference between the best (Debrecen) and worst performers (Szeged) is 5.3 points.
- Hungarian cities tend to perform better on the strength of the Regulatory Framework (Pillar I) and on Operational Efficiency (Pillar III), with the significant exception of the Utility Services area, where the Operational Efficiency pillar is the worst among the measured areas.
- Gaps in the delivery of Public Services (Pillar II) exist, especially in the Business Location and Dispute Resolution areas. In other words, while regulations are in place and on par with international good practices, the country could improve the services needed to implement such regulations.
- Although Hungarian cities adhere to a uniform regulatory framework and their public services largely have the same level of quality, how regulations are implemented in practice, as well as the efficiency of public agencies, varies within the country: most of the cross-city variation identified by this study is driven by differences in the Operational Efficiency of business regulatory processes, with subnational variance on Pillar III existing on all topics except Business Entry.
- Building permitting takes 76 days in the fastest of the seven measured cities (Győr) but 122 days in the slowest (Szeged). Similarly, on registering property, where the main procedural steps are identical across cities, the time required to complete the process varies from 16 days (as in Székesfehérvár) to 55 days (as in Szeged), over three times longer, depending mainly on how long it takes to register the sale deed at the land registry.

- **Time, cost, and number and frequency of service interruptions vary considerably on the three Utility Services measured (electricity, water, and internet). As an example, obtaining electricity takes 295 days in Miskolc, while clients in Budapest and Győr wait more than two additional months (360 days) for the same type of electricity connection.**
- **Subnational differences also exist on the two topics where local courts play a crucial role: Dispute Resolution and Business Insolvency. Specifically, of the seven cities, only Budapest and Debrecen have specialized commercial divisions within existing regional courts, and the time required to resolve a commercial dispute varies from 420 days (as in Szeged) to 605 days (as in Győr). On Business Insolvency, subnational differences are due mainly to liquidation proceedings, as local courts face different workloads and internal organizational issues.**

Areas of Improvement

Business Entry

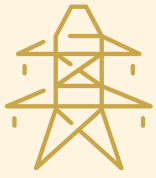


Areas of improvement for business entry in Hungary include eliminating the start-up capital requirement for limited liability companies, making third-party involvement optional, and reviewing the requirement to register and pay fees for the chamber of commerce. The removal of the minimum capital requirement aligns with trends in other EU countries and around the globe. Research also suggests that the requirement has limited value for protecting creditors. Optional third-party involvement would help to reduce costs associated with registration, particularly benefiting smaller businesses. Lastly, Hungary could consider reviewing the mandatory registration with the chamber of commerce and instead adopt a voluntary approach.

Business Location

It is essential to introduce out-of-court resolution mechanisms to enhance the environmental permitting process, which could streamline dispute resolution and improve efficiency in handling environmental disagreements. Additionally, Hungary could benefit from better integrating and facilitating public access to the environmental permitting process. In terms of property transfer, it is essential to integrate Land Registry databases with those of other agencies, such as the Trade Registry, Tax Authority, and Beneficial Ownership Agency. Additionally, Hungary should publish yearly statistics on completed transactions and land disputes, along with sex-disaggregated data on property ownership, to enhance transparency. Moreover, the country should implement efficient mechanisms for resolving land disputes. In terms of building permits, it is essential to consolidate requirements and regulations for building permits and streamline final inspections and approvals of completed construction.

Utility Services



A major area for improvement in the electricity space in Hungary is implementing and strengthening online platforms for applying for electricity connections. While some cities have implemented e-platforms for submitting applications for new connections, other cities have yet to follow suit. Additionally, to be effective, the implementation of online platforms should be accompanied by customer assistance, online guidelines on how to operate the platforms, and an awareness campaign. Furthermore, there is a need to enhance transparency and accountability through the collection and publication of statistics. Data-driven reporting can help entrepreneurs and utilities set clear and realistic expectations. Data reporting could also serve as an indirect accountability measure to incentivize utilities and public administrations to improve their

performance. Lastly, Hungary can boost the efficiency of the process of getting an electricity connection by implementing a legislative framework that introduces joint planning, imposing stricter time limits for permit decisions, and adopting a risk-based approval approach.

Regarding water, standardizing the process for applying for new water connections nationwide is one area for improvement. Szeged offers a streamlined approach, where the utility sends connection proposals directly to applicants within a regulated 15-day time frame via the e-platform. Implementing this approach nationally would enhance efficiency, standardization, and predictability across Hungary. Accessing water tariffs and understanding how they are determined can be challenging for customers. Currently, tariffs are not readily accessible by the public, and oversight by the national regulator is lacking. The regulatory authority should mandate water suppliers to publish consumption tariffs online to enhance transparency and improve the country's regulatory framework and standards for public services. Lastly, customers wishing to get a water connection in Hungary should be able to hire their own contractors, instead of waiting for utilities to arrange it for them. This would not only speed up the process but also free up resources for utilities, enabling them to work on other priority tasks.

Dispute Resolution

One significant area for improvement in Hungary is the establishment of small-claims courts or procedures. Commercial disputes can be burdensome for small businesses in terms of time and cost. Small-claims courts or procedures, which Hungary currently lacks, typically involve shorter deadlines and simpler rules, reducing costs for involved parties. Furthermore, there is no legal framework setting a maximum number of adjournments in commercial litigation. Implementing such limits, as recommended by the Committee of Ministers of the Council of Europe, would enforce stricter timelines and enhance efficiency in commercial litigation. Additionally, making court judgments accessible in a searchable database at no cost would enhance judicial transparency. Ensuring that all commercial judgments from first-instance courts are available for entrepreneurs and legal practitioners would increase visibility of case outcomes and bolster public trust, thereby enhancing investor confidence in the application of regulation.

Business Insolvency

Although Hungarian insolvency procedures comply with the majority of internationally recognized good practices, there is room for improvement in some key areas. Firstly, transparency in the selection of insolvency administrators requires an up-to-date list to ensure the fairness of the process. Additionally, improving technological infrastructure in local courts is crucial to ensure that all proceedings run effectively, particularly for conducting virtual hearings. The timely publication of judgments, along with the availability of disaggregated statistics, are important for expediting insolvency proceedings and increasing transparency. Further adoption of training programs, involving both Budapest and local courts, is also necessary to enhance competency across regions. Lastly, steps should be taken to enhance the transparency of asset transfers, by considering the implementation of more rigorous oversight for debtors in the process of selling or donating assets. Experts reported that, on several occasions, reorganization proceedings might be used in order to delay the liquidation of the company. Issues in terms of transparency (debtors trying to sell/donate assets artificially to a selected pool of creditors before declaring insolvency, not complying with the *par condicio creditorum* principle), have been reported anecdotally. This could involve the introduction of more robust monitoring and reporting systems.

Table 1. Summary of Potential Opportunities for Regulatory Improvement in Hungary

Topic	Areas for Improvement	Relevant Stakeholders
Business Entry	Eliminate the start-up capital requirement for limited liability companies	• Ministry of Justice
	Make third-party involvement optional	• Ministry of Justice • Courts of Registration
	Consider making the requirement to register with the Chamber of Commerce voluntary	• Hungarian Chamber of Commerce
Business Location	Building Permitting	
	Consolidate requirements and regulations	• Prime Minister's Office • Ministry of Construction and Transport
	Consolidate final inspections and approvals upon completion of construction	• Prime Minister's Office • Ministry of Construction and Transport • County-level government offices • Utility companies
	Environmental Permitting	
	Consider incorporating out-of-court mechanisms	• Prime Minister's Office • Ministry of Energy • National Waste Management • Government Office of Pest County • Department for Environment and Nature
	Further integrate and facilitate public access to the environmental permitting process	
	Property Transfer	
	Integrate Land Registry databases with the databases of other agencies	• Department of Land Administration (*Földhivatal*) • National Tax and Customs Administration (NAV)
	Publish annual statistics on completed transactions and land disputes, as well as sex-disaggregated data on ownership	• Department of Land Administration (*Földhivatal*)
	Introduce mechanisms for dealing efficiently with land disputes	
Utility Services	Electricity	
	Strengthen and implement online application platforms	• Distribution utilities
	Increase transparency and accountability by collecting and publishing statistics	• Hungarian Energy and Public Utility Regulatory Authority (MEKH) • Distribution utilities • Municipalities • Suppliers • Government Offices
	Streamline the requirements for getting electricity	
	Water	
	Expedite the process to obtain a new water connection by reducing the number of approval steps	• Ministry of Construction and Transport • Water utilities
	Provide clients with the option to delegate the entire connection process to the utility	• Hungarian Energy and Public Utility Regulatory Authority (MEKH) • Water utilities
	Increase transparency and regulation of water tariffs	
Dispute Resolution	Introduce small-claims courts or small-claims procedures	• Ministry of Justice • National Court Authority
	Introduce legal limits for adjournments	
	Publish court judgments	

Table 1. Summary of Potential Opportunities for Regulatory Improvement in Hungary

Topic	Areas for Improvement	Relevant Stakeholders
Business Insolvency	Increase transparency regarding active insolvency administrators	• Ministry of Justice • National Office for the Judiciary (OBH) • National Judicial Council • National Association of Liquidators and Assets' Supervisors (RFE)
	Improve technological infrastructure in local courts	
	Ensure up-to-date publication of judgments	
	Ensure transparency of statistics at all levels	
	Implement insolvency training programs at the local level	
	Ensure a fair and equal treatment of all creditors	

Source: Subnational Business Ready

Methodology

As part of the World Bank's overarching effort to promote private sector development, the Subnational B-READY provides assessments of the business environment in select cities within measured economies with the aim of delineating the geographic variation. The assessments adopt a holistic view of the private sector as they consider all the stakeholders in private sector development—including existing firms, potential entrants, and the citizens at large—by evaluating aspects such as transparency and environmental requirements. The assessments are based on original data collected by the Subnational B-READY team and are published through reports and online.

As a new product, the Subnational B-READY is using the methodology of the Global B-READY report, adapting it to project-specific contexts based on client needs. Over time, the project will grow in geographic coverage, and its methodology will be refined. In the first phase of the Subnational European Union (EU) project, the Subnational B-READY assessments have been prepared for 40 cities in six EU economies—namely, Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic.

The selection of cities for Subnational B-READY assessments in the EU is based on geographical coverage and size in consultation with the European Commission and the national governments. In Hungary, the Subnational B-READY covers seven cities in seven regions at the NUTS2[1] level: Budapest (Budapest), Debrecen (Northern Great Plain), Győr (Western Transdanubia), Miskolc (Northern Hungary), Pécs (Southern Transdanubia), Szeged (Southern Great Plain), and Székesfehérvár (Central Transdanubia) (map 1).

Subnational B-READY assessments in the EU are organized into five topics that follow the life cycle of the firm: Business Entry, Business Location, Utility Services, Dispute Resolution, and Business Insolvency (figure 1). Across the five topics, assessments include crosscutting areas of digital adoption, environmental sustainability, and gender.

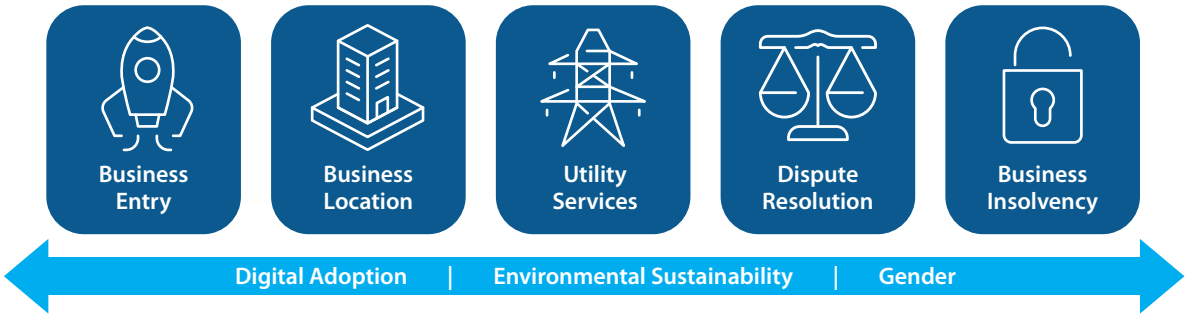
Each of the five Subnational B-READY topics rests on three pillars: Regulatory Framework, Public Services,

Map 1. Cities in Hungary Covered by Subnational B-READY

Source: Subnational Business Ready

1 Nomenclature of Territorial Units for Statistics (NUTS) is a geocode standard for referencing the administrative divisions of countries for statistical purposes developed and regulated by the European Union. There are three major categories of administrative divisions: NUTS1 (major socio-economic regions), NUTS2 (basic regions for regional policies), and NUTS3 (small regions for specific diagnoses). For more details, see https://ec.europa.eu/eurostat/web/nuts.

Figure 1. Subnational B-READY Topics



Source: Business Ready

and Operational Efficiency (figure 2). The Regulatory Framework pillar comprises the rules and regulations that firms must follow as they open, operate, and close a business. Public Services refers to both the facilities that governments provide to support compliance with regulations and the institutions and infrastructure that enable business activities. In the project, public services are limited to the business environment areas related to the life cycle of the firm. Operational Efficiency refers to both the ease of compliance with the regulatory framework and the effective use of public services directly relevant to firms.

The Subnational B-READY methodology compiles a large set of indicators for each pillar within each topic following the Global B-READY categorizations.[2] The selection of indicators is based on their relevance, value added, and complementarity. These indicators have five major characteristics: they are indicative of established good practices; they are quantifiable and actionable through policy reforms; they seek to balance *de jure* and *de facto* measures within topics; they are comparable across economies and representative within each economy; and they span the most relevant aspects of each topic.

In the Regulatory Framework pillar, the indicators address the quality of rules and regulations, distinguishing between those that lead to clarity, fairness, and sustainability of the business environment and those that impose

Figure 2. Subnational B-READY Pillars

Source: Business Ready

2 Adjustments have been made to the Global B-READY indicators to make them more suitable for Subnational B-READY assessments: two indicators in the Operational Efficiency pillar of Business Entry have been excluded due to not being relevant at the regional level, and one indicator in the Operational Efficiency pillar of Business Location has been excluded due to insufficient regional coverage.

unnecessary restrictions on entrepreneurial activity. In the Public Services pillar, the indicators emphasize digitalization, interoperability, transparency, and adequacy of services directed at easing regulatory compliance and enabling business activities. In the Operational Efficiency pillar, the indicators across topics assess a firm's experience in practice with respect to the business environment.

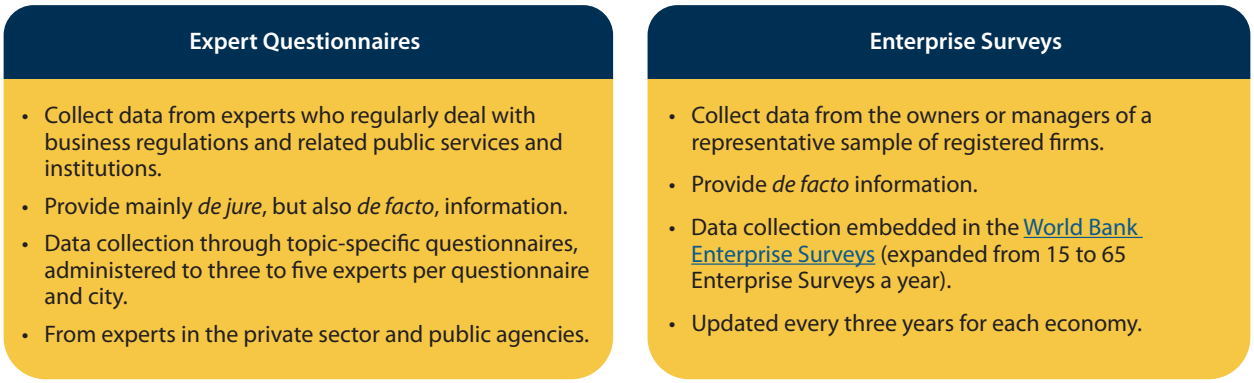
The Subnational B-READY combines primary data from expert questionnaires with data collected through Enterprise Surveys following the Global B-READY methodology (figure 3). In the EU context, data from the Enterprise Surveys aggregated at the NUTS2 region level were used for each city. Detailed data to help produce the Regulatory Framework and Public Services indicators were collected exclusively through expert questionnaires. Data for the Operational Efficiency indicators were collected through a combination of expert questionnaires and Enterprise Surveys for Business Location, Utility Services, and Dispute Resolution.[3] For topics related to issues that are not faced routinely by firms, such as Business Entry or Business Insolvency, the data-collection process relied solely on expert questionnaires.

Similar to the Global B-READY methodology, in the Subnational B-READY, data collected through expert surveys are validated against surveys received from the public entities. All responses that result in contradictory or inconclusive data points are followed up on with the experts. Moreover, in the case of the Subnational B-READY methodology, the reconciliation process is pursued until the data point is firmly established through hard evidence based on additional research, in-depth interviews with contributors, or data validation with public entities.

The Subnational B-READY implements a scoring methodology that aggregates individual indicators to subcategories, categories, and pillars following the Global B-READY methodology (figure 4). The methodology allows comparisons across pillars and economies by weighting each subcategory accordingly. From indicators to pillars, scores are aggregated through summation of the weighted scores. Each pillar is scored out of 100, and the topic score is obtained by averaging the pillar scores.

The Subnational B-READY is governed by the highest data-integrity standards, including sound data-gathering processes, robust data safeguards, and clear approval protocols, which are detailed in the *Subnational Business Ready (B-READY) Manual and Guide*, publicly available on the Subnational B-READY website. Additionally, the B-READY Methodology Handbook details both the B-READY indicators and the scoring approach. Any deviations from the B-READY Methodology Handbook are detailed in the Subnational B-READY Manual and Guide. The project governance documents will be updated and improved as the project progresses through the initial phases. The cornerstone of B-READY governance is transparency and replicability; as such, all data at the individual city level used to calculate scores will be made publicly available on the project's website.

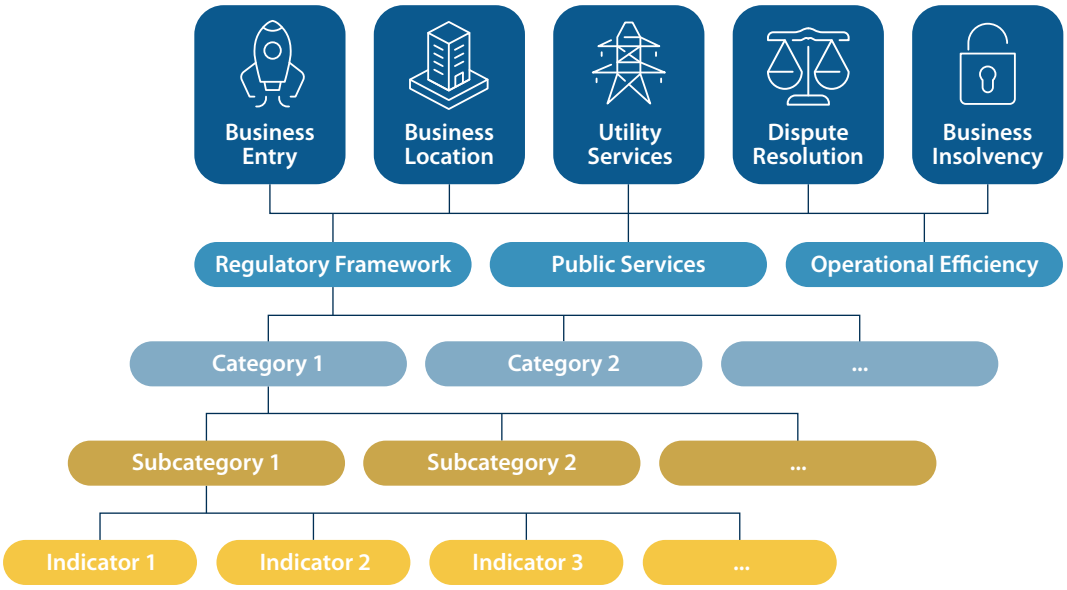
Figure 3. Subnational B-READY Data Sources



Source: Subnational Business Ready

3 For one indicator in the Operational Efficiency pillar of the Utility Services topic, data from expert surveys, rather than Enterprise Surveys, have been used, in contrast to the Global B-READY, because of limitations of the Enterprise Surveys data at the regional level.

Figure 4. Subnational B-READY Scoring Cascade



Source: Business Ready

Subnational Business Ready
in the European Union 2024:
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1. Overview

1.1 Overall Results

Hungarian cities, on average, have the highest scores in the areas of Business Entry and Business Location, 89.9 and 83.2, respectively. On these two topics, the score variability across cities is very low, indicating that company incorporation, property transfer, and building and environmental permitting are implemented with equal effectiveness across the measured regions.

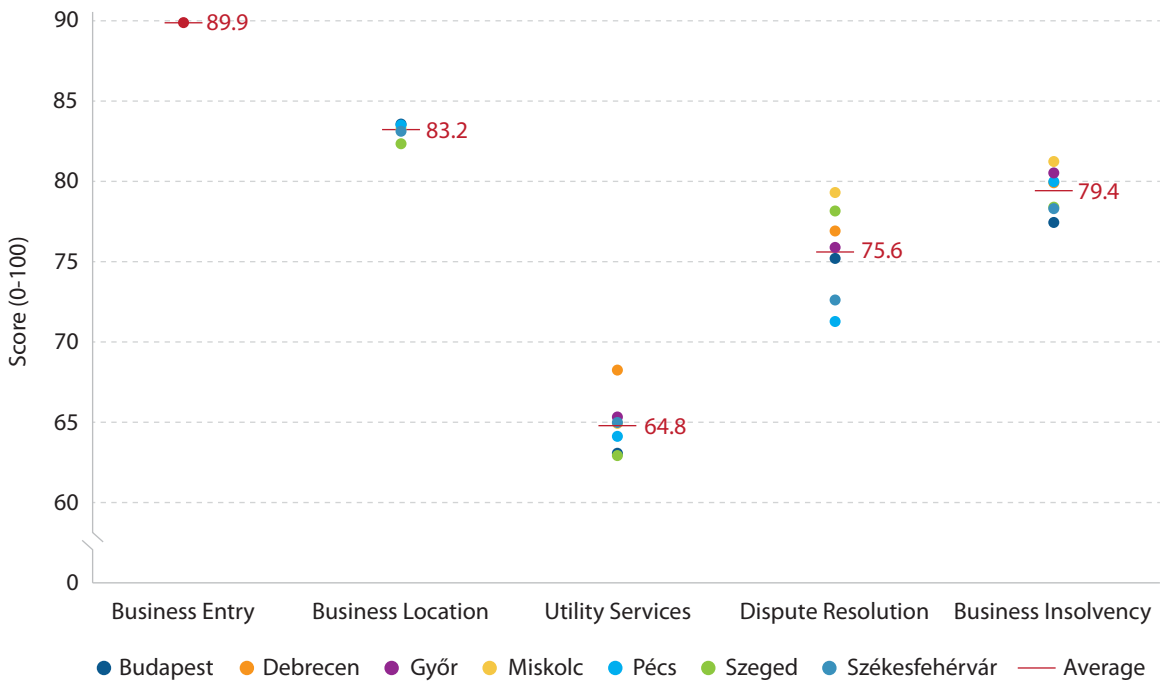
Conversely, on the Dispute Resolution and Business Insolvency topics, the average scores are 75.6 and 79.4 points, respectively, signaling room for improvement. Miskolc and Szeged fare best in Dispute Resolution, while Pécs and Székesfehérvár are the worst. Subnational differences on Dispute Resolution exist both in terms of the availability of public services and efficiency. In terms of the availability of public services, only Budapest and Debrecen benefit from the existence of a specialized court division dedicated solely to hearing commercial cases at the first-instance level. Regarding efficiency, court litigation is fastest in Szeged, at 420 days, while Miskolc takes the least time to enforce the judgment, 30 days. To put things in perspective, court litigation can take up to 605 days in Győr, and enforcing a judgment requires up to two months in Debrecen, Szeged, and Székesfehérvár. The difference between the worst and best performers on this topic is eight points, the largest gap across all measured areas (figure 5).

On Business Insolvency, Miskolc leads with a score of 81.3 points, while Budapest trails with 77.4 points. Differences in terms of efficiency are found mainly in the length of liquidation proceedings—depending on the workload and internal organizational issues faced by each court and, particularly in Budapest, on the cost of both the liquidation[4] and the reorganization[5] proceedings.

The Utility Services topic, which comprises electricity, water, and internet, has the weakest average and city-specific scores. For example, from an efficiency standpoint, getting an electricity connection takes almost a year (360 days) in cities such as Budapest and Győr and no less than 295 days in the fastest city (Miskolc). On the regulatory side, duplications in effort result from the absence of requirements for joint planning and coordination across utilities when digging is needed to build new networks. The worst-performing cities in this area are Szeged, with 63 points, and Budapest, with 63.1 points. Debrecen is the best performer, with 68.3 points. In particular, Szeged has the costliest and second lengthiest process for getting electricity (HUF 3,788,900 and 354 days). Most of the variation in Utility Services is driven by scores on the internet subtopic. For example, the share of firms reporting that they have experienced service interruptions varies from up to 69 percent in Budapest to only 15 percent in the Northern Great Plain region, where Debrecen is located.

4 Liquidation is the process of assembling and selling the assets of an insolvent debtor to dissolve the company and distribute the proceeds to its creditors. Liquidation may include the piecemeal sale of the debtor's assets or the sale of all or most of the debtor's assets as a going concern. The term *liquidation* refers only to formal in-court insolvency proceedings and does not include the voluntary winding-up of a company.
5 Reorganization refers to the collective proceedings through which the financial well-being and viability of a debtor's business may be restored based on a reorganization plan, so that the business can continue to operate as a going concern, including debt forgiveness, debt rescheduling, debt equity conversions, and sale of the business (or parts of it). The term *reorganization* refers exclusively to formal in-court proceedings available to all commercial debtors and does not include schemes of arrangement and out-of-court agreements with creditors.

Figure 5. Overall Topic Scores, by City



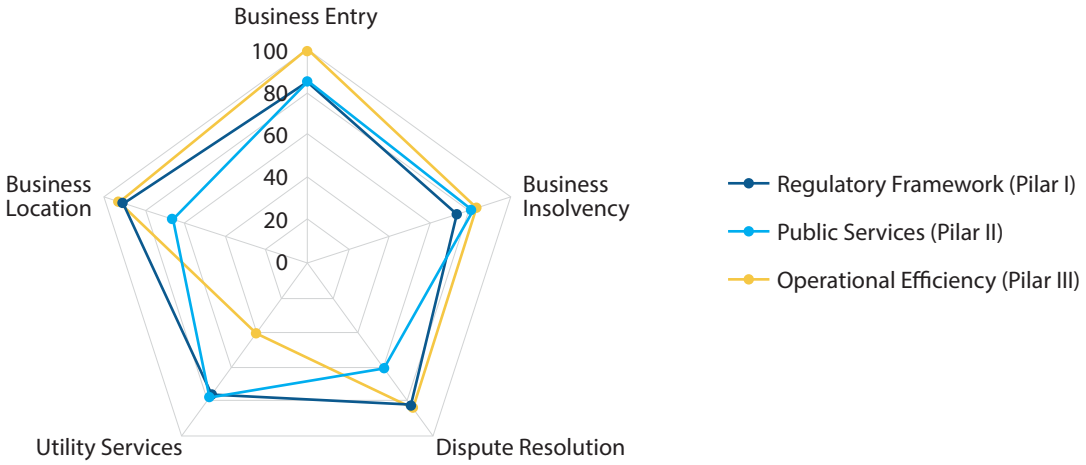
Source: Subnational Business Ready

There are no clearly defined top-performing cities across all topics. For example, Budapest, Győr, and Pécs are the best performers on the Business Location topic, yet they lag behind other regions on Dispute Resolution. Miskolc and Szeged receive high scores on Dispute Resolution, but these high scores contrast with their weaker performance on Utility Services and Business Location.

Across the five topics, cities in Hungary tend to perform better on Pillars I and III—which capture the strength of the Regulatory Framework and Operational Efficiency, respectively—than on Pillar II, which assesses the quality and reliability of the delivery of public services. All seven cities receive relatively high scores in Pillars I and III on Business Location and Dispute Resolution topics. Moreover, in the area of company incorporation, all cities achieved an almost perfect Operational Efficiency score of 99.5 points in Pillar III: all registrations of new limited liability companies are completed electronically, and information on the process required to set up a business, as well as information on registered businesses, is publicly available online. Compared to the other two pillars, cities score the highest, on average, in Pillar III in the Business Entry, Business Insolvency, Business Location, and Dispute Resolution topics (figure 6). Interestingly, the average score on the Public Services pillar (Pillar II) is the second highest in the case of Utility Services, while the aggregate city performance on the Operational Efficiency pillar (40.7 points) is the worst among the measured areas, especially due to the long wait time required to get an electricity connection (between 295 and 360 days, depending on the location) and to the frequency of internet service interruptions (55 percent of enterprises across the country report suffering such connection discontinuities). The difference between Pillar II and Pillar III scores is 37 points. This result implies a substantial gap between the provision of public services and infrastructure versus their actual update and implementation.

Breaking down topic scores by pillar shows that most of the cross-city variation is driven by Pillar III, which measures regulatory efficiency (figure 7). This result is expected, especially in the context of the EU, where regulatory frameworks and the delivery of public services tend to be uniform at the national and subnational levels. On Pillar I, which looks at the Regulatory Framework, there are no city-level variations within the country. The best-performing topic on this pillar is Business Location (90.6 points out of 100), followed by Business Entry (85 points) and Dispute Resolution (82 points). In the context of the measured ar-

Figure 6. Average Pillar Scores, by Topic



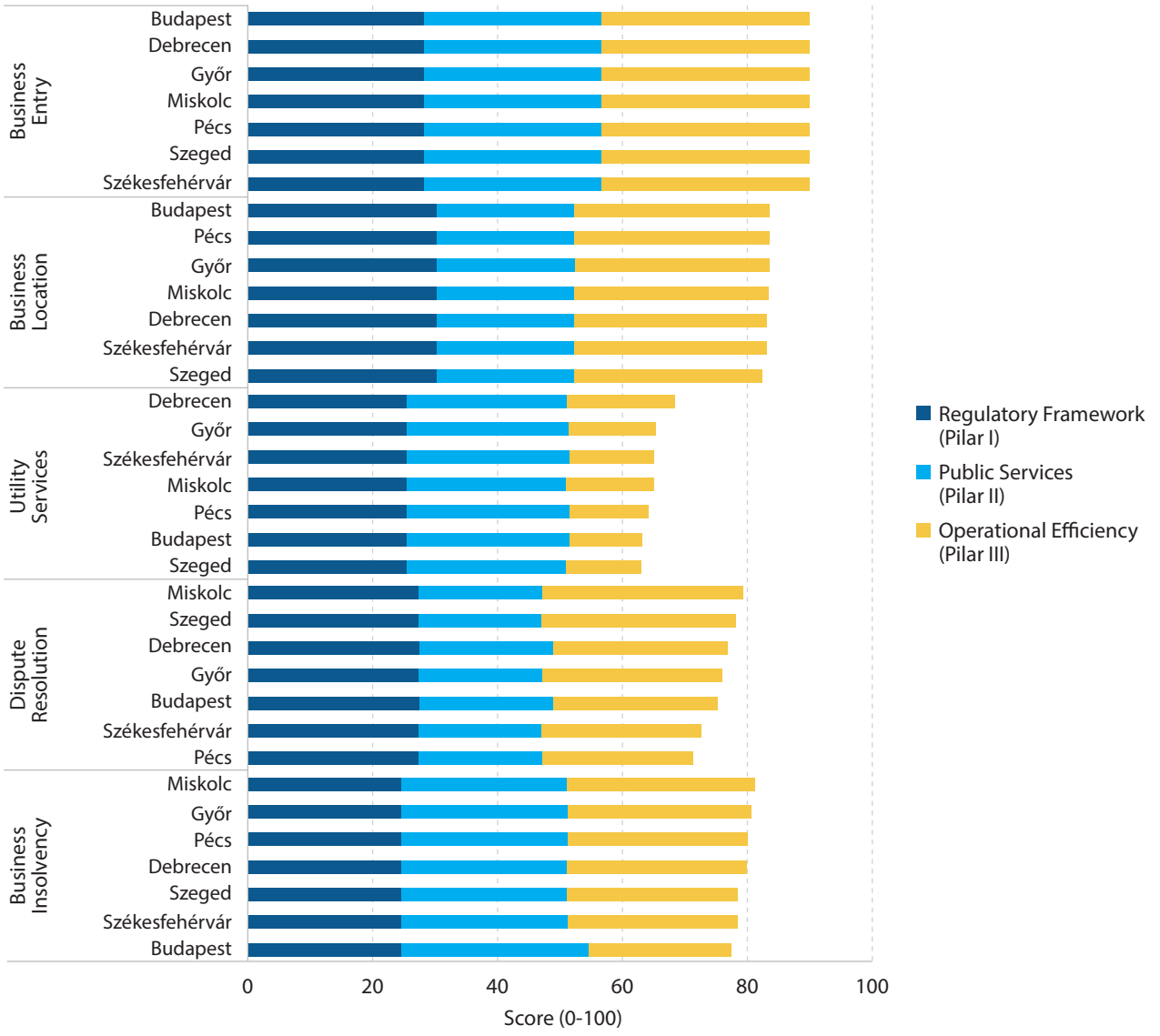
Source: Subnational Business Ready

eas, most laws and regulations are enacted and applied at the national, rather than the regional, level.

A similar pattern is observed on Pillar II, which looks at the availability of Public Services, which are largely harmonized across Hungarian cities. Yet, in the areas where local courts play a key role (Dispute Resolution and Business Insolvency), subnational differences in the availability of Public Services do exist. On Business Insolvency, Budapest is the evident front-runner in Pillar II, with a score gap of 10 points out of 100 over the other cities. The organization of the court in Budapest for insolvency is unique, since it has an Economic College with specialized insolvency judges and holding exclusive jurisdiction over restructuring proceedings. In contrast, all other courts lack specialized judges for insolvency proceedings. On Dispute Resolution, the best-performing cities in Pillar II are Budapest and Debrecen, with a gap of 5.6 points when compared to the other cities. Budapest and Debrecen are the only cities that have specialized commercial divisions within existing regional courts.

Although Hungarian cities adhere to a uniform regulatory framework and their public services largely have the same level of quality, how regulations are implemented in practice and the efficiency of public agencies vary within the country: most of the cross-city variation identified by this study is driven by differences in the Operational Efficiency of business regulatory processes, with subnational variance on Pillar III existing on all topics except Business Entry. For example, building permitting takes 76 days in the fastest of the seven measured cities (Győr) but 122 days in the slowest (Szeged). Similarly, on registering property, where the main procedural steps are identical across cities, the time needed to complete the process varies from 16 days (as in Székesfehérvár) to 55 days (as in Szeged), over three times longer, depending mainly on how long it takes to register the sale deed at the land registry. Time, cost, and number and frequency of service interruptions vary the three utility services measured (electricity, water, and internet). Subnational differences also exist on Dispute Resolution and Business Insolvency. For example, the time required to resolve a commercial dispute varies from 420 days (as in Szeged) to 605 days (as in Győr). On Business Insolvency, subnational differences are due mainly to liquidation proceedings, as local courts face different workloads and internal organizational issues.

Figure 7. Topic Scores, by City and Pillar



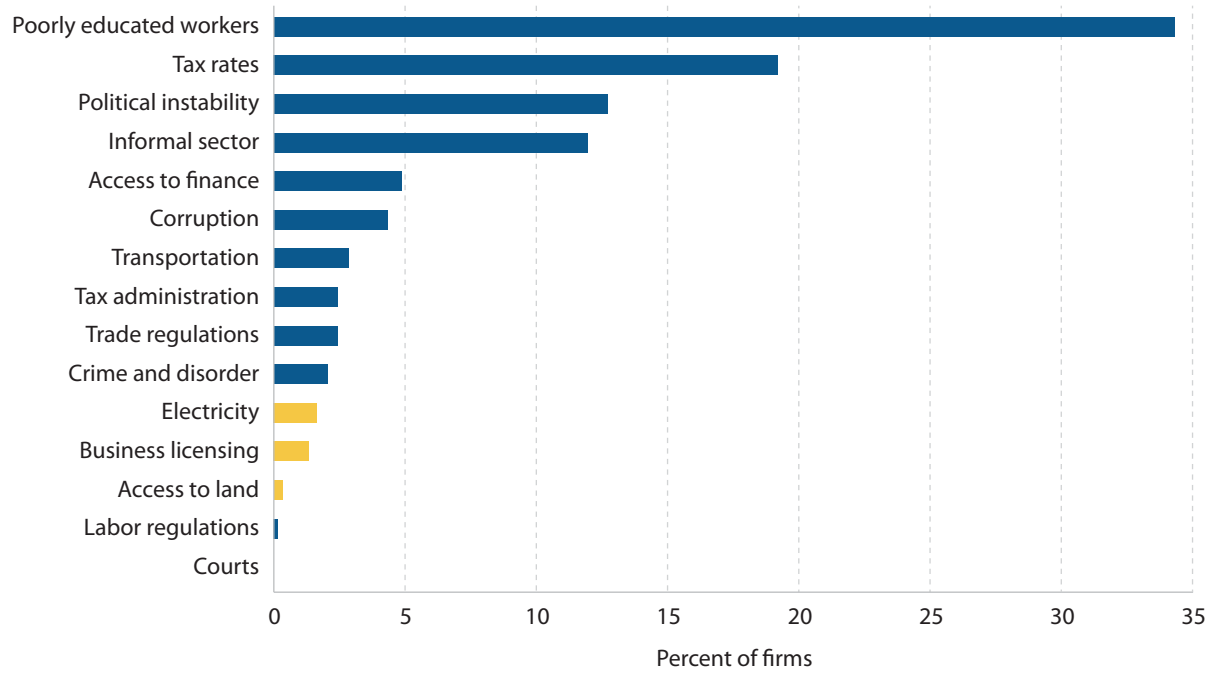
Source: Subnational Business Ready

1.2 Findings from the Enterprise Surveys Data

Results from the World Bank Enterprise Surveys[6] implemented in Hungary in 2023 show that, according to firms in Hungary, the top business-environment obstacle they face is a lack of skilled workers (figure 8). All of the responses directly related to the areas measured by *Subnational Business Ready*—electricity, business licensing, access to lands, and courts—ranked in the bottom five when the firms were asked to choose the biggest obstacle.

On average, senior managers of companies in Hungary spend 3.6 percent of their time dealing with regulatory requirements, which signals an overall efficiency of the busi-

Figure 8. Biggest Business-Environment Obstacles Reported by Firms



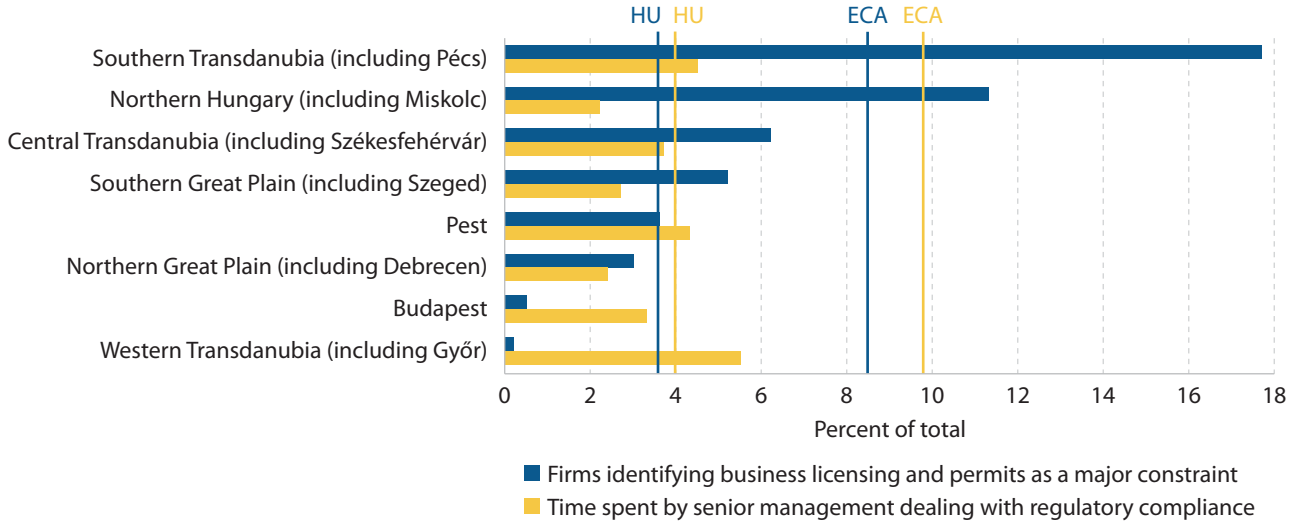
Source: World Bank Enterprise Surveys 2023
Note: Respondents were asked to choose the biggest obstacle from a list of 15 obstacles. Yellow bars show responses directly related to the areas studied by *Subnational Business Ready.*

6 For more information, visit the Enterprise Surveys website at https://www.enterprisesurveys.org/.

ness climate. This estimate is about 2.5 times less than the regional average for Europe and Central Asia. Across geographic locations, senior managers spend the least amount of time on governmental regulatory compliance in the Northern Hungary region, while they spend most time on this in Western Transdanubia. Regulatory compliance consumes more time of senior management in large firms (5.7 percent) than small and medium-sized firms (3.7 percent). About 4 percent of firms in Hungary identify business licenses as a major constraint to operations, which is also about 2.5 times less than the average for Europe and Central Asia. Obtaining business licenses and permits is most problematic in Southern Transdanubia and Northern Hungary and least problematic in Western Transdanubia (figure 9).

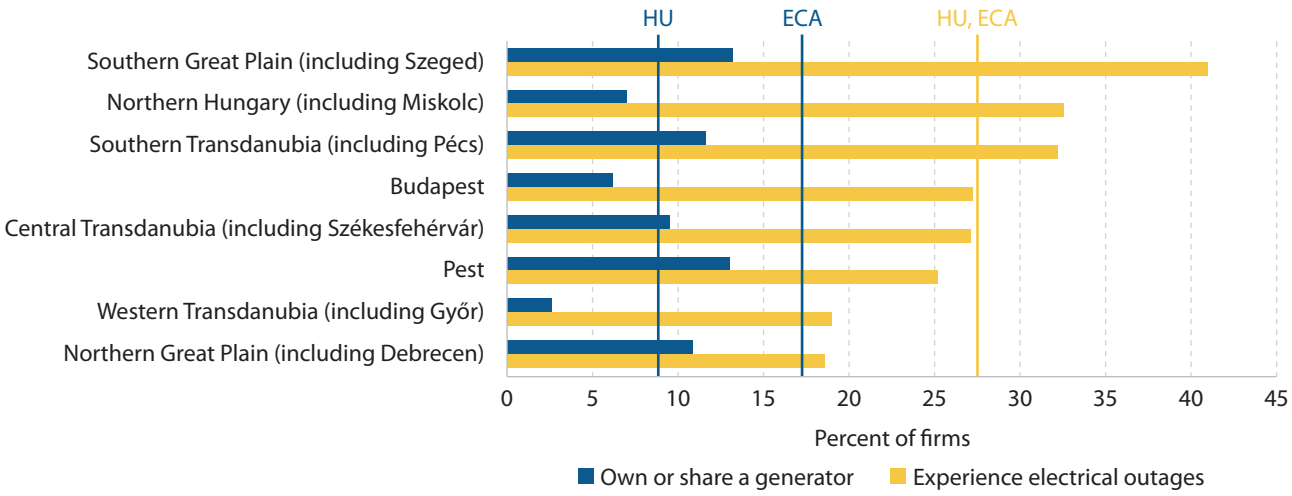
Based on the firm-level data, about 27.5 percent of firms countrywide experience electrical outages per year, which is comparable to the Europe and Central Asia average of about 28 percent. Firms in the Southern Great Plain, Northern Hungary, and Southern Transdanubia report experiencing the highest number of service interruptions (figure 10). The average losses due to electrical outages are minimal, ranging from 0.1 percent for large firms to 0.2 percent for small and medium-sized firms. About 39 percent of large, 12 percent of medium-sized, and 8 percent of small firms own or share a generator. Overall, about 17 percent of large firms identify electricity as a major constraint to their business operations, compared to less than 4 percent and 3 percent of small and medium-sized firms, respectively. Firms identifying access to electricity as a major constraint are highest in Central Transdanubia (15 percent).

Figure 9. Percentage of Firms That Identify Licensing and Permits as a Constraint and Percentage of Time Spent on Regulatory Compliance, by Region



Source: World Bank Enterprise Surveys 2023
Note: Vertical lines indicate the countrywide and region-wide averages in the measures. HU = Hungary. ECA = Europe and Central Asia.

Figure 10. Percentage of Firms That Own or Share a Generator and That Report Experiencing Electrical Outages, by Region



Source: World Bank Enterprise Surveys 2023
Note: Vertical lines indicate the countrywide and region-wide averages in the measures. HU = Hungary. ECA = Europe and Central Asia.

1.3 Business Entry[7]

The process of business entry is harmonized across the seven cities in Hungary. The country aligns closely with international standards regarding regulatory requirements and procedural norms for business entry. Recent reforms have introduced changes, such as the establishment of the Central Beneficial Owner Registry by the National Tax and Customs Administration in May 2021 to enhance transparency and combat illicit financial activities.

The current regulations, however, still require the involvement of third-party intermediaries, such as lawyers or notaries, for incorporating a new company or updating company information. Relying on intermediaries raises the cost of business entry to 4.9 percent of income per capita,[8] which is one of the highest in the EU. Similarly, regulations maintain a minimum capital requirement of HUF 3,000,000 for limited liability companies, applicable to both domestic and foreign investors. This contrasts with the trend in other EU Member States, where such requirements have either been eliminated or significantly reduced.

Hungary adheres to international standards regarding the availability of digital tools and electronic services for registering new businesses and accessing company information. The availability of interconnected digital services among various agencies—including the company courts, the National Tax and Customs Administration, and the Statistical Office—streamlines the business entry process. Additionally, electronic signature and authentication options are readily accessible. While most services are available online, verification of company names remains unavailable to entrepreneurs without the intervention of third-party intermediaries.

Regarding the availability and transparency of online information, official websites offer details of the documents necessary to establish a new business, associated fees, service standards, and public programs supporting small and medium-sized enterprises. However, information on environmental permit requirements for low-risk businesses and programs aiding small and medium-sized enterprises led by women is not publicly accessible. Electronic searches exist for all company records. However, beneficial ownership information[9] is not kept at the companies' registry's database. Although the Hungarian Central Statistical Office website furnishes statistics on newly registered companies, data on the number of companies initiated by female entrepreneurs are not publicly available.

Entrepreneurs can complete the registration of a new business in the seven cities across Hungary in just six days, owing to electronic registration and the interconnection of public services. Moreover, statutory time limits are enforced to ensure that company registration is completed promptly. Hungary offers a simplified company registration option, allowing registration with the court and tax authority in as little as two days. In 2023, 84 percent of new company registrations in Hungary were processed using this simplified process. Since January 1, 2018, the process of registering for local taxes was further stream-

7 See section 2, "Business Entry in Detail," for more information on the topic, the country-specific context, and a detailed assessment of the data.
8 Hungary's 2021 gross national income (GNI) per capita is HUF 5,377,718.
9 A beneficial owner is considered as the natural person who ultimately owns or controls a company, even if the title to the property is under another name (that is, the ownership or control is exercised through a chain of ownership or by means of control other than direct shareholding).

lined. The National Tax and Customs Administration began to transmit information on newly created companies electronically to the municipal tax authority where the company is headquartered. This simplifies the process for entrepreneurs who previously had to register for local taxes with the municipality separately. Still, new businesses in Hungary are required to register and pay a contribution of HUF 5,000 to the Hungarian Chamber of Commerce at the start of operations.

Table 2 provides a detailed overview—by pillar, category, and subcategory—of the Hungarian cities' performance on the Business Entry topic. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, none of the cities receives any points (out of a possible 10 points) under Pillar I (Quality of Regulations for Business Entry), category 1.1 (Information and Procedural Standards), subcategory 1.1.3 (Availability of Simplified Registration), as simplified business registration is available only through third-party intermediaries. Conversely, all cities receive the maximum number of points on the other three subcategories: Company Information Filing Requirements (15 out of 15), Beneficial Ownership Filing Requirements (15 out of 15), and Risk-based Assessment for Operating Businesses and Environmental Licenses[10] (10 out of 10).

Table 2. Business Entry Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
Pillar I: Quality of Regulations for Business Entry										
1.1	**Information and Procedural Standards**	**18**	**50**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**
1.1.1	Company Information Filing Requirements	7	15	15.0	15.0	15.0	15.0	15.0	15.0	15.0
1.1.2	Beneficial Ownership Filing Requirements	6	15	15.0	15.0	15.0	15.0	15.0	15.0	15.0
1.1.3	Availability of Simplified Registration	3	10	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.4	Risk-Based Assessment for Operating Businesses and Environmental Licenses	2	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
1.2	**Restrictions on Registering a Business**	**19**	**50**	**45.0**	**45.0**	**45.0**	**45.0**	**45.0**	**45.0**	**45.0**
1.2.1	Domestic Firms	9	25	22.5	22.5	22.5	22.5	22.5	22.5	22.5
1.2.2	Foreign Firms	10	25	22.5	22.5	22.5	22.5	22.5	22.5	22.5
	Total	**37**	**100**	**85.0**	**85.0**	**85.0**	**85.0**	**85.0**	**85.0**	**85.0**
Pillar II: Digital Public Services and Transparency of Information for Business Entry										
2.1	**Digital Services**	**11**	**40**	**36.7**	**36.7**	**36.7**	**36.7**	**36.7**	**36.7**	**36.7**
2.1.1	Business Start-Up Process	6	20	16.7	16.7	16.7	16.7	16.7	16.7	16.7
2.1.2	Storage of Company and Beneficial Ownership Information	3	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
2.1.3	Identity Verification	2	10	10.0	100	10.0	10.0	10.0	10.0	10.0
2.2	**Interoperability of Services**	**4**	**20**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**
2.2.1	Exchange of Company Information	2	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
2.2.2	Unique Business Identification	2	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
2.3	**Transparency of Online Information**	**9**	**40**	**28.5**	**28.5**	**28.5**	**28.5**	**28.5**	**28.5**	**28.5**
2.3.1	Business Start-Up (includes gender and environment)	5	20	14.0	14.0	14.0	14.0	14.0	14.0	14.0
2.3.2	Availability of General Company Information	2	10	9.5	9.5	9.5	9.5	9.5	9.5	9.5

10 A risk-based approach for business and environmental licensing prioritizes resources and oversight based on the level of risk associated with specific business activities or sectors.

Table 2. Business Entry Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
2.3.3	General and Sex-Disaggregated Statistics on Newly Registered Firms	2	10	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Total	**24**	**100**	**85.2**	**85.2**	**85.2**	**85.2**	**85.2**	**85.2**	**85.2**
Pillar III: Operational Efficiency of Business Entry										
3.1	**Domestic Firms**	**2**	**100**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**
3.1.1	Total Time to Register a New Domestic Firm	1	50	50.0	50.0	50.0	50.0	50.0	50.0	50.0
3.1.2	Total Cost to Register a New Domestic Firm	1	50	49.5	49.5	49.5	49.5	49.5	49.5	49.5
	Total	**2**	**100**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

1.4 Business Location

Building Permitting[11]

Hungary's regulations on urban planning conform to international standards, with no regional variation.[12] Since 2013, electronic platforms have been integrated into the construction-permitting process, streamlining building permit applications and assisting in internal administrative procedures during construction. As of March 1, 2020, permitting authorities have been shifted from local governments to offices within the central administration. Currently, municipal governments are involved only in the urban planning approval phase of the building permitting process.

Building regulations in Hungary are comprehensive and set at the national level, applicable to all construction projects. Safety standards are clearly outlined in the legal framework, including regulations on construction materials posing health risks, with a defined list of regulated materials. Local authorities are staffed with licensed architects and engineers who verify that building plans comply with building regulations. Technical inspections (risk-based or phased) for mandatory risk-based structural safety are required during construction, along with a final inspection mandated by law. There are strict qualification requirements for the professionals responsible for conducting technical supervision. Liability for structural flaws is also defined by law, and building standards allow building permit decisions to be disputed with the issuing authority.

Hungary's energy code standards align with international best practices, featuring minimum energy-efficiency performance standards. Proof of compliance with these standards is required for building permits. In Hungary, incentives are available for builders to promote green building standards. Land-use and zoning regulations include requirements for trunk infrastructure service access. They also identify areas for various purposes, such as residential, commercial, agricultural, recreational, and public/institutional use. Hazard maps identify zones where building is prohibited due to natural hazards. Additionally, maps delineate areas where building is restricted due to considerations concerning natural resources. An online platform for submitting building and occupancy applications and issuing building authorizations is available, yet it lacks features such as online payment and auto-generated checklists. Entrepreneurs are also able to file disputes about building permits online. All Hungarian cities make zoning requirements publicly available, but the Geographic Information System or other spatial-data platforms that incorporate local plans has not yet been adopted.

Planning and building control regulations are publicly accessible and list requirements for obtaining all types of building-related permits. Up-to-date fee schedules for applying for building permits are accessible online. Additionally, online statistics tracking the number of issued building permits are updated and publicly available online. The city's master plan/zoning regulations have been updated in the last 10 years and are accessible. Procedures

11 See section 3.1, "Building Location in Detail—Building Permitting," for more information on the topic, the country-specific context, and a detailed assessment of the data.
12 Government Decree No. 312/2012 (XI. 8.); Government Decree No. 531/2017 (XII. 29.); and Act CX of 2019.

for modifying zoning and land-use plans are clear and defined, as are verification processes to ensure adherence to zoning regulations.

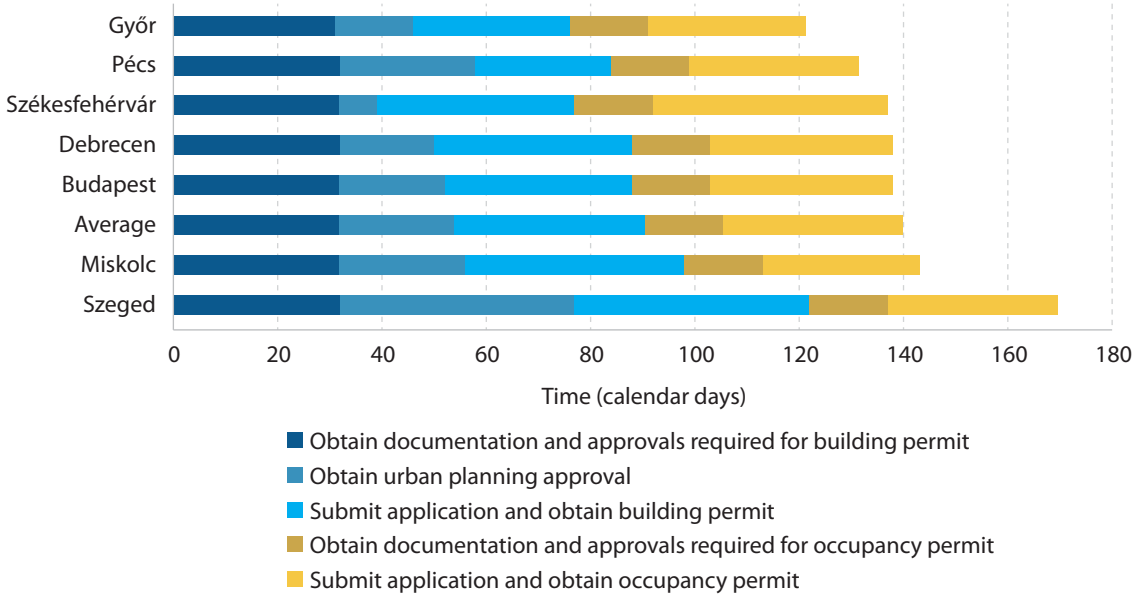
Obtaining construction-related permits, which includes completing building and occupancy permitting processes, is fastest in Győr and slowest in Szeged (figure 11). The time it takes to comply with the building-permitting process spans from 76 days in Győr to 122 days in Szeged. Obtaining urban planning approvals and building permits drive most of the time variations across cities. The cost of obtaining building permits ranges from 9.7 percent to 10 percent of income per capita,[13] showing minimal differences across Hungarian cities. Only Győr and Pécs charge a fee for approval from the roadworks agency. For occupancy permits, processing times range from 45 to 60 days, with a uniform cost of 6.4 percent of income per capita across all cities. Acquiring final approvals and obtaining an occupancy permit take an average of 13 more days in Székesfehérvár than in the rest of the country.

Environmental Permitting[14]

Environmental permitting regulations are consistent throughout Hungary.[15] National environmental regulations are regularly updated to incorporate environmental and technological advancements in the construction sector. Penalties or fines are imposed for noncompliance, and the regulations and environmental risks are clearly outlined in the legal framework.

The use of qualified professionals/agencies to conduct environmental impact assessments is mandated by law, as are specific criteria for conducting an assessment. However, independent external review of compliance with environmental impact assessments is lacking, and the legal framework does not cover all activities and approaches that facilitate the involvement of interested parties in assessment decision-making processes (such as surveys

Figure 11. Time to Obtain Building and Occupancy Permits in Hungary, by City and Stage



Source: Subnational Business Ready
Note: The time to obtain an occupancy permit is not scored in the *Subnational Business Ready* methodology.

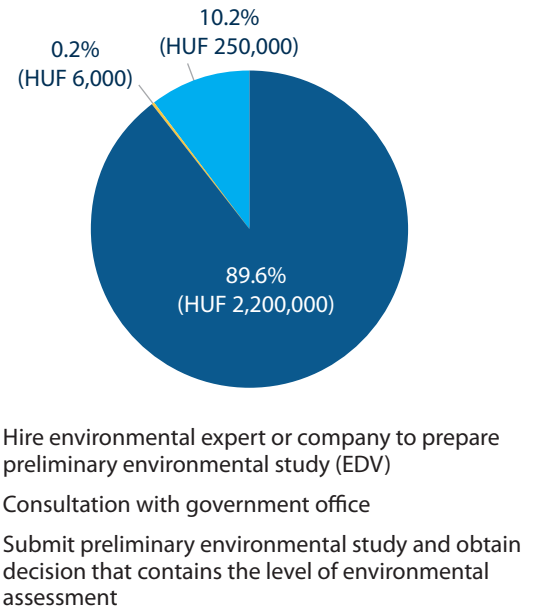
13 Hungary's 2021 GNI per capita is HUF 5,377,718.
14 See the appendix "Business Location—Environmental Permitting," for an overview of the subtopic, the country-specific context, and detailed assessment of the data.
15 Governmental Decree No. 314/2005 (XII. 25.), on environmental impact assessments and on the integrated environmental usage permitting process.

and polls to capture inputs and feedback from concerned stakeholders, training, resources, and technical assistance to project-affected parties). While the regulatory framework allows for disputing environmental permits with the issuing authority, there are no out-of-court mechanisms for resolving environmental disputes.

An online environmental permitting system exists, but it lacks certain functionalities, such as online payment and auto-generated checklists, to aid applicants. Information regarding environmental permitting is transparent, including the requirements for obtaining environmental licensing for construction projects with moderate environmental risks. Additionally, an up-to-date fee schedule for obtaining environmental clearances is also available online.

The efficiency of the environmental clearance process varies among cities. In Miskolc and Székesfehérvár, it takes 76 days to complete, while the process in Pécs takes about 91 days. This discrepancy reflects differences in the duration of specific procedural steps. For example, while the documentation of preliminary screening and subsequent consultation with the government office typically take around one month in all cities, the final step of obtaining the necessary environmental assessment decision varies from 45 days in Székesfehérvár to 60 days in Pécs. This final stage, which includes public consultation through offline modes as well as website announcements, significantly influences the overall duration of environmental clearance processes. However, the cost of obtaining environmental clearances—46 percent of income per capita,[16] equivalent to HUF 2,456,000—is consistent across the seven evaluated cities (figure 12).

Figure 12. Fees to Obtain Environmental Permits in Hungary in HUF and as Percentage of Average Total Cost, by Stage



Source: Subnational Business Ready

Property Transfer[17]

The regulatory framework[18] for property transfer and land administration is the same across all cities. It mandates verifying the legality of property registration documents, confirming the identities of involved parties, and completing the property registration at the Land Registry.[19] Both electronic and paper documents hold equal legal weight in transactions. The law provides for mechanisms for alternative dispute resolution (ADR) between private parties regarding registered property rights. Nonetheless, there is no out-of-court mechanism to compensate for losses incurred by good-faith private parties due to land registry errors. Hungary's land administration system adheres to internationally recognized standards, including provisions for accessing information on property rights and cadastral maps, and the presence of a cadastral agency. Domestic and foreign firms face no restrictions on leasing or owning property, except for agricultural land.

Digital public services for property transfers are accessible, offering an electronic platform for due diligence, encumbrance checks, and online complaints. However, there is no electronic platform to conduct the property registration. Property titles and cadastral plans are digitized, with all properties accurately registered and mapped. In addition to the Geographic Information System, a unique identifier

16 Hungary's 2021 GNI per capita is HUF 5,377,718.
17 See section 3.3, "Building Location in Detail—Property Transfer," for more information on the topic, the country-specific context, and a detailed assessment of the data.
18 The regulatory framework includes Act CXLI of 1997, on the Real Estate Register; Act V of 2013, on the Civil Code; Act CL of 2016, on general administration procedures; Act XCIII of 1990, on fees; and Act LXXVIII of 2017, on lawyers' activity.
19 The Land Registry is an official public inventory that documents and maintains information on land ownership through recording titles (rights on land) or deeds (documents concerning changes in the legal situation of land).

is used for properties by the Land Registry and Cadaster, which in Hungary are unified within a single agency. Nevertheless, the Land Registry and Cadaster's database is not interoperable with other agencies.

Fee schedules are available online at the Land Registry and Cadaster, along with statistics on the number and types of transactions, yet the list of requirements for property transfers is not published electronically. There are neither published service standards on the Land Registry's and Cadaster's websites nor online statistics on transactions, land disputes, or resolution times. Additionally, sex-disaggregated data on property ownership are not available.

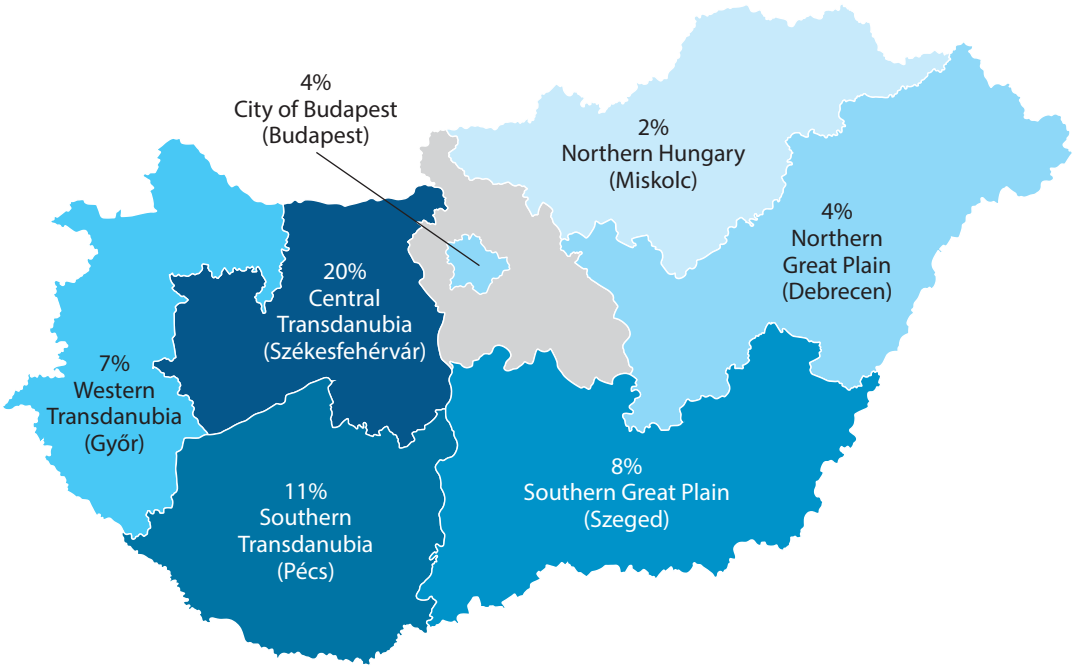
World Bank Enterprise Surveys data show that the percentage of Hungarian firms reporting access to land as an obstacle varies from region to region (map 2). While 20 percent of firms in Central Transdanubia (including Székesfehérvár) report access to land as an obstacle, only 2 percent do in Northern Hungary (including Miskolc).

The process of transferring a property is similar across the cities. There are three main stages: (i) due diligence, (ii) deed preparation and authentication, and (iii) registration with public agencies. Each stage comprises a few steps. The entire process takes between 16 days Székesfehérvár and 55 days in Szeged (figure 13). One step under the third stage—namely, registering the authenticated deed at the Land Registry—represents the bulk of the process and drives time variations across cities—from 9 days in Székesfehérvár to 48 days in Szeged.

Despite workload differences, local offices exhibit significant disparities in efficiency, as the speed of registering deeds is not necessarily correlated with workloads. In 2023, the Budapest Land Registry's 167 officers managed to register 125,620 transfers, whereas the 26 officers in Szeged handled 23 times fewer transfers (5,390).[20] There are no differences across cities in the cost to transfer a property. The predominant expense in property transfer is the property transfer tax. Set at 4 percent of the property's value,[21] it represents 89 percent of the total cost to transfer a property. Legal fees make up the remaining 11 percent of the total cost.

Table 3 provides a detailed overview—by pillar, category, and subcategory—of the Hungarian cities' performance

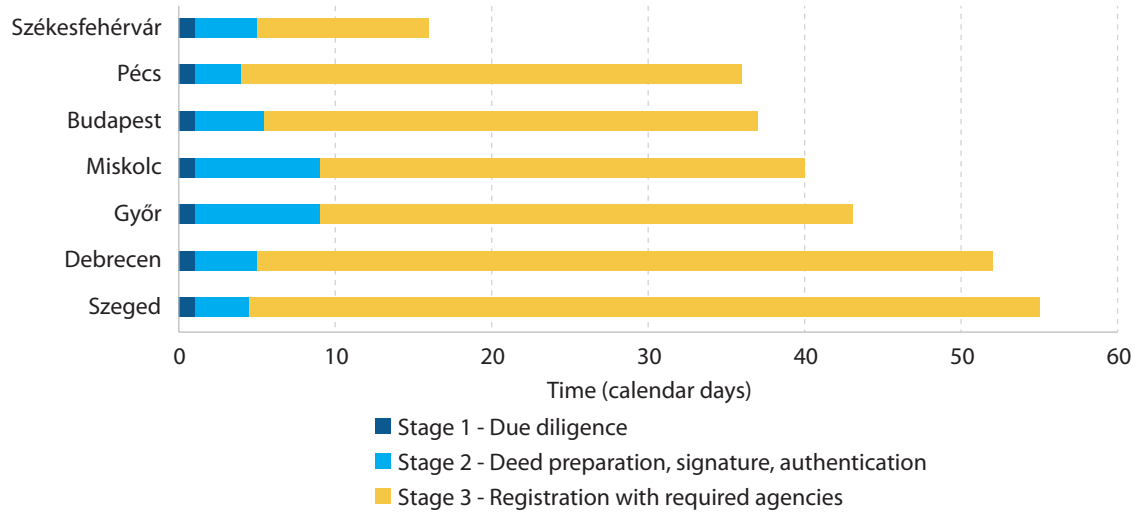
Map 2. Share of Firms That Report Access to Land as an Obstacle, by Region



Source: World Bank Enterprise Surveys 2023

20 World Bank team calculations based on data provided by Land Registry and Cadaster in February 2024.
21 For a property value of HUF 537,771,800, equal to 100 times the 2021 GNI per capita. Hungary's 2021 GNI per capita is HUF 5,377,718.

Figure 13. Number of Days to Transfer Property, by City and Stage



Source: Subnational Business Ready

on the Business Location topic. The topic includes three subtopics: property transfer, building permits, and environmental permits, detailed below. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, none of the cities receives the total possible maximum of 15 points under Pillar I (Quality of Regulations for Business Location), category 1.1 (Property Transfer and Land Administration), subcategory 1.1.2 (Land Dispute Mechanism). Conversely, on subcategories 1.1.1 (Property Transfer Standards), and 1.1.3 (Land Administration System), all cities receive the maximum points: 15 out of 15 and 10 out of 10, respectively. Most cross-city variability is observed under Pillar III.

Table 3. Business Location Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
Pillar I: Quality of Regulations for Business Location										
1.1	**Property Transfer and Land Administration**	**11**	**40**	**36.3**	**36.3**	**36.3**	**36.3**	**36.3**	**36.3**	**36.3**
1.1.1	Property Transfer Standards	4	15	15.0	15.0	15.0	15.0	15.0	15.0	15.0
1.1.2	Land Dispute Mechanism	4	15	11.3	11.3	11.3	11.3	11.3	11.3	11.3
1.1.3	Land Administration System	3	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
1.2	**Building, Zoning and Land Use**	**20**	**40**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**
1.2.1	Building Standards	11	15	15.0	15.0	15.0	15.0	15.0	15.0	15.0
1.2.2	Building Energy Standards	4	15	15.0	15.0	15.0	15.0	15.0	15.0	15.0
1.2.3	Zoning and Land Use Regulations	5	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
1.3	**Restrictions on Owning and Leasing Property**	**19**	**10**	**7.4**	**7.4**	**7.4**	**7.4**	**7.4**	**7.4**	**7.4**
1.3.1	Domestic firms—Ownership	4	2.5	1.9	1.9	1.9	1.9	1.9	1.9	1.9
1.3.2	Domestic firms—Leasehold	5	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
1.3.3	Foreign firms—Ownership	5	2.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

Table 3. Business Location Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
1.3.4	Foreign firms—Leasehold	5	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
1.4	**Environmental Permits**	**12**	**10**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**
1.4.1	Environmental Permits for Construction	10	5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
1.4.2	Dispute Mechanisms for Construction-Related Environmental Permits	2	5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
	Total	**62**	**100**	**90.6**	**90.6**	**90.6**	**90.6**	**90.6**	**90.6**	**90.6**
Pillar II: Quality of Public Services and Transparency of Information for Business Location										
2.1	**Availability and Reliability of Digital Services**	**21**	**40**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**
2.1.1	Property Transfer—Digital Public Services	6	8	2.4	2.4	2.4	2.4	2.4	2.4	2.4
2.1.2	Property Transfer—Digital Land Management and Identification System	5	8	8.0	8.0	8.0	8.0	8.0	8.0	8.0
2.1.3	Property Transfer—Coverage of the Land Registry and Mapping Agency	4	8	8.0	8.0	8.0	8.0	8.0	8.0	8.0
2.1.4	Building Permits—Digital Public Services	4	8	7.2	7.2	7.2	7.2	7.2	7.2	7.2
2.1.5	Environmental Permits—Digital Public Services	2	8	6.4	6.4	6.4	6.4	6.4	6.4	6.4
2.2	**Interoperability of Services**	**6**	**20**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**
2.2.1	Interoperability of Services for Property Transfer	4	10	7.5	7.5	7.5	7.5	7.5	7.5	7.5
2.2.2	Interoperability of Services for Building Permits	2	10	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3	**Transparency of Information**	**19**	**40**	**26.7**	**26.7**	**26.7**	**26.7**	**26.7**	**26.7**	**26.7**
2.3.1	Immovable Property (includes gender)	9	20	6.7	6.7	6.7	6.7	6.7	6.7	6.7
2.3.2	Building, Zoning and Land Use	8	15	15.0	15.0	15.0	15.0	15.0	15.0	15.0
2.3.3	Environmental Permits	2	5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Total	**46**	**100**	**66.2**	**66.2**	**66.2**	**66.2**	**66.2**	**66.2**	**66.2**
Pillar III: Operational Efficiency of Establishing a Business Location										
3.1	**Property Transfer and Land Administration**	**3**	**40**	**35.2**	**33.7**	**34.5**	**34.9**	**34.8**	**33.2**	**33.2**
3.1.1	Major Constraints on Access to Land	1	13.3	13.3	13.3	13.2	13.3	12.9	13.2	10.5
3.1.2	Time to Obtain a Property Transfer	1	13.3	12.4	10.9	11.9	12.1	12.4	10.5	13.2
3.1.3	Cost to Obtain a Property Transfer	1	13.3	9.5	9.5	9.5	9.5	9.5	9.5	9.5
3.2	**Construction Permits**	**2**	**40**	**39.0**	**39.0**	**39.4**	**38.6**	**39.2**	**37.2**	**39.4**
3.2.1	Time to Obtain a Building Permit	1	20	19.0	19.0	19.4	18.6	19.2	17.2	19.4
3.2.2	Cost to Obtain a Building Permit	1	20	20.0	20.0	20.0	20.0	20.0	20.0	20.0
3.3	**Environmental Permits**	**2**	**20**	**19.8**	**19.8**	**19.8**	**19.8**	**19.8**	**19.8**	**19.8**
3.3.1	Time to Obtain an Environmental Permit	1	10	9.9	9.9	9.9	9.9	9.9	9.9	9.9
3.3.2	Cost to Obtain an Environmental Permit	1	10	9.9	9.9	9.9	9.9	9.9	9.9	9.9
	Total	**7**	**100**	**994**	**92.5**	**93.7**	**93.3**	**93.8**	**90.2**	**92.4.**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

1.5 Utility Services

Electricity[22]

The electricity regulatory framework applies uniformly to all regions;[23] most subnational differences lie in the quality of public services. While Hungary monitors the quality of electricity services, joint planning and construction among utility providers, including provisions for common excavation permits and "dig once" policies, are absent. Regulations concerning the safety of electricity connections and environmental sustainability align with internationally recognized good practices.

Key performance indicators are used to monitor the quality, reliability, and sustainability of the electricity supply. Sex-disaggregated data on customer satisfaction and customer complaints are lacking, but an independent complaint mechanism exists, and there is a comprehensive inspection regime for electricity connections. Digital services are more advanced in Budapest, Győr, Pécs, and Székesfehérvár, where clients can utilize an online platform to request new connections and track the status of applications. Conversely, in other cities, such as Debrecen, Miskolc, and Szeged, these features are absent. Connection fees are not available online in Miskolc and Szeged, nor are time standards stipulated in the seven measured cities.

Obtaining a new electricity connection is quickest in Miskolc, where it takes 295 days, and slowest in Budapest and Győr, where it requires 360 days. Variations among cities stem primarily from completion of external connection work and post-construction tasks, including the installation of meters, supply contracts, and network usage contracts. The most time-consuming actions are obtaining all the necessary approvals and permits, averaging 150 days, and completing external work, averaging 140 days. Delays can be attributed to a shortage of technicians in the electricity sector. As for connection costs, the regulator sets the maximum fee that utilities can charge for a new electricity connection. Miskolc and Szeged have the highest connection costs, HUF 3,788,900, whereas Debrecen's cost is HUF 2,710,488, due to the absence of cable fees where connection lengths are typically below 50 meters (figure 14). Variations in connection fees are also influenced by slight differences in the calculation formulas, which are based on the technical conditions of the connection.

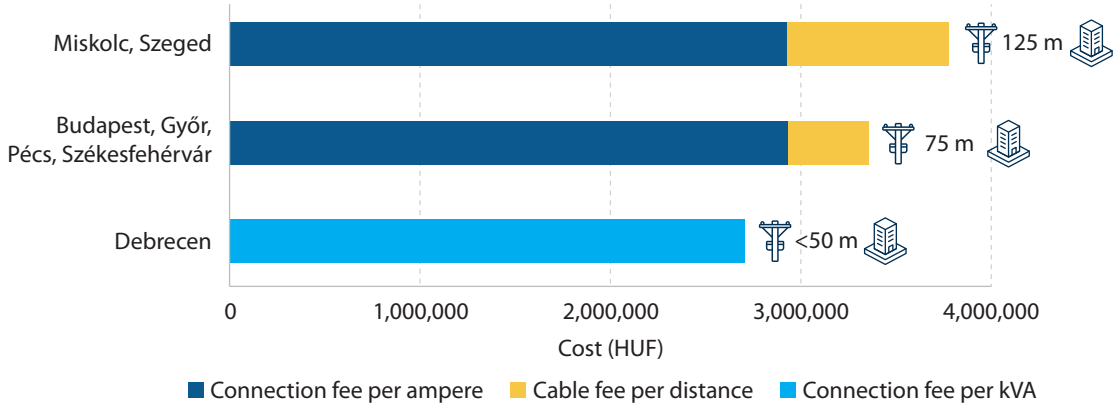
Hungary has one of the most reliable electricity supplies among the EU countries. In 2022, Hungarian entrepreneurs experienced an average of 0.7 interruptions, each lasting 50 minutes. The frequency of outages, however, differs by city. Pécs has the lowest frequency, averaging 0.3 interruptions lasting 18 minutes each, while Debrecen records the highest frequency, with an average of 1.08 interruptions, each over two hours long. Nevertheless, announcements of planned electricity outages are published on the utility's website.

Nine percent of Hungarian firms own or share a generator, according to data from World Bank Enterprise Surveys,

22 See section 4.1, "Utility Services in Detail—Electricity," for more information on the topic, the country-specific context, and a detailed assessment of the data.
23 Act LXXXVI (Vet.), on electricity distribution, 2007; Government Decree No. 273/2007 (X. 19.); and Act LVII, 2015.

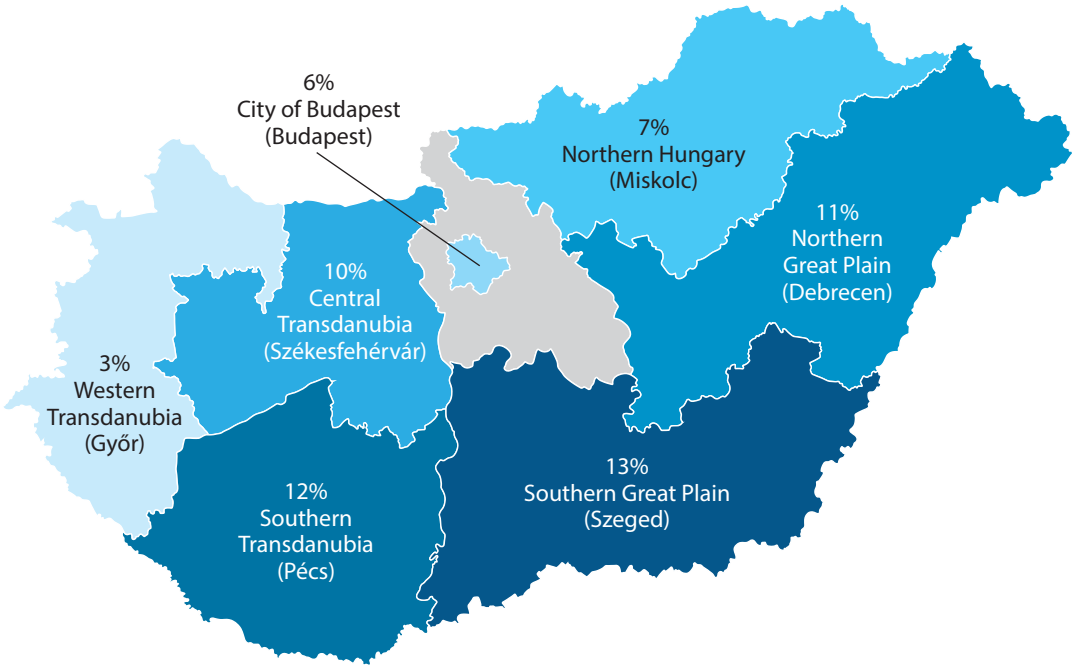
but percentages vary across the cities. The share is highest (13 percent) in the Southern Great Plain (including Szeged) and lowest (3 percent) in Western Transdanubia (including Győr) (map 3).

Figure 14. Cost of Obtaining Electricity Connection, by City and Category



Source: Subnational Business Ready
Note: Electricity connection costs are not scored in the *Subnational Business Ready* methodology. HUF = Hungarian forints.

Map 3. Share of Firms That Own or Share a Generator, by Region



Source: World Bank Enterprise Surveys 2023

Water[24]

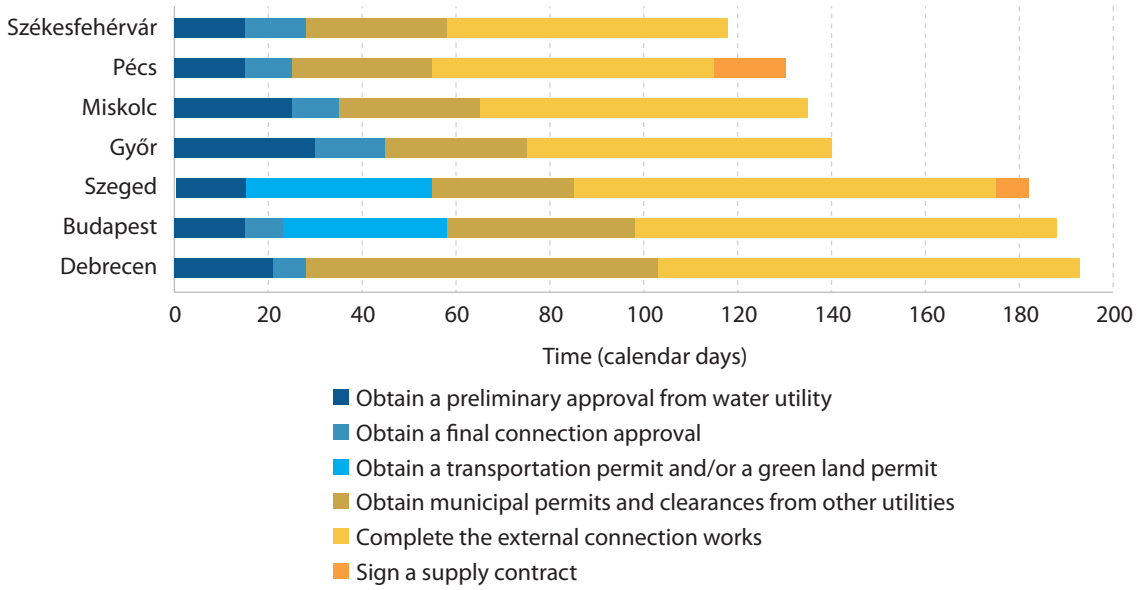
The regulatory framework for water utility services is uniform across all seven cities in the country.[25] Regulations ensure the efficient deployment of water connections and maintain the quality of supply. However, Hungary lacks not only requirements for joint planning and construction among different network operators but also inspection regimes for internal water installations. And while the current regulation promotes water-saving and sustainable wastewater practices, regulations on the environmental sustainability of the provision and use of water are lacking. Moreover, no incentives encourage the adoption of water-saving practices, as tariffs and the quality of water services are not monitored.

The governance and transparency of water services are consistent across all seven cities. Key performance indicators are in place to monitor the quality and reliability of the water supply, but indicators to assess sustainability are missing. Connection requirements can be accessed online, and electronic payment options and application processes for new connections are provided, but online application tracking does not exist. An independent complaint mechanism is in place, but a comprehensive inspection regime for water connections has not been implemented.

The time required to acquire water connections differs significantly throughout Hungary, varying between 118 and 193 days across cities. The process is fastest in Pécs and Székesfehérvár, while it is slowest in Budapest and Debrecen. In Pécs and Székesfehérvár, obtaining all necessary authorizations for excavation takes one month, and completion of work takes another two months. Conversely, in Budapest and Debrecen, acquiring all permits and clearances takes two and a half months, with infrastructural work taking an additional three months to complete.

In all assessed Hungarian cities except Szeged, clients requesting a water connection undergo a two-step approval process with the utility. While the 15-day time limit for preliminary approval is typically adhered to in Budapest, Pécs, Szeged, and Székesfehérvár, delays are often encountered in other cities. Győr has the longest wait time for preliminary approval (30 days) and the longest processing time for the second approval (15 days), taking a total of 45 days. In contrast, Debrecen's final approval step takes one week.

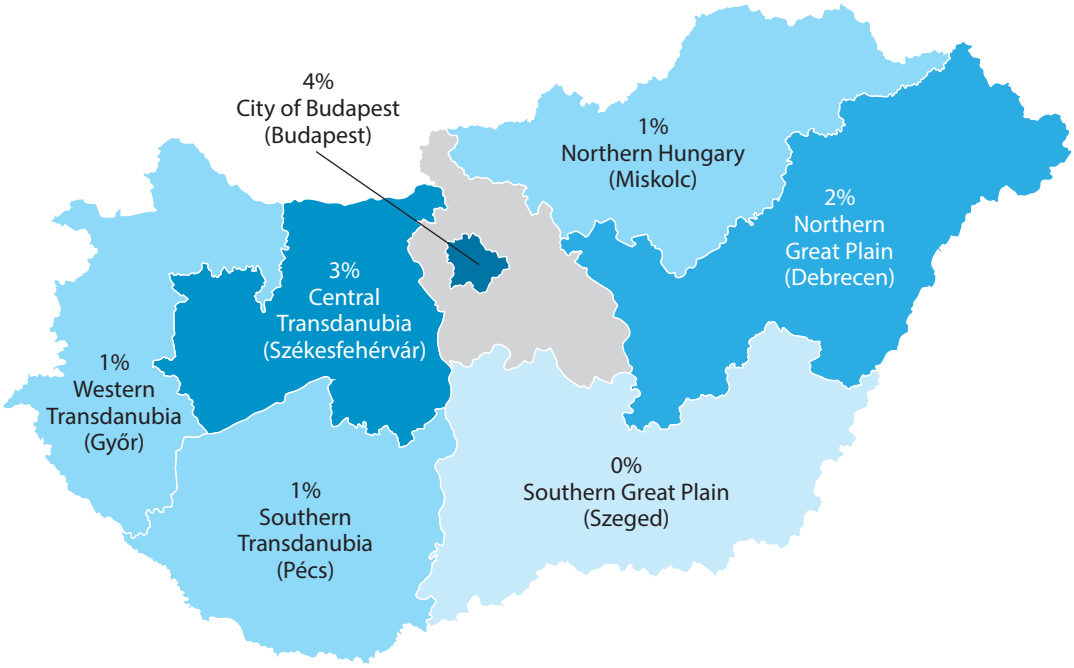
Figure 15. Days to Obtain a Water Connection, by City and Stage



Source: Subnational Business Ready

24 See section 4.2, "Utility Services in Detail—Water," for more information on the topic, the country-specific context, and a detailed assessment of the data.
25 Government Decree No. 201/2001 and Act LVII of 1995, on water management.

Map 4. Share of Firms That Report Having Suffered Insufficiency in Their Water Supply, by Region



Source: World Bank Enterprise Surveys 2023

Budapest has the shortest overall two-step approval process: 23 days. Clients in Szeged benefit from an expedited process with a one-step approval (figure 15).

Most firms across Hungarian regions experience either no instances or minor instances of water insufficiency, according to data from World Bank Enterprise Surveys. Regional data show that while no firm in the Southern Great Plain (including Szeged) reported having suffered insufficiency in water supply, 4 percent of firms reported having experienced insufficiencies in the capital region of Budapest (map 4).

The cost of obtaining a water connection varies significantly across Hungarian cities. Each water utility sets its own fee schedule, resulting in considerable differences in costs for the same type of connection. A connection in Debrecen, where the process is least expensive, costs HUF 4.6 million, about one-third of the charge for the same connection in Miskolc, where the process costs HUF 13.5 million. Similarly, the water connection process in Budapest, Győr, and Pécs is more than twice as expensive as in Székesfehérvár.

Internet[26]

Hungary applies consistent internet regulations throughout the country.[27] Aligned with international best practices, the National Media and Infocommunications Authority (NMHH) oversees wholesale connectivity tariffs and has the authority to investigate anticompetitive behavior. NMHH also sets and monitors performance standards to ensure the quality and reliability of internet service. The regulatory framework includes provisions for joint planning and construction as well as infrastructure sharing. It also establishes safety regulations, such as liability for personal data protection breaches. Additionally, the National Cyber Security Center coordinates national cybersecurity efforts, conducting risk assessments, audits, and drills and enforcing cybersecurity laws. Although regulations mandate environmental reporting or disclosure standards for digital connectivity and data infrastructure, there are no national emissions or energy-efficiency targets for electronic communication networks and data infrastructure.

26 See section 4.3, "Utility Services in Detail—Internet," for more information on the topic, the country-specific context, and a detailed assessment of the data.
27 Act C of 2003, on electronic communications (*Eht*).

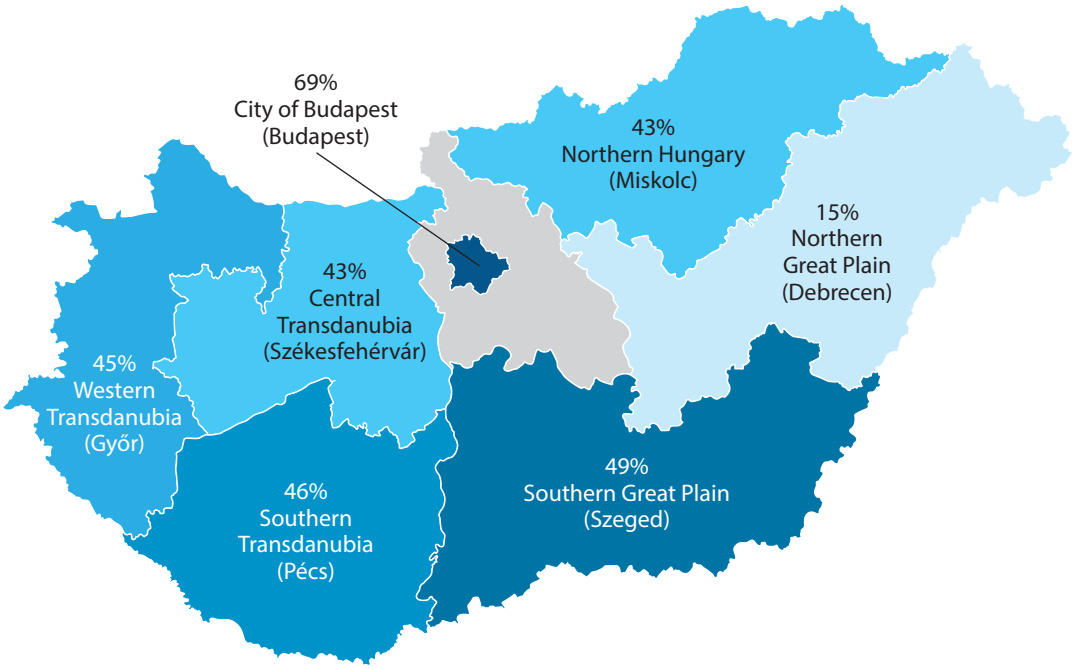
All cities throughout Hungary offer electronic application options for new commercial internet connections, and it is also possible to track these applications online. Hungary has an infrastructure database for identifying networks of internet service providers, coupled with a shared database for network lines of multiple utilities. An electronic payment system is operational, as are coordination mechanisms for obtaining excavation permits.

Transparency measures include the online availability of service quality indicators and key performance indicators on internet reliability and quality. Plus, connection requirements and information about planned internet outages are publicly accessible. An independent complaint mechanism addresses issues with internet service provision. While internet monthly fees and tariff adjustments are posted online and communicated to customers, formulas explaining how tariff levels are determined are not published.

The efficiency of internet provision varies among Hungarian cities. The average time required to obtain a connection is 10 days. In Győr, this process takes seven days, while in other cities, such as Miskolc, Pécs, and Szeged, businesses may face delays of up to 12 days. Such delays can be attributed to limited competition in certain cities, as internet service providers have established operational zones, dividing the fixed broadband market. Another factor contributing to delays is the shortage of internet connection technicians. According to World Bank Enterprise Surveys data, 55 percent of Hungarian firms have reported experiencing internet disruptions. In Budapest, nearly 70 percent of firms have faced internet disruptions, the highest in the country (map 5).

Table 4 provides a detailed overview—by pillar, category, and subcategory—of the Hungarian cities' performance on the Utility Services topic. The topic includes three subtopics: electricity, water, and internet, which are detailed below. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, none of the seven cities receives the total possible maximum of 8.33 points under Pillar I (Quality of Regulations on Utility Services), category 1.1 (Electricity), subcategories 1.1.1 (Regulatory Monitoring of Tariffs and Service Quality), and 1.1.2 (Utility Infrastructure Sharing and Quality Assurance Mechanisms). Conversely, the cities receive the maximum number of points (8.3) on the other two subcategories: 1.1.3 (Safety of Utility Connections), and 1.1.4 (Environmental Sustainability). Most cross-city variability is observed under Pillar III.

Map 5. Share of Firms Experiencing Internet Disruptions, by Region



Source: World Bank Enterprise Surveys 2023

Table 4. Utility Services Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
Pillar I: Quality of Regulations on Utility Services										
1.1	**Electricity**	**10**	**33.3**	**27.1**	**27.1**	**27.1**	**27.1**	**27.1**	**27.1**	**27.1**
1.1.1	Regulatory Monitoring of Tariffs and Service Quality	2	8.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2
1.1.2	Utility Infrastructure Sharing and Quality Assurance Mechanisms	2	8.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
1.1.3	Safety of Utility Connections	3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
1.1.4	Environmental Sustainability	3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
1.2	**Water**	**12**	**33.3**	**17.4**	**17.4**	**17.4**	**17.4**	**17.4**	**17.4**	**17.4**
1.2.1	Regulatory Monitoring of Tariffs and Service Quality	2	8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2	Utility Infrastructure Sharing and Quality Assurance Mechanisms	2	8.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
1.2.3	Safety of Utility Connections	3	8.3	6.9	6.9	6.9	6.9	6.9	6.9	6.9
1.2.4	Environmental Sustainability	5	8.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2
1.3	**Internet**	**11**	**33.3**	**31.7**	**31.7**	**31.7**	**31.7**	**31.7**	**31.7**	**31.7**
1.3.1	Regulatory Monitoring of Tariffs and Service Quality	2	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
1.3.2	Utility Infrastructure Sharing and Quality Assurance Mechanisms	4	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3
1.3.3	Safety of Utility Connections	3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
1.3.4	Environmental Sustainability	2	3.3	1.7	1.7	1.7	1.7	1.7	1.7	1.7
	Total	**33**	**100**	**76.1**	**76.1**	**76.1**	**76.1**	**76.1**	**76.1**	**76.1**
Pillar II: Quality of the Governance and Transparency of Utility Services										
2.1	**Electricity**	**15**	**33.3**	**29.6**	**28.6**	**29.6**	**28.2**	**29.6**	**28.2**	**29.6**
2.1.1	Digital Services and Interoperability	4	8.3	8.3	7.3	8.3	7.3	8.3	7.3	8.3
2.1.2	Availability of Information and Transparency	6	8.3	8.0	8.0	8.0	7.6	8.0	7.6	8.0
2.1.3	Monitoring of Service Supply (includes gender and environment)	3	8.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0
2.1.4	Enforcement of Safety Regulations and Consumer Protection Mechanisms	2	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
2.2	**Water**	**15**	**33.3**	**22.2**	**22.2**	**22.2**	**22.2**	**22.2**	**22.2**	**22.2**
2.2.1	Digital Services and Interoperability	4	8.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
2.2.2	Availability of Information and Transparency	6	8.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
2.2.3	Monitoring of Service Supply (includes gender and environment)	3	8.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
2.2.4	Enforcement of Safety Regulations and Consumer Protection Mechanisms	2	8.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
2.3	**Internet**	**13**	**33.3**	**26.5**	**26.5**	**26.5**	**26.5**	**26.5**	**26.5**	**26.5**
2.3.1	Digital Services and Interoperability	4	8.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
2.3.2	Availability of Information and Transparency	5	8.3	6.7	6.7	6.7	6.7	6.7	6.7	6.7

Table 4. Utility Services Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
2.3.3	Monitoring of Service Supply (includes gender and environment)	2	8.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2
2.3.4	Enforcement of Safety Regulations and Consumer Protection Mechanisms	2	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
	Total	**43**	**100**	**78.3**	**77.2**	**78.3**	**76.8**	**78.3**	**76.8**	**78.3**
Pillar III: Operational Efficiency of Utility Service Provision										
3.1	**Electricity**	**5**	**33.3**	**17.1**	**17.3**	**17.1**	**19.6**	**17.2**	**17.1**	**17.4**
3.1.1	Time to Obtain a Connection	1	16.7	0.5	0.8	0.5	3.0	0.7	0.7	0.8
3.1.2	Reliability of Supply	4	16.7	16.6	16.5	16.6	16.6	16.5	16.4	16.5
3.2	**Water**	**2**	**33.3**	**16.5**	**16.5**	**17.0**	**17.2**	**17.3**	**16.7**	**18.0**
3.2.1	Time to Obtain a Connection	1	16.7	0.0	0.0	0.3	0.5	0.7	0.0	1.5
3.2.2	Reliability of Supply	1	16.7	16.5	16.5	16.7	16.7	16.7	16.7	16.5
3.3	**Internet**	**2**	**33.3**	**1.3**	**17.7**	**7.5**	**5.3**	**3.5**	**2.3**	**5.3**
3.3.1	Time to Obtain a Connection	1	16.7	1.3	1.3	3.3	0.0	0.0	0.0	0.3
3.3.2	Reliability of Supply	1	16.7	0.0	16.3	4.2	5.3	3.5	2.3	5.0
	Total	**9**	**100**	**34.9**	**51.5**	**41.6**	**42.1**	**38.0**	**36.1**	**40.7**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

1.6 Dispute Resolution[28]

Laws and regulations on dispute resolution are applied consistently throughout Hungary.[29] Since 2017, the country has implemented several legal reforms affecting civil procedures and court operations. Law CXXX of 2016, on civil procedure, which came into force in 2018, introduced a preparatory phase in which judges evaluate case details and evidence before trial, limiting parties' ability to introduce new evidence at later dates. It also mandated digital communication between legal entities and courts, and allowed remote hearings to be conducted. In 2021, Hungary established independent oversight of court bailiffs, moving away from self-governance, and specific legal training and exams for all bailiffs was mandated. Moreover, the National Court Authority of Hungary (OBH) launched the Digital Court Project. This initiative involves digitizing paper-based court documents and establishing an e-file system. In addition to integrating court systems to provide direct access to certified data and government services, the project aims to digitize and publish anonymized court judgments. In 2018, OBH initiated the VIA VIDEO project to develop a nationwide courtroom video and audio recording system. Currently, OBH is working on developing a new digital tool for submitting all documents electronically.

With regard to judicial integrity, Hungary follows several international good practices. Judges are required to recuse themselves in cases of conflict of interest, and parties are allowed to challenge a judge's impartiality. Codes of ethics for judges and enforcement agents are in place, and there are no restrictions on women becoming judges. Women have equal rights to men in commercial litigation, but judges are not required to disclose their assets annually. Similarly, Hungary's regulatory framework offers legal protections in arbitration and mediation, yet it lacks explicit provisions for third-party funding in investor-state arbitration and specific rules regarding recognition and enforcement of international mediation settlement agreements that do not require court approval.

Regarding public services for dispute resolution, the presence of specialized courts or divisions varies among cities. Of the seven cities assessed in Hungary, Budapest and Debrecen have courts with a specialized division dedicated to commercial cases. Judges in these courts specialize exclusively in adjudicating commercial law cases. In contrast, judges in Győr, Miskolc, Pécs, Szeged, and Székesfehérvár preside over departments handling a mix of civil, commercial, and labor cases. The establishment of court divisions is permitted by the legal framework at the discretion of the courts' presidents. Regarding digitalization, only one of the seven cities in Hungary conducts virtual hearings in all matters when requested by a party. The other six cities conduct virtual hearings only for urgent matters.

As for transparency, public access is provided to all binding legal instruments, in-person court hearings, and judgments at supreme and appellate levels. Conversely, no published judgments from first-instance courts are available to the public. Furthermore, no statistics are available on case disposal and clearance rates and the number of judges disaggregated by sex and court. Public services

28 See section 5, "Dispute Resolution in Detail," for more information on the topic, the country-specific context, and a detailed assessment of the data.
29 Law CXXX of 2016, on civil procedure; Law XXVII of 2021; and Directive 13/2021 of the Ministry of Justice.

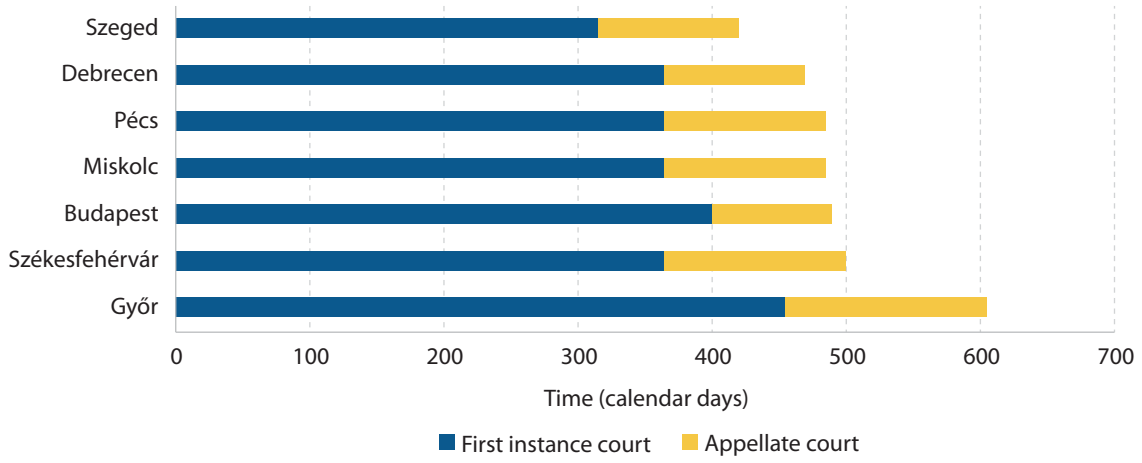
such as commercial arbitration, published rosters of all qualified arbitrators, the availability of virtual conferences, and published summaries of arbitral awards are available, but there is no electronic signing of arbitral awards, and no public statistics are available on the number of arbitration cases and the time required to resolve them. Commercial mediation has the option to use virtual tools and obtain financial incentives, but no statistics are available on the number of mediation cases and there is no provision for submitting requests to mediate electronically.

Across cities, the time required to resolve court litigation varies from 420 to 605 days (figure 16). The longest time for a first-instance procedure is in Győr, 455 days, followed by Budapest, at 400 days. In cities such as Debrecen, Miskolc, Pécs, and Székesfehérvár, it takes one year to complete first-instance court procedures. The shortest time is in Szeged, where 315 days are needed to adjudicate first-instance commercial cases. Szeged schedules new hearings in just 35 days, while Győr takes 60 days. The number of hearings also differs among cities. Győr holds four hearings for commercial cases, whereas Szeged usually holds only two. Judges' schedules are the most important reason for differences in the time needed to complete first-instance procedures among cities measured in Hungary.

All courts in Hungary are regulated at the national level and charge the same fees. Attorneys' fees, however, differ across Hungary. For first-instance cases, fees range from 2.1 percent of the claim value in Miskolc to 5 percent in Budapest and Pécs.[30] The same holds for the appellate procedure, where lawyers charge 1.5 percent of the claim value in Miskolc and 5 percent in Budapest. Factors such as the size of the law firm, the economic development of cities, and clients' financial capacity heavily influence attorneys' fees. The regulatory reform of 2016 led to an increase in up-front fees charged by lawyers due to the heightened workload and responsibility to draft initial claims that adhere to the requirements of the Law on Civil Procedure. Before the reform, claims were typically drafted in two to three pages. The stricter rules introduced by the reform extended the length to eight to ten pages, consequently making court proceedings more costly.

Enforcement of judgments varies in duration across Hungarian cities. Miskolc and Pécs can enforce final domestic judgments within 30 days, while Budapest, Debrecen, Győr, Szeged, and Székesfehérvár may take up to 60 days. The costs of enforcing a judgment consist of attorneys' fees and range from 0.5 percent to 2.3 percent of the claim value. Attorneys charge around 0.5 percent in Debrecen; 0.8 percent in Miskolc; 1 percent in Budapest, Győr, Pécs, and Székesfehérvár; and 2.3 percent of the claim value in Szeged. In addition, creditors pay a fee for the enforcement request in an amount of 0.33 percent of the claim value. However, this fee is reimbursed once the assets are seized from the debtor and thus are not calculated in this study as enforcement costs.

Figure 16. Days to Resolve Disputes through Court Litigation, by City



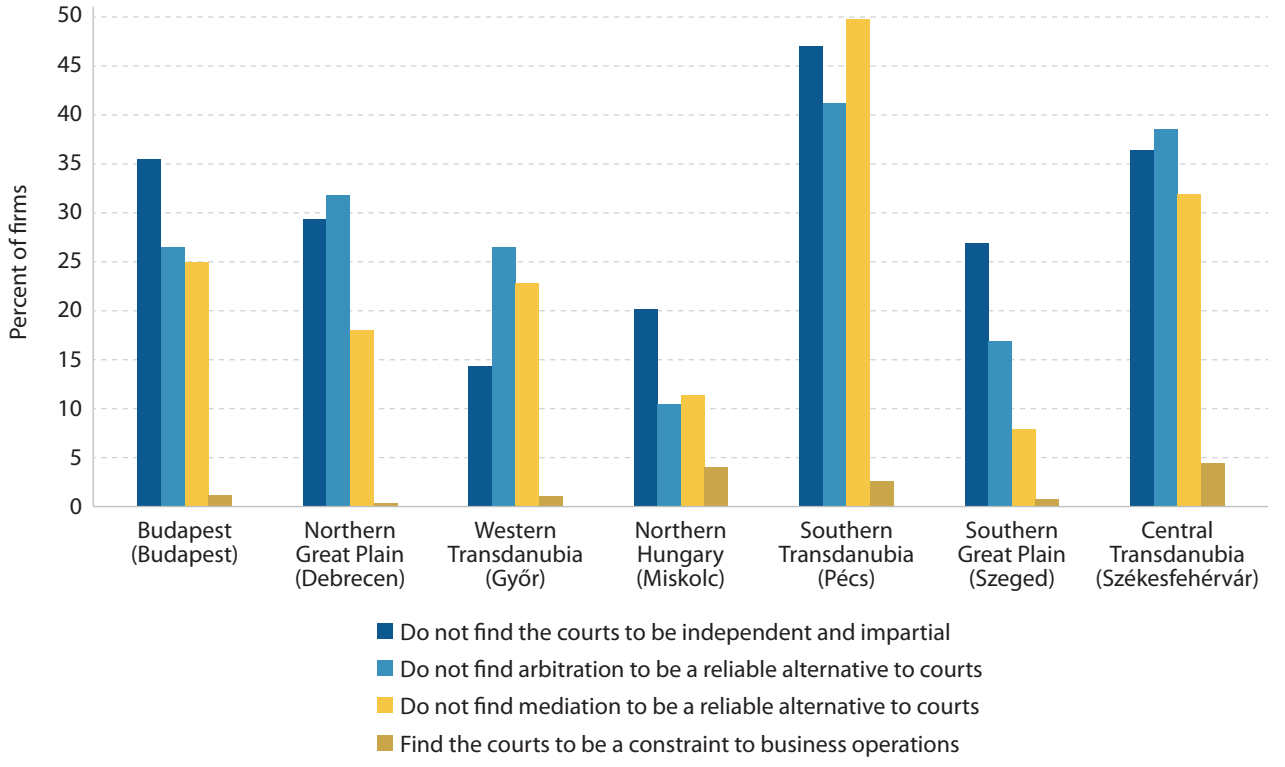
Source: Subnational Business Ready

30 For a claim value of HUF 107,554,370, equal to 20 times the 2021 GNI per capita. Hungary's 2021 GNI per capita is HUF 5,377,718.

Data from the World Bank Enterprise Surveys show that although 27 percent of the Hungarian firms do not find the courts to be independent and impartial, only 3 percent find the courts to be a constraint to business operations. Across regions, firms in Southern Transdanubia (including Pécs) have the most negative perception of the courts and ADR mechanisms. Namely, 47 percent of firms do not find courts to be independent and impartial, while the percentages of firms that do not find arbitration and mediation to be reliable alternatives are 41 and 50 percent, respectively (figure 17). Firms in Northern Hungary (including Miskolc) and the Southern Great Plain (including Szeged) have the most positive perception of the arbitration and mediation processes as reliable alternatives to courts.

Table 5 provides a detailed overview—by pillar, category, and subcategory—of the Hungarian cities' performance on the Dispute Resolution topic. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, none of the measured cities receives the total possible maximum score of 40 points under Pillar I (Quality of Regulations for Dispute Resolution), category 1.1 (Court Litigation), subcategory 1.1.1 (Procedural Certainty), which includes environmental disputes. In fact, none of the cities receives a maximum score on any of the subcategories of the Dispute Resolution topic, although some cities score very close to the upper ceiling. Specifically, under Pillar III, subcategory 3.2.1 (Reliability of ADR), Miskolc receives a nearly perfect score (12.7 out of 13.3), compared to Pécs and Székesfehérvár, both of which score zero points on this subcategory. Most cross-city variability is observed under Pillar III.

Figure 17. Perception of Courts and ADR Mechanisms, by Category and Region



Source: World Bank Enterprise Surveys 2023

Table 5. Dispute Resolution Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
Pillar I: Quality of Regulations for Dispute Resolution										
1.1	**Court Litigation**	**14**	**66.7**	**52.1**	**52.1**	**52.1**	**52.1**	**52.1**	**52.1**	**52.1**
1.1.1	Procedural Certainty (includes environment)	9	40	30.8	30.8	30.8	30.8	30.8	30.8	30.8
1.1.2	Judicial Integrity (includes gender)	5	26.7	21.3	21.3	21.3	21.3	21.3	21.3	21.3
1.2	**Alternative Dispute Resolution (ADR)**	**10**	**33.3**	**29.9**	**29.9**	**29.9**	**29.9**	**29.9**	**29.9**	**29.9**
1.2.1	Legal Safeguards in Arbitration	6	16.7	15.3	15.3	15.3	15.3	15.3	15.3	15.3
1.2.2	Legal Safeguards in Mediation	4	16.7	14.6	14.6	14.6	14.6	14.6	14.6	14.6
	Total	**24**	**100**	**82.0**	**82.0**	**82.0**	**82.0**	**82.0**	**82.0**	**82.0**
Pillar II: Public Services for Dispute Resolution										
2.1	**Court Litigation**	**19**	**66.7**	**43.0**	**43.0**	**37.4**	**37.4**	**37.4**	**37.4**	**37.4**
2.1.1	Organizational Structure of Courts	4	22.2	11.1	11.1	5.6	5.6	5.6	5.6	5.6
2.1.2	Digitalization of Court Processes	8	22.2	21.3	21.3	21.3	21.3	21.3	21.3	21.3
2.1.3	Transparency of Courts (includes gender)	7	22.2	10.6	10.6	10.6	10.6	10.6	10.6	10.6
2.2	**Alternative Dispute Resolution (ADR)**	**9**	**33.3**	**21.9**	**21.9**	**21.9**	**21.9**	**21.9**	**21.9**	**21.9**
2.2.1	Public Services for Arbitration (includes gender)	4	16.7	10.8	10.8	10.8	10.8	10.8	10.8	10.8
2.2.2	Public Services for Mediation (includes gender)	5	16.7	11.1	11.1	11.1	11.1	11.1	11.1	11.1
	Total	**28**	**100**	**64.9**	**64.9**	**59.3**	**59.3**	**59.3**	**59.3**	**59.3**
Pillar III: Ease of Resolving a Commercial Dispute										
3.1	**Court Litigation**	**8**	**66.7**	**57.6**	**60.5**	**64.6**	**64.3**	**53.5**	**61.9**	**56.8**
3.1.1	Reliability of Courts	2	26.7	18.7	21.7	26.1	25.1	14.5	22.9	18.1
3.1.2	Operational Efficiency of Court Processes	6	40	38.9	38.8	38.5	39.3	38.9	39.0	38.6
3.2	**Alternative Dispute Resolution (ADR)**	**6**	**33.3**	**21.2**	**23.4**	**21.8**	**32.3**	**19.0**	**31.4**	**19.8**
3.2.1	Reliability of ADR	2	13.3	1.5	3.7	2.1	12.7	0.0	11.6	0.0
3.2.2	Operational Efficiency of Arbitration Processes	4	20	19.7	19.8	19.7	19.6	19.0	19.8	19.8
	Total	**14**	**100**	**78.7**	**83.9**	**86.4**	**96.7**	**72.5**	**93.3**	**76.5**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

1.7 Business Insolvency[31]

The Hungarian legal framework is homogeneous in all cities measured. Insolvency proceedings in Hungary are of three types: liquidation (for the final winding-up of the insolvent company), reorganization (within bankruptcy proceedings), and restructuring proceedings (not measured by this study).[32] Restructuring was introduced as part of the implementation of EU Directive 2019/1023, which was enacted in 2021 and came into force in July 2022; it was quickly adopted by debtors, whereas reorganization within bankruptcy proceedings rarely occurs.

Most informational and procedural standards for business insolvency exist in line with international good practices. The legal framework imposes obligations on company management prior to the formal initiation of insolvency proceedings. It also allows electronic voting on reorganization plans and offers the option to convert reorganization proceedings into liquidation. Legal requirements are in place for the selection and dismissal of insolvency administrators. Regarding assets and stakeholders, the legal framework also establishes certain protections, including an automatic stay of proceedings, the continuation of essential contracts, and the ability to reject burdensome contracts. However, it lacks mechanisms for out-of-court restructuring and falls short in protecting dissenting creditors within the reorganization process. Additionally, it does not provide for exceptions or relief to the automatic stay of proceedings. Furthermore, the legal framework does not provide specific provisions recognizing the need for post-commencement financing, specifically authorizing its use, and no provision establishes that post-commencement creditors should rank above ordinary unsecured creditors. Finally, while specialized proceedings are available for foreign insolvency cases, the legal framework does not have specialized insolvency proceedings tailored for micro-, small, and medium-sized enterprises.

In general, public services for business insolvency in Hungary are largely uniform across cities, with only one exception. The Budapest Court stands out for its specialized infrastructure dedicated to handling insolvency cases. The Economic College in Budapest, as an internal division of the court dealing with cases related to the economy, plays a crucial role in Hungary's insolvency field, thanks to specialized judges dedicated solely to insolvency matters. Engaging in pilot projects, the Economic College tests new initiatives and collaborates with institutions, such as the Hungarian School of Judiciary, to disseminate knowledge. Accordingly, the Budapest Court benefits from specialized judges who possess greater expertise in adjudication, a feature unique to the capital and not found in any other city in the country. Despite this difference, courts in regions other than Budapest may resolve insolvency proceedings more quickly, due to their lighter caseloads. Concerns have been raised by experts regarding the limited availability of IT tools and related infrastructural challenges in local courts, potentially affecting the functioning and accessibility of online platforms.

31 See section 6, "Business Insolvency in Detail," for more information on the topic, the country-specific context, and a detailed assessment of the data.
32 Act XLIX, Legal Act on Bankruptcy and Liquidation Proceedings, 1991; Act XXVIII, Legal Act on Private International Law, 2007; Act LXVI, Legal Act on the Wage-Guarantee Fund, 1994; Act LXIV, Legal Act on Restructuring, implements EU Directive 2019/1023, 2021; Supervisory Authority for Regulated Activities of Hungary (SZTFH) Decree No. 14/2021 (X. 29.); Government Decree No. 75/2018 (IV. 20.); and Government Decree No. 263/2022 (VII. 27.).

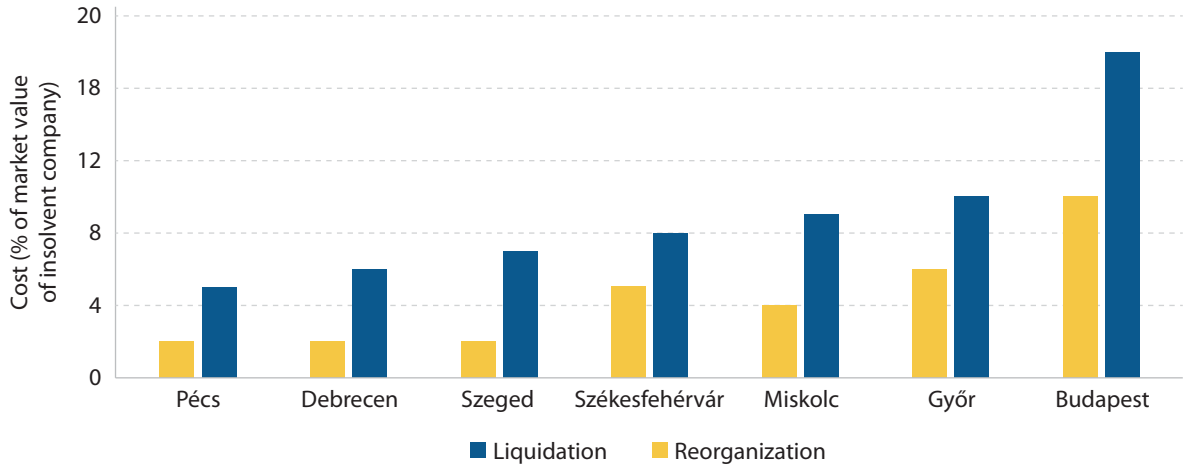
Online services for business insolvency are accessible in all Hungarian cities, including e-courts, which facilitate filing insolvency proceedings, notifications, fee payments, and communications among insolvency administrators, lawyers, and judges. Lawyers receive notifications and decisions electronically, and creditors can monitor proceedings either by visiting the court's premises or through lawyers. Online electronic bidding and virtual hearings are also available. Judgments in insolvency proceedings are publicly available at all levels, along with data on the number and types of insolvency proceedings.

In Hungary, the costs and duration of insolvency proceedings remain largely consistent, governed by nationwide laws (Codex). Cost variations are due primarily to lawyers' fees, which are influenced by market dynamics. Since all other cost components are uniformly regulated nationwide, the parties have sole discretion when choosing legal representation, and lawyers can represent clients from different jurisdictions. Judges intervene only in the case of excessive fees by lawyers and insolvency administrators. Among cities, Budapest has the highest costs for liquidation and reorganization. Conversely, Pécs has the lowest liquidation costs. In terms of duration, Szeged has the longest average liquidation period, 33 months, while the same procedure lasts about 24 months in Budapest, Győr, and Miskolc. Subnational differences in the time required for reorganization are limited, given the low number of pending reorganizations at the national level (only 15 cases).[33] Székesfehérvár is the most efficient in reorganization, completing the process in 8.5 months, compared with Győr and Miskolc, which complete it in 12 months each.

The insolvency law imposes strict deadlines for key elements of the proceedings. According to regulations, liquidation should be completed within two years, while bankruptcy reorganization should conclude within one year. While reorganization deadlines are generally met nationwide, courts often require more time to finalize liquidations, due to caseloads. For instance, in Szeged, liquidation typically takes 33 months. However, the Budapest Court, despite its workload, is efficient in managing most liquidation cases within the statutory two-year limit. Courts with economic colleges, such as Debrecen and Miskolc, have the capacity to handle current workloads.

The costs of insolvency proceedings include fees for the court, the insolvency administrator, and lawyers. Lawyers' fees, subject to market conditions, are the primary drivers of the overall costs. On the other hand, fees for the court and insolvency administrator have less impact, as they are regulated by national laws ensuring consistency across different cities. Expenses in Budapest are significantly higher, standing at 18 percent of the total cost for liquidation and 10 percent for reorganization (figure 18). In contrast, Pécs reports the lowest liquidation costs, 5 percent, while Debrecen, Pécs, and Szeged have the lowest reorganization costs, 2 percent. The disparity in costs is attributed

Figure 18. Cost of Business Insolvency Proceedings, by Insolvency Resolution Type



Source: Subnational Business Ready

33 2023 statistics for reorganization cases courtesy of the National Office for Judiciary.

largely to Budapest's status as the focal point of economic activity. Conversely, other cities show greater uniformity in terms of population size and economic conditions. Some smaller cities experience less competition among law firms, resulting in slightly higher fees in Győr, Miskolc, and Székesfehérvár. The method for calculating insolvency administrators' fees remains consistent across all cities.

Table 6 provides a detailed overview—by pillar, category, and subcategory—of the Hungarian cities' performance on the Business Insolvency topic. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, none of the cities receives the total possible maximum score of 15 points on Pillar I (Quality of Regulations for Judicial Insolvency Proceedings), category 1.1 (Legal and Procedural Standards in Insolvency Proceedings), subcategory 1.1.1 (Precommencement and Commencement Standards in Liquidation and Reorganization). Conversely, all cities receive the maximum points, 20 and 10, respectively, under category 1.2 (Debtor's Assets and Creditor's Participation in Insolvency Proceedings), subcategories 1.2.2 (Creditor's Rights in Liquidation and Reorganization (includes environment)), and 1.2.3 (Selection and Dismissal of the Insolvency Administrator). Most cross-city variability is observed under Pillar III.

Table 6. Business Insolvency Scores

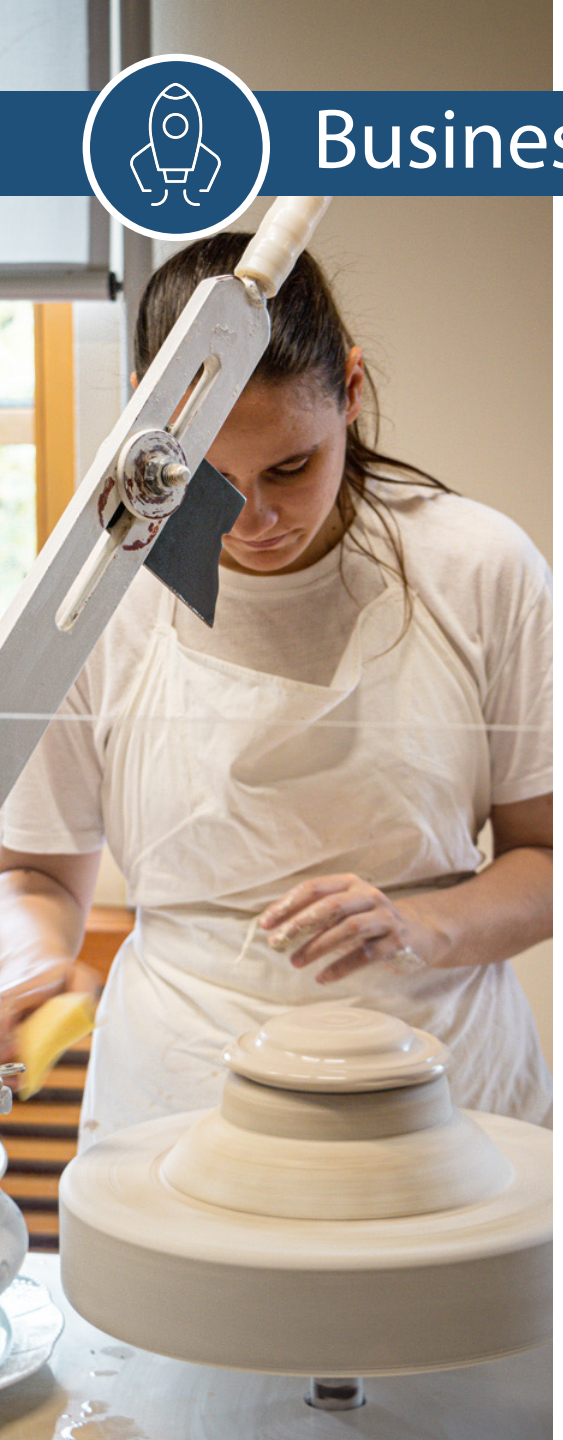
		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
Pillar I: Quality of Regulations for Judicial Insolvency Proceedings										
1.1	**Legal and Procedural Standards in Insolvency Proceedings**	**10**	**30**	**22.5**	**22.5**	**22.5**	**22.5**	**22.5**	**22.5**	**22.5**
1.1.1	Pre-Commencement and Commencement Standards in Liquidation and Reorganization	5	15	10.5	10.5	10.5	10.5	10.5	10.5	10.5
1.1.2	Post-Commencement Standards in Liquidation and Reorganization	5	15	12.0	12.0	12.0	12.0	12.0	12.0	12.0
1.2	**Debtor's Assets and Creditor's Participation in Insolvency Proceedings**	**14**	**50**	**41.0**	**41.0**	**41.0**	**41.0**	**41.0**	**41.0**	**41.0**
1.2.1	Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)	6	20	11.0	11.0	11.0	11.0	11.0	11.0	11.0
1.2.2	Creditor's Rights in Liquidation and Reorganization (includes environment)	5	20	20.0	20.0	20.0	20.0	20.0	20.0	20.0
1.2.3	Selection and Dismissal of the Insolvency Administrator	3	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
1.3	**Specialized Insolvency Proceedings and International Insolvency**	**5**	**20**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
1.3.1	Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)	3	10	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2	Cross-Border Insolvency	2	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
	Total	**29**	**100**	**73.5**	**73.5**	**73.5**	**73.5**	**73.5**	**73.5**	**73.5**
Pillar II: Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings										
2.1	**Digital Services (e-Courts) in Insolvency Proceedings**	**7**	**40**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**
2.1.1	Electronic Services in Liquidation and Reorganization	4	20	20.0	20.0	20.0	20.0	20.0	20.0	20.0
2.1.2	Electronic Case Management Systems in Liquidation and Reorganization	3	20	20.0	20.0	20.0	20.0	20.0	20.0	20.0
2.2	**Interoperability in Insolvency Proceedings**	**2**	**20**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
2.2.1	Digital Services Connectivity with External Systems in Liquidation and Reorganization	1	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Table 6. Business Insolvency Scores

		No. of indicators	Re-scaled points	Budapest	Debrecen	Győr	Miskolc	Pécs	Szeged	Székesfehérvár
2.2.2	Interconnection between e-Case Management System and e-Filing Systems in Liquidation and Reorganization	1	10	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3	**Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners**	**5**	**20**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**
2.3.1	Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments	3	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
2.3.2	Availability of a Public Registry of Insolvency Practitioners	2	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
2.4	**Public Officials and Insolvency Administrators**	**3**	**20**	**20.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
2.4.1	Specialization of Courts with Jurisdiction on Reorganization and Liquidation Proceedings	2	10	10.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4.2	Insolvency Administrator's Expertise in Practice	1	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0
	Total	**17**	**100**	**90.0**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**
Pillar III: Operational Efficiency of Resolving Judicial Insolvency Proceedings										
3.1	**Liquidation Proceedings**	**2**	**50**	**29.0**	**36.8**	**41.8**	**42.5**	**37.0**	**32.3**	**33.0**
3.1.1	Time to Resolve a Liquidation Proceeding	1	25	20.0	12.5	20.0	20.0	12.5	8.3	9.8
3.1.2	Cost to Resolve a Liquidation Proceeding	1	25	9.0	24.3	21.8	22.5	24.5	24.0	23.3
3.2	**Reorganization Proceedings**	**2**	**50**	**39.8**	**49.5**	**46.5**	**47.8**	**49.5**	**49.5**	**48.5**
3.2.1	Time to Resolve a Reorganization Proceeding	1	25	24.5	24.5	23.5	23.5	24.5	24.5	24.5
3.2.2	Cost to Resolve a Reorganization Proceeding	1	25	15.3	25.0	23.0	24.3	25.0	25.0	24.0
	Total	**4**	**100**	**68.8**	**86.3**	**88.3**	**90.3**	**86.5**	**81.8**	**81.5**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

2. Business Entry in Detail



Business Entry in Hungary

Pillar I:
Regulatory Framework

Score (all cities): **85**/100

Pillar II:
Public Services

Score (all cities): **85.2**/100

Pillar III:
Operational Efficiency

Time (days): **6**

Cost (% of income per capita*): **4.9%**

Score (all cities): **99.5**/100

*Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- The process of business entry is harmonized across the seven cities assessed in Hungary.
- Entrepreneurs benefit from business regulation that follows international good practices regarding registration requirements and regulatory restrictions for business entry.
- However, the regulation still requires the use of third-party intermediaries (lawyers or notaries) in order to incorporate a new Limited Liability Company (LLC). This increases the cost of business entry to 4.9% of income per capita which is among the highest in the European Union (EU).
- Similarly, the regulation continues to set a minimum capital requirement of HUF 3,000,000 for LLCs; a requirement that has been removed or significantly reduced in other European Union Member States.
- The availability of digital services that interconnect different agencies involved in business registration facilitates the incorporation of companies. Company registration in Hungary is entirely electronic. A simplified company registration option allows the completion of registration with the court and the tax authority in as fast as two days. In 2023, 84% of registrations of new companies in Hungary were completed using simplified registration.

Business Entry in Hungary

Why is business entry important?

- A business environment that facilitates the formalization of businesses is key to the creation of jobs and stronger economic growth.[34] Regulatory entry restrictions can create obstacles to developing a business and hinder the potential of new firms.
- Regulations that encourage transparency of information on businesses and beneficial owners help safeguard the integrity and reputation of the business sector by making it unattractive for firms with illicit purposes.[35]
- Simple registration processes, together with the use of online tools and low incorporation costs, encourage entrepreneurs to enter the economy.[36]

34 Rand and Torm, 2012; Medvedev and Oviedo Silva, 2015; La Porta and Shleifer, 2014.
35 UNCITRAL , 2019; OECD and IDB, 2021; World Bank, 2020.
36 Klapper, Lewin, and Quesada Delgado, 2011.

What does the Business Entry topic measure?

Pillar I: Regulatory Framework

Quality of regulations for business entry

- Information and procedural standards regarding the filing of information on companies and beneficial owners
- Availability of simplified registration for new firms
- A risk-based approach for business licensing
- Regulatory restrictions for the entry of new firms

Pillar II: Public Services

Digital public services and transparency of information for business entry

- Availability of digital services for business registration, storage of company information, and identity verification
- Interoperability of services between the agencies involved in business registration
- Transparency of online information regarding business registration

Pillar III: Operational Efficiency

Operational efficiency of business entry

- Time to complete the registration of a new firm
- Cost to complete the registration of a new firm

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Business Entry in Hungary

Recent reforms and changes in business entry

- The **Central Beneficial Owner Registry** was established in May 2021 through adoption of the Act XLIII of 2021 on Setting Up and Operating the Data Reporting Background Relating to the Identification Obligation of Providers of Financial and Other Services. The register contains information on the name, year of birth, nationality, and country of residence of beneficial owners and the nature and extent of the beneficial interest held. The registry is managed by the National Tax and Customs Administration (NAV). In the case of Hungary, the obligation to provide information on beneficial owners to the registry falls on the payment service providers (e.g., banks) as all companies are required to have a bank account. Companies, in turn, are required to provide such data to the payment service providers.
- **Streamlined registration with the local tax authority.** Starting from January 1, 2018, and according to Art 42/E. § of Act C of 1990 on local taxes, the NAV can forward the details of a company received via the court of registry by way of electronic means to the municipal tax authority where the company's registered office is located. This facilitates the process for entrepreneurs who, in the past, needed to register separately with the municipality.

Relevant laws and regulations in Hungary

- **Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings:** regulates the formation and registration of new companies.
- **Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing:** covers preventive measures and reporting obligations regarding money laundering and AML/CFT supervision.
- **Act XLIII of 2021 on Setting up and Operating the Data Background Relating to the Identification Obligation of Providers of Financial and other Services:** establishes the ultimate beneficial ownership registry.

Public institutions and services for business entry

- The **Company Court** (*Fővárosi Törvényszék Cégbírósága*) manages the business register. The business register exchanges information with all relevant public agencies including the National Tax and Customs Administration.
- The **Central Beneficial Owner Registry** is a database containing information on companies' ultimate beneficial owners and the nature and extent of their ownership interest.
- The **Hungarian Chamber of Commerce and Industry** is an organization representing the interests of businesses in Hungary. Businesses in Hungary are required to register and pay a fee to the chamber upon registration.

Business Entry in Hungary

Pillar I: **Quality of Regulations for Business Entry (1/2)**

Hungary score (all cities): **85** out of 100 points

Hungary performs on par with good international practices in the regulatory requirements on information and procedural standards for business entry. Limitations remain on the possibility of using simple standard registration forms and making changes to company information without the use of third-party intermediaries.

Information and procedural standards for business entry

Company information filing requirements

15/15

Regulation has requirements related to:

- ✓ Approval of company name
- ✓ Verification of identity of entrepreneurs
- ✓ Registration of shareholder information
- ✓ Obligation to file annual returns/financial statements
- ✓ Registration of changes in company name, shareholder details, and articles of association

Beneficial ownership filing requirements

15/15

Regulation has requirements related to:

- ✓ Registration of beneficial owners and the type of information collected on them
- ✓ Specific time limit to register beneficial owners at the time of company registration
- ✓ Verification of beneficial owners' identity
- ✓ Restrictions for nominee shareholders and directors
- ✓ Registration of changes in beneficial ownership information

Availability of simplified registration

0/10

- ✗ Simple registration form without the use of intermediaries (lawyers/notaries) is not available
- ✗ No possibility to make changes to company information without intermediaries

Risk-based assessment for operating business and environmental licenses

10/10

- ✓ Risk-based assessment for business licensing
- ✓ Risk-based assessment for environmental licensing of business activities

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Entry in Hungary

Pillar I: **Quality of Regulations for Business Entry (2/2)**

Hungary score (all cities): **85** out of 100 points

Hungary follows good international practices in restrictions for business entry. However, regulation still mandates a paid-in minimum capital requirement for new LLCs.

Restrictions on registering a business

Restrictions for domestic firms

22.5/25

Regulation does not establish general restrictions to set up a business for domestic entrepreneurs, including:

- ✓ Minimum education or training of business founders
- ✓ Providing criminal history records of business founders
- ✓ Approval of business plan
- ✓ Obtaining a general operating license
- ✓ Restrictions for specific socio-demographic groups
- ✓ General ownership restrictions in certain economic sectors

Restrictions in place:

- ✗ The law mandates a minimum capital amount of HUF 3,000,000 to incorporate a new LLC

Restrictions for foreign firms

22.5/25

Regulation does not establish general restrictions to set up a business for foreign entrepreneurs, including:

- ✓ Limitations on ownership of firms and participation in joint ventures
- ✓ Screening and approval of investment by a government entity
- ✓ Restrictions on the nationality of key personnel
- ✓ Restrictions on the employment of foreign and local personnel
- ✓ Obligation to have a local partner or local suppliers
- ✓ Limitations on dividend distribution or setting up a bank account
- ✓ General ownership restrictions in certain economic sectors

Restrictions related to:

- ✗ The law mandates a minimum capital amount of HUF 3,000,000 to incorporate a new LLC (the same as for domestic entrepreneurs)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Entry in Hungary

Pillar II: **Digital Public Services and Transparency of Information for Business Entry (1/2)**

Hungary score (all cities): **85.2** out of 100 points

Public infrastructure for business entry in Hungary provides electronic services to access company records and facilitate the registration process. All registrations of new LLCs are completed electronically.

Availability of digital services

Business start-up process

16.7/20

Electronic services available for:

- ✓ Completion of the entire company registration process
- ✓ Company information updates
- ✓ Registration and update of beneficial ownership information
- ✓ Payment of incorporation fees
- ✓ Issuance of company incorporation certificate
- ✗ Company name verification is not available to entrepreneurs

Storage of company and beneficial ownership information

10/10

- ✓ Company information records digitally stored
- Database on company information and database on beneficial ownership are:
  - ✓ Fully electronic
  - ✓ Centralized with national coverage
  - ✓ Covering all types of companies and establishments

Identity verification

10/10

- ✓ Electronic signature and authentication available
- ✓ Fully automated identity document verification process of entrepreneurs and beneficial owners available

Interoperability of services

Exchange of company information

10/10

- ✓ Company Courts exchange company information with the tax authority and the statistical office on new business registrations and updates to company information

Unique business identification

10/10

- ✓ At the time of registration, the court assigns the company a unique company registration number (*cégjegyzékszám*) used by key public sector agencies

✓ Aspects in line with internationally recognized good practices ✗ Aspects in line with internationally recognized good practices

Business Entry in Hungary

Pillar II: **Digital Public Services and Transparency of Information for Business Entry (2/2)**

Hungary score (all cities): **85.2** out of 100 points

Hungary provides online access to information on the process to set up a business as well as information on registered businesses.

Transparency of online information

Business start-up (includes gender and environment)

Official website provides information on:

- ✓ List of documents required to establish a new business
- ✓ List of applicable fees
- ✓ Service standards
- ✗ Information on requirements for environmental permits for low-risk business activities is not publicly available

✓ Information is available on public programs to support small and medium enterprises (SMEs)

✗ No information is available on programs to support women-led SMEs, or such programs do not exist

Availability of general company information

- ✓ Electronic search is available for all company records
- ✓ The company database provides information on the name of the company, company ID number, names of directors and shareholders, date of incorporation, legal address and physical address, and type of activity
- ✗ No information is available on the name of beneficial owners

General and sex-disaggregated statistics on newly registered firms

- ✓ The Hungarian Central Statistical Office provides statistics on newly registered companies on its website
- ✗ Statistics on the number of companies created by female entrepreneurs are not publicly available

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Business Entry in Hungary

Pillar III: **Operational Efficiency of Business Entry**

Hungary score (all cities):

99.5 out of 100 points

Time: **6** days

Cost: **4.9%** of income per capita

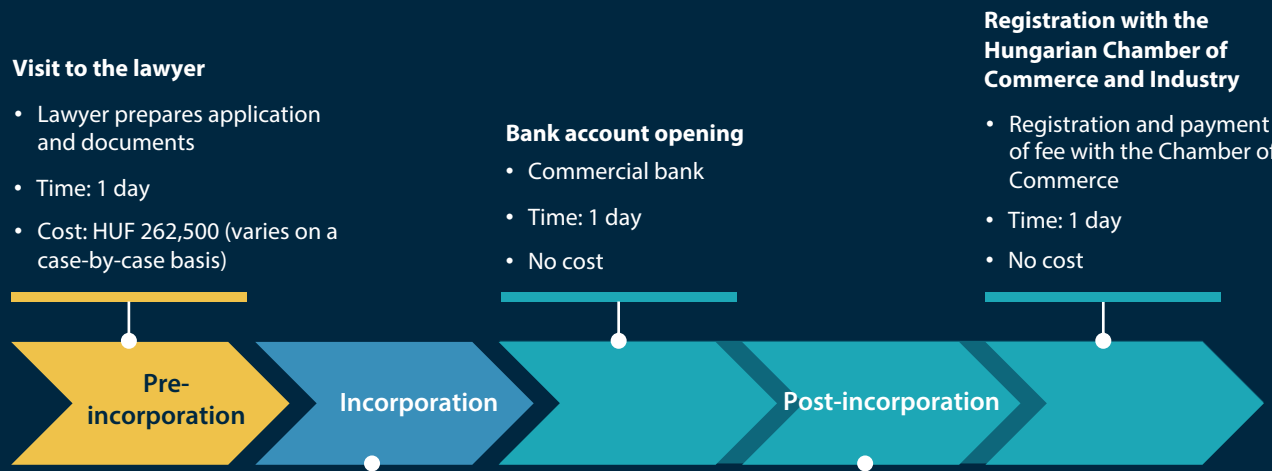
Entrepreneurs can register a new LLC in the seven Hungary cities assessed in as fast as six days with a cost of 4.9% of income per capita.

Hungary follows **good practices** that facilitate the process of company registration and start of operations including:

- Company registration is completed electronically through the *Cégkapu* portal.
- Companies are registered with the tax authority (for income tax and VAT) and the statistical office at the time of business registration.
- Regulation provides statutory time limits to complete company registration. For the simplified registration procedure, Art 48 of the Act V of 2006 mandates the court to issue a decision on company registration within one working day of the issuance of the tax number by the tax authority who itself has one day to complete the request.

However, due to the mandatory use of lawyers, the total cost of 4.9% of income per capita is one of the highest in the European Union.

How does the process to register a new LLC work in Hungary



Source: Subnational Business Ready

Business Entry in Hungary

Areas of improvement for Business Entry

Eliminate the start-up capital requirement for limited liability companies

New LLCs in Hungary are required to have a minimum share capital of HUF 3,000,000 which is equivalent to 55.8% of income per capita. While this requirement has historically had the objective of protecting creditors and promoting confidence in the financial markets, research shows that, in practice, it provides little protection for creditors and investors during insolvency.[37] Several European Union Member States including Belgium, Finland, Ireland, and the Netherlands, as well as other countries around the world, have already eliminated the minimum capital requirement. Others, such as Bulgaria, Greece, and Portugal, have reduced it to less than 0.1% of income per capita.

Relevant stakeholder: Ministry of Justice

Make third-party involvement optional

In Hungary, the use of third-party intermediaries is still mandatory. Significant costs for business registration come from hiring a lawyer to represent the company and prepare the incorporation documents. Consulted experts indicated that the cost could vary from HUF 160,000 to HUF 550,000 depending on factors such as the size of the company and complexity of the founding documents, as well as the market. Business founders, particularly for smaller businesses, could benefit from cost reductions by opening public access to the business registration system and offering the option to register without intermediaries.

Several countries have made the use of third-parties for business registration optional. They have developed standard incorporation documents that can be used and completed by the entrepreneurs themselves. This practice allows flexibility, as companies with a simpler corporate structure can use standardized forms, while companies with more complex structures can continue using the services of third-party professionals. Portugal and Romania made the use of lawyers optional by having the registry provide standardized forms, significantly reducing the cost for business entry.

Relevant stakeholders: Ministry of Justice; Courts of Registration

Consider making the requirement to register with the Chamber of Commerce voluntary

Businesses in Hungary are still required to register with Hungarian Chamber of Commerce and pay an annual contribution. Few countries worldwide apply such obligation. In many countries, companies that make use of Chamber services do so under a voluntary registration system.

Relevant stakeholder: Hungarian Chamber of Commerce

37 Elkind, 2007; Kubler, 2004; Simon, 2004; Mülbert and Birke, 2002.

3. Business Location in Detail

3.1 Building Permitting in Hungary

Pillar I: Regulatory Framework

Score (all cities): **100**/100

Pillar II: Public Services

Score (all cities): **76**/100

Pillar III: Operational Efficiency

Obtain building permits:
Time (days): **76** (Győr) to **122** (Szeged)
Cost (% of income per capita*): **9.7%** (5 cities) to **10%** (Győr, Pécs)

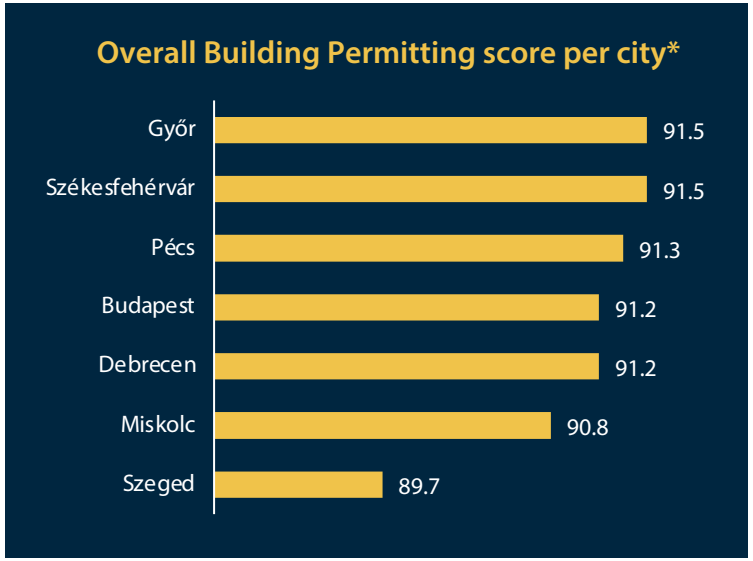
Obtain occupancy permits:
Time (days): **45** (Győr, Miskolc) to **60** (Székesfehérvár)
Cost (% of income per capita*): **6.4%** (all cities)

Score: **93** (Szeged) to **98.5** (Győr, Székesfehérvár)/100

*Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- Hungary scores the maximum possible points on the quality of regulations for urban planning.
- Since 2013, Hungary has adopted electronic platforms throughout the construction permitting process facilitating building permit applications and guiding the internal administrative process during construction. Since March 1, 2020, permitting competences have been transferred from local governments to Government Offices that are part of the central administration. Presently, municipal governments are only involved in the urban planning approval step of the permitting process.
- Despite the reliability of online services, there is room for improvement on the adoption of a GIS or other spatial data platforms to further streamline application and approval processes. Currently, planning and zoning requirements in Hungary are publicly available online in PDF format.
- Among the seven Hungarian cities, building permitting is fastest in Győr, taking 76 days, and slowest in Szeged, taking 122 days.
- The cost of obtaining building permits is similar across all measured Hungarian cities.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Building Permitting in Hungary

Why is building permitting important?

- A sound and robust environmental framework for construction projects plays a vital role in protecting the public from faulty building practices and incorporating sustainability in construction by identifying and addressing potential environmental impacts beforehand.[38]
- Adopting good regulatory practices for building standards enhances safety mechanisms and green building practices while reducing opportunities for corruption.
- Transparency of information for building permits minimizes information gaps between public service providers and users, fostering accountability through easy access to regulations, fees, and payment tracking.

38 World Bank, 2024.

What does the Building Permitting topic measure?

Pillar I: Regulatory Framework

Quality of regulations for building permitting

- Building regulations standards
- Building energy codes standards
- Land use and zoning regulations

Pillar II: Public Services

Quality of public services and transparency of information for building permitting

- Availability and reliability of online services
- Interoperability of services between the agencies involved in building permitting
- Transparency and accessibility of the building permitting agencies

Pillar III: Operational Efficiency

Operational efficiency of building permitting

- Time to obtain a building permit
- Cost to obtain a building permit
- Time to obtain an occupancy permit
- Cost to obtain an occupancy permit

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Building Permitting in Hungary

Reforms and changes since 2017

- Government Decree 312/2012. (XI. 8.) on the required documentation for building permitting was updated on July 1, 2017. Utility plans now comprise formal or informal collection of data and produce part of the technical documentation that is submitted to obtain a building permit. An official document from utility providers is no longer required for building permit applications.
- Prior to 2017, it was common practice to submit an ownership certificate, which is no longer required. Authorities do not require it as IT integrations have allowed building authorities—the Departments of Construction and Heritage Protection at county-level Government Offices—to access the database of the Land Registry as part of the procedure. A new IT development in 2023 also allows staff of the building authorities to notify all neighbors as part of the permitting procedure.
- An amendment to Act CL of 2016, in force since March 1, 2020, removed second-level complaints from the permitting procedure so that authorities' decisions can only be disputed via the administrative courts.
- Act CX of 2019 removed first-degree building permitting competences from local governments to county-level Government Offices that are part of the central administration, effective March 1, 2020.

Relevant laws and regulations in Hungary

- **Government Decree 312/2012 (XI. 8.)** on procedures and inspections by building and building supervisory authorities and on the provision of services by building authorities.
- **Government Decree 531/2017 (XII. 29.)** on the designation of certain specialized authorities acting on imperative grounds of public interest.
- **Act CX of 2019** amending certain laws to simplify the operation of metropolitan and county government offices.

Public institutions and services for building permitting

- The **Departments of Construction and Heritage Protection at county-level Government Offices,** the building authorities, oversee the building and occupancy permits at state and regional level offices. Permitting is done electronically on the *Building Regulatory Support Electronic Documentation System* (ÉTDR) online platform.
- **Various specialized authorities** are part of the Government Offices involved in back-office approvals of the permitting process.
- **Local planning commissions** at the municipal level issue urban planning approvals as part of the permitting process.

Building Permitting in Hungary

Pillar I: **Quality of Regulations for Building Permitting**

Hungary score (all cities): **100** out of 100 points

Hungarian cities score maximum points on the quality of regulations for urban planning.

Regulatory standards related to building permitting

37.5/37.5 Building standards

- ✓ Existing building codes/unified standards applicable to all constructions
- ✓ Clear provisions or guidelines regarding safety standards in the legal framework
- ✓ Regulation of construction materials that pose health risks
- ✓ List of regulated materials available in the legal framework
- ✓ Certified engineer or architect (public agency or private and external) designated by law responsible for compliance of building plans with existing building regulations
- ✓ Risk-based or phased structural safety inspections required by law to be carried out during construction
- ✓ Requirement of final inspection as per the legislation
- ✓ Materials (i.e., asbestos) required to be inspected/tested by law
- ✓ Liability for structural flaws/problems defined by law
- ✓ Qualifications required to conduct technical supervision/inspections
- ✓ Ability to dispute building permit decisions with the permit-issuing authority

37.5/37.5 Building energy standards

Legally required:

- ✓ Minimum energy efficiency performance standards
- ✓ Proof of compliance with energy efficiency performance standards required for building permit
- ✓ Verification of energy efficiency performance standards
- ✓ Incentives to promote green building standards

25/25 Land use and zoning regulations

Legally required planning tools for land development:

- ✓ Requirements for trunk infrastructure service access (water, electricity, sanitation)
- ✓ Maps identifying areas allocated to residential, commercial, agricultural, recreational, public/institutional, and mixed use
- ✓ Hazard maps identifying areas in which building is not permitted due to natural hazards
- ✓ Hazard maps identifying minimum separation between residential and hazardous occupancies
- ✓ Maps identifying areas in which building is not permitted owing to preservation of natural resources

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Building Permitting in Hungary

Pillar II: **Quality of Public Services and Transparency of Information for Building Permitting**

Hungary score (all cities): **76** out of 100 points

36/40 Availability and reliability of digital services

- ✓ Online platform for issuing building authorizations
- ✓ Online permitting systems with several functionalities
  - ✗ Online payment
  - ✓ Online communication
  - ✓ Online notification
  - ✓ Online submission
  - ✗ No auto-generated checklist
- ✓ Online permitting systems to submit building and occupancy permits
- ✓ Online filing of disputes on building permits

40/40 Transparency of information

- ✓ Public accessibility of planning and building control regulations
- ✓ Public online availability of requirements to obtain all types of building related permits
- ✓ Up-to-date fee schedules for obtaining all types of construction permits available online
- ✓ Public availability of official, updated online statistics tracking the number of issued building permits
- ✓ Availability of updated city master plan/zoning plan
- ✓ Clear, defined steps to modify zoning/land use plan
- ✓ No online verification of adherence to zoning regulations by developer

0/20 Interoperability of services

- ✗ No availability of spatial plans and zoning requirements in the form of a Geographic Information System (GIS), or other spatial data platforms, to all stakeholders
- ✗ No integration of GIS or national spatial platforms

What to improve: Although all Hungarian cities make zoning requirements public, there is room for improvement on the adoption of GIS, or other spatial data platforms that incorporate local plans, as well as including an auto-generated checklist as a feature of the online permitting system to further streamline the application and approval processes.

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Building Permitting in Hungary

Pillar III: **Operational Efficiency of Building Permitting (1/4)**

Pillar III: Operational Efficiency

Score:
93 to **98.5**/100
Szeged — Győr, Székesfehérvár

- Hungary has a construction permitting process that is regulated predominantly at the national level and implemented by government offices at the county level.
- Builders obtain several approvals before applying for a building permit and an occupancy permit.
- Licensed private experts or companies are heavily involved in both the design and construction supervision stages as well as in updating geodetic measurements after construction.

How does building permitting work in Hungary

BEFORE CONSTRUCTION – Obtaining a building permit

- Obtain site map from land registry
- Obtain geotechnical report
- Obtain topographic survey
- Obtain preliminary archeological document from the Hungarian National Museum
- Obtain roadworks agency approval
- Obtain urban planning approval from Mayor's Office
- Obtain building permit from building authority*

AFTER CONSTRUCTION – Obtaining an occupancy permit

- Download final statements from e-construction log
- Obtain energy certificate
- Obtain approval on the cleanliness of water
- Obtain new geodetic map for property registration
- Upload geodetic map to the Land Registry's website
- Receive final inspection from Fire Protection Unit
- Receive final inspection from Public Health Unit
- Receive final inspection from building authority*
- Obtain occupancy permit from building authority*

National government — Local government — Licensed company/expert

*Department of Construction and Heritage Protection at county-level Government Office

Source: Subnational Business Ready

Note: The steps shown are common to all cities benchmarked. Procedures administered by national agencies are completed (or performed) at regional branches of these national agencies.

Building Permitting in Hungary

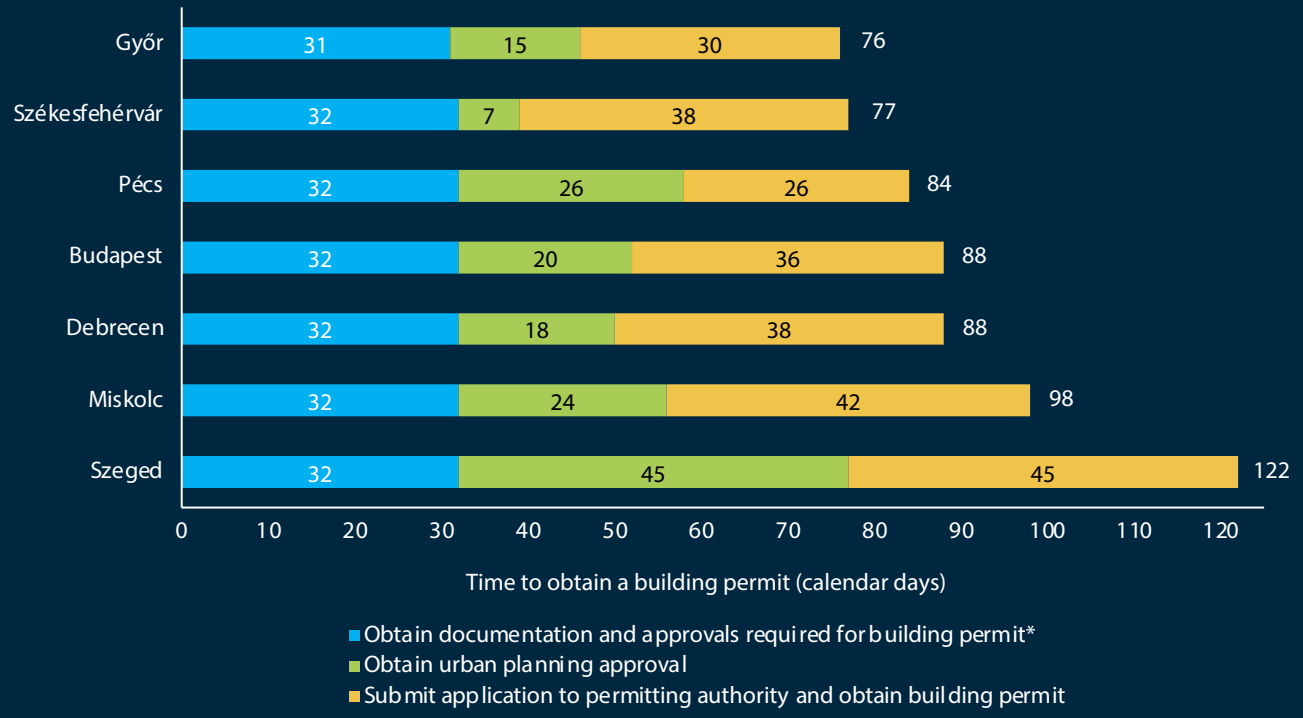
Pillar III: **Operational Efficiency of Building Permitting (2/4)**

Pillar III: **Operational Efficiency**

Obtain building permits:
Time (days):
76 (Győr) to **382** (Szeged)

- Obtaining the urban planning approval and the building permit drives most of the time variation across cities.
- Obtaining the building permit is fastest in Pécs.
- Obtaining an urban planning approval is fastest in Székesfehérvár.

The time it takes to comply with the building permitting process ranges from two and a half months in Győr and Székesfehérvár to almost four months in Szeged



Source: Subnational Business Ready

*Obtaining sitemap, topographic survey, geotGyőrical investigation, archeological documentation and roadworks agency approval can occur simultaneously. A consultation between developer and permitting authority is also included in all cities except for Győr, where this consultation is not commonly done in practice.

Building Permitting in Hungary

Pillar III: **Operational Efficiency of Building Permitting (3/4)**

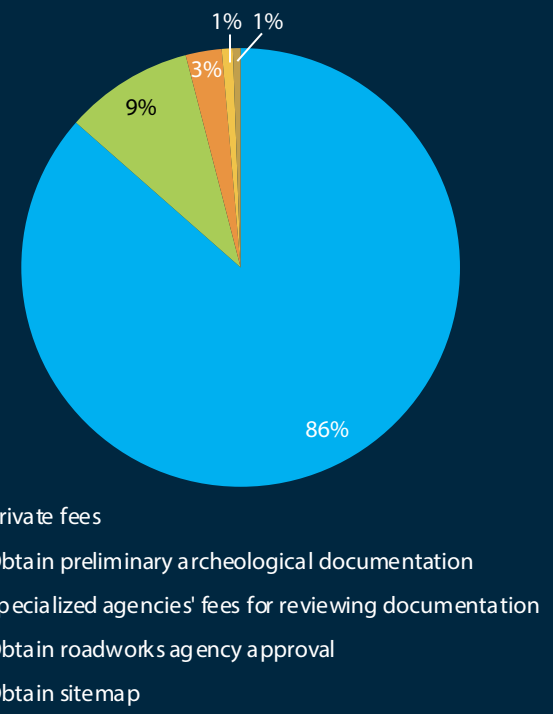
Pillar III: **Operational Efficiency**

Obtain building permits:
Cost (% of income per capita):
9.7% (5 cities) to **10%** (Győr, Pécs)

- In Hungary, there is no fee for getting either a building or an occupancy permit. However, specialized government agencies charge a fee for reviewing building and occupancy permit applications.
- There is little variation in cost across Hungarian cities. The roadworks agency charges a fee for approval only in Győr and Pécs.

Fees for professional services make up the bulk (86%) of the total cost

Fee as a percentage of average total cost



Source: Subnational Business Ready

Building Permitting in Hungary

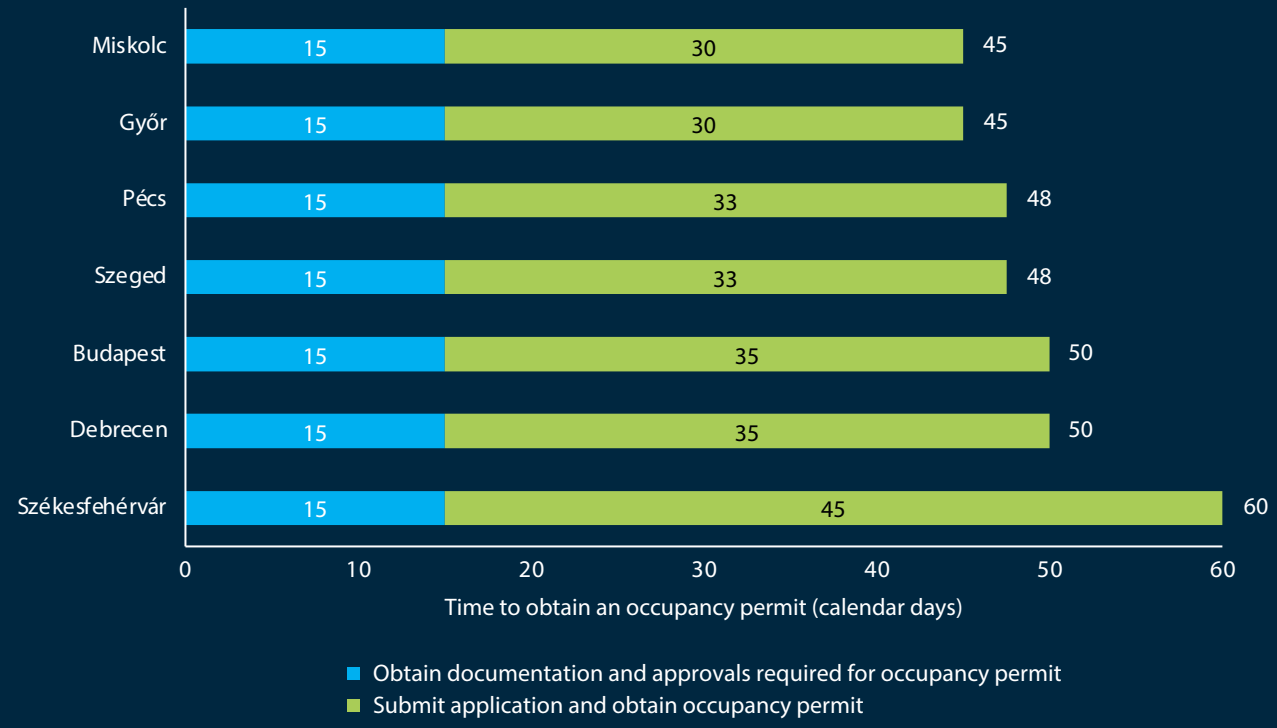
Pillar III: **Operational Efficiency of Building Permitting (4/4)**

Pillar III: **Operational Efficiency**

Obtain occupancy permits:
Time (days): **45** (Győr, Miskolc) to **60** (Székesfehérvár)
Cost (% of income per capita): **6.4%** (all cities)

- In Hungary, the relevant authorities (the Fire Protection Unit, the Public Health Unit, and the Building Department) inspect the building separately most of the time.
- The cost to obtain an occupancy permit is uniform across the seven benchmarked cities.

Undergoing final approvals and obtaining an occupancy permit takes the longest in Székesfehérvár, requiring 13 more days, on average, than in the rest of the country



Source: Subnational Business Ready

Building Permitting in Hungary

Areas of improvement for Building Permitting

Consolidate requirements and regulations

In Hungary, developers must consult numerous laws and regulations to identify the documentation needed for a building permit application as well as the construction standards they're required to follow. Consolidating all this information and making it easily available would reduce the time needed for document preparation and review. Hungary has moved in the right direction, digitalizing bureaucratic procedures for citizens and companies. The Hungarian "*e-epites*" platform (https://www.e-epites.hu/) allows developers to review the requirements and legislation governing different aspects of construction permitting, and provides statistical data on building permit applications and decisions. However, the information is mainly focused on guiding the simplified permitting process for small-size family residential housing.

While each agency involved in building permitting should provide information on its own process and requirements, the responsibility for providing information on the overall process should reside with the permit-issuing authority, the Department of Construction and Heritage Protection at county-level Government Offices. In addition to the text of regulations centralized in the "*e-epites*" platform, exhaustive but easy-to-follow guidelines for all types of construction projects should be provided to cover key steps, the agencies involved, documentation requirements, and the certificates, permits, and approvals required along with the corresponding time frames and fees. Many economies have improved transparency in recent years with positive results. In Vienna, for example, along with other good practices, authorities included all planning information on a web-based GIS platform. In 2006, Hungary introduced regulation for national priority projects, allowing certain projects to receive a fast-track status based on government decrees. Increasing transparency regarding how projects can become priority projects and introducing regulated fast-tracked permitting can foster a beneficial economic impact.

Relevant stakeholders: Prime Minister's Office; Ministry of Construction and Transport

Consolidate final inspections and approvals upon completion of construction

In Hungary, different final inspections–conducted by the Fire Protection Unit, the Public Health Unit, and the Building Department—take place once construction is completed. While in theory these could be done through a joint site visit, in practice, the authorities inspect the building separately most of the time. The Building Department could coordinate a joint inspection, reducing the waiting time for entrepreneurs. Romania provides a good example. Within 15 days after notification of the completion of construction, a final inspection must be organized with an "acceptance commission"—a body made up of the investor, technical experts, and local administration officials. They all visit the site together, eliminating the need for the investor to wait for multiple site inspections.

Relevant stakeholders: Prime Minister's Office; Ministry of Construction and Transport; county-level government offices; utility companies

3.2 Environmental Permitting in Hungary

Pillar I:
Regulatory Framework

Score (all cities):
70/100

Pillar II:
Public Services

Score (all cities):
90/100

Pillar III:
Operational Efficiency

Time (days):
76 (Miskolc, Székesfehérvár) to **91** (Pécs)

Cost (% of income per capita*):
46% (all cities)

Score (all cities):
99/100

*Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- Environmental permitting regulatory standards, along with the availability of digital public services and transparency of information, are consistent across Hungary.
- The time to obtain environmental clearances in Hungary varies by city, taking 76 days in Miskolc and Székesfehérvár, while Pécs sees a process time of 91 days. However, the cost for securing these clearances is consistent across the country.
- Entrepreneurs in Hungary would benefit from improved regulatory standards for environmental permitting and from enhancements to the existing electronic platform used for environmental permits. Additionally, introducing out-of-court resolution mechanisms for environmental disputes may significantly enhance the efficiency and effectiveness of addressing such issues.

Environmental Permitting in Hungary

Why is environmental permitting important?

- Choosing the right location is pivotal in determining the success of businesses even in the digital age. In addition to access to customers, labor, and transportation, the physical space of a business also determines the tax, regulatory, and environmental obligations firms face.[39]
- Clear and accessible environmental regulations can address concerns without burdening firms with unnecessary compliance.
- A sound and robust environmental framework for construction projects plays a vital role in sustainable construction by identifying and addressing potential environmental impacts beforehand.
- Good regulatory practices and transparency of information for environmental permits enhance safety mechanisms and the green building industry, minimize information gaps, and foster accountability.

39 Carlson, 2000.

What does the Environmental Permitting topic measure?

Pillar I: Regulatory Framework

Quality of regulations for environmental permitting

- Environmental clearances for construction
- Dispute mechanisms for environmental clearances for construction

Pillar II: Public Services

Quality of public services and transparency of information for environmental permitting

- Availability of online services for environmental permitting
- Transparency of online information regarding environmental licenses

Pillar III: Operational Efficiency

Operational efficiency of environmental permitting

- Time to obtain environmental clearances for construction
- Cost to complete environmental clearances for construction

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Environmental Permitting in Hungary

Pillar I: **Quality of Regulations for Environmental Permitting**

Hungary score (all cities): **70** out of 100 points

45/50 Environmental permits for construction

- ✓ Existence of national environmental regulations during construction
- ✓ Updates or revisions of national regulations to reflect recent environmental and technological innovations in construction
- ✓ Penalties or fines in place for non-compliance with the regulations
- ✓ Clearly defined environmental risks in the legal framework
- ✓ Legal requirement to use qualified professionals/agencies to conduct environmental impact assessments (EIAs)
- ✓ Specific criteria to trigger an EIA stipulated in the legal framework
- ✓ Mandatory requirements for an EIA process included in the legal framework
- ✓ Public consultations with concerned stakeholders mandated by law for EIAs
- ✗ No legal requirement for an independent external EIA review process
- ✗ Not all activities and approaches that facilitate the contribution of interested parties to the EIA decision-making process are included in the legal framework

25/50 Dispute mechanisms for construction-related environmental permits

- ✓ Ability to dispute environmental clearances and permits with the permit-issuing authority
- ✗ No out-of-court resolution mechanisms for environmental disputes

What to improve: Hungary's performance in environmental impact assessments could be enhanced by embedding in its legal framework: (i) an independent external review for EIA compliance; (ii) out-of-court resolution mechanisms for disputing environmental permitting decisions with the permit-issuing authority; and (iii) activities and approaches that facilitate the contribution of interested parties to the decision-making process (such as surveys and polls to capture inputs and feedback from concerned stakeholders, as well as training, resources, and technical assistance to project-affected parties).

RELEVANT LAWS AND REGULATIONS:

- Governmental Decree No. 314/2005. (XII. 25.) on environmental impact assessments and on the integrated environmental usage permitting process

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Environmental Permitting in Hungary

Pillar II: **Quality of Public Services and Transparency of Information for Environmental Permitting**

Hungary score (all cities): **90** out of 100 points

40/50 Availability and reliability of digital services

- ✓ Online environmental permitting systems with several functionalities:
  - ✗ Online payment
  - ✓ Online communication
  - ✓ Online notification
  - ✓ Online submission
  - ✗ Auto-generated checklist to assist applicants in ensuring complete and accurate submissions
- ✓ Online filing of disputes on environmental clearances for construction

50/50 Transparency of information

- ✓ Requirements to obtain environmental licensing for constructing a building with a moderate environmental risk are available online
- ✓ Up-to-date fee schedule for obtaining environmental clearances is available online

What to improve: Agencies responsible for environmental protection in Hungary might consider enhancing the existing electronic platform used for environmental permits by developing an auto-generated checklist to assist applicants in ensuring complete and accurate submissions. Additionally, integrating an online payment feature into the platform would improve the platform's functionality, making it more user-friendly and efficient. These enhancements would streamline the permitting process and increase accessibility, thereby enhancing transparency and effectiveness in environmental regulatory activities.

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

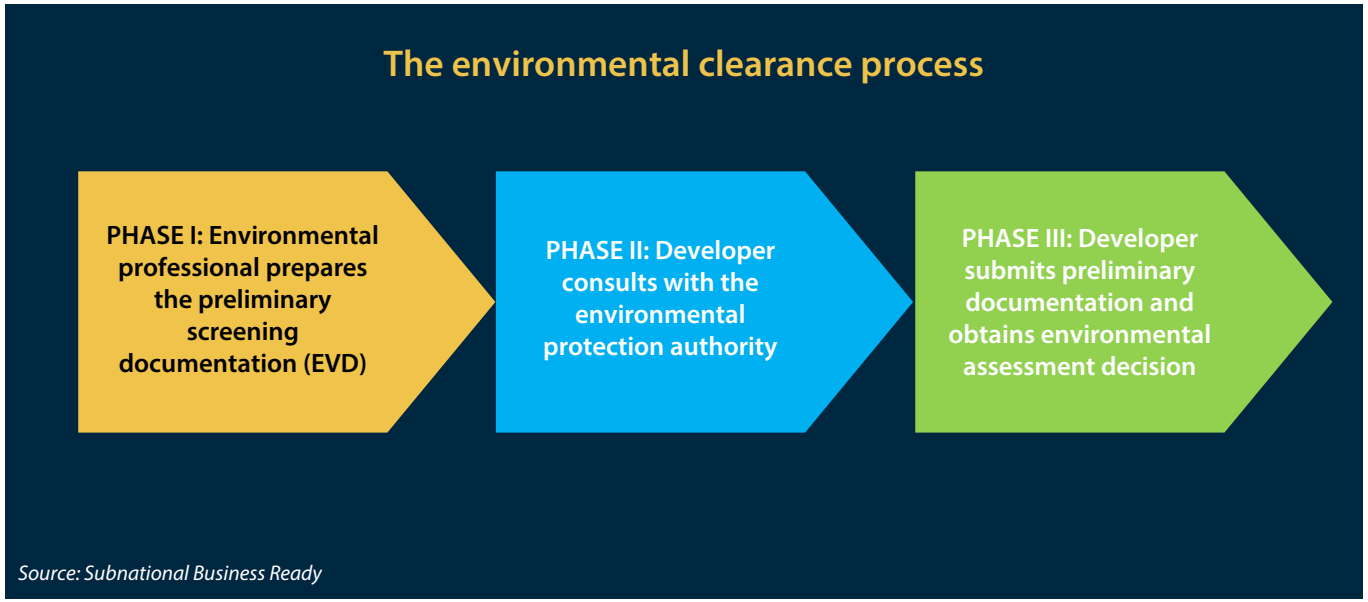
Environmental Permitting in Hungary

Pillar III: **Operational Efficiency of Environmental Permitting (1/2)**

Hungary score (all cities): **99** out of 100 points

How does the environmental clearance process work in Hungary

Environmental permitting in Hungary includes a preliminary screening of the project that allows the environmental protection authority (i.e., the Central Government Office at the county level) to obtain information about the development project before it progresses to a full EIA. Activities and conditions that do not automatically trigger a full EIA are delineated in Government Decree 314/2005. (XII. 25.). A project to construct a residential building, as described by the Business Ready (B-READY) methodology, falls into a category that does not inherently need a full EIA. Instead, it requires the submission of preliminary environmental screening documentation (*előzetes vizsgálati dokumentáció*, EVD) to the environmental protection authority. Prepared by qualified environmental professionals, this documentation informs the authority's decision on the level of assessment and, in the case of the described residential building, would allow the project to advance to the building permitting stage across all benchmarked cities.



Environmental Permitting in Hungary

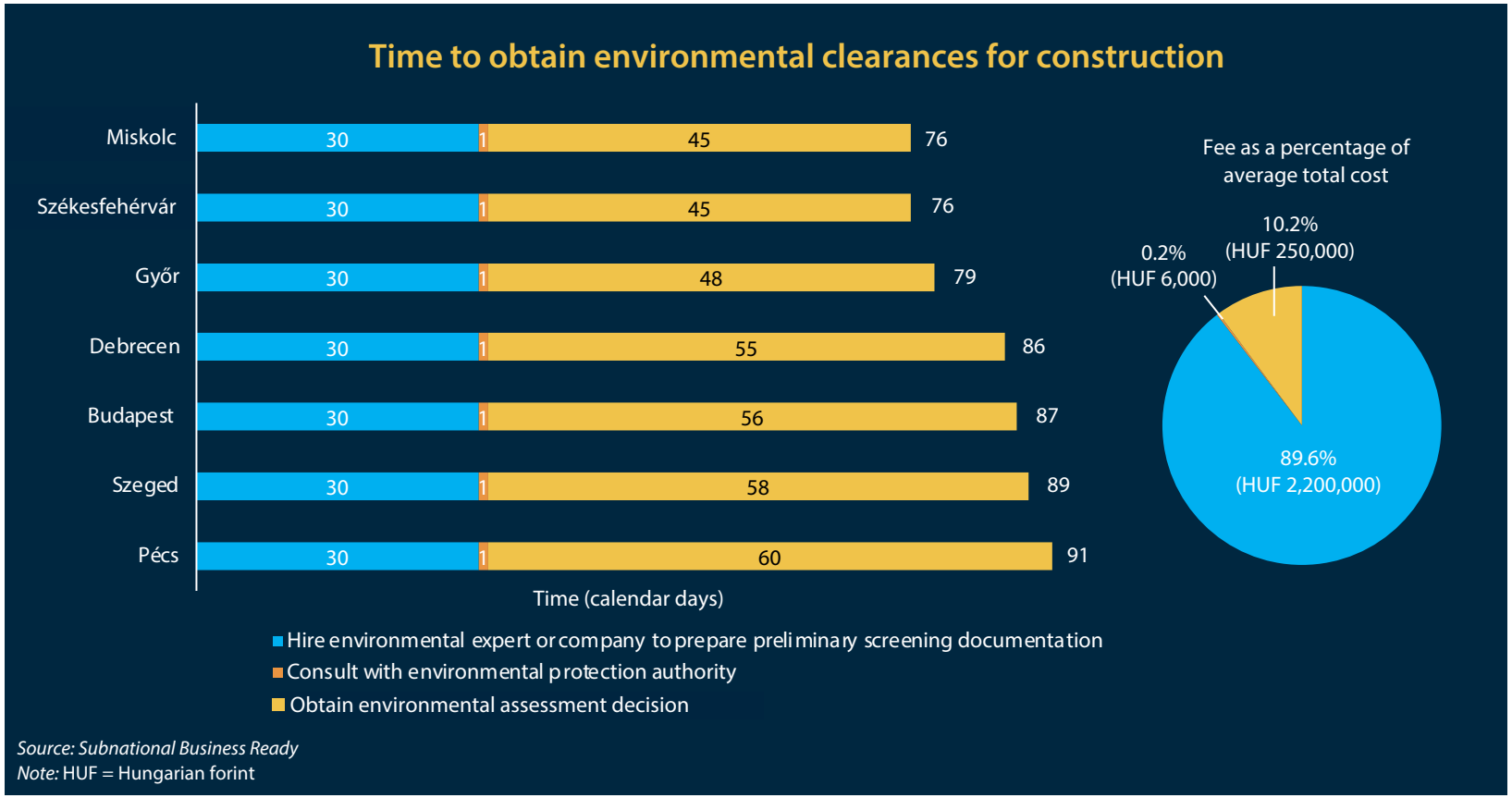
Pillar III: **Operational Efficiency of Environmental Permitting (2/2)**

Pillar III: **Operational Efficiency**

Time: 76 to **91** days

Cost (all cities): **46%** of income per capita or HUF 2,456,000

- In Hungary, the process for getting an environmental clearance is relatively more efficient in Miskolc and Székesfehérvár, where it takes 76 days to be completed. In contrast, Pécs has the most prolonged timeline at 91 days. This variance reflects the different durations of specific procedural steps across the cities. For instance, while in all cities the preliminary screening documentation and the subsequent consultation with the Government Office require a standard duration of one month and one day, respectively, the final step of obtaining the necessary decision diverges, ranging from 45 to 60 days. This final stage, which includes time for public consultation through both offline methods and website announcements, contributes significantly to the differences in the overall duration of the environmental clearance process.
- In Hungary, the cost to obtain environmental clearances is consistent across the seven cities that were evaluated.



Source: Subnational Business Ready
Note: HUF = Hungarian forint

Environmental Permitting in Hungary

Areas of improvement for Building Permitting

Consider incorporating out-of-court resolution mechanisms

In Hungary, the environmental permitting process begins with a preliminary environmental screening, which is integral for the authority to assess the project before a full EIA is considered. This step, along with the conditions exempting a full EIA, is governed by Government Decree No. 314/2005 (XII.25.). Furthermore, the involvement of accredited environmental professionals throughout the permitting process is mandated by Government Decree 297/2009 (XII. 21).

This framework ensures a structured and professional assessment of environmental impacts. However, an amendment to the Act CL of 2016, which came into effect on March 1, 2020, has simplified the appeals process by removing second-degree complaints. Consequently, disputes regarding authority decisions are now channeled exclusively through the administrative courts [Ákr. 112 (1-2)]. In this context, incorporating out-of-court resolution mechanisms could streamline the dispute resolution process, making it process more efficient and effective in handling environmental disputes.

Relevant stakeholders: Prime Minister's Office; Ministry of Energy; Government Office of Pest County; Department for Environment and Nature; National Waste Management

Further integrate and facilitate public access to the environmental permitting process

Environmental protection authorities are obliged by law to publish announcements and relevant information on environmental permitting processes on the central agency's website and on the local municipal government billboard. The number of environmental decisions can be found online but decisions can include several degrees of assessment. No information is published in Hungary on the number of EIAs. Public reporting is not as evolved for building permits.

In 2006, Hungary introduced the concept of national priority projects. This regulation allows certain projects to receive a fast-track status based on government decrees. Increasing transparency regarding how projects can become priority projects as well as introducing regulated fast-track permitting can improve efficiency for environmental permitting and foster a beneficial economic impact.

Regarding projects that require a full EIA, in 2023, the government introduced the possibility for permitting authorities to hold full public hearings solely online via video events [146/2023 (IV.27.)] Electronic access helps to ease participation but, at the same time, removing the requirement to hold in-person public hearings has been criticized by civil society for limiting public participation.

Relevant stakeholders: Prime Minister's Office; Ministry of Energy; Government Office of Pest County; Department for Environment and Nature; National Waste Management

3.3 Property Transfer in Hungary

Pillar I: Regulatory Framework

Score (all cities): **87.3**/100

Pillar II: Public Services

Score (all cities): **59**/100

Pillar III: Operational Efficiency

Time (days): **16** (Székesfehérvár) to **55** (Szeged)

Cost (% of property value*): **4.3%** (all cities)

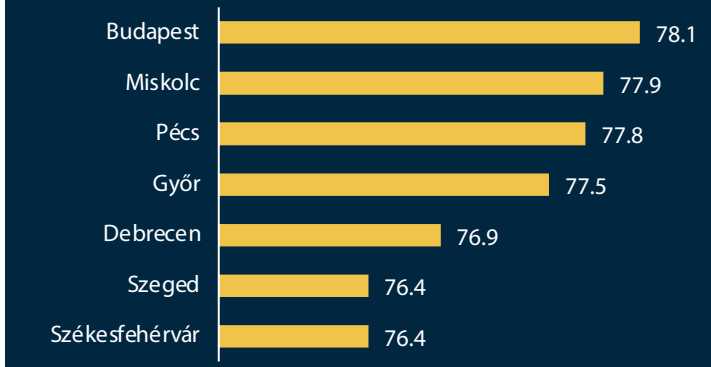
Score: **83** (Szeged, Székesfehérvár) to **88** (Budapest) /100

*For a property value of HUF 537,771,800, equal to 100 times the 2021 GNI per capita. Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- Hungary features many regulatory and public service good practices in land administration, and these are uniform throughout the country.
- The main steps for registering a property transfer are the same in all measured cities. However, the time it takes to complete the process varies across locations. The final step of registering the sale deed at the land registry is the major driver of difference between the cities.
- An ample reform of the national land administration system was recently adopted and will be enforced starting in October 2024. The aim is to increase the efficiency of registering property transfers.

Overall Property Transfer score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Property Transfer in Hungary

Why is property transfer important?

- Secure property rights encourage investment, promoting a safe commitment to immovable property.[40]
- Looking at how well property rights are managed provides a good indication of how the economy is likely to grow.[41]
- Effective land administration reduces information asymmetry, enhances market efficiency, and ensures transparency of property ownership.
- Promoting good governance in the land administration system encourages publicly accessible laws on ownership and leasing, secure land tenure, and safeguards and service standards to avoid the risk of land disputes and corruption.
- Integration of land registry with the cadastral system facilitates reliable and up-to-date land use records and is of vital importance for land management.

40 De Soto, 2000. Johnson, McMillan, and Woodruff, 2002.
41 Field, 2007; Green and Moser, 2013.

What does the Property Transfer topic measure?

Pillar I: Regulatory Framework

Quality of regulations for property transfer and land administration

- Property transactions and land administration
  - Property transaction standards
  - Land disputes resolution mechanisms
  - Land administration systems
- Restrictions on owning and leasing property for domestic and foreign firms

Pillar II: Public Services

Quality of public services and transparency of information for property transfer

- Availability and reliability of online services for property transactions
- Interoperability of services for property transactions
- Transparency of information for immovable property

Pillar III: Operational Efficiency

Operational efficiency of property transfer

- Time to complete the registration of a transfer of rights on a property between two firms
- Cost to complete the registration of a transfer of rights over property between two firms
- Major constraints on access to land

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Property Transfer in Hungary

Reforms and changes in the property registration process since 2017

The due diligence process was made more secure and efficient in 2018

Simpler and more thorough legal requirements for identity verification.

Verification of the transacting parties' identity has been strengthened. Legal representatives of both sellers and buyers are legally required to verify company representatives' signature rights. All identities must be verified via the online platform *JÜB*. Previously, merely presenting a certificate of incorporation was sufficient for due diligence purposes.

Interconnection of the Ministry of Interior database with other public institutions.

JÜB is an electronic platform set-up and managed by the Ministry of Interior. It interconnects with various public registries and provides lawyers with credential-based access to look up and conduct verifications in various registries, including data on company identification.

Secure, online, single point of contact for companies' official communication with public authorities

As of 2018, the communications between public authorities and companies (including all legal professionals) must be conducted electronically.

To this end, the Government deployed *Cégkapu* which is an electronic mailbox for business organizations, where all relevant and authorized persons can access the official correspondence of a given company or organization in one place.

A platform for natural persons, *Ügyfélkapu*, is also in operation and provides for all their interactions related to public services in a one-stop-shop.

Longer legal deadlines

Since 2018, the legal timeframe for the registration of deeds was extended from 21 days to 60 days.

Reduced fees

The fee for checking encumbrances was lowered from HUF 3,600 to HUF 3,000.

Upcoming comprehensive reform: A redesigned and fully digitalized land registration system

The land registration system is set for a comprehensive reform. Some big changes are planned to be enacted starting in October 2024:

- Full **digitalization of processes**. Signed hard copies, which are still needed in addition to steps conducted electronically, will be eliminated along with all remaining manual operations in the back-office.
- **Full interoperability** of relevant databases in the Land Registry.
- **Automation** of handling certain types of applications submitted to the Land Registry.
- Requests will no longer be processed exclusively by the local office where the property is registered but will instead be **pooled into a national electronic system** and redistributed to any local office.

Property Transfer in Hungary

Relevant legislation and main stakeholders

Relevant laws and regulations in Hungary

- **Law on the Real Estate Register:** is the main regulatory instrument governing land registration in Hungary.
- **Civil Code:** provides the overall framework for private law, contracts, and property rights.
- **Law on General Administration Procedures:** regulates every aspect of the general administration (e.g., procedural steps and their timeline), and therefore the function of the Land Authority.
- **Law on Fees:** regulates the quantity of all tax duties and their manner to be declared and paid.
- **Law on Lawyers' Function:** establishes the responsibilities of the lawyers, including their role in ensuring the compliance of contracts with the law.

Public institutions and services for property transfer

- The **Department of Land Administration (*Földhivatal*)** manages the public records on land (legal and cadastral) under the supervision of the Ministry of Agriculture. It exerts this function and delivers the associated public services, including registrations of transfers through its local branches. The Department also supervises geodesy and cartography activities.
- The **National Tax and Customs Administration (NAV)**, operating under the Ministry of Finance, is responsible for fiscal matters, including property transfer taxes. The Cadaster and Land Registry Agency communicate with the Tax Authority on property transfers.
- **Lawyers (and, in special cases, notaries as legal representatives)** are the official certifiers of property transfer contracts and the associated documentation. They are also required to verify the identities of the parties.

Property Transfer in Hungary

Pillar I: **Quality of Regulations for Property Transfer and Land Administration**

Hungary score (all cities): **87.3** out of 100 points

Property transfer standards — 30/30

Requirements related to:

- ✓ Legal obligation to check the legality of registration documents
- ✓ Legal obligation to verify the identity of both parties
- ✓ Property registration at the Land Registry is mandatory
- ✓ Electronic and paper documents have equal legal standing for property transactions

Land dispute mechanisms — 22.5/30

Legal provisions enabling alternative dispute resolution mechanisms between private parties through:

- ✓ Mediation and conciliation for property transactions
- ✓ Arbitration for property transactions

Legal provisions for the security of rights:

- ✓ Registered property rights are guaranteed
- ✗ Lack of an out-of-court compensation mechanism for losses incurred by transacting parties due to Land Registry errors

Land administration system — 20/20

- ✓ Legal provisions stipulate who has access to information on property rights
- ✓ Legal provisions stipulate who has access to information on cadastral maps
- ✓ Existence of a cadastral agency

Restrictions on owning and leasing property — 14.8/20

- ✓ No restrictions to lease or own property for domestic firms
- ✓ No restrictions to lease or own property for foreign firms
- ✗ Restrictions for domestic and foreign firms to own agricultural land

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Property Transfer in Hungary

Pillar II: **Quality of Public Services and Transparency of Information for Property Transfer**

Hungary score (all cities): **59** out of 100 points

Availability and reliability of digital services

Digital public services

4/13.3

- ✓ Electronic platform for *due diligence**
- ✗ No electronic platform to *register property*
- ✗ No online complaint mechanisms at the Land Registry and the Cadaster

Digital land management and identification system

13.3/13.3

- ✓ Electronic platform to check for encumbrances
- ✓ Property titles and cadastral plans are digitalized
- ✓ Cadaster agency uses a mix of direct and indirect methods of surveying land
- ✓ Electronic platform to check transacting parties' identities

Coverage of the land registry and mapping agency

13.3/13.3

- ✓ All properties are registered and mapped

Interoperability of services

Interoperability of services for property transfer

15/20

- ✓ Geographic Information System (GIS) in place
- ✓ A unique identifier for properties is used by the Land Registry and the Cadaster
- ✗ Land Registry's database is not interoperable with other agencies' databases

Transparency of information

Transparency of information on immovable property

13.3/40

- ✓ Fee schedules published online at the Land Registry and the Cadaster
- ✓ The list of requirements for transferring property is published online
- ✗ No published service standards on the Land Registry's and the Cadaster's websites
- ✗ No published statistics on transactions, land disputes, and time to solve them
- ✗ No gender disaggregated data about property ownership

*However, it does not allow searching for outstanding taxes

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Property Transfer in Hungary

Pillar III: **Operational Efficiency of Property Transfer (1/4)**

Hungary score: **83** Szeged, Székesfehérvár to **88** Budapest out of 100 points

How does the property transfer process work in Hungary

Due diligence

Due diligence consists of online verification of the property record and the identity of the parties.

The property record is reviewed on the electronic platform maintained by the Land Registry, which is accessible to everyone. Each property has a record called "Property Sheet" which contains information about the property's location, who has any type of property right, and whether there are encumbrances. The sheet is the authoritative legal source on property rights. The search can be conducted by the parties themselves or by their lawyer. If a lawyer conducts the search, he will extract an electronic title certificate in exchange for a fee of HUF 3,000.

Deed

After completing the due diligence, the lawyer drafts the contract, then the parties meet for its signature.

The identity of the parties is verified by the legal professional during the meeting for signature using the online *JÜB* platform against the ID cards presented by both parties.

Before signing, the lawyer explains the provisions of the contract to the parties, then they sign it, and finally the lawyer counter-signs it for authentication purposes.

Registration

Once signed and authenticated, the registration request is submitted online to the Land Registry by the lawyer or notary who, at the same time, also pays the registration fee (HUF 6,600).

The Land Registry receives the documents and conducts an initial screening within eight days. If issues are identified, the request is returned to the applicant. Otherwise, the request is forwarded internally for further processing that needs to be completed within 60 days of submission. Once the record is updated, the buyer is the new owner and can re-sell the property or use it as collateral.

Furthermore, the Tax Authority will be notified *ex officio* to calculate the exact amount of the property transfer tax. Buyers pay the tax when they receive the assessment.

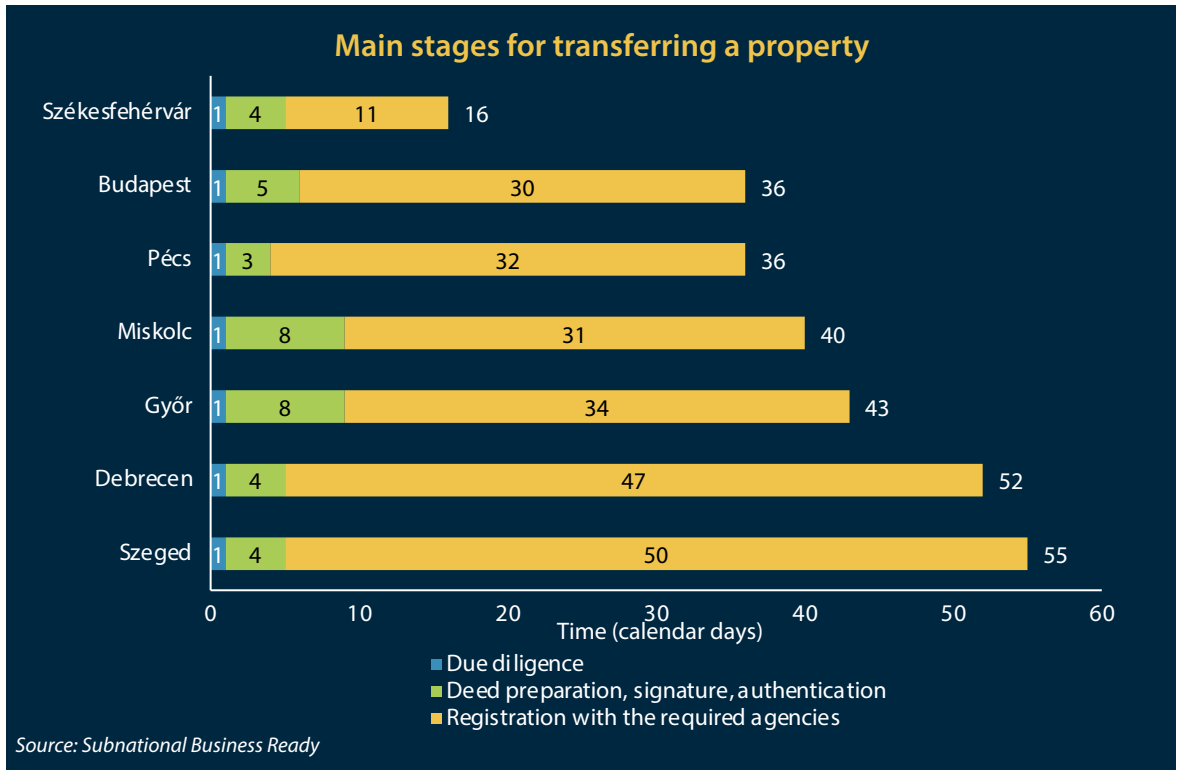
Source: Subnational Business Ready

Property Transfer in Hungary

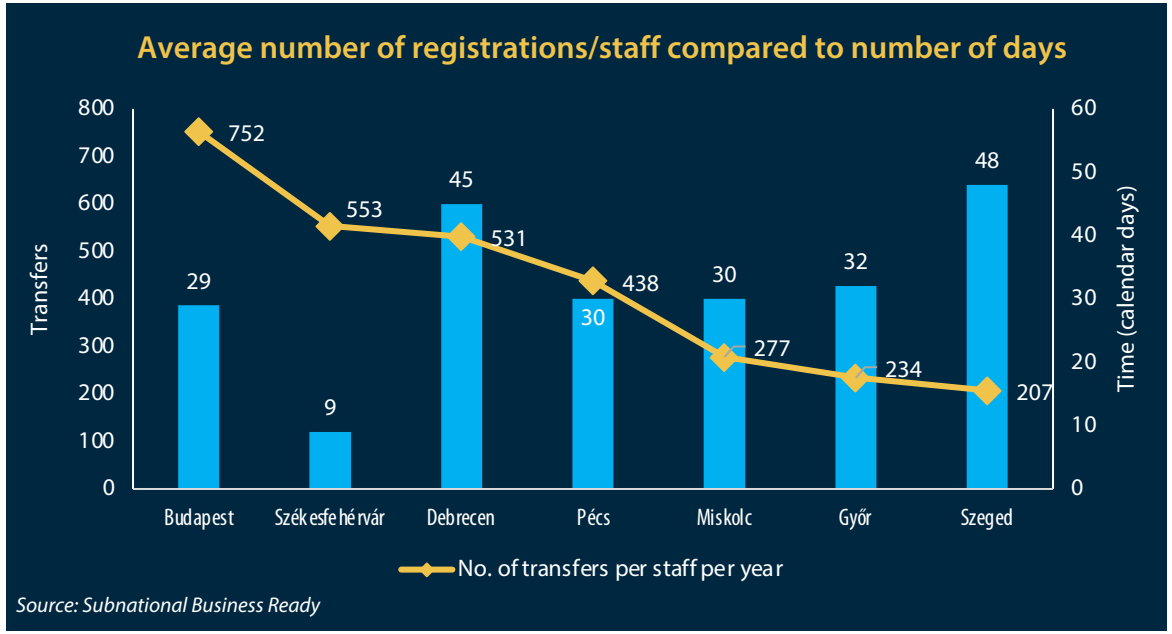
Pillar III: **Operational Efficiency of Property Transfer (2/4)**

Pillar III: **Operational Efficiency**

Time (days): **16** (Székesfehérvár) to **55** (Szeged)



- Property transfer is three times faster in Székesfehérvár compared to Szeged.
- The time it takes to transfer property consists mainly of having the deed registered at the local Land Registry office. This is also the procedure that drives most of the variation between cities.
- Local offices show high differences in efficiency as the speed of registering the deeds is not correlated with their workload. In 2023, the 167 officers of the Land Registry in Budapest managed to register 125,620 transfers, while the 26 Land Registry officers from Szeged registered twelve times less (5,390 transfers).*



*As per data provided by the Department of Land Administration in February 2024.

Property Transfer in Hungary

Pillar III: **Operational Efficiency of Property Transfer (3/4)**

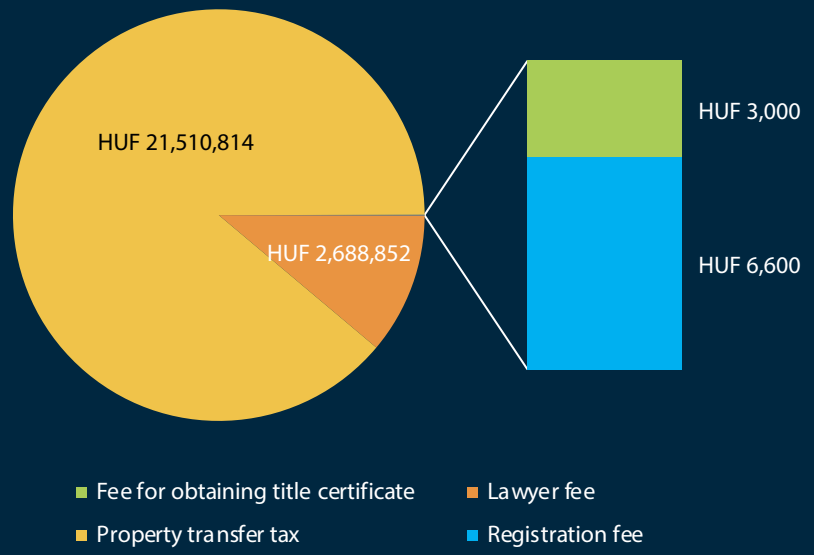
Pillar III: **Operational Efficiency**

Cost (% of property value): **4.3%** or **HUF 24,209,266** (all cities)

- The main component of the cost is represented by the **Property Transfer Tax** which stands at 4.3% of the property value. It accounts for 89% of the total cost for transferring a property (HUF 24,209,266).
- Legal fees account for almost all the remaining cost, representing about 11% of the total. Legal fees are market-driven and vary between individual practitioners.
- The fees for services at the Land Registry amount to HUF 9,600, which include the cost for obtaining the electronic title certificate under the due diligence and the registration fee processes.

The Property Transfer Tax is the main component of the cost

Cost components in Hungary

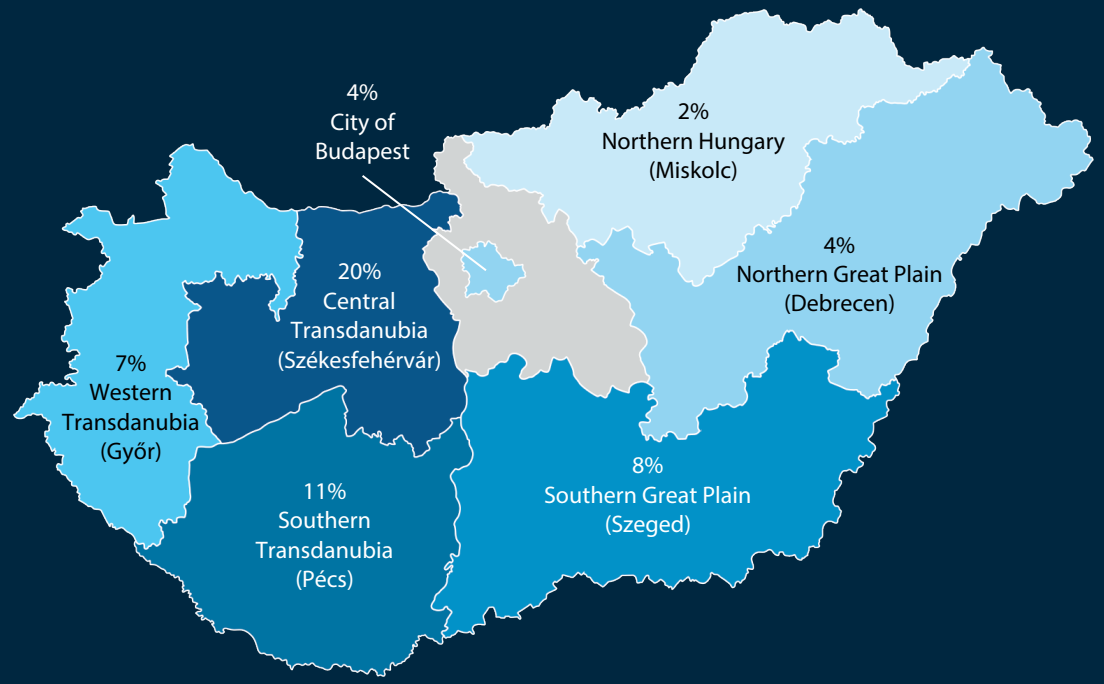


Source: Subnational Business Ready
Note: HUF = Hungarian forint

Property Transfer in Hungary

Pillar III: **Operational Efficiency of Property Transfer (4/4)**

Percentage of firms that reported access to land as an obstacle, by region*

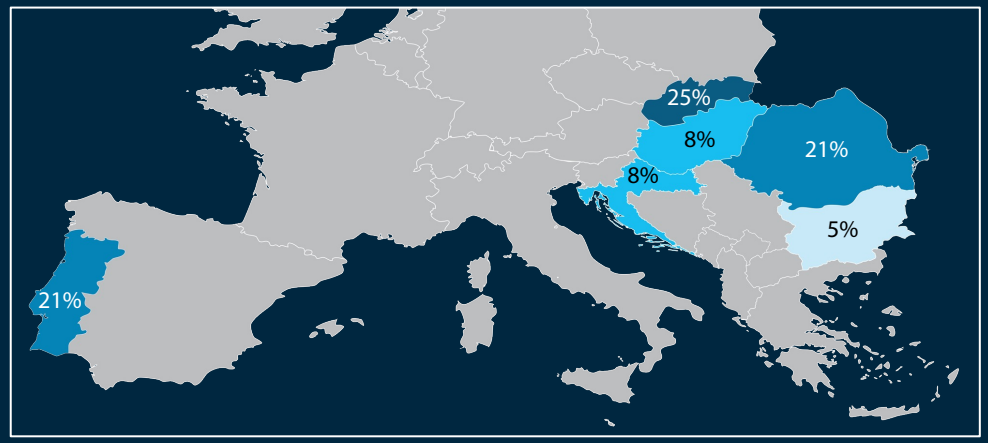


Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

- At the national level, 8% of Hungarian firms reported access to land as an obstacle, a percentage significantly lower than in some peer countries, such as the Slovak Republic, Romania and Portugal, but on par with Croatia.
- There is a wide variation between Hungarian regions on how firms experience access to land. In Central Transdanubia (Székesfehérvár), 20% of firms reported access to land as an obstacle as opposed to only 2% of firms in Northern Hungary (Miskolc).

Percentage of firms that reported access to land as an obstacle (country averages)



Source: World Bank Enterprise Surveys 2023

Property Transfer in Hungary

Areas of improvement for Property Transfer

Integrate Land Registry databases with the databases of other agencies

Hungary could consider integrating the Land Registry databases with the databases of other agencies, such as the Trade Registry, the Tax Authority, and the Beneficial Ownership Agency. Enabling data exchange between agency databases would increase the efficiency of the property transfer process given the extent other institutions keep and manage records with data relevant to property transfer or land administration. Automatic data exchange would spare the Land Registry from having to notify the Tax Authority about each property transfer. Hungary could look at examples from Latvia and Denmark on developing platforms that interconnect databases.

Relevant stakeholders: Department of Land Administration (*Földhivatal*); National Tax and Customs Administration (NAV)

Introduce mechanisms for dealing efficiently with land disputes

For cases in which a party to a property transaction suffers damage or loss due to an error by the Land Registry, measures can be taken to improve the efficiency of the dispute settlement by making it possible to avoid having to go to court. Some countries such as Ireland, Sweden, and the United Kingdom create funds to compensate parties that have suffered losses caused by mistakes in the Land Registry, especially when those mistakes cannot be corrected without affecting bona fide titleholders.

Relevant stakeholder: Department of Land Administration (*Földhivatal*)

Publish annual statistics on completed transactions and land disputes, as well as sex-disaggregated data on ownership

Publishing annual statistics on the number and type of transactions completed by land registries and cadasters can further bolster transparency. Land Registries in Bulgaria, Croatia, Portugal, and Romania publish such statistics and refresh them several times a year. *Földhivatal* authorities in Hungary could do the same. A step further would be to collect and publish statistics on land disputes and the time to solve them. When land disputes occur, it is important to ensure that they clear the courts quickly so that citizens' resources are not perpetually tied up in the legal system. To monitor the land dispute resolution system, some countries carefully track land disputes and, at a minimum, publish the number of such disputes that have been presented to the courts. In this regard, Hungary could look to Finland or Latvia for examples.

Relevant stakeholder: Department of Land Administration (*Földhivatal*)

4. Utility Services in Detail

4.1 Electricity Utility Service in Hungary

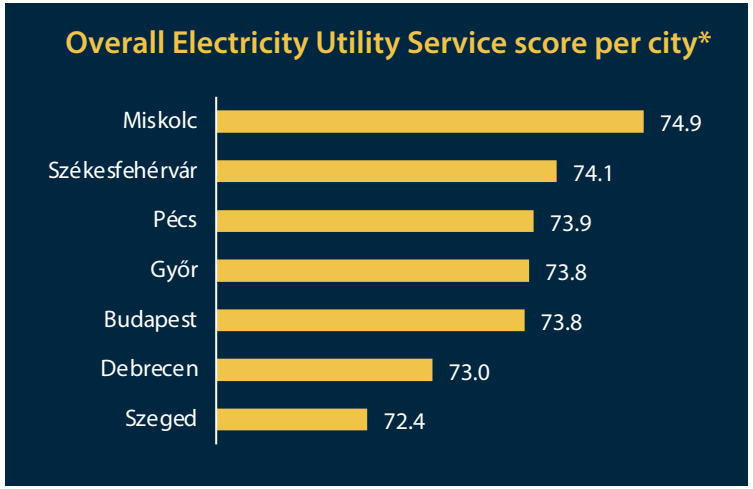
Pillar I: **Regulatory Framework**	Score (all cities): **81.3**/100
Pillar II: **Public Services**	Score: **84.6** (Miskolc, Szeged) to **88.9**/100 (4 cities)
Pillar III: **Operational Efficiency**	Score: **51.3** (Budapest, Szeged) to **58.8**/100 (Miskolc)

Time (days):	**295** (Miskolc) to **360** (Budapest, Győr)
Cost (% of income per capita*):	**50.4%** (Debrecen) to **70.3%** (Miskolc, Szeged)
SAIFI Index:	**0.24** (Pécs) to **1.08** (Debrecen)
SAIDI Index:	**0.3 hrs** (Pécs) to **2.14 hrs** (Debrecen)
% of annual sales losses due to electrical outages:	None
% of firms owning or sharing generators:	**3%** (Győr) to **13%** (Szeged)

*Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- Entrepreneurs in Hungary benefit from a standardized process for obtaining electricity connections, but time and cost vary depending on location. Obtaining a new connection is quickest in Miskolc (295 days) and slowest in Budapest and Győr (360 days).
- The maximum cost that the utility can charge is regulated nationally, and the formula used by utilities to calculate connection fees differs slightly.
- Electricity outages are more frequent in Debrecen, while in Pécs, customers benefit from the most stable supply.
- The electricity regulatory framework in Hungary is uniform across all areas. Variations exist in terms of the quality of public services. The level of digital services is more advanced in Budapest, Győr, Pécs, and Székesfehérvár, where the electricity distributor, EON, has introduced an online platform through which clients can submit requests for new connections and track the status of their applications. The rest of the cities lack these features, and in some, such as Miskolc and Szeged, connection fees are not even available online.
- Hungary could introduce new legislation on joint planning among utilities and a 'dig once' policy for excavation works to coordinate infrastructure development projects.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Electricity Utility Service in Hungary

Why is the electricity utility service important?

- Reliable electricity sustains business operations and serves as a critical factor of production utilized by firms.[42]
- Unreliable electricity supply negatively impacts businesses and constrains their operations, growth, and profitability.
- Guidelines for sustainable transmission and distribution, such as initiatives for deploying smart meters and implementing smart grid technologies, can enhance the effective functioning of network systems, reducing expenses and the ecological footprint.[43]
- Performance standards, accountability mechanisms, and inspections and professional standards can ensure that utility companies provide sufficient and stable electricity.

42 World Bank, 2016.
43 OECD, 2015.

What does the Electricity Utility Service topic measure?

Pillar I: Regulatory Framework

Quality of regulations for electricity

- Regulations for the efficient delivery of electricity connections and quality of supply
- Regulations on the safety of electricity connections (e.g., qualifications of personnel performing electrical installations and inspections)
- Environmental sustainability of electricity generation, transmission, and distribution

Pillar II: Public Services

Quality of governance and transparency of electricity service provision

- Monitoring of the reliability and quality of electrical service supply through key performance indicators
- Transparency of outages, tariffs, connection requirements and complaint mechanisms, and customer surveys
- Interoperability with other utilities
- Implementation of inspections for electricity connections in practice
- Electronic applications and payments

Pillar III: Operational Efficiency

Operational efficiency of electricity service provision

- Time required to obtain a new electricity connection
- Cost of electricity connection and supply
- Reliability of the electricity supply
- Losses due to electrical outages (% of annual sales)
- Firms owning or sharing generators

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Electricity Utility Service in Hungary

Recent reforms and changes in the provision of electricity services

- **Hungary began implementing online platforms in 2013,** starting with the launch of *e-epites* (https://www.e-epites.hu/), a single user interface portal designed to facilitate activities in the construction sector and utility industry. Over the years, this platform has expanded to host various sites, for example: (i) a site for permitting processes from Government Offices (*Kormányhivatal*) related to electricity permitting (https://www.e-epites.hu/etdr); (ii) a site for the submission of documents on internal inspections (https://www.e-epites.hu/e-naplo); and (iii) *e-kozmu,* a site that provides access to maps of underground cables from various utility providers (https://www.e-epites.hu/e-kozmu). Additionally, in 2016, the platform *e-papir* (https://epapir.gov.hu/) was introduced to further enhance communication and streamline the submission of requirements for excavation permits. In 2020, *e-epites* received additional functions, and the utility maps in *e-kozmu* were extensively updated.
- **Since 2017, all utility providers have allowed electronic applications either by email or through a dedicated online platform for new connection requests.** E-ON, the utility in four measured cities (Budapest, Győr, Pécs, and Székesfehérvár), implemented an online platform, (bekapcsoljuk.eon.hu), to streamline connection requests, with a tracking option available. The rest of the cities allow email applications for new connection requests.

Relevant laws and regulations in Hungary

- **2007. ACT LXXXVI. (Vet.) on electricity distribution:** regulates all aspects of energy efficiency, enforces principles of energy saving and sustainable development, and integrates the Hungarian electricity market into the unified EU market. In addition, the law regulates certain elements for obtaining a new electricity connection.
- **273/2007. (X. 19.) Government Decree:** stipulates the necessary steps for obtaining a new electricity connection.
- **2015. ACT LVII:** contains all the mandatory percentages of energy-saving obligations and energy efficiency measures on a yearly basis.

Public institutions and services for getting electricity

- The **Hungarian Energy and Public Utility Regulatory Authority (MEKH)** is the regulatory body for the energy sector in Hungary. Its purpose is to develop, approve, and oversee the enforcement of mandatory regulations for the efficient, competitive, transparent, and consumer-protected operation of the electricity, heat, water, and natural gas sectors.
- There are **three distribution system operators** active in the seven measured cities: E.ON (Budapest, Győr, Pécs, Székeszfehérvár), MVM (Miskolc, Szeged), and Opus-Titász (Debrecen).
- **Local municipalities** issue excavation permits for public areas and unclassified roads. Other utility providers play a role in coordinating and approving the process of infrastructure deployment for new electrical connections.
- The **Government Office (*Kormanyhivatal*)** coordinates to obtain permits from relevant authorities, such as archaeological and heritage protection, environmental protection, and forestry permits, etc.

Electricity Utility Service in Hungary

Pillar I: **Quality of Regulations for Electricity**

Hungary score (all cities): **81.3** out of 100 points

Regulatory monitoring of tariffs and service quality

12.5/25

- ✗ No regulatory monitoring and approving of electricity tariffs
- ✓ Regulatory monitoring of quality of electricity service based on performance standards

Utility infrastructure sharing and quality assurance mechanisms

18.8/25

- ✗ No joint planning and construction among various utility providers including provisions on common excavation permits, joint excavation, or 'dig once' policies
- ✓ Mechanisms on service quality assurance such as financial deterrence mechanisms aimed at limiting supply interruptions

Safety of utility connections

25/25

Requirements related to:

- ✓ Professional certifications qualification requirements for professionals conducting electricity installations
- ✓ Inspection regimes mandated by law for internal and external electricity installations
- ✓ Liability regimes mandated by law for electricity connections

Environmental sustainability

25/25

- ✓ Legally mandated environmental standards for electricity generation, transmission, and distribution

Environmental sustainability of electricity use:

- ✓ Legal requirements on environmental standards for businesses to switch to energy efficiency practices, and deterrence or enforcement mechanism to ensure businesses' compliance with energy-saving targets

Incentives for businesses to adopt energy-saving practices:

- ✓ Financial and non-financial incentives for businesses to adopt energy-saving practices

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Electricity Utility Service in Hungary

Pillar II: **Quality of Governance and Transparency of Electricity Service Provision**

Hungary score: **84.6** Miskolc, Szeged to **88.9** 4 cities out of 100 points

Monitoring of services supply (includes gender and environment)

15/25

Requirements related to:

- ✓ Existence of key performance indicators (KPIs) to monitor the quality and reliability of electricity supply
- ✓ Existence of KPIs to monitor the sustainability of electricity service supply
- ✗ No gender-disaggregated data on customer satisfaction surveys and customer complaints

Enforcement of safety regulations and consumer protection mechanisms

25/25

- ✓ Existence of an independent complaint mechanism
- ✓ Implementation of a full inspection regime in practice for electricity connections

Availability of information and transparency

5 cities: 23.9/25

Miskolc, Szeged: 22.7/25

Requirements related to:

Online availability of connection requirements:

- ✓ Required documents
- ✓ Required procedures
- ✗ No stipulated time standards

5 cities:
- ✓ Connection cost

Miskolc, Szeged:
- ✗ No connection cost

- ✓ Transparency of tariffs and tariff settings
- ✓ Complaint mechanisms and transparency of complaint processes
- ✓ Publication and announcement of planned outages
- ✓ Availability online of KPIs to monitor the environmental sustainability of electricity supply

Digital services and interoperability

4 cities: 25/25

Debrecen, Miskolc, Szeged: 21.9/25

Electronic features for electricity connection:

- ✓ Electronic payments
- ✓ Electronic application

4 cities:
- ✓ Electronic tracking

Debrecen, Miskolc, Szeged:
- ✗ No electronic tracking

Interoperability at the utility level:

- ✓ Database for electricity distribution networks
- ✓ Shared database for the network lines of multiple utilities, including electricity, water, and internet
- ✓ Platform with the Information on the planned works on utility networks
- ✓ Online system or coordination mechanism for excavation permit approvals

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Electricity Utility Service in Hungary

Pillar III: **Operational Efficiency of Electricity Service Provision (1/5)**

Hungary score: **51.3** Budapest, Szeged to **58.8** Miskolc out of 100 points

- A 180 kVA connection is typically connected to a low-voltage network.
- The process commences when the client submits a connection request to the utility. The utility sends an estimate of the connection fee in a preliminary connection approval (financial and technical plan). Upon acceptance of the offer, the client signs the connection contract.
- The utility obtains all necessary permits from various departments of Government Offices, approvals from other utility providers, and an excavation permit from the local municipality. External works then commence, all of which are conducted by the utility or its subcontractors.
- Subsequently, the utility inspects the meter box installed by the client's private contractor to ensure compatibility with the meter. Then, the utility installs the meter within the meter box while the customer signs a supply contract with a supplier.
- Finally, the customer submits a statement from the supplier to the utility as a prerequisite for signing a network usage contract. Once it is signed, the electricity can start flowing.

How does the process for obtaining a 180 kVA connection work in Hungary

Submit application and receive a preliminary connection approval and contract

- Distribution utility
- Method: Email (MVM, Opusz-Titasz); Online platform (E.ON)
- Average time: 30 days
- No cost

Connection request

External connection works

- Distribution utility and its licensed private contractors
- Average time: 140 days
- Average cost: HUF 3,383,407

Connection works

Obtain all necessary approvals and permits

This step includes (i) permits from various Government Offices (*e-epites*-ETDR, by email, in person), (ii) approvals from utility providers (*e-kozmu*), and (iii) excavation permits (*e-papir*)

- Government offices, utility providers, local municipalities
- Average time: 150 days
- No cost

Post-connection works

Post-connection processes

This step includes (i) meter box inspection, (ii) meter installation, (iii) supply contract, and (iv) network usage contract

- Distribution utility and supplier
- Average time: 30 days

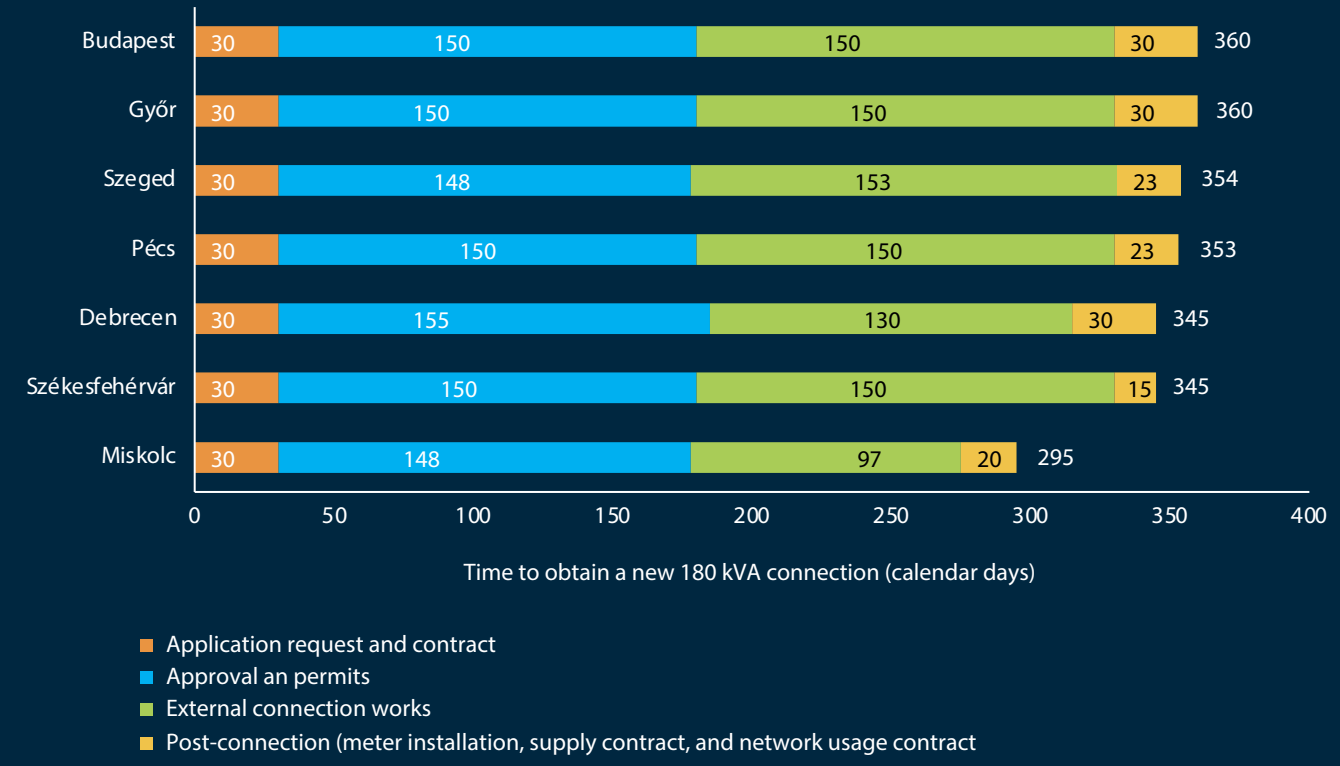
Source: Subnational Business Ready

Electricity Utility Service in Hungary

Pillar III: **Operational Efficiency of Electricity Service Provision (2/5)**

- Obtaining a new connection is fastest in Miskolc (295 days) and slowest in Budapest and Győr (360 days).
- Variations among cities stem primarily from the completion of external connection works and post-connection works (meter installation, supply contract, and network usage contract).
- The most time-consuming steps are obtaining all the required approvals and permits and completing the external works, each averaging 150 and 140 days, respectively.
- Private respondents have reported that some delays may be caused by a lack of technicians in the electricity sector.

The time to receive a new 180 kVA electricity connection is two months faster in Miskolc compared to Budapest and Győr



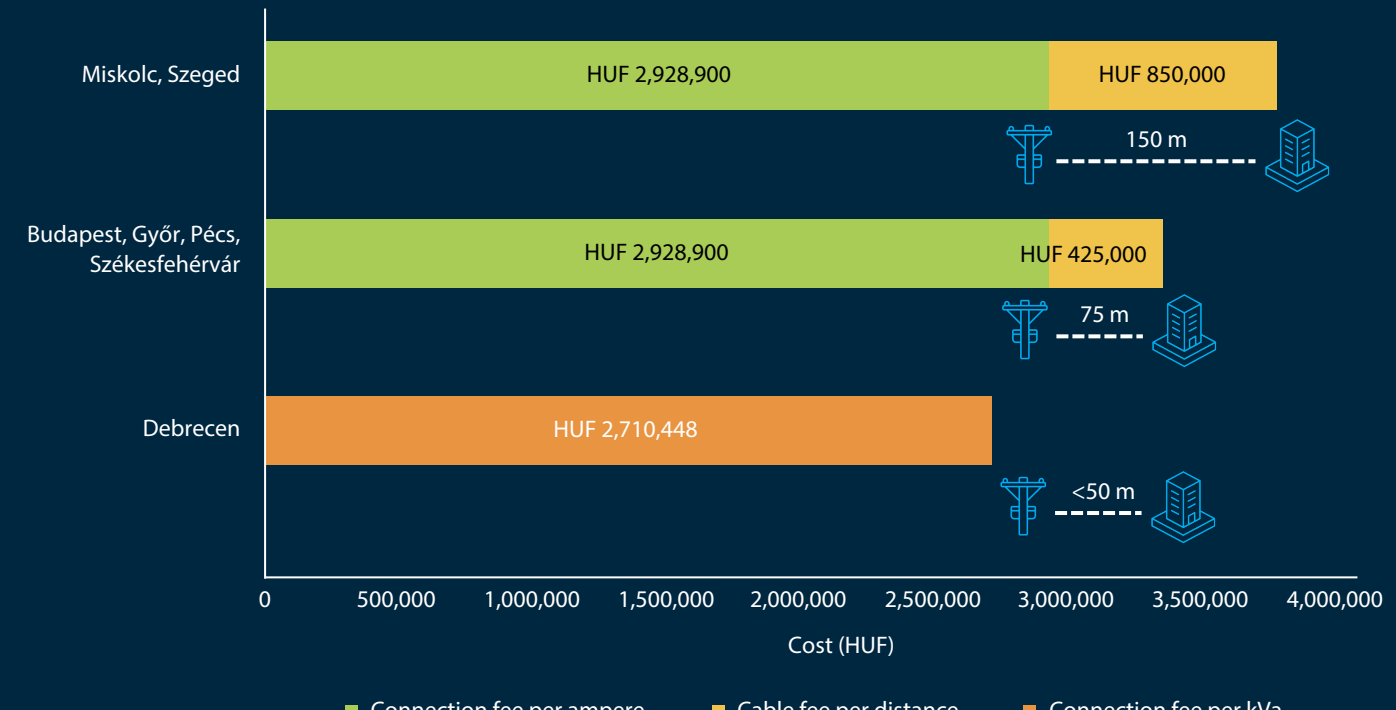
Source: Subnational Business Ready

Electricity Utility Service in Hungary

Pillar III: **Operational Efficiency of Electricity Service Provision (3/5)**

- The regulator, MEKH, sets the maximum electricity connection fee that the utility can charge. The connection fees are regulated nationally in the 15/2016. (XII. 20.) MEKH decree.
- Miskolc and Szeged record the highest cost for an electricity connection, amounting to HUF 3,788,900, whereas in Debrecen, the cost is HUF 2,710,488.
- The divergence in cost is attributed to the absence of a cable fee in Debrecen, where connection lengths are typically below 50 meters (see figure). National law stipulates that if the distance between the main line and the building is under 50 meters, the cable fee is waived at any location in Hungary.
- Another factor contributing to the variation is the method used to calculate the connection fee. In Debrecen, the capacity fee is computed at HUF 15,700 per kVA, with a deduction of 7.36 kVA, resulting in a total of HUF 2,710,488. In contrast, in other cities, the capacity fee is determined at HUF 3,900 per ampere, with a deduction of 32 amperes, totaling HUF 2,928,900.

On average, the cost of an electricity connection is HUF 856,000 less expensive in Debrecen compared to the other measured cities



Source: Subnational Business Ready
Note: HUF = Hungarian forint

Electricity Utility Service in Hungary

Pillar III: **Operational Efficiency of Electricity Service Provision (4/5)**

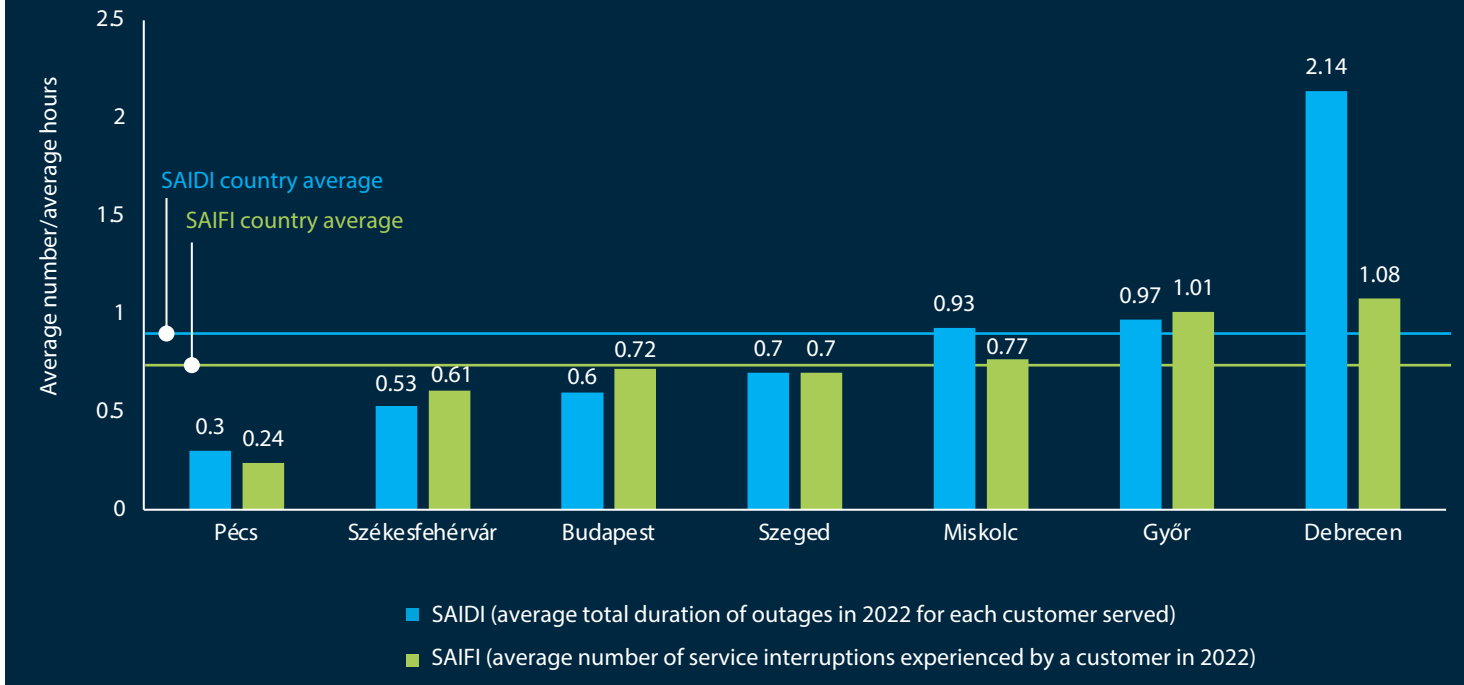
- Hungary records the most reliable electricity supply among the other measured EU countries (Croatia, Bulgaria, Portugal, Romania, and the Slovak Republic).
- In 2022, entrepreneurs in Hungary experienced 0.7 interruptions, each lasting 50 minutes, on average.
- There are differences among the measured Hungarian cities. Customers in Pécs experience the lowest frequencies of outages, with an average of 0.3 interruptions, each lasting 18 minutes.
- Debrecen records the highest frequencies of outages with an average of 1.08, each lasting more than 2 hours.

Good practices in electricity provisioning in Hungary:

- Announcements of planned electricity outages are published on the utilities' websites.

Reliability of electricity supply (SAIDI and SAIFI) in 2022

Electricity outages are more frequent in Debrecen, while in Pécs customers benefit from a more stable supply

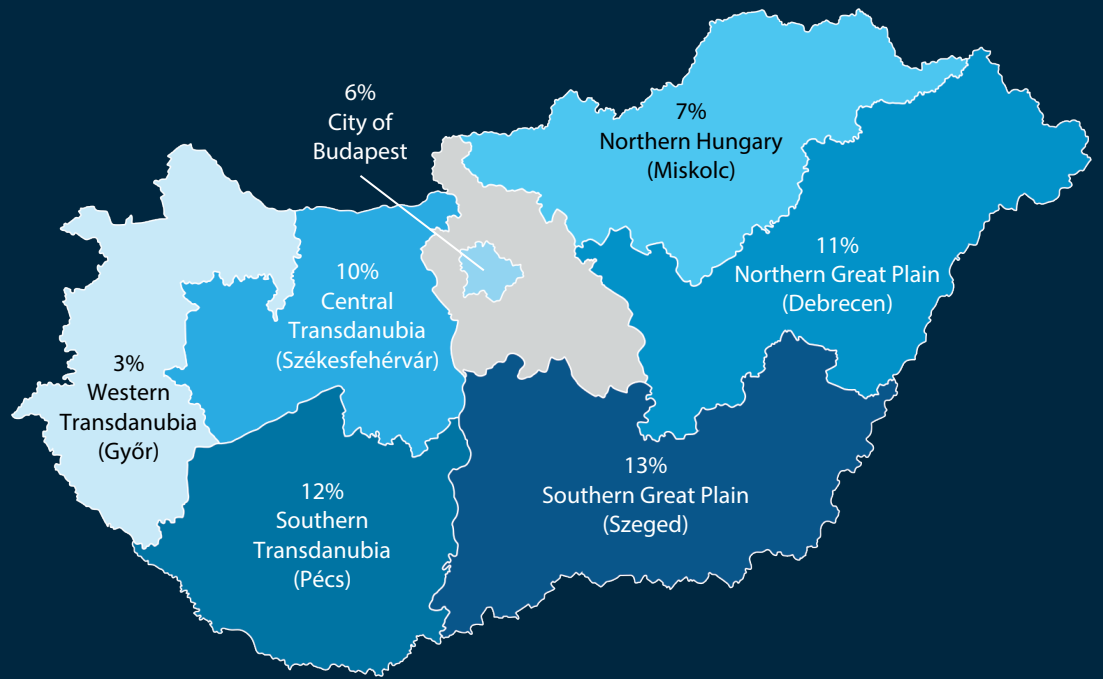


Source: Subnational Business Ready

Electricity Utility Service in Hungary

Pillar III: **Operational Efficiency of Electricity Service Provision (5/5)**

Percentage of firms that own or share a generator, by region*

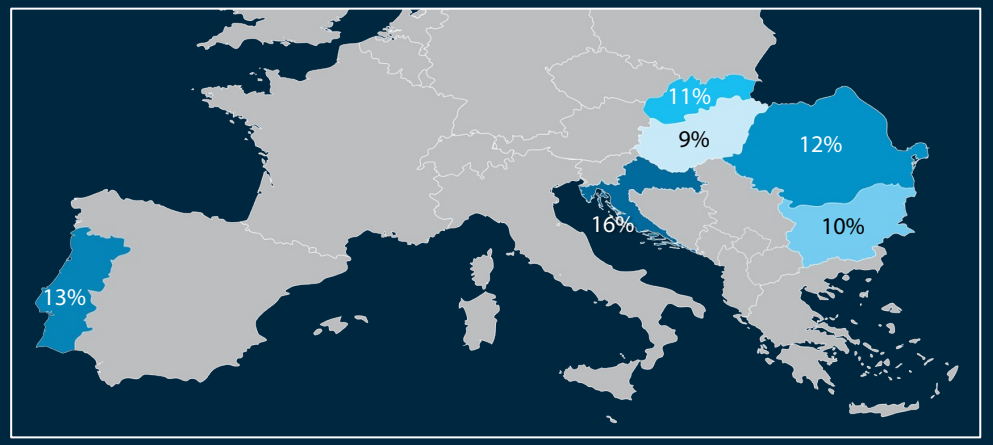


Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

- The share of firms owning a generator is greatest in the Southern Great Plain region (Szeged) along with the Southern Transdanubia region (Pécs), while the lowest share is reported in Western Transdanubia (Győr) (see map).
- The national average of Hungarian firms owning generators is just 9%, indicating comparatively lower ownership compared to their EU peers.
- Hungarian firms have not reported losses in their annual sales due to electrical outages.
- On average, 4.5% of firms identify electricity as a major constraint in Hungary.

Percentage of firms that own or share a generator (country averages)



Source: World Bank Enterprise Surveys 2023

Electricity Utility Service in Hungary

Areas of improvement for Electricity Service Provision (1/2)

Strengthen and implement online application platforms

All utility providers offer customers the option to submit new electronic applications either via email or through a dedicated online platform for new connection requests. Among the seven cities measured, only Budapest, Győr, Pécs, and Székesfehérvár have implemented an online platform (bekapcsoljuk.eon.hu) with a tracking option. Other cities could benefit from adopting online platforms to streamline the connection process, as currently only email applications are available.

To be effective, when introduced, an electronic platform should be accompanied by customer assistance, online guidelines on how to operate on them, and an awareness campaign. Additionally, regular reviews and evaluations of the process are essential to identify areas for optimization and efficiency gains. Soliciting feedback from customers, stakeholders, and staff involved would help in identifying pain points and implementing targeted improvements.

Relevant stakeholders: distribution utilities

Increase transparency and accountability by collecting and publishing statistics

It is critical that the agencies involved in the process of getting electricity (municipalities, distribution utilities, electricity suppliers, utility providers, government offices, etc.) make data on processing times available publicly. Publishing such data allows entrepreneurs to accurately estimate wait times. Currently in Hungary, the turnaround time to complete steps is not available on any of the relevant agencies' websites. In Austria, the regulator publishes a standardized electricity quality report, the *Kommerzielle Qualität Storm*, which includes cross-cutting data on the electricity connection process. Data is collected annually from utilities through a questionnaire. The report contains data on application processing times and the time to complete a connection at different voltage levels, making the data easily comparable across cities and utilities. A similar data-driven report could help streamline Hungary's electricity sector and help entrepreneurs and utilities set clear and realistic expectations. Data reporting could also serve as an indirect accountability measure to incentivize utilities and public administrations to boost their performance.

In addition, the regulator, MEKH, collects SAIDI and SAIFI data from the utilities. However, these KPIs are not publicly available on the regulator's or the utilities' websites. In several other European Union Member States, including Croatia and Portugal, the regulator and the utilities publish these values online.

Relevant stakeholders: distribution utilities; municipalities; suppliers; Government Offices; Hungarian Energy and Public Utility Regulatory Authority (MEKH)

Electricity Utility Service in Hungary

Areas of improvement for Electricity Service Provision (2/2)

Streamline the requirements for getting electricity

Reducing the number of steps required to obtain an electricity connection is crucial for simplifying the process. Although Hungary has made notable progress by introducing online platforms for various permitting processes (e.g., excavation permits, utility approvals, and any other necessary permits) there is still room for improvement in addressing existing requirements. As a first step, Hungary would benefit from implementing a legislative framework that introduces a joint planning or 'dig once' policy. This policy would help coordinate infrastructure development projects between several utility providers. On the other hand, to further reduce the time required to obtain excavation permits and to promote a more standardized process, Hungary could look at the examples from cities in the Netherlands. In Utrecht, the municipality must issue a permit decision within three business days of receiving a permit request for noninvasive works. The municipality in Enschede went a step further, eliminating the need for an excavation permit for public road crossings under 25 meters in length. Although in Arnhem the municipality does not make a distinction based on the length of the crossing, it does provide a local good practice in terms of lowering the legal time limit, which Hungary could also consider as a first step.

Another bottleneck lies in obtaining other necessary permits, such as environmental, road, urban planning, etc., from various governmental offices and the municipality before commencing connection works. Each relevant agency separately reviews the documents and may return them with comments for corrections, triggering a restart of the approval timelines as stipulated. Similarly, regulations on timeframes indicate that when a packet of documents is returned with comments for correction or new documents are requested, additional time is given to agencies for the subsequent review. Hungary could benefit from two potential improvements to the process: i) implement a one-stop shop for submitting the required documents to all concerned parties simultaneously; and ii) shorten the legal framework to expedite the approval process for less complex projects. Even when the legal time limits are respected, the overall length of the process remains excessive. This suggests a need to review and tighten the time frames established by law, especially for simple, standard connections. Modern regulations establish different levels of scrutiny—and therefore different time frames—for different levels of complexity. This approach allows approvals for simple connections to be fast-tracked, freeing the relevant parties and public authorities to focus on riskier projects. To ensure safety, risk-based approaches need to include a comprehensive classification of risks.

Relevant stakeholders: distribution utilities; municipalities; various utility providers; Government Offices; Hungarian Energy and Public Utility Regulatory Authority (MEKH)

4.2 Water Utility Service in Hungary

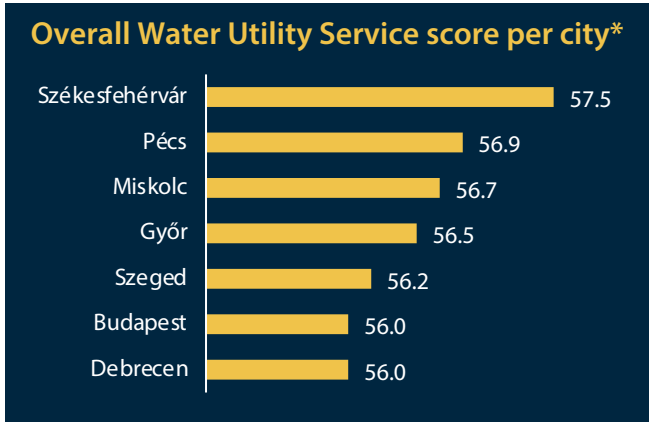
Pillar I: **Regulatory Framework**	Score (all cities): **52.1**/100
Pillar II: **Public Services**	Score (all cities): **66.5**/100

Pillar III: **Operational Efficiency**	Score: **49.5** (Budapest, Debrecen) to **54**/100 (Székesfehérvár)
Time (days):	**118** (Székesfehérvár) to **193** (Debrecen)
Cost (% of income per capita*):	**102.3%** (Debrecen) to **267.3%** (Miskolc)
% of firms experiencing water insufficiencies:	**0%** (Szeged) to **4%** (Budapest)

*Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- Obtaining water connections across Hungary takes on average 155 days and costs HUF 10,670,138. However, entrepreneurs deal with different turnaround times and connection fees, depending on where they are based.
- Among the seven cities benchmarked, Székesfehérvár stands out for offering the fastest water connection process. Firms in Székesfehérvár wait a little less than four months to get their connections running (118 days). The same process takes more than six months in Szeged (182 days), Budapest (188 days), and Debrecen (193 days).
- The cost of obtaining water varies substantially across Hungary. Clients in Debrecen incur a cost of HUF 5,499,000. The same type of connection is more than twice as expensive in Miskolc, Budapest, and Győr.
- Most firms across the country profit from a reliable water supply system. Less than 2% of businesses have reported experiencing water insufficiencies. This share is highest in the capital region, Budapest, at 4.5%.
- Hungary could update the regulatory framework that governs water utility services by introducing financial and non-financial incentives to adopt water demand-side management practices (e.g., requirements for businesses to install water-efficient appliances, or to adhere to water-saving targets). It could also introduce 'dig once' policies and regulate qualification requirements for professionals operating water installations.
- Across Hungary, it is possible to apply for a new water connection online and to make the corresponding payment. However, it is not possible to track the application status online. Hungary could improve transparency by publishing water tariffs and tariff-setting online, as well as publishing KPIs to monitor the environmental sustainability of the water supply.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Water Utility Service in Hungary

Why is the water utility service important?

- Inadequate water supply—due to aging infrastructure, poor water quality, and changes in water pressure—can lead to decreased firm productivity, deterioration of machinery, and reduced profits.[44]
- Good regulatory frameworks are key for the provision of an affordable and high-quality water supply.[45]
- Performance standards coupled with a system of incentives ensure efficient deployment of utility connections and an adequate water supply.[46]

44 World Bank, 2017.
45 OECD, 2021.
46 Foster and Rana, 2020.

What does the Water Utility Service topic measure?

Pillar I: Regulatory Framework

Quality of regulations for water

- Regulations for the efficient deployment of a water connection (e.g., infrastructure sharing) and quality of supply
- Environmental sustainability of water service provision and use, including sustainable wastewater practices

Pillar II: Public Services

Quality of governance and transparency of water service provision

- Monitoring the reliability and sustainability of service supply and safety of water connections
- Transparency on service outages, tariffs, connection requirements, and complaint mechanisms
- Interoperability with other utilities (e.g., electricity) and existence of electronic applications and payments

Pillar III: Operational Efficiency

Operational efficiency of water service provision

- Time associated with obtaining a water connection
- Cost of water connection and service
- Reliability of the water supply

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Water Utility Service in Hungary

Pillar I: **Quality of Regulations for Water**

Hungary score (all cities): **52.1** out of 100 points

Regulatory monitoring of tariffs and service quality

- ✗ No monitoring of tariffs
- ✗ No monitoring of quality of water service

Utility infrastructure sharing and quality assurance mechanisms

- ✓ Financial deterrence mechanisms aimed at limiting water supply interruptions
- ✗ No requirements for joint planning and construction (e.g., 'dig once' policies)

Safety of utility connections

- ✓ Qualification requirements for professionals operating water installations
- ✓ Existence of regulated liability regimes in relation to water connections
- ✓ Existence of regulated inspection regimes in relation to external water installations
- ✗ No regulated inspection regimes in relation to internal water installations

Environmental sustainability

- ✓ Existence of a regulation for water-saving practices
- ✓ Existence of requirements for sustainable wastewater practices
- ✓ Established rules on wastewater reuse
- ✗ No environmental sustainability of water provision and of water use
- ✗ No incentives to adopt water-saving practices

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Water Utility Service in Hungary

Pillar II: **Quality of Governance and Transparency of Water Service Provision**

Hungary score (all cities): **66.5** out of 100 points

10/25 Monitoring of service supply (includes gender and environment)

- ✓ Existence of KPIs to monitor the quality and reliability of the water supply
- ✗ No existence of KPIs to monitor sustainability
- ✗ No gender-disaggregated customer surveys

18.8/25 Enforcement of safety regulations and consumer protection mechanisms

- ✓ Existence of an independent complaint mechanism
- ✗ No implementation of a full inspection regime in practice for water connections

15.9/25 Availability of information and transparency

Online availability of connection requirements:

- ✓ Public availability of documents and procedures required for connecting
- ✓ Public availability of cost of connecting
- ✓ Public announcement of planned outages

No online availability of:

- ✗ KPIs to monitor the environmental sustainability of water supply
- ✗ Tariffs and tariffs settings

21.9/25 Digital services and interoperability

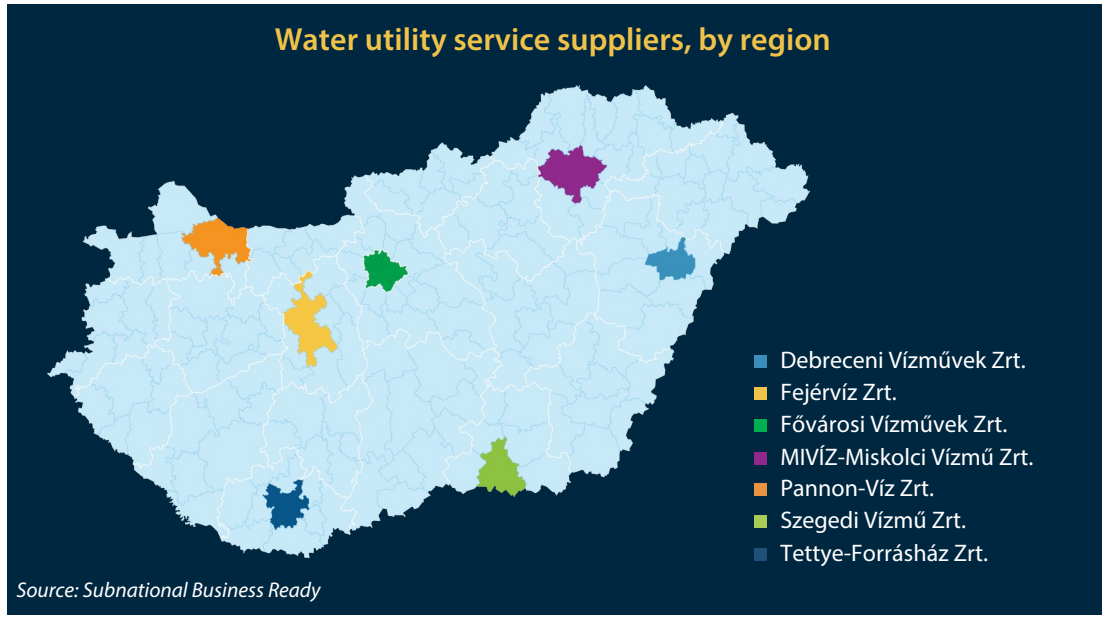
- ✓ Interoperability across utilities responsible for electricity, water, and internet networks
- ✓ Availability of electronic payments for connection fees
- ✓ Availability of electronic applications for new connections
- ✓ Availability of coordination mechanisms for excavation permits
- ✗ No availability of tracking of online applications

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Water Utility Service in Hungary

Pillar III: **Operational Efficiency of Water Service Provision (1/5)**

Hungary score: **49.5** (Budapest, Debrecen) to **54** (Székesfehérvár) out of 100 points



The water connection process

The length of the process of getting a water connection substantially varies within Hungary. The main stakeholders involved in the process are: (i) the water utility in charge of verifying the feasibility of a new connection and materially performing the connection works (a different water utility operates in each city (see map)); (ii) other utility operators (for electricity, gas, internet, etc.) that need to clear the new connection; and (iii) the municipality that issues the excavation permit and other authorizations needed to install the connection.

To obtain a water connection, entrepreneurs first submit a request for a preliminary approval of the connection project to the water utility through the online national platform and database for utility networks *e-kozmu* (https://www.e-epites.hu/e-kozmu). In most cities, once the utility approves the plans, the client must submit a second application to the utility, in person or via email, and await for final acceptance by the utility. Szeged is an exception: the water utility, Szegedi Vízmű Zrt., does not require a second step of approval.

In all cities, planning, getting the necessary permits, and performing the material works for a water connection would typically be performed by the client rather than the utility. However, in Budapest, clients can opt for a so-called Private Premium Customer Management under which, for an extra daily fee, the utility takes care of the entire connection process on behalf of the client, including planning and obtaining relevant permits.

Before the connection works can start, utilities need to obtain a series of authorizations and clearances. In all locations, it is necessary to obtain: (i) an excavation permit and an "owner approval" to perform works on public land from the municipality. These authorizations are obtained through the national online platform *e-papir* (https://epapir.gov.hu/), designed specifically to facilitate communication and submission of requirements for excavation permits; (ii) clearances from other utility providers (electricity, gas, telecom, etc.) that need to verify if the upcoming connection would conflict with their existing networks. Such municipal approvals and utility clearances can be requested simultaneously, without needing to obtain one before applying for another. Budapest and Szeged require additional permits before digging can start: in both cities, a "green land permit" must be obtained from the municipality; in Budapest a municipal transportation permit is also required. When all permits are obtained, excavation and connection works can be performed.

In most cities, once the works are completed and a meter is installed, clients can start using the new connection. However, Pécs and Szeged require an additional step before water starts running: clients need to sign a supply contract. This step is not required in the rest of the country, as the supply contact is signed along with the connection contract at the beginning of the process.

Water Utility Service in Hungary

Pillar III: **Operational Efficiency of Water Service Provision (2/5)**

Hungary score: **49.5** (Budapest, Debrecen) to **54** (Székesfehérvár) out of 100 points

How does the water connection process work in Hungary

Step I:
All cities

Preliminary water utility approval of the connection project (obtained online on the national platform *e-kozmu*)

Step 2:
All cities except Szeged

Application and receipt of offer for connection from the utility

Step 3:
All cities

- Excavation permit and "owner approval" from municipality (obtained online through the national platform *e-papir*)
- Clearances from other utilities

Step 4:
Only in Budapest and Szeged

- Green land permit from the municipality (in Budapest and Szeged, obtained online through the national platform *e-papir*)
- Transportation permit (only in Budapest)

Step 5:
All cities

External connection works and meter installation

Step 6:
Only in Pécs and Szeged

Signing of the supply and service contract

(Note: In all other cities, this step is part of Step 2)

Source: Subnational Business Ready

Water Utility Service in Hungary

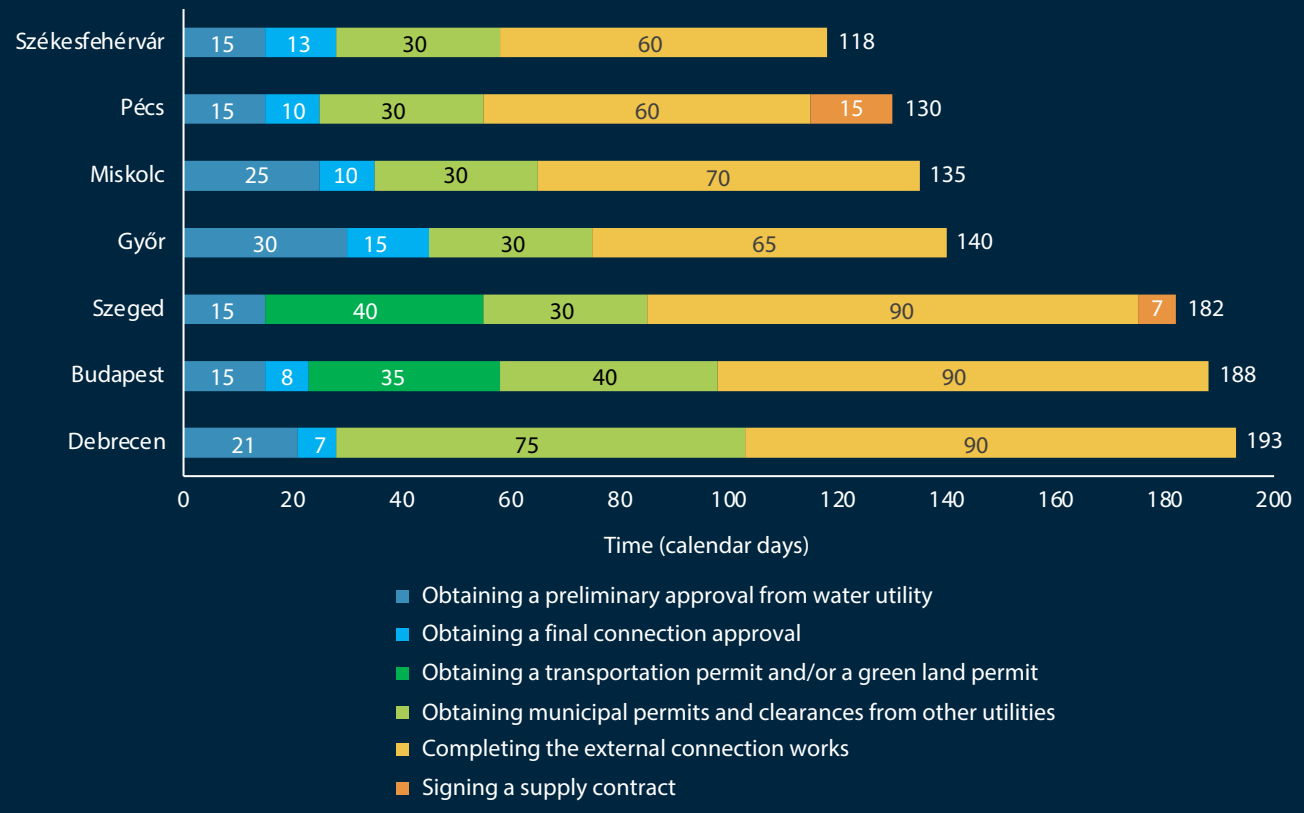
Pillar III: **Operational Efficiency of Water Service Provision (3/5)**

Obtaining a water connection in Hungary can take more than half a year, depending on the location

The time it takes to obtain a water connection across Hungarian cities varies between 118 and 193 days. The process is fastest in Székesfehérvár and Pécs and slowest in Budapest and Debrecen. In Székesfehérvár and Pécs, obtaining all the authorizations to start digging takes one month, and the utilities complete the work in two months. By contrast, in Budapest and Debrecen, obtaining all permits and clearances takes two and a half months, and completing the infrastructural work takes three months.

In all cities except Szeged, clients go through a two-step approval process with the utility. First, clients must obtain approval for the connection project by submitting a request through the national online platform (*e-kozmu*). A national regulation establishes that utilities need to answer the preliminary request within 8 days from submission. Another 22 days are granted if the application is sent back to the client due to an incomplete submission or incorrect status. A silence-is-consent rule applies if the application is not approved or rejected within the timeline, and the national regulator (MEKH) can impose a fine for the delay. In practice, for a connection as the one considered for this study, getting an approval of the project would take 15 days in Budapest, Pécs, Szeged, and Székesfehérvár, and a month in Győr. Győr is also the city where getting the second and final approval takes the longest at 15 days, while in Debrecen, the same step takes one week. Overall, completing the two-step approval is fastest in Budapest, where it takes 23 days. Clients in Szeged profit from an even faster timeframe. In fact, the utility eliminated the need of a second, final approval and only requires applicants to go through one step, which takes 15 days.

Obtaining a water connection is fastest in Székesfehérvár and Pécs and slowest in Budapest and Debrecen



Source: Subnational Business Ready

Water Utility Service in Hungary

Pillar III: **Operational Efficiency of Water Service Provision (4/5)**

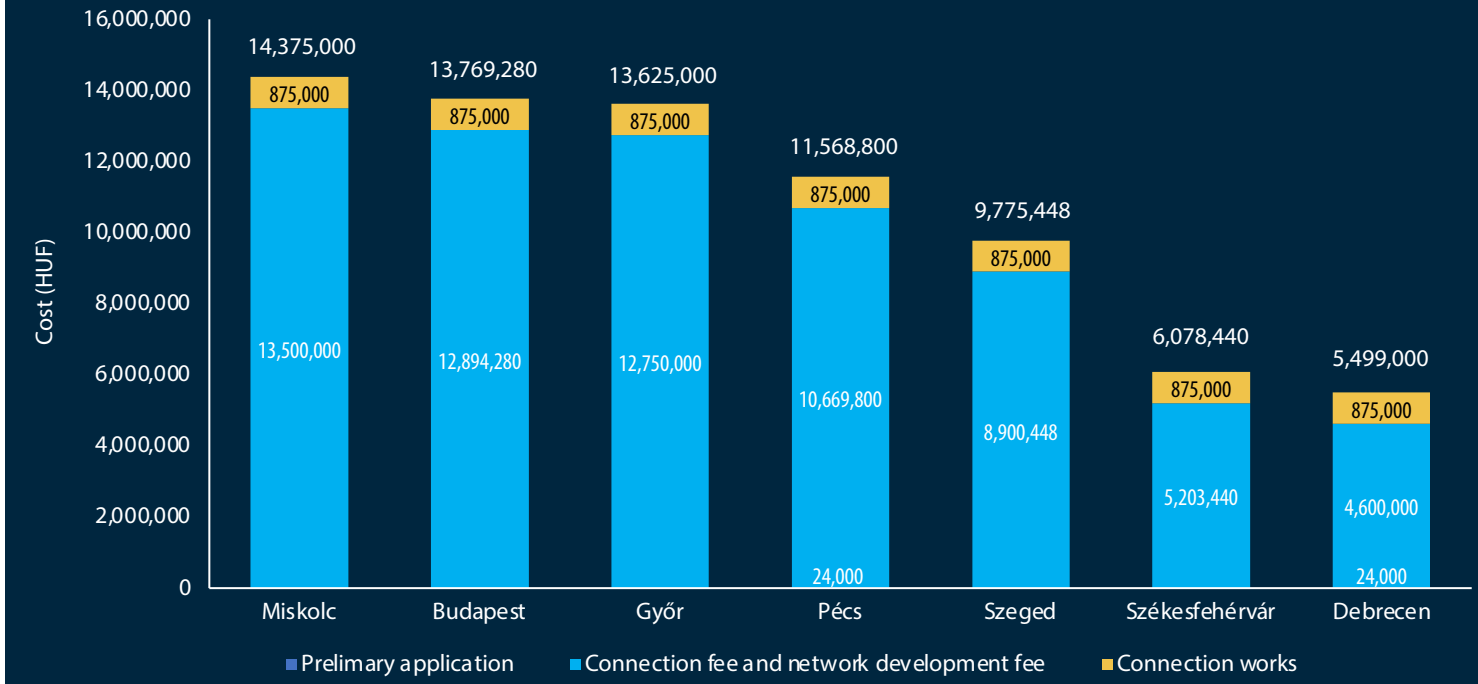
Water connections are least expensive in Debrecen and Székesfehérvár

The cost for obtaining a water connection varies substantially across Hungary. In all cities, the main cost component is represented by two items that utilities charge to customers: a connection fee and a network development fee. Each water utility determines its own fee schedule. As a result, for the same type of connection, the connection fee and the network development fee in Debrecen are nearly one third the cost of the same fees applied in Miskolc. Similarly, in Budapest and Győr, they are more than twice as expensive than those in Székesfehérvár, the second least costly city.

Debrecen and Pécs are the only two cities that charge an administrative fee to applicants when they submit a request for a preliminary approval.

In Hungary, clients typically hire a private contractor to perform the connection works. The cost for performing the works, including purchasing a meter for a case as the one considered for this study, is approximately HUF 875,000 across the country.

Connection fees and network development fees in Miskolc are nearly three time as expensive compared to Debrecen



Source: Subnational Business Ready
Note: HUF = Hungarian forint

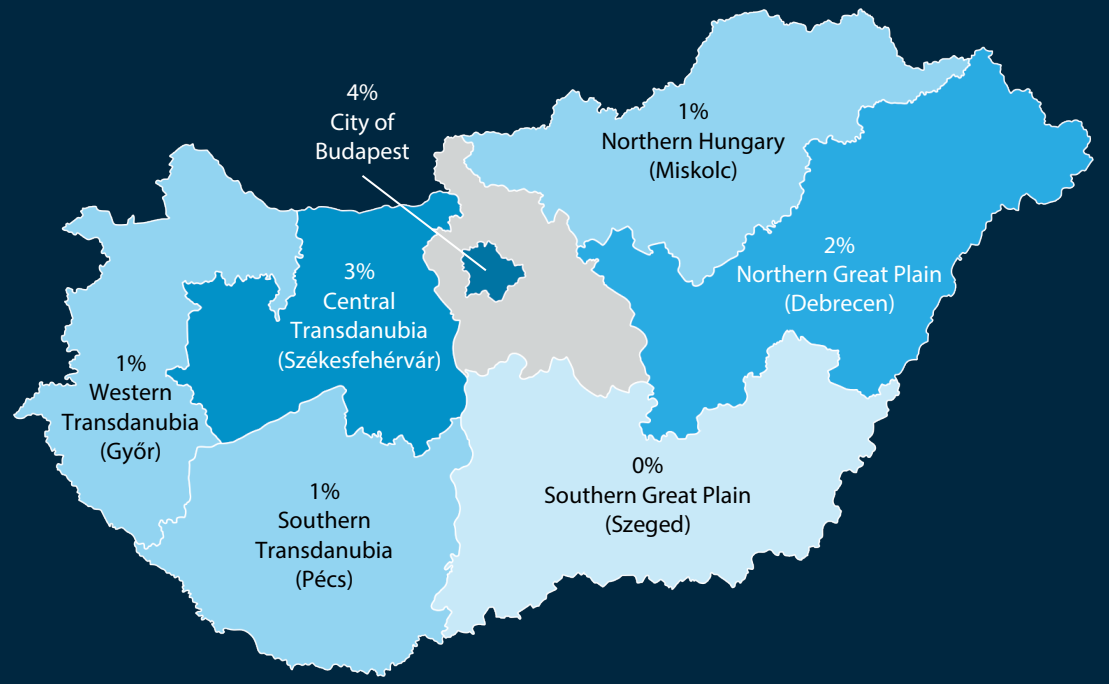
Water Utility Service in Hungary

Pillar III: **Operational Efficiency of Water Service Provision (5/5)**

Reliability of water supply: 4% or less of firms experience water insufficiencies, depending on the location

Most firms across Hungarian regions experience either none or minor instances of insufficient water supply. However, some regional differences exist. Almost no firm in the Southern Great Plain region (including Szeged) reports having this problem, as opposed to Budapest which has the highest share of firms experiencing insufficiencies in their water supply (see map).

Percentage of firms experiencing water insufficiencies, by region*



Source: World Bank Enterprise Survey 2023

*NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

Water Utility Service in Hungary

Areas of improvement for Water Service Provision

Expedite the process to obtain a new water connection by reducing the number of approval steps

The 2-step approval process for a new water connection takes, on average, one month across Hungary and up to 45 days, as in the case of Győr. Szeged offers a solution that other cities could follow to make the application process faster and less cumbersome. The utility operating in Szeged, Szegedi Vízmű Zrt., sends applicants a proposal for connecting after receiving the initial, and only, application they are required to submit. This unique step happens on *e-kozmu*, and the turnaround time is regulated at the national level, with a 15-day deadline given to utilities to provide an answer to applicants. Adopting Szeged's approach at the national level would not only make the process faster and more efficient but would also provide standardization and predictability across the country.

Relevant stakeholders: water utilities; Ministry of Construction and Transport

Provide clients with the option to delegate the entire connection process to the utility

Typically, across Hungarian cities, it is the client's responsibility to obtain the required permits to build a new water connection. Similarly, it is the client, or a contractor, that takes charge of the material works (except the parts of the external connection that are specifically related to the main water pipeline infrastructure, as well as the installation of the meter, which are always done directly by the utilities). To speed up the application process, cities could look at the solution implemented by the water utility in Budapest (Fovarosi Vizmuvek). For an extra price, clients in Budapest can choose to delegate the entire connection process to the water utility. If the client chooses this option, called "Private Premium Customer Management," the utility handles the entire connection process, including planning and obtaining the required permits.

Relevant stakeholders: water utilities

Increase transparency and regulation of water tariffs

For customers across Hungary, checking water tariffs and the way they are determined is often challenging. Tariffs are not publicly available, and, in practice, they are not monitored by the national regulator, the Hungarian Energy and Public Utility Regulatory Authority (MEKH). Allowing the regulator to monitor consumption tariffs and making it compulsory for each water supplier to publish them online would help increase transparency and bring the country's regulatory framework and level of available public services to an even higher standard.

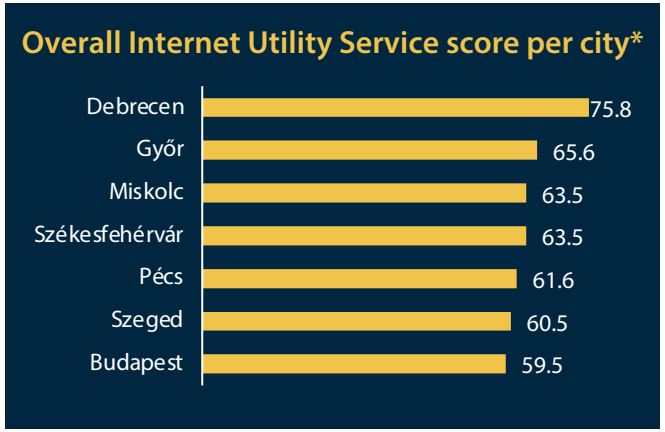
Relevant stakeholders: water utilities; Hungarian Energy and Public Utility Regulatory Authority (MEKH)

4.3 Internet Utility Service in Hungary

Pillar I: **Regulatory Framework**	Score (all cities): **95**/100	Pillar III: **Operational Efficiency**	Score: **4** Budapest to **53**/100 Debrecen
Pillar II: **Public Services**	Score (all cities): **79.4**/100	**Time** (days):	**7** (Győr) to **12** (3 cities)
		% of firms experiencing internet disruptions:	**15%** (Debrecen) to **69%** (Budapest)

Main findings

- The quality of internet regulations (Pillar I) and the quality of governance and transparency (Pillar II) are uniform across Hungary. The score differentiator is the efficiency of internet provision in practice (Pillar III), where cities reported different waiting times for internet connections and variations in internet disruptions.
- In line with good international practices, Hungary's National Media and Infocommunications Authority (NMHH) oversees wholesale connectivity tariffs. Competent authorities can also initiate investigations for anticompetitive practices.
- Hungary's regulatory framework establishes provisions on joint planning and construction ('dig once' policies) and for infrastructure sharing. Provisions on safety regulations are also present; however, national targets for emissions or energy efficiency of electronic communication networks and data infrastructure are missing.
- In Hungary, it is possible to check online if the internet service provider (ISP) has coverage at customers' addresses. It is also possible to submit and track online the application for an internet connection. Internet monthly fees are available online and changes in internet tariffs are communicated to the public. However, there is a lack of formulas (published online or in the customer bill) prescribing how end-user internet tariff levels are calculated.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

- ISPs in Hungary publish planned outages online; key performance indicators (KPIs) of service provision are also publicly available.
- On average, obtaining an internet connection takes 10 days in Hungary. In Győr, it takes 7 days, while in other cities, such as Pécs, Miskolc, and Szeged, businesses have to wait up to 12 days. Private respondents have reported that delays may be caused by low levels of competition in some cities, as well as lack of technicians.
- Only 44.7% of Hungarian firms did not experience internet disruptions countrywide according to firm surveys. Disruptions vary by region. In Budapest, almost 70% of businesses reported disruptions, while in the Northern Great Plain region (including Debrecen) this figure was 15%.

Internet Utility Service in Hungary

Why is the internet utility service important?

- The internet supports business operations and is used as a factor of production by firms.[47]
- Unreliable networks and high costs of establishing a broadband connection may prevent firms from adopting and upgrading digital technology in their business operations.
- Good regulatory frameworks are key for the provision of affordable and high-quality internet services. Likewise, facilitating timely access to such services at a reasonable cost and in an environmentally sustainable manner is instrumental for economic growth.[48]
- Performance standards coupled with a system of incentives compel internet service providers (ISPs) to ensure adequate supply of high-speed broadband internet service.[49]

47 World Bank, 2016 .
48 World Bank, 2017.
49 Foster and Rana, 2020.

What does the Internet Utility Service topic measure?

Pillar I: Regulatory Framework

Quality of regulations for internet

- Regulations for efficient deployment of an internet connection (e.g., infrastructure sharing) and quality of supply
- Regulations on safety of internet service (e.g., cybersecurity)
- Environmental sustainability of internet service provision and use

Pillar II: Public Services

Quality of governance and transparency of internet service provision

- Monitoring the reliability and sustainability of service supply and safety of internet connection in practice
- Transparency on service outages, tariffs, connection requirements, complaint mechanisms, and customer service
- Interoperability with other utilities (e.g., electricity)
- Existence of electronic applications and payments

Pillar III: Operational Efficiency

Operational efficiency of internet service provision

- Time associated with obtaining an internet connection
- Cost of internet connection and service*
- Reliability of internet supply (e.g., disruption of internet service)

*Installation cost is not applicable to internet connection in the EU since it is included as part of loyalty plans that are the common practice in the region. It was not possible to collect reliable data on monthly service fees.

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Internet Utility Service in Hungary

Pillar I: **Quality of Regulations for Internet (1/2)**

Hungary score (all cities): **95** out of 100 points

Regulatory monitoring of tariffs & service quality and Utilities infrastructure sharing & quality assurance mechanisms

25/25

Regulatory monitoring of tariffs and service quality

- ✓ Monitoring of internet tariffs: the regulatory agency, NMHH, oversees wholesale connectivity tariffs. Competent authorities can also initiate investigations and set fines for anticompetitive practices.
- ✓ Monitoring of the quality of internet service: the regulator also establishes (and monitors adherence to) performance standards to ensure service quality and the reliability of internet

40/40

Utilities infrastructure sharing and quality assurance mechanisms

- ✓ Provisions in the regulatory framework requiring joint planning and construction (i.e., joint excavation, or 'dig once' policies)
- ✓ Legal provisions requiring operators owning passive or active infrastructure to share access for the last mile
- ✓ Legal provisions guaranteeing equal access to government-owned infrastructure
- ✓ Legal provisions establishing rights of way for digital infrastructure service providers
- ✓ Regulatory framework allowing partnerships for infrastructure sharing
- ✓ Legal provisions establishing time limits for agencies involved in delivering new digital infrastructure
- ✓ The regulatory framework stipulates financial deterrence (e.g., penalties paid by the ISP or compensations paid to customers) and incentive mechanisms aimed at limiting internet service outages or slowdowns

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Internet Utility Service in Hungary

Pillar I: **Quality of Regulations for Internet (2/2)**

Hungary score (all cities): **95** out of 100 points

Safety of utility connections and **Environmental sustainability**

25/25

Safety of utility connections

- ✓ The regulatory framework establishes liability and a legal right to pursue compensation for personal data protection breaches, as well as clear provisions for reporting data breach incidents
- ✓ The National Cyber Security Center (NCSC), responsible for cybersecurity coordination at the national level, carries out risk-assessment strategies, cybersecurity audits, drills, exercises or training, and enforces cybersecurity laws and regulations
- ✓ The regulatory framework establishes minimum cybersecurity protections or mandates minimum cybersecurity standards and cybersecurity safeguards, as well as defines a modus operandi for incident response in a case of a major cyber-attack or a compromise of service availability

5/10

Environmental sustainability

- ✓ Regulation establishing environmental reporting or disclosure voluntary standards for digital connectivity and data infrastructures
- ✗ Absence of national targets for emissions or energy efficiency of electronic communication networks and data infrastructure, such as power usage effectiveness, renewable energy usage, or coefficient of performance (COP)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Internet Utility Service in Hungary

Pillar II: **Governance and Transparency of Internet Service Provision (1/3)**

Hungary score (all cities): **79.4** out of 100 points

Digital services and **Interoperability**

Electronic applications for internet connections

3.1/6.3

- ✓ It is possible to apply electronically for new commercial internet connections
- ✗ It is not possible to track the application online

Infrastructure database and platform with planned works

6.3/6.3

- ✓ Infrastructure database in place for identification of internet service providers' (ISPs) networks and shared database for the network lines of multiple utilities, including electricity, water, and internet
- ✓ Online availability of information about the planned works on utility networks

Electronic payments

6.3/6.3

- ✓ It is possible to pay the fee for a new fixed broadband connection and to pay for the internet monthly tariffs electronically

Coordination mechanisms for excavation permits

6.3/6.3

- ✓ Online system to manage excavation permits

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Internet Utility Service in Hungary

Pillar II: **Governance and Transparency of Internet Service Provision (2/3)**

Hungary score (all cities): **79.4** out of 100 points

Availability of information and **Transparency**

Transparency of connection requirements

5/5

- ✓ Publication of connection requirements for a high-speed broadband internet connection, including required documents, procedures, connection costs, and stipulated connection time standards

Transparency of planned outages

5/5

- ✓ Publication and announcement of planned internet outages

Transparency of service quality indicators

5/5

- ✓ Online availability of KPIs monitoring the reliability and quality of internet supply

Transparency of tariffs and tariffs settings

0/5

- ✗ Although internet monthly fees are available online and changes in tariffs are communicated to the public, no formulas on how tariff levels are determined are published online or in customer bills

Transparency of complaint processes

5/5

- ✓ Complaint mechanism available to report issues in the provision of internet service. This mechanism exists within the ISPs and is also independent from the ISPs to escalate the complaints.
- ✓ Information available online to guide customers to file a complaint information includes: entity in charge of managing the complaints, documents necessary to make a complaint, criteria of the complaint mechanism, and steps necessary to make a complaint

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Internet Utility Service in Hungary

Pillar II: **Governance and Transparency of Internet Service Provision (3/3)**

Hungary score (all cities): **79.4** out of 100 points

Monitoring of service supply (includes gender and environment) and Enforcement of safety regulations & consumer protection mechanisms

Monitoring reliability and quality of internet supply

12.5/12.5

✓ Key performance indicators (KPIs) in place for reliability and quality of internet supply

- Download/upload speed
- Latency
- Throughput
- Jitter
- Recovery time

Monitoring of access to utility services for women entrepreneurs

0/12.5

✗ ISPs in Hungary do not carry out gender-disaggregated customer surveys to measure the quality of services provided by the utility from the perspective of women-owned businesses:

- Sex of a person answering consumer satisfaction surveys
- Sex of a person lodging a complaint related to quality, reliability, and the utility's supply services

Cybersecurity protocols in practice

12.5/12.5

✓ Cybersecurity protocols implemented in practice, such as:

- Cybersecurity breaches reported by cybersecurity agency to private sector
- Computer incident response teams or computer emergency readiness team respond to reported cyberattacks or cybersecurity breaches
- Cybersecurity incident response drills, trainings or exercises are carried out in practice to test capabilities to prevent, detect, respond and/or recover from cyberattacks or cybersecurity breaches
- Cybersecurity audits carried out for critical infrastructure operators to detect vulnerabilities and recommend or enforce remedial actions to prevent cyberattacks or cybersecurity breaches

Independent complaint mechanism

12.5/12.5

✓ Independent complaint mechanism: the compliance mechanism is independent from the ISPs to escalate complaints

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Internet Utility Service in Hungary

Pillar III: **Operational Efficiency of Internet Service Provision (1/3)**

Hungary score: **4** Budapest to **53** Debrecen out of 100 points

How does the process of connecting to internet work in Hungary

Step 1

Customers request new internet connections through the internet providers' websites. The ISPs decide whether it is possible to fulfill the request. The final decision depends on the building's location and installed infrastructure in the building.

The private sector has reported that the different cities' zones are split among the existing ISPs, resulting in low levels of competition. As such, customers can only get internet service from the provider covering a specific zone.

Step 2

Once the request is accepted, the ISP sends the contract. If the customer agrees to a one year/two year-long contract, the installation is free of charge. Once the contract is signed, it is common practice for the ISPs' technicians (or private contractors hired by the ISP) to carry out the installation.

In case the customer does not want a fixed contract, the internet installation has a cost.

Step 3

Once the installation is completed, technicians conduct system checks and tests. The internet service is available from the moment the tests are concluded and no connection issues are found.

Source: Subnational Business Ready

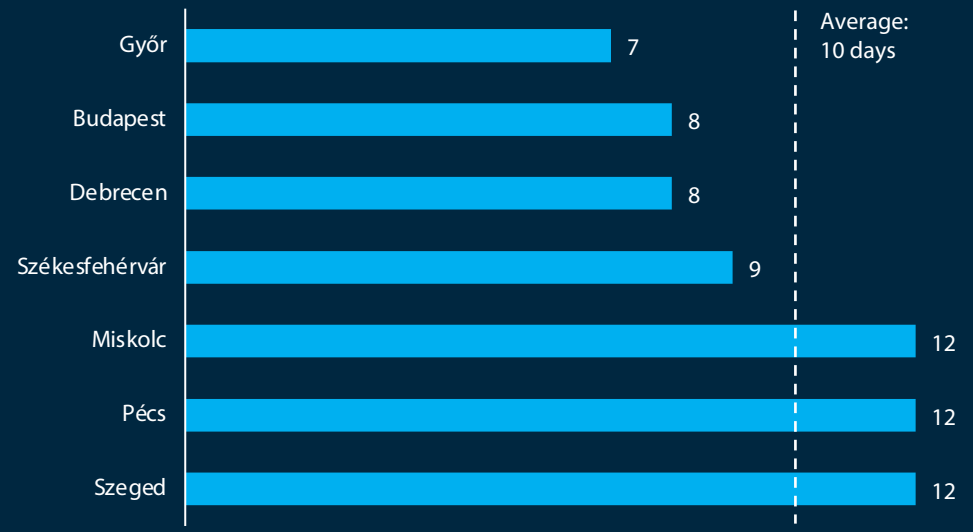
Internet Utility Service in Hungary

Pillar III: **Operational Efficiency of Internet Service Provision (2/3)**

Time: **7** to **12** days

- On average, obtaining an internet connection takes 10 days. In Győr, it takes 7 days, while in other cities, such as Pécs, Miskolc, and Szeged, businesses have to wait up to 12 days.
- Private respondents have reported that delays may be caused by low levels of competition in some cities. ISPs have divided the fixed broadband internet market by creating operational zones where customers usually have access to only one internet provider depending on their area of residence.
- Another cause of delay also reported by the private sector is the lack of technicians to perform the connection, up to the point that the common practice among ISPs is to share technicians.

Time (days) to get an internet connection across Hungary



Source: Subnational Business Ready

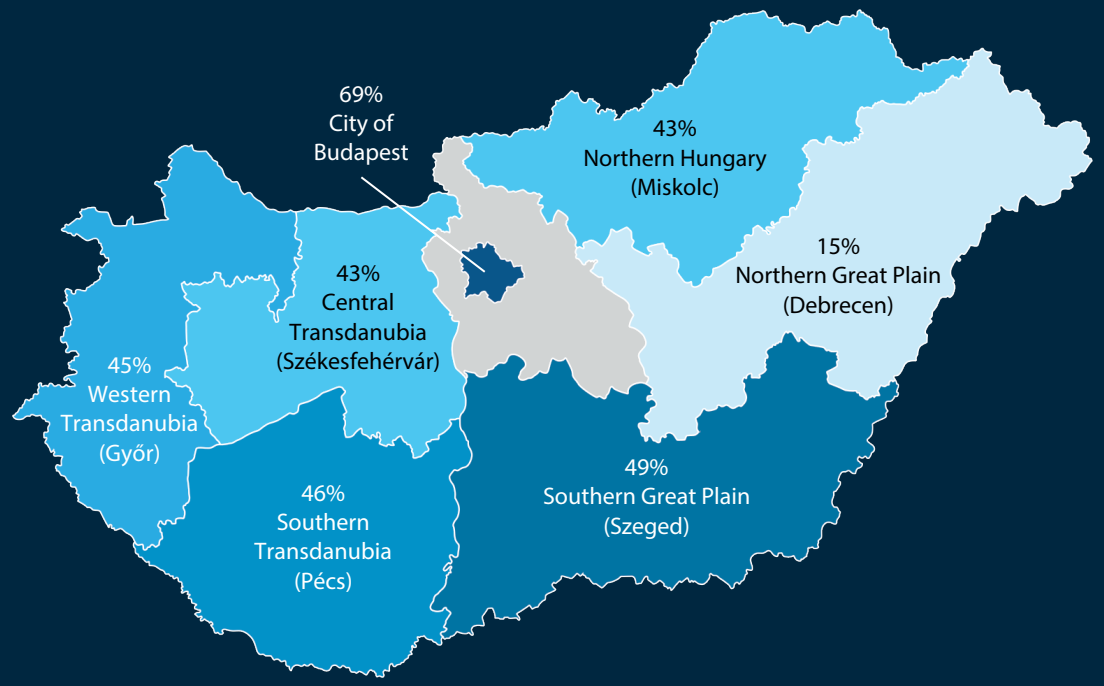
Average time (days) to get an internet connection (country averages)

Source: Subnational Business Ready

Internet Utility Service in Hungary

Pillar III: **Operational Efficiency of Internet Service Provision (3/3)**

Percentage of firms experiencing internet disruptions, by region*

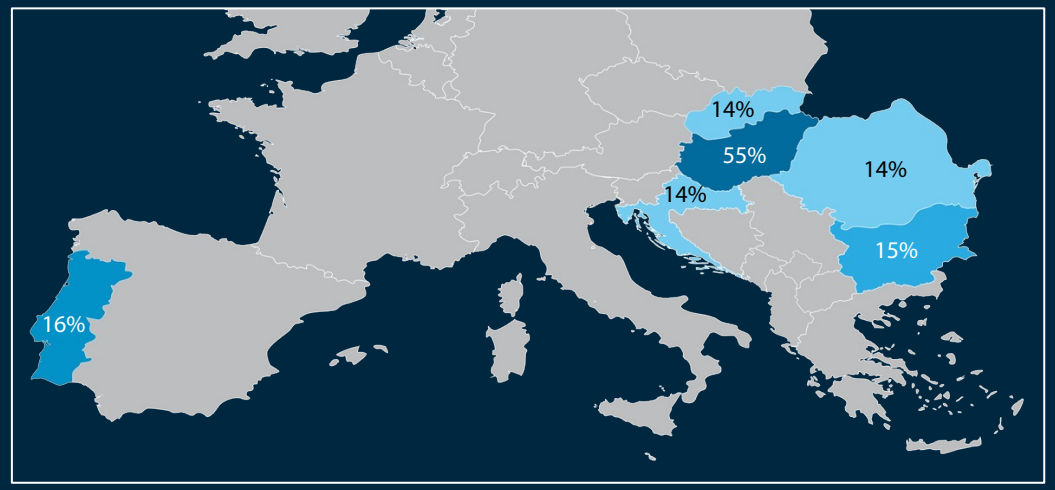


Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

- Overall, 55% of Hungarian firms reported experiencing internet disruptions. This figure was 15% in the Northern Great Plain region, making it the only Hungarian region in line with neighboring countries where, on average, 14% of firms reported experiencing internet disruptions.
- In Budapest, almost 70% of firms reported experiencing internet disruptions.

Percentage of firms experiencing internet disruptions (country averages)



Source: World Bank Enterprise Surveys 2023

5. Dispute Resolution in Detail

Dispute Resolution in Hungary

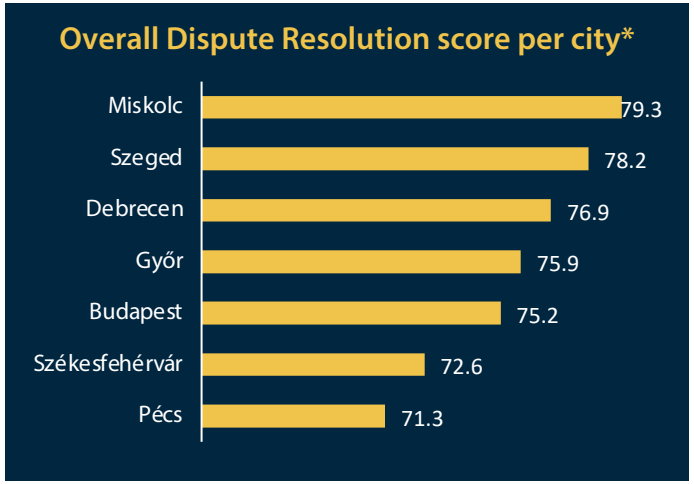
Pillar I: **Regulatory Framework**	Score (all cities): **82**/100
Pillar II: **Public Services**	Score: **59.3** (5 cities) to **64.9**/100 (Budapest, Debrecen)
Pillar III: **Ease of Resolving a Commercial Dispute**	Score: **72.5** (Pécs) to **96.7**/100 (Miskolc)

Time (days):	Court litigation: **420** (Szeged) to **605** (Győr)
	Enforce a judgment: **30** (Miskolc, Pécs) to **60** (3 cities)
Cost (% of claim value*):	Court litigation: **8.2%** (Miskolc) to **13.7%** (Budapest)
	Enforce a judgment: **0.5%** (Debrecen) to **2.3%** (Pécs)

*For a claim value of HUF 107,554,370, equal to 20 times the 2021 GNI per capita. Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- In Hungary, the same laws and regulations apply across the country (Pillar I).
- There are subnational differences in implementation and in the availability of public services used for dispute resolution (Pillar II). Among the seven cities measured for this study, only Budapest and Debrecen have specialized commercial divisions within their existing regional courts. Virtual hearings are available in all locations and are used in urgent matters only, except in Pécs, where the courts hold virtual hearings in all matters when requested by a party.
- The time to resolve a commercial dispute varies across Hungary (Pillar III). Adjudicating a commercial case is fastest in Szeged, while the court in Győr takes the longest. The main reason for the variation is associated with time between hearings in cases where a hearing is postponed, as well as the number of hearings needed to resolve a dispute in the first instance.
- Court costs are nationally regulated and equal across the country (Pillar III). Attorney fees differ among the cities mostly due to factors related to the financial capacity of clients, the economic development of cities, and the size of law firms.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Dispute Resolution in Hungary

Why is dispute resolution important?

- Strong judiciaries and effective dispute resolution processes are needed for the development of the private sector.
- When courts complete dispute resolution processes in a timely and cost-effective manner, businesses borrow and invest more.[50]
- Reliability of the judiciary is equally important: strong court systems attract more investors and expansion of business.[51]

What does the Dispute Resolution topic measure?

Pillar I: Regulatory Framework

Quality of regulations for dispute resolution

- Time standards for major procedural steps in commercial litigation
- Availability of pre-trial conference, default judgment and standards in environmental disputes
- Recusal of judges and code of ethics for judges and enforcement agents
- Access to arbitration, independence and impartiality of arbitrators and mediators

Pillar II: Public Services

Public services for dispute resolution

- Organizational structure of courts and review mechanisms to support judicial integrity
- Digitalization of case management and communication with courts
- Publication of judgments and information on composition and performance of courts
- Public services for arbitration and mediation

Pillar III: Ease of Resolving a Commercial Dispute

Operational efficiency and reliability of court and arbitration processes

- Time and cost for court litigation (first instance, mediation, and appeal procedures)
- Time and cost to enforce a final domestic judgment
- Time and cost for an arbitration procedure
- Time and cost for recognition and enforcement of foreign judgments and foreign arbitral awards

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

50 Moro, Maresch, and Ferrando. 2018; Koutroumpis and Ravasan, 2020 .

51 World Bank, 2004; Staats and Biglaiser, 2011; World Bank, 2019.

Dispute Resolution in Hungary

Recent reforms and changes in dispute resolution

- **Law CXXX of 2016 on Civil Procedure** came into force on January 1, 2018, and stipulated major changes in the civil procedure. The Law introduced a preparatory phase in all civil procedures before courts. The mandatory preparatory phase represents a case management technique where judges in Hungary evaluate the case subject and the legal basis of the claim as well as the suggested evidence. After the preparatory phase, parties cannot suggest new evidence or change the claim, except under very limited circumstances, and the main trial phase is conducted according to the plan determined during the preparatory phase.
    - Additionally, the Law introduced the requirements for legal entities and their representatives to exclusively use digital means of communication with courts before and during the court proceedings.
    - Finally, the Law allowed for the use of digital communication solutions to conduct hearings and witness testimonies remotely across the country.
- The National Court Authority of Hungary (OBH) introduced the **Digital Court Project** implemented between May 2017 and June 2019. The project was part of the larger *Szechenyi* 2020 program. The project: (i) introduced the digitalization of paper-based court documents and the creation of an e-file system where all court proceedings became digitalized; (ii) initiated the digitalization and publication of anonymized court judgments; and (iii) initiated the linking of the court systems to enable direct access to certified data and services of government institutions.
- OBH introduced the **VIA VIDEO project** in September 2018 with the aim to create nationwide courtroom video and audio recording systems. The project allowed setting up digital infrastructure for virtual hearings and 202 courts are now equipped with the necessary tools and platforms.
- **Law XXVII of 2021** introduced changes in the oversight of court bailiffs. As of October 21, 2021, court bailiffs are supervised by the Supervisory Authority of Regulated Activities which ensures independent oversight compared to the previous self-governance model.
- **Directive 13/2021 of the Ministry of Justice** introduced further professionalization for bailiffs by making specific legal training and exam mandatory for all bailiffs.

Upcoming reforms

- OBH introduced **changes to the current system of electronic submission of documents to courts.** Namely, since January 2023, the electronic form filing system iFORM allows electronic submission in parallel with the General Form Filling (ANYK) program currently used. Considering that the interface used for the iFORM forms is still being developed, the usage of iFORM is paused. The Government Decree 717/2021 was introduced to allow using the ANYK program until June 30, 2024, after which the iFORM forms will be the mandatory digital tool for electronic submission of documents.

Dispute Resolution in Hungary

Relevant legislation and main stakeholders

Relevant laws and regulations in Hungary

- **Law on Civil Procedure (2016 evi CXXX):** main text regulating the rules of civil procedure.
- **Law on Court Enforcement (1994 evi LIII):** regulates the profession of enforcement agents, their conduct, rights and obligations in the enforcement procedure.
- **Law on Arbitration Courts (2017 évi LX):** regulates the function and procedures of arbitration courts in Hungary.
- **Law on the Payment Order Procedure (2009 évi L.):** regulates the fast-track payment order procedure for small financial claims that falls under the jurisdiction of notaries.
- **Law on Fees (1990 évi XCIII.):** regulates the amount of fees to be paid for specific governmental and judicial services.
- **Ministry of Justice Decree on the Fees of Lawyers in Court Proceedings (32_2003. VIII.22.):** regulates the fees to be allocated to lawyers for their engagement in court proceedings, in the absence of a private contract between client and lawyer.

Public institutions and services for dispute resolution

- **District Court:** acts as a first instance court authorized to hear commercial cases with a claim value of up to HUF 30 million.
- **Regional Court:** acts as a first instance court authorized to hear commercial cases with a claim value of more than HUF 30 million, and as an appellate court to hear appeals against judgment of district courts.
- **Commercial divisions:** specialized divisions, called Economic Colleges, in regional courts in Budapest and Debrecen that hear only commercial cases.
- **Enforcement agents (bailiffs):** private enforcement agents with the right to exercise public rights and obligations.
- **Arbitration institution:** Permanent Arbitration Court at the Hungarian Chamber of Commerce and Industry.
- **Mediation:** alternative dispute resolution procedure conducted by mediators in local regional courts and individuals in private capacity.

Dispute Resolution in Hungary

Pillar I: **Quality of Regulations for Dispute Resolution (1/2)**

Hungary score (all cities): **82** out of 100 points

Court litigation

Procedural certainty

30.8/40

- ✓ Time standard for filing a statement of defense
- ✓ Time standard for a judge to issue a judgment
- ✓ Time standard for deciding on a request for an interim measure
- ✓ Time limit on suggesting new evidence
- ✓ Availability of default judgment
- ✓ Enforcement agents seize the debtor's financial instruments and monetary claim toward a third party
- ✗ No maximum number of adjournments
- ✗ No time standard for serving initial complaints
- ✗ No time standard for issuing an expert opinion

Judicial integrity

21.3/26.7

- ✓ Judges required to recuse themselves in case of conflict of interest
- ✓ Parties allowed to challenge judges' impartiality or independence
- ✓ Code of ethics for judges and enforcement agents
- ✓ No restrictions for women to become judges
- ✓ Women have same rights as men in commercial litigation
- ✗ No annual disclosure of judges' assets

Disclosure of judges' assets

- Hungary implements all but one international good practices on its regulatory framework for judicial integrity. Annual disclosure of judges' assets is not stipulated by the Hungarian regulations.
- Law CLXII of 2011 on the Legal Status and Renumeration of Judges stipulates the obligation for judges to make a declaration of assets, provide an account about the increase in assets compared to the previous declaration, as well as their sources of income. However, the Law requires judges to declare assets only every three years.

✓ Aspects regulated in line with internationally recognized good practices
✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Hungary

Pillar I: **Quality of Regulations for Dispute Resolution (2/2)**

Hungary score (all cities): **82** out of 100 points

Alternative dispute resolution

Legal safeguards in arbitration

- ✓ Arbitrability of immovable property and intellectual property disputes
- ✓ Selection of legal counsel regardless of professional qualification, nationality, or admission to courts or professional organization
- ✓ Selection of arbitrators regardless of professional qualification, gender, and nationality
- ✓ Disclosure of arbitrators' conflict of interest
- ✓ Parties have the right to question arbitrators' independence and impartiality
- ✓ Court can order interim measures in support of arbitration
- ✓ Arbitration of commercial disputes with state-owned enterprises and public bodies without fulfilling additional conditions
- ✗ No explicit provision for third-party funding in investor-state arbitration

Legal safeguards in mediation

- ✓ Commercial mediation is not mandatory
- ✓ Mediators have the duty to disclose conflicts of interest
- ✓ Mediators cannot serve as an arbitrator in same or similar contract or legal relationship
- ✓ Evidence disclosed in mediation cannot be used in other legal proceedings
- ✓ Special enforcement regime for mediation settlement agreements
- ✗ No specific rules on recognition and enforcement of international mediation settlement agreements that do not have a court approval

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Hungary

Pillar II: **Public Services for Dispute Resolution (1/3)**

Hungary score: **59.3** (5 cities) to **64.9** (Budapest, Debrecen) out of 100 points

Organizational structure of courts

All cities:

- ✓ Review mechanisms for complaints against judges' misconduct
- ✓ Review mechanisms for complaints against enforcement agents' misconduct
- ✓ Review mechanism for complaints against decision on appointment and promotion of judges
- ✗ No automated assignment of cases
- ✗ No existence of a small-claims court or fast-track procedure
- ✗ No self-representation before a small-claims court or in fast-track procedure

Budapest, Debrecen:

- ✓ Existence of a specialized division of a court dedicated solely to hearing commercial cases at the first instance level

Győr, Miskolc, Pécs, Szeged, Székesfehérvár:

- ✗ No existence of a specialized division of a court dedicated solely to hearing commercial cases at the first instance level

✓ Aspects regulated in line with internationally recognized good practices
✗ Aspects not regulated in line with internationally recognized good practices

Court specialization

- Among the seven measured cities in Hungary, only the Capital Regional Court in Budapest and the Debrecen Regional Court have an Economic College as a specialized division for commercial cases. Judges in these courts are specialized and exclusively adjudicate only commercial law cases.
- Judges in courts in Győr, Miskolc, Pécs, Szeged, and Székesfehérvár preside in departments that hear combinations of civil, commercial, and labor cases.
- The establishment of court divisions is allowed by legal framework and upon discretionary decision of courts' presidents. Courts in cities with specialized commercial divisions, namely Budapest and Debrecen, have the highest number of cases in total, combining both civil and commercial cases. The same goes for commercial cases only, with 2,943 cases in Budapest and 228 cases in Debrecen.* Courts in Győr and Szeged had only 25 and 24 commercial cases, respectively, before their regional courts in 2023.

Assignment of court cases

- There is no automated assignment of court cases to judges, as the president of the court assigns them.
- Each court has case assignment rules based on the Law CLXI of 2011 on the Organization and Administration of Courts. When creating and revising the case assignment rules, the court president needs to consider, *inter alia*, the importance and labor intensiveness of the cases, statistics on the number of cases to ensure a proportionate workload, and the specialized expertise of individual judges.
- According to the OBH Instruction no. 6/2015 on the Regulation Governing the Administration of Courts, case assignment needs to happen according to predetermined principles and must be conducted transparently.

Dispute Resolution in Hungary

Pillar II: **Public Services for Dispute Resolution (2/3)**

Hungary score: **59.3** (5 cities) to **64.9** (Budapest, Debrecen) out of 100 points

21.3/22.2

Digitalization of court processes

All cities:

- ✓ Electronic filing of the initial complaint
- ✓ Electronic service of the initial complaint
- ✓ Exchange of documents through an electronic platform
- ✓ Electronic communication with courts and enforcement agents
- ✓ E-payment of court fees and e-tracking of cases
- ✓ Online auctions available
- ✗ No online access to the court schedule

Pécs:

- ✓ Virtual hearings conducted in all matters when requested by the parties

6 cities:

- ✓ Virtual hearings conducted in urgent matters when requested by the parties

Virtual hearings in commercial litigation

- All cities measured for this study conduct virtual hearings. Although there are differences regarding when the virtual hearing is conducted, all cities score the same number of points. Changes in the Law on Civil Procedure created a legal framework to conduct hearings with the support of digital platforms. To implement this provision, the OBH introduced the VIA VIDEO project in 2018 which helped courts across the country set up digital infrastructure for virtual hearings.
- According to private sector contributors as well as the court representatives surveyed for this study, the Pécs Regional Court conducts virtual hearings in all matters when requested by the parties. Other courts conduct virtual hearings in urgent matters, when necessitated by court circumstances.
- The VIA VIDEO system is a relatively new development in the Hungarian court system and, according to private sector contributors interviewed for this study, judges and the parties are still getting used to all the digital tools available. Many judges still prefer paper-based documents and the old ways of conducting court hearings.

Hungary implements all international good practices for court digitalization, except for online access to the court schedule.

- The digitalization of court processes is advanced in Hungary. Parties in can use the ANYK program (elektronikus-kapcsolattartas-birosagokkal) to file the initial claim and statement of defense to the courts. As of June 30, 2024, the ANYK program will be replaced by the iFORM platform (magyarorszg.hu) that will be the mandatory digital tool for electronic submission of documents.
- In Hungary, parties to the court case can access documents and information through the digital platform Customer Document Access System – ÜIR (eakta.birosag.hu).
- Service of initial complaints and case-related documents are received through the company's electronic mailbox (*cégkapú*) established for each legal entity in Hungary. Court judgments in electronic form are delivered in the electronic mailbox.

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Hungary

Pillar II: **Public Services for Dispute Resolution (3/3)**

Hungary score: **59.3** (5 cities) to **64.9** (Budapest, Debrecen) out of 100 points

10.6/22.2 Transparency of courts (includes gender)

- ✓ Public access to all legal instruments
- ✓ Public access to in-person court hearings
- ✓ Publication of judgments at supreme and appellate levels
- ✗ No publication of all judgments of first instance courts
- ✗ No statistics on disposition rate, clearance rate, and number of judges disaggregated by sex and court
- ✗ No statistics on efficiency of enforcement proceedings

Publication of judgments of first instance courts

- OBH introduced the Digital Court project that was implemented between May 2017 and June 2019. One of the project's initiatives was to digitalize and publish court judgments across the country.
- Hungary did act upon this initiative and created the E-akta portal which, *inter alia*, allows the public to study published court decisions free of charge: https://eakta.birosag.hu/anonimizalt-hatarozatok.
- The portal does not publish all commercial judgments at the first instance level as only a limited number of judgments are publicly available.

10.8/16.7 Public services for arbitration (includes gender)

- ✓ Availability of commercial arbitration
- ✓ Published roster of all arbitrators
- ✓ Virtual conferences in arbitration
- ✓ Publication of summaries of arbitral awards
- ✗ No online platform for arbitration
- ✗ No electronic signing of arbitral awards
- ✗ No publicly available statistics on cases in arbitration

11.1/16.7 Public services for mediation (includes gender)

- ✓ Availability of commercial mediation by private mediators
- ✓ Publicly available roster of mediators
- ✓ Financial incentives to use mediation
- ✓ Available virtual conferences in mediation
- ✓ Electronic signing of a mediation agreement
- ✗ No available statistics on the number of cases per category resolved through mediation
- ✗ No available statistics on the number of mediators disaggregated by sex
- ✗ No electronic submission of a request to mediate

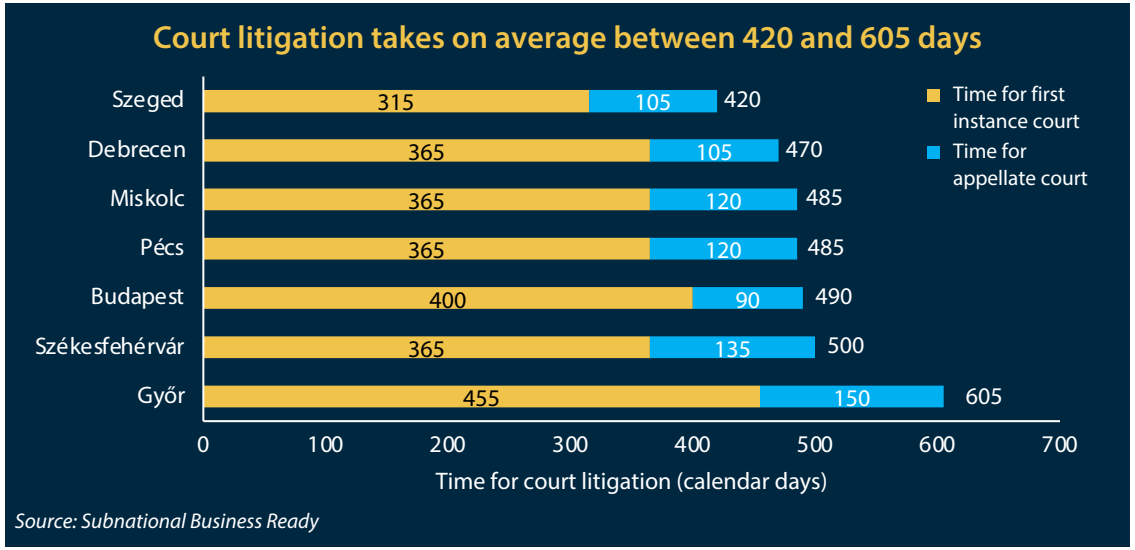
✓ Aspects regulated in line with internationally recognized good practices
✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Hungary

Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (1/5)**

Hungary score: **72.5** (Pécs) to **96.7** (Miskolc) out of 100 points

- Time for first instance procedure is the longest is Győr with 455 days, followed by Budapest with 400 days. In cities, such are Székesfehérvár, Miskolc, Pécs, and Debrecen, it takes a year to complete the first instance court procedure. Szeged has the shortest time to adjudicate a first instance commercial case (315 days).
- The reason for the time difference between the cities measured for this study is due to the time between hearings if a hearing is postponed. It takes 60 days in Győr, while the court in Szeged schedules new hearings in 35 days. Additionally, on average, the court in Győr holds four hearings to adjudicate a commercial case, while in Szeged, it takes two hearings to complete the same matter. According to private sector contributors interviewed for this study, the difference in time to complete commercial litigation at a local court is mostly due to the judges' schedule, rather than court organization. Budapest and Győr, the two most financially dominant cities in Hungary, take the longest time to complete first instance commercial cases.



Impact of the 2016 Law on Civil Procedure reform

- The 2016 Law on Civil Procedure came into force on January 1, 2018, and instituted major changes in the civil procedure. The Law introduced a preparatory phase which imposes on parties a duty to declare their claims, legal arguments, and evidence early in the process. Before the reform, parties could change claims and suggest new evidence during the main procedure which prolonged the time to adjudicate commercial cases. Thus, the reform decreased the room for lawyers' delaying tactics as the initial claim requires more preparation and later changes are limited. According to private sector contributors interviewed for this study, this reform contributed to more efficient court proceedings. Commercial litigation became faster and more technical in nature as parties discuss only matter raised earlier in the process.
- Due to the reform, the number of court cases dropped significantly. This was caused by the higher preparatory hurdles and the strict use of the new law by the courts, which led to a dismissal of many claims. The number of commercial cases, after the introduction of the reform, dropped by 40% in 2018 to 4,098 cases, compared to the pre-reform year of 2017 which saw 6,780 cases.* Although the number of commercial cases increased in 2023 to 5,335,** this number is still lower than numbers seen before the reform.

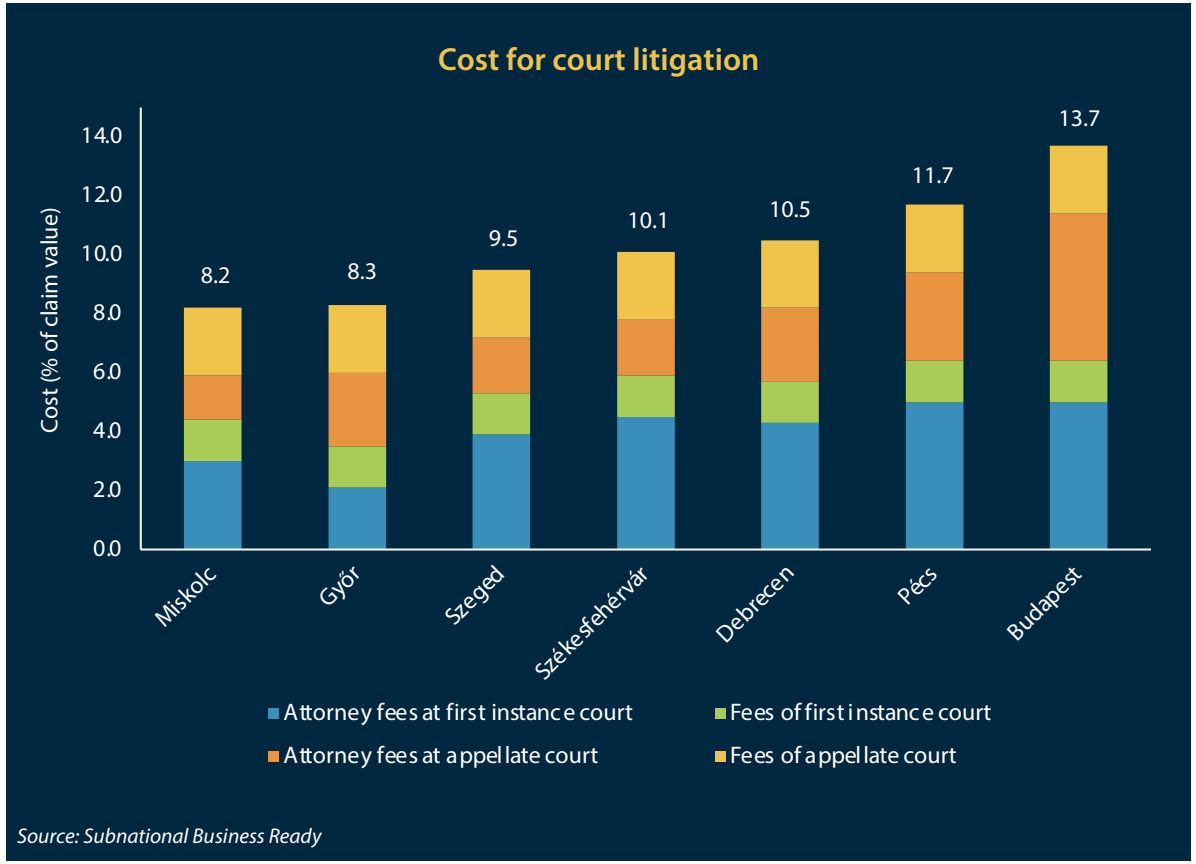
*OBH: Annual data on court case turnover for 2018
**OBH: Annual data on court case turnover for 2023

Dispute Resolution in Hungary

Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (2/5)**

Cost for court litigation:
8.2% to **13.7%** of the claim value

- All courts in Hungary charge the same fees. They are regulated at the national level. For the first instance procedure, courts charge 1.4% of the claim value, while for the procedure at appellate courts, fees represent 2.3% of the claim value.
- Attorney fees differ across Hungary. In the first instance, they range from 2.1% of the claim value in Miskolc to 5% in Budapest and Pécs. The same goes for the appellate procedure, where lawyers in Miskolc charge 1.5% of the claim value, while lawyers in Budapest charge 5%. The size of law firms, the economic development of cities, and the financial capacity of clients have a major influence on decisions regarding charges related to attorney fees.
- According to attorneys interviewed for this study, the workload and responsibility to draft an initial claim for the preparatory phase to satisfy the requirements of the Law led to increased up-front fees charged by lawyers. Before the reform of 2016, formulation of the claim was usually drafted on two to three pages. However, initial claims are now eight to ten pages long due to the stricter rules imposed by the reform. This change has made court proceedings more expensive. Several interviewed lawyers mentioned that the threshold for bringing a claim to the court increased and that it makes no financial sense to litigate a case below HUF 1,000,000.



Source: Subnational Business Ready

Dispute Resolution in Hungary

Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (3/5)**

How does the enforcement of a final domestic judgment work in practice

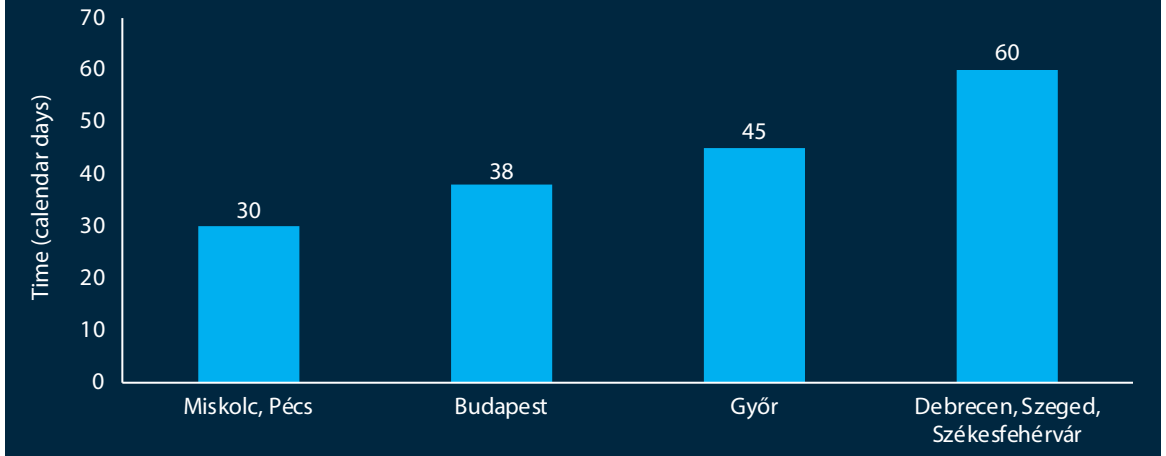
1. The creditor submits the enforcement request to the responsible court (usually through a lawyer) with evidence of payment of a fee.
2. Court issues an enforcement sheet to the creditor and automatically sends it to the Chamber of Bailiffs.
3. The Chamber of Bailiffs assigns the case (randomly) to regionally responsible enforcement agent.
4. Enforcement agent sends request for discovery of assets in bank accounts to all Hungarian banks through the VIEKR system.
5. Commercial banks automatically seize assets and report findings to enforcement agent.
6. Commercial banks transfer money to the enforcement agent´s account, who then prepares payment to the creditor after deducting costs.

Source: Subnational Business Ready

Time (days) to enforce a judgment: **30** (Miskolc, Pécs) to **60** (3 cities)

- In Hungary, the time to enforce a final domestic judgment varies between 30 days (Miskolc and Pécs) and 60 days (Debrecen, Szeged, and Székesfehérvár).
- According to respondents interviewed for this study, the main reason for a delay in the process is due to impediments in communication between enforcement agents and banks through the Electronic Delivery System of Enforcement Documents (VIEKR). All banks have a legal deadline of eight days to report on the bank accounts of the debtor, but sometimes in the case of smaller commercial banks, this period can be prolonged for up to two weeks. Finally, the debtor has a right to file a complaint against the seizure within 15 days, which further prolongs the process.

Time to enforce a judgment



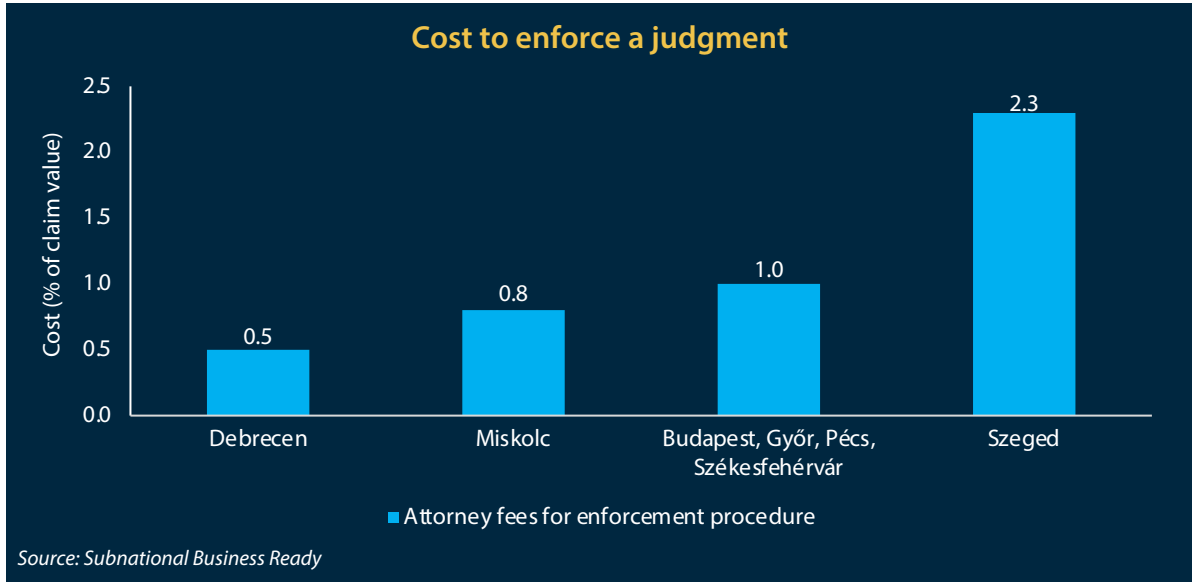
Source: Subnational Business Ready

Dispute Resolution in Hungary

Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (4/5)**

Cost to enforce a judgment:
0.5% to **3.3%** of the claim value

- Enforcement costs consist of attorney fees. In addition, creditors pay to the enforcement agents a fee for the enforcement request. This fee is paid in advance in the amount of HUF 350,000, equivalent to 0.33% of the claim value. However, the fee is reimbursed once the assets are seized from the debtor and not calculated towards the enforcement costs.
- Attorneys charge 0.5% of the claim value in Debrecen, 0.8% in Miskolc, 1% in Budapest, Győr, Pécs, Székesfehérvár, and 2.3% in Szeged. According to the existing regulation, a lawyer participating in a court enforcement procedure can charge a fee of up to 1% of the claim value. Otherwise, the attorney fee is a subject of the contractual agreement between the creditor and the lawyer.



Source: Subnational Business Ready

Duty to archive enforcement documents

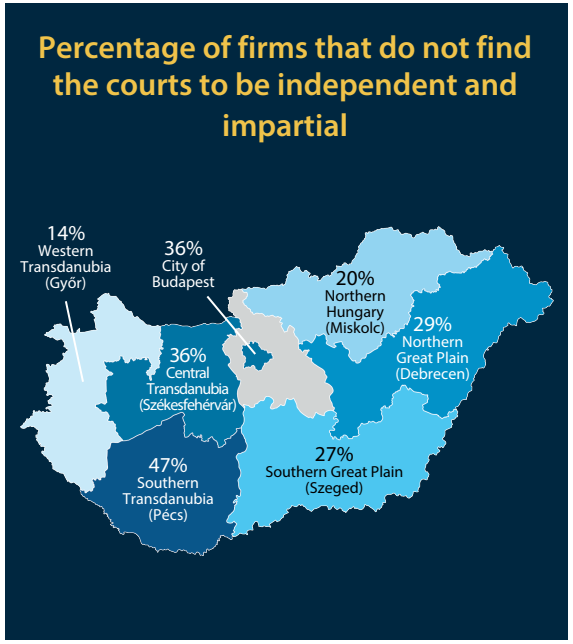
- Enforcement agents interviewed for this study mentioned that they need to store documents in physical form for 40 years. Namely, according to the Article 46/B and C of Regulation 1/2002 (I.17) of the Ministry of Justice on Court Enforcement Administration and Money Management, the enforcement agents are responsible for archiving all documents related to the enforcement procedure for 40 years. Interviewed enforcement agents mentioned that this obligation creates significant costs, as many of them rent storage space and other premises to keep all the documents in physical form.
- The same Regulation (article 22/C/1) requires the digitization of all documents, thus creating duplicated archives.

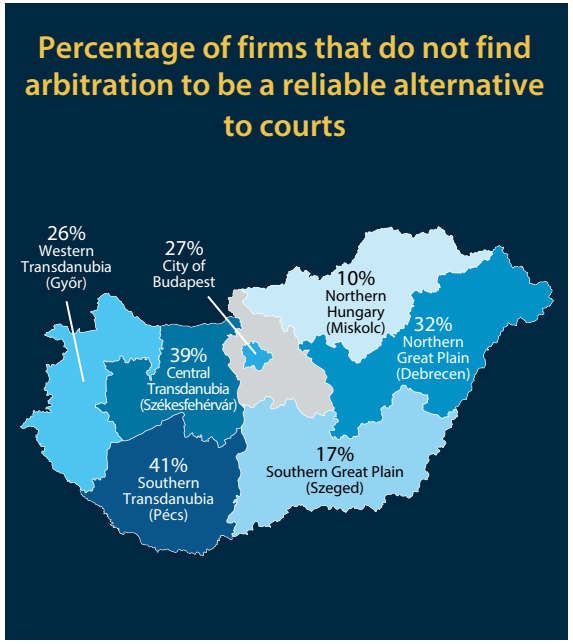
Dispute Resolution in Hungary

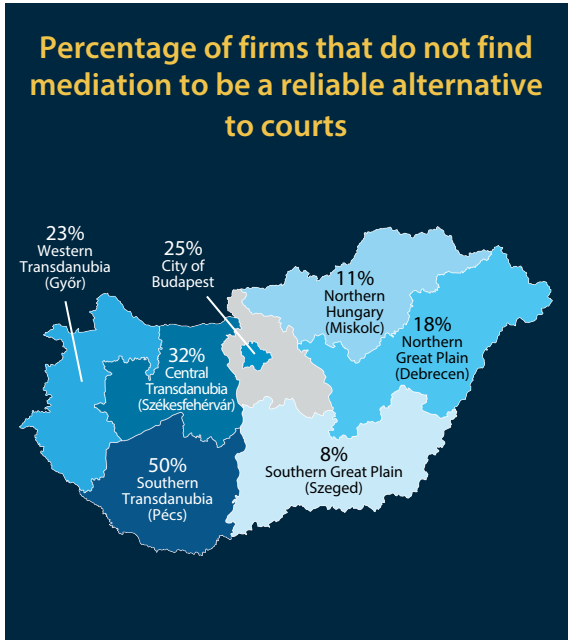
Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (5/5)**

Reliability of courts and alternative dispute resolution

- Among the regions surveyed in Hungary, Southern Transdanubia (including Pécs) has the largest share of firms that do not find courts to be independent and impartial; this region also has the largest share of firms that do not find alternative dispute resolution mechanisms reliable.
- Countrywide, 27% of Hungarian firms do not find the courts to be independent and impartial.
- Countrywide, only 3% of Hungarian firms find courts to be a constraint to business operations.







Source: World Bank Enterprise Surveys, https://www.enterprisesurveys.org/
*NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

Dispute Resolution in Hungary

Areas of improvement for Dispute Resolution (1/2)

Introduce small-claims courts or small-claims procedures

Commercial disputes can be time and cost consuming for small businesses. To avoid overburdening small and medium entrepreneurs who often have disputes with relatively low value, countries establish small-claims courts or small-claims procedures. Hungary has neither of them. There are rules for small-claims procedures in Hungary, but they relate to non-litigious cases. Namely, the payment order procedure in Hungary is a simplified, electronic, but non-litigious procedure for enforcement of monetary claims with a value that does not exceed HUF 3 million. The procedure is conducted before notaries and without the participation of courts.

Small-claims courts or small-claims procedures require shorter deadlines and simpler rules which lower the costs of commercial disputes for the parties. Croatia introduced small-claims procedures for all claims up to EUR 6,630 and stipulates simplified rules (e.g., no separate hearing for issuing a judgment, initial claim must have all facts and evidence stated therein) that aim to complete litigation processes more effectively. Hungary can follow this good practice from Croatia and introduce small-claims courts or small-claims procedures with simpler procedural rules for all claims below certain threshold.

Relevant stakeholders: Ministry of Justice; National Court Authority

Introduce legal limits for adjournments

The legal framework in Hungary does not stipulate a maximum number of adjournments in commercial litigation. Setting legal limits to the granting of adjournments is a case management technique that aims to enforce strict timelines in commercial litigation.

The Committee of Ministers of the Council of Europe recommends having no more than two hearings (preparatory and trial) and not granting adjournments unless new facts or exceptional circumstances occur. The introduction of the legal limits for adjournments would increase the efficiency of commercial litigation in Hungary and enhance the legal certainty of judicial procedures.

Hungary can replicate the example from Greece. Namely, the regulatory framework for commercial litigation in Greece has strict rules on the maximum number of adjournments. Greek judges can grant a maximum of one adjournment before the case is tried.

Relevant stakeholders: Ministry of Justice; National Court Authority

Dispute Resolution in Hungary

Areas of improvement for Dispute Resolution (2/2)

Publish all court judgments

Publishing court judgment in a searchable database free of charge strengthens judicial transparency. Visibility of information on the outcome of commercial cases improves public trust and the confidence of investors on how the regulations are applied in practice.

The Supreme Court and appellate courts decisions are publicly available in Hungary. However, all commercial judgments of first instance courts are still not available online for consultation by entrepreneurs and legal practitioners.

Hungary made progress with the publication of some decisions in commercial cases in the E-akta portal. However, to replicate good practices of other European Union Member States, such as Romania with its *ReJust* portal, Hungary needs to make all commercial judgments of first instance courts publicly available.

Relevant stakeholders: Ministry of Justice; National Court Authority

6. Business Insolvency in Detail

Business Insolvency in Hungary

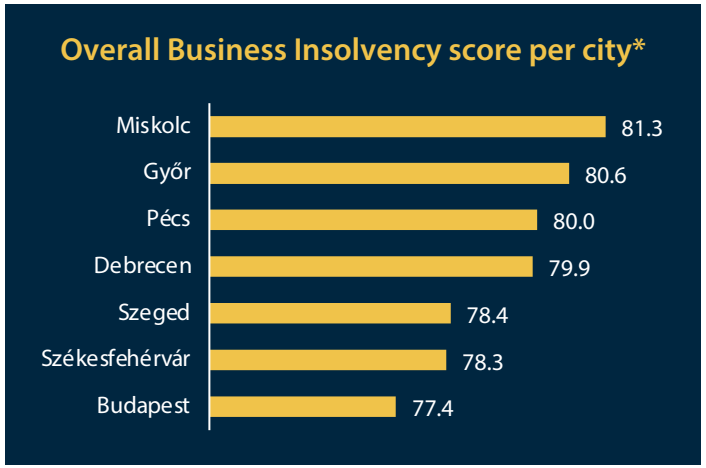
Pillar I: **Regulatory Framework**	Score (all cities): **73.5**/100
Pillar II: **Public Services**	Score: **80** (6 cities) to **90** (Budapest)/100
Pillar III: **Operational Efficiency**	Score: **68.8** (Budapest) to **90.3** (Miskolc)/100

Time (months):	Liquidation: **24** (3 cities) to **33** (Szeged)
	Reorganization: **8.5** (Székesfehérvár) to **12** (Győr, Miskolc)
Cost (% of market value of the insolvent company*):	Liquidation: **5%** (Pécs) to **18%** (Budapest)
	Reorganization: **2%** (3 cities) to **10%** (Budapest)

*For an insolvent's company market value of HUF 806,657,700, equal to 150 times the 2021 GNI per capita. Hungary's 2021 GNI per capita is HUF 5,377,718

Main findings

- There are 3 types of insolvency proceedings in Hungary: liquidation (for final winding-up of the insolvent company), reorganization (within bankruptcy proceedings), and restructuring (not measured for this study). Restructuring was introduced as part of the EU directive 2019/1023, implemented in 2021 and came into force in July 2022; it was quickly adopted by debtors, whereas reorganization within bankruptcy proceedings rarely occurs.
- The Hungarian insolvency system puts a strong emphasis on agreement among parties and the legal obligation of judges to orient parties towards mediation and alternative dispute resolution mechanisms. Judges are encouraged at several phases of the process to facilitate the agreement between the debtor and the creditors. No regulatory differences (Pillar I) were observed across cities.
- Courts have reached a high level of digitalization. The Budapest court is fully technologically equipped. Respondents reported minor infrastructural difficulties at the local level (low broadband, outdated IT equipment).
- The court in Budapest is unique in its distinct organization for insolvency, including an Economic College with specialized insolvency judges that has exclusive jurisdiction over restructuring proceedings. Although facing by far the highest number of cases, it is reportedly better equipped in terms of training resources, educational programs and technological equipment. This justifies the higher score for Budapest in Pillar II. In contrast, all other courts lack the presence of specialized judges for insolvency proceedings.
- Differences in terms of time do arise, especially regarding liquidation proceedings, given different workloads and internal organizational issues. Regarding costs, variations may arise from lawyers' fees, which are determined by the market. Judges have discretion in redetermining lawyers and insolvency administrators' fees only when deemed too high.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Business Insolvency in Hungary

Why is business insolvency important?

- An efficient insolvency system promotes new firm creation and encourages greater entrepreneurial activity.[52]
- It permits an effective exit of non-viable companies, so that entrepreneurs can reinvent themselves, by stimulating the reallocation of productivity-enhancing capital and promoting business creation and access to finance.
- It ensures the survival of economically viable business by reorganizing their financial structure, with the aim of encouraging more dynamic entrepreneurial activity and job creation.
- The stability of the financial system also depends on an efficient insolvency framework. Investors are willing to commit only when nonviable firms can be rapidly liquidated and viable firms reorganized.[53]

What does the Business Insolvency topic measure?

Pillar I: Regulatory Framework

Quality of regulations for judicial insolvency proceedings

- Legal and procedural standards
- Assets and stakeholders
- Specialized proceedings

Pillar II: Public Services

Quality of institutional and operational infrastructure for judicial insolvency proceedings

- Digitalization and online services
- Public officials and insolvency administrators

Pillar III: Operational Efficiency

Operational efficiency of resolving judicial insolvency proceedings

- Time and cost to resolve a liquidation proceeding
- Time and cost to resolve a reorganization proceeding

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

52 Cirmizi, Klapper, and Uttamchandani, 2012.
53 Menezes, 2014.

Business Insolvency in Hungary

The Hungarian shift towards restructuring – implementing alternative dispute resolution mechanisms in insolvency proceedings

In Hungary, pre-insolvency restructuring proceedings, known as *szerkezetátalakítási*, are overseen by a group of 10 judges of the Economic College of the Budapest Court, who get specialized training, including an accounting-related degree from the Budapest Economic University. These judges have exclusive rights to decide on cross-border cases and are responsible for testing the information system. *Szerkezetátalakítási* proceedings offer benefits such as confidentiality, potentially avoiding panic among creditors and maintaining the debtor's reputation. They also allow more time for parties to reach an agreement, as opposed to a strict deadline in bankruptcy cases. The President of the Chamber is motivated to encourage parties to reach agreements by themselves, and the legal act requires judges to suggest mediation or other unofficial arrangements to conclude claims. Overall, there is a decreasing tendency of "small" cases going to final judgment in front of judges, indicating a shift towards alternative dispute resolution methods. The success of this new restructuring mechanism in contrast with still existing bankruptcy proceedings—whose number is rapidly decreasing—is also supported by statistics: while only 15 bankruptcy cases are currently pending in the whole country, 23 restructuring proceedings had been commenced just in the last year and half.* The new proceedings are also fully in line with the nature of the Hungarian insolvency system, which in general is of "non-litigation nature," with judges proactively facilitating an agreement between debtors and creditors in several phases of the proceedings.

**Source:* Meeting at the Economic College of Budapest Court, November 2023.

Relevant laws and regulations in Hungary

- **1991. (XLIX.) Legal Act on Bankruptcy and Liquidation Proceedings:** provides procedures and deadlines for liquidation and reorganization proceedings.
- **2007. (XXVIII.) Legal Act on Private International Law:** governs the applicability of laws regulating international contracts and commercial relations involving parties from two or more different states.
- **1994. (LXVI.) Legal Act on the Wage-Guarantee Fund:** ensures the financial protection of employees in case of insolvency or difficult economic situation by the employer.
- **2021. (LXIV.) Legal Act on Restructuring:** implements the EU Directive 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt.
- **Supervisory Authority for Regulated Activities of Hungary (SZTFH) decree 14/2021. (X. 29.):** provides regulation for the consolidation of the list of liquidators, and the methods of appointment of liquidators.
- **Government decree 75/2018. (IV. 20.):** regulates the tasks related to the creation of the insolvency register.
- **Government decree 263/2022. (VII. 27.):** prorogates the application of the transitional rules of the Law XLIX of 1991 on Bankruptcy and Liquidation Proceedings during the state of emergency declared due to the COVID-19 pandemic.

Business Insolvency in Hungary

Pillar I: **Quality of Regulations for Judicial Insolvency Proceedings**

Hungary score (all cities): **73.5** out of 100 points

Information and procedural standards in insolvency proceedings

Legal and procedural standards

22.5/30

- ✓ Obligations of the company's management during pre-insolvency are based on duty of care and duty of loyalty, under the risk of becoming personally liable for damage and losses
- ✓ Commencement of formal proceedings by creditors is possible, except for reorganization proceedings
- ✓ Conversion from reorganization to liquidation is allowed by law
- ✓ Requirements to become an insolvency administrator are outlined by law
- ✓ Mechanisms for selection and dismissal of insolvency administrators are legally established
- ✗ No protection of dissenting creditors in reorganization
- ✗ There are no effective out-of-court restructuring mechanisms

Debtor's assets and creditor's participation

41/50

- ✓ Automatic stay of proceedings, which refrains enforcement of credit payment, is applicable
- ✓ Continuation of existing essential contracts is possible in the best interest of business viability
- ✓ Rejection of burdensome contracts is possible in the best interest of business viability
- ✗ No post-commencement credit availability
- ✗ There is no implementation of exceptions or relief for the automatic stay of proceedings

Specialized insolvency proceedings and international insolvency

10/20

- ✓ Existence of framework and recognition of foreign insolvency proceedings
- ✓ Existence of a legal framework for cooperation with foreign courts
- ✗ No specialized insolvency proceedings for micro, small, and medium enterprises (MSMEs)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Insolvency in Hungary

Pillar II: **Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (1/2)**

Hungary score: **80** (6 cities) to **90** (Budapest) out of 100 points

Public services for business insolvency tend to be homogeneous across Hungarian cities, with one exception.

- The Budapest Court (*Fővárosi Törvényszék*) possesses a unique infrastructure for insolvency cases. It has specialized judges with greater expertise and more flexibility in adjudication.
- However, courts in other regions may conclude insolvency proceedings more rapidly due to their lighter caseloads. Issues with limited availability of IT tools in local courts have been reported by experts, thus posing potential concerns on the continuous functioning and availability of online platforms.

40/40

Digital services (e-Courts) in insolvency proceedings

- ✓ Filing insolvency proceedings, notifications, fee payments, and all communication among insolvency administrators, lawyers, and judges is conducted entirely electronically via the *Cégkapu* platform, eliminating the need for hard copies or physical interaction
- ✓ Lawyers, who are mandatory legal representatives, receive all notifications and decisions electronically
- ✓ Creditor can monitor their insolvency proceeding electronically either by visiting the court's premises or through their lawyer
- ✓ Auctions are electronic and organized by the insolvency administrators. Biddings can be done electronically, and the procedure is entirely monitorable online.
- ✓ Virtual hearings are available, although their use is not very common, due to infrastructural challenges in many local courts

30/40

Interoperability of services in insolvency proceedings, public information on insolvency proceedings and registry of insolvency practitioners

- ✓ Interoperability with external systems
- ✓ Publication of judgments in insolvency procedures publicly available at all levels (although technical disfunctions have been reported)
- ✓ Publication of data on number and type of insolvency procedures publicly available (although it needs more frequent updates)
- ✓ Publication of Register of Insolvency Practitioners (although respondents reported that it is not up-to-date, raising concerns about the operation of the randomized lottery system)
- ✗ No interconnection between the case management system and e-filing systems

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Insolvency in Hungary

Pillar II: **Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (2/2)**

Hungary score: **80** (6 cities) to **90** (Budapest) out of 100 points

Budapest: **10/10** 6 cities: **0/10**

Specialization of courts with jurisdiction on reorganization and liquidation proceedings

- Budapest is the only city with judges specialized on insolvency matters
- The specialized court is unique for its distinct organization for insolvency, holding exclusive jurisdiction over the new preventive restructuring proceedings
- It also holds specialized judges' training courses

10/10

Insolvency administrators' expertise in practice

- Regulation establishes the criteria for becoming an insolvency administrator (IA), including their fees, tasks, and responsibilities
- Hungarian IAs are not professionals, but corporations running enterprises provided with technical and management experts in charge of most tasks, including the evaluation of assets and technical assessments. The use of court-appointed experts is not a common practice
- IAs can exercise their profession nationwide, and appointments are made via a lottery system
- Judges are responsible for confirming the appointment, as well as dismissing IAs in case of negligence

The Economic College of the Budapest Court

The Economic College in Budapest plays a significant role in the field of insolvency in Hungary, as it hosts specialized judges working solely on insolvency matters. It is actively involved in pilot projects, particularly in testing new programs and initiatives related to insolvency. The College promotes collaboration and spreads knowledge in the field with other institutions, like the Hungarian School of Judiciary. One of its key functions is to train insolvency-related judges by providing specialized knowledge to judges who handle insolvency cases, allowing them to have a deep understanding of the subject matter. The College also advocates for judges to have the flexibility to decide the timeline and proceedings of a case based on its complexity, ensuring a fair and informed decision-making process. Additionally, it promotes alternative dispute resolution methods, such as mediation, to encourage parties to reach agreements outside of court. The College has applied for a mediation room to facilitate this process.

Business Insolvency in Hungary

Pillar III: **Operational Efficiency of Resolving Judicial Insolvency Proceedings (1/3)**

Hungary score: **68.8** Budapest to **90.3** Miskolc out of 100 points

Time

TIME	Liquidation	Total time (months)	Reorganization	Total time (months)
Longest	Szeged	33	Győr/Miskolc	12
Shortest	Budapest/Győr/ Miskolc	24	Székesfehérvár	8.5

- Insolvency law in Hungary prescribes strict deadlines for the main aspects of the procedure towards the appointment of insolvency administrators. Liquidation by law should be concluded in two years and bankruptcy reorganization in one year. However, while reorganization deadlines are respected all over the country according to respondents thanks to a very limited caseload, four courts out of seven reportedly need more time to conclude liquidation proceedings.
- Generally, courts where economic colleges had been established, like Budapest or Miskolc, were able to improve time efficiency notwithstanding their remarkable caseload, thanks to a higher expertise on economic issues.

Cost

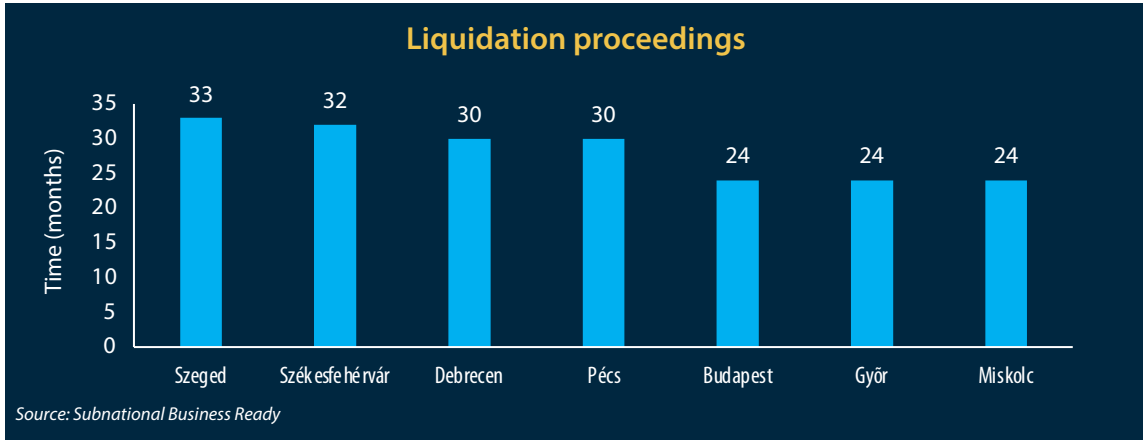
COST	Liquidation	Total cost (% of company value)	Reorganization	Total cost (% of company value)
Highest	Budapest	18	Budapest	10
Lowest	Pécs	5	Debrecen/Pécs/ Szeged	2

- Cost differences are mostly market-driven. Caseload (and business for lawyers and insolvency administrators) is highly concentrated in Budapest. This explains the very remarkable cost difference between the capital and the rest of the country.

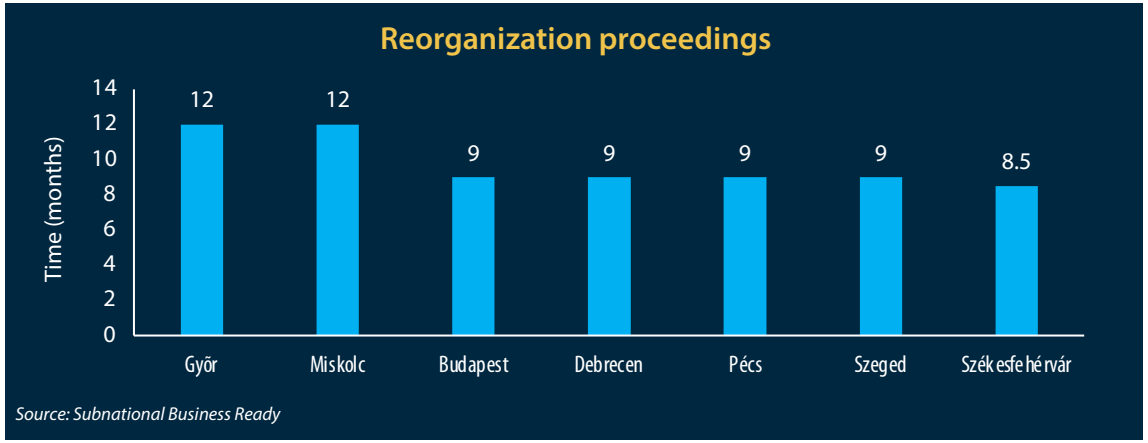
Business Insolvency in Hungary

Pillar III: **Operational Efficiency of Resolving Judicial Insolvency Proceedings (2/3)**

Time for liquidation and reorganization proceedings



Source: Subnational Business Ready



Source: Subnational Business Ready

About reorganization proceedings:

Subnational differences are minimal, as minimal is the number of reorganization proceedings in the country currently pending before courts (15). Since the introduction of new preventive restructuring proceedings, interest in bankruptcy-reorganization proceedings has significantly dropped. Most of these proceedings are still concentrated in the Budapest court, which has enough capacity to manage them in an efficient manner. All cities respect the mandatory statutory limit of one year for concluding reorganization proceedings.

Nationwide highlights about liquidation:

- The pre-insolvency stage is rather quick a (maximum of 180 days from the payment of the initial fee to the start of the official proceeding).
- During a liquidation procedure, a payment suspension (45 days) can be requested, if the parties are conducting parallel negotiations to attempt restructuring.
- No court hearings are necessary but can be requested by both parties at any time. Thanks to this provision, the absent party cannot artificially prolong the proceeding.
- Once appointed, the insolvency administrator has one year to address all creditors' claims.

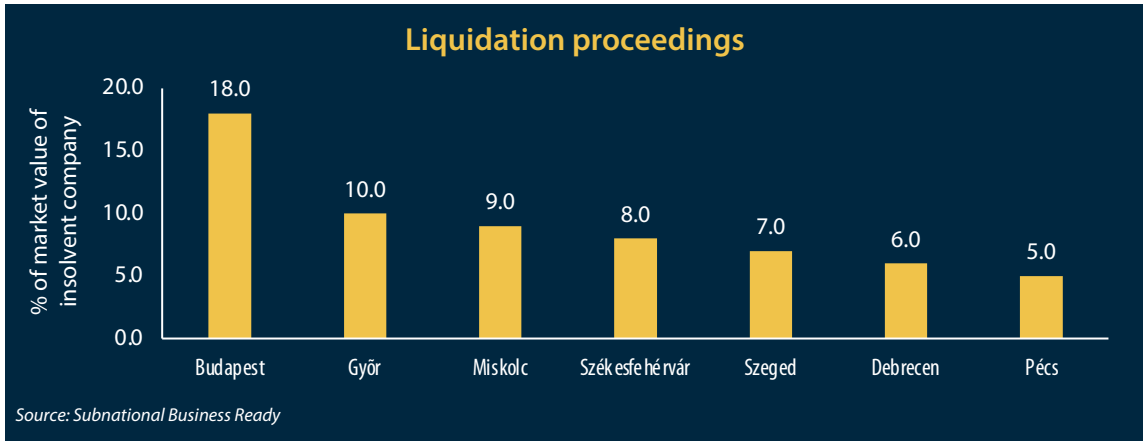
Subnational differences about liquidation:

- **The Budapest Court (*Fővárosi Törvényszék*), notwithstanding its workload, is reportedly efficient** and able to conclude most liquidation cases in compliance with the two-year statutory limit. The Budapest Court has well-equipped courtrooms, efficient IT tools, and several facilities for lawyers and parties. Moreover, it benefits from a group of judges solely dedicated to insolvency cases, with specific expertise on law and economics issues. Each judge can administer his/her own calendar of hearings, and they share it with the Office of the President of the Tribunal, who intervenes when a case is delayed or when overlapping across agendas occurs.
- **Courts with economic colleges, like Miskolc and Debrecen, report better ability and capacity to deal with workloads.**
- **However, several local experts report a generalized lack of judges and capacity in smaller courts,** explaining court delays in cities such as Szeged and Székesfehérvár.

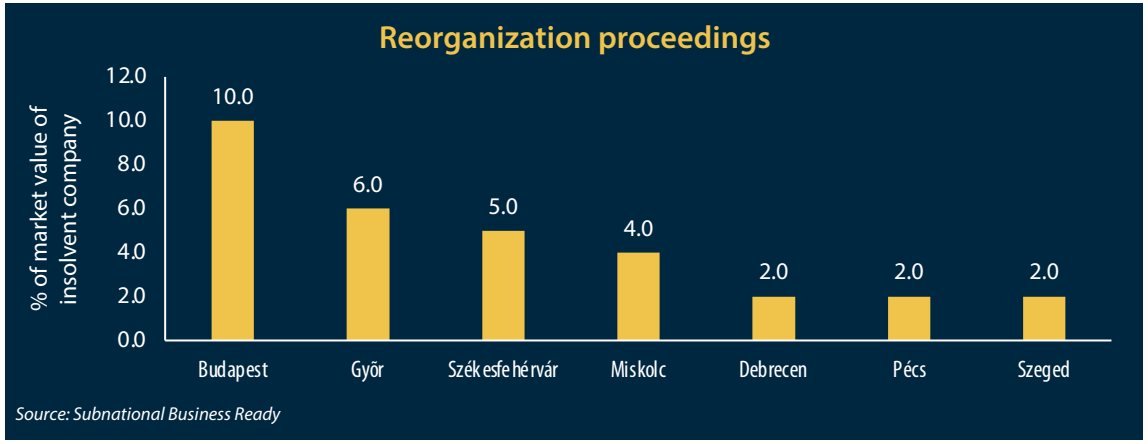
Business Insolvency in Hungary

Pillar III: **Operational Efficiency of Resolving Judicial Insolvency Proceedings (3/3)**

Cost of liquidation and reorganization proceedings



Source: Subnational Business Ready



Source: Subnational Business Ready

By far, Budapest is the city where lawyers can charge the highest fees. Most of the economic activities are concentrated in the capital, and most complex cases, with plenty of assets to be potentially sold, are pending before the Economic College of the Budapest Court. Experts reported that Budapest law firms charge their clients more. The other cities are homogenous overall in terms of population (all have between 100,000 and 200,000 inhabitants) and economic conditions. Even among smaller cities, some show less competition in terms of available law firms—thus explaining slightly higher fees in cities like Győr, Miskolc, and Székesfehérvár.

The method for calculating insolvency administrators' fees is homogeneous and, because IAs are selected through a nationwide lottery, no substantial local comparisons are possible on this cost component. As fees are strictly related to sold assets, cases in Budapest involve larger fees by far.

The differences in reorganization proceedings are mostly dependent on lawyers' fees and the amount of the success fee (N.B.: practice is very limited).

Court fees

- Court fees for liquidation: HUF 80,000 stamp fee for commencement of proceedings + HUF 25,000 publication fee.
- Court fees for bankruptcy reorganization: HUF 50,000 stamp fee for commencement of proceedings + HUF 25,000 publication fee.
- Insolvency administrator's fee in liquidation and reorganization: A success fee calculated as a percentage of the value of the sold assets and recovered receivables, varying from 0.25% to 2%. A minimum fee of HUF 500,000 (raised from HUF 300,000 since January 1, 2024) is to be recognized in all cases. Courts have discretion to reduce IAs' fees down to this minimal value, although this is rare in practice.

Business Insolvency in Hungary

Areas of improvement for Business Insolvency Proceedings

- **Increase transparency regarding active insolvency administrators.** An up-to-date list is missing, thus raising several concerns about the criteria for selection and the effective operation of the randomized lottery system.
- **Improve technological infrastructure in local courts,** outside Budapest, where use of virtual hearings is very limited given reported problems with IT equipment and limited broadband.
- **Ensure up-to-date publication of judgments,** as respondents reported delays and technical disfunctions with the system. The adoption of anonymized versions of judgements might be considered to balance transparency requirements with confidentiality concerns.
- **Ensure transparency of statistics at all levels.** Although statistics are available, detailed data is limited at the local court level. Most statistics are available at an aggregated level only on the website of the National Office for the Judiciary.
- **Implement insolvency training programs at the local level,** of the same type as the ones successfully implemented by the Economic College of the Budapest Court, together with the Hungarian School of Judiciary.
- **Ensure a fair and equal treatment of all creditors.** Experts reported that, on several occasions, reorganization bankruptcy proceedings might be used with the main purpose of delaying the liquidation of the company. Issues in terms of transparency (debtors trying to sell/donate assets artificially to a selected pool of creditors before the declaration of insolvency, not complying with the *par condicio creditorum* principle) have been anecdotally reported. A more efficient system of Early Warning Tools and sanctioning of abusive conducts by debtors might be beneficial.

Relevant stakeholders: Ministry of Justice; National Office for the Judiciary (OBH); National Judicial Council; National Association of Liquidators and Assets' Supervisors (RFE)

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