The study of budget credibility examines the extent, nature, causes and consequences of deviations from approved budgets. In this series, part of the International Budget Partnership’s Assessing Budget Credibility Project, 24 civil society partners in 23 countries probed a specific area in which execution of the national budget repeatedly diverged from the approved plan to learn whether adequate reasons were provided for the deviation. The broader synthesis report on these findings can be found here.

HUNGARY: RESEARCH FUNDING

Basic research, key to driving innovation and global competitiveness, is generally financed by governments and multinational companies, leading to larger countries having an advantage in absolute terms. Nevertheless, there are small countries that also heavily prioritize basic research. For example, Hungary’s regional peers – Czech Republic, Slovak Republic, Slovenia, and Poland – all spend more on basic research as a percentage of their GDP than it does.

BUDGET CREDIBILITY CHALLENGE

One obstacle to increasing funding for basic research in Hungary is the fact that the government usually spends less than what is budgeted. According to Ministry of Finance data, between 2010 and 2017, the cumulative amount of underspending on basic research exceeded 68 billion HUF.

EXECUTION RATE FOR BASIC RESEARCH FUNDING IN HUNGARY, ACCORDING TO THE MINISTRY OF FINANCE

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<tbody>
<tr>
<td>Approved (mm HUF)</td>
<td>77,583</td>
<td>77,573</td>
<td>89,542</td>
<td>103,346</td>
<td>79,990</td>
<td>92,261</td>
<td>87,106</td>
<td>96,657</td>
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<tr>
<td>Executed (mm HUF)</td>
<td>66,522</td>
<td>71,590</td>
<td>76,448</td>
<td>85,169</td>
<td>72,670</td>
<td>81,231</td>
<td>91,538</td>
<td>90,489</td>
</tr>
<tr>
<td>Difference (mm HUF)</td>
<td>-11,061</td>
<td>-5,983</td>
<td>-13,094</td>
<td>-18,176</td>
<td>-7,320</td>
<td>-11,030</td>
<td>4,432</td>
<td>-6,168</td>
</tr>
<tr>
<td>Execution rate (%)</td>
<td>86%</td>
<td>92%</td>
<td>85%</td>
<td>82%</td>
<td>91%</td>
<td>88%</td>
<td>105%</td>
<td>94%</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance, Hungary

However, confounding the analysis is that there are four different government sources on basic research spending: Ministry of Finance, Treasury, National Accounts and the Central Statistical Office (CSO). Each differs in methodology and offers different summary figures. However, given the lack of supplementary data from the other sources, at this time the extent of budget deviations can only be assessed through the Ministry of Finance data, making it impossible to confirm the depth of the credibility issue.
WERE EXPLANATIONS FOR THE DEVIATIONS FOUND IN GOVERNMENT REPORTS?
No. None of the following reports contained justifications for budget deviations:

- Executive budget proposals
- Enacted budget documents
- Year-end reports
- Financial statements of the budgetary institutions

DID THE GOVERNMENT AGREE TO BE INTERVIEWED TO EXPLAIN FURTHER?
No, apart from anonymous interviews with public institutions. Based on these accounts and official data, a few hypotheses have arisen for the budget deviations, including low administrative capacity to utilize funds and the desire to shift the burden of funding research from domestic to European Union funds. However, none of these theories could be confirmed.

WERE THE REASONS PROVIDED BY GOVERNMENT ADEQUATE?
No. No reasons were explicitly stated in published reports.

This summary is excerpted from research conducted by the Fiscal Responsibility Institute Budapest (FRIB), a non-profit research institute that aims to deliver unbiased information to the public about the expected impacts of policies that relate to the budget. The original report is available here: bit.ly/BudgetCredibilityReports. For more information on the Assessing Budget Credibility project, visit internationalbudget.org/budget-credibility.