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AUTHORS:

Anna Zsófia Bajomi, Polytechnic University of Milan, Department of Urban Planning, Design and Policy

Márton Czirfusz, Centre for Economic and Regional Studies; Periféria Policy and Research Center

Csaba Jelinek, Periféria Policy and Research Center

Bernadett Sebály, CEU, Doctoral School of Political Science Public Policy and International Relations

EDITOR:

Lili Vankó, Habitat for Humanity Hungary

FURTHER CONTRIBUTORS:

Eszter Bakondi-Kiss, Habitat for Humanity Hungary

Balázs Dobos, Habitat for Humanity Hungary

Nóra Feldmár, Habitat for Humanity Hungary

Áron Rossman-Kiss

INFOGRAPHICS:

Nóra Feldmár, Habitat for Humanity Hungary

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MÁRTON CZIRFUSZ,
CSABA JELINEK

Housing policies and housing affordability in Hungary after 1990

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About the authors:
Márton Czirfusz (Periféria Policy and Research Center; Centre for Economic and Regional Studies)
Csaba Jelinek (Periféria Policy and Research Center)[1]

Introduction[2]

During the era of state socialism in Hungary, one of the most important social policy objectives of the regime was to solve the 'housing problem'; in other words, to increase the number of dwellings and improve their quality.[3] According to the Hungarian Central Statistical Office, the number of dwellings increased by more than 56% between 1949 and 1990 – from 2.47 million to 3.85 million.[4] At the same time, the quality of housing units also improved rapidly. For example, the proportion of dwellings with access to piped water increased from 17.1% to 83.3% over the same period.[5] Despite the significant increase in housing quality, experts estimated that **in 1990, 2–3 million people were still experiencing some form of housing poverty.**[6] According to contemporary estimates, the problem of housing poverty remains at a roughly similar level today: 20–30% of the population is still experiencing some form of housing poverty in 2021.[7]

During the state socialist period, the involvement of the state in the field of housing increased significantly compared to earlier times. By the 1980s, however, this involvement had already begun to shrink, as the effects of global financial crisis of the 1970s rippled through the region. The end of this period was marked by the 1989-1990 regime change, after which the political emphasis on housing faded away – resulting in a considerable shift in public policies dealing with this issue. In this chapter we will analyse the changes that have occurred since 1990.

In the chapter's first section we divide the past three decades' history into five eras; in doing so, we aim to highlight the most important continuities and changes that took place during this period. The second section consists of a list – and introduction – of the most important housing policy tools introduced over the last thirty years. The third section introduces the institutional and administrative framework used by the different governments to implement their housing policies. In the fourth section we analyse housing policies from the

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1 Csaba Jelinek's research was conducted with support from the National Research, Development and Innovation Fund of Hungary, financed under the PD_16 funding scheme (project no. 139049).
2 The original manuscript was finished in August 2021. Posterior developments are not part of the analysis.
3 Horváth, S. (2012). Két emelet boldogság: Mindennapi szociálpolitika Budapesten a Kádár-korban. Budapest: Napvilág Kiadó.
4 KSH [Hungarian Central Statistical Office] (2013). 2011. évi népszámlálás: 6. A lakások és lakóik. Budapest: Központi Statisztikai Hivatal.
5 KSH [Hungarian Central Statistical Office] (2013). 2011. évi népszámlálás: 6. A lakások és lakóik. Budapest: Központi Statisztikai Hivatal.
6 See the study by Bernadett Sebály.
7 See Habitat for Humanity's annual reports on housing poverty, especially the 2019 and 2018 editions.

perspective of the public budget – that is, we show how much public money the Hungarian state has spent on housing in different periods. The final section reviews how various housing policy instruments have affected housing affordability, housing poverty and housing inequality.

The five sections underline three main observations regarding the period under review. **Since 1990 the political weight of housing policy has been systematically eroded compared to the previous decades.** Housing policy has become a fragmented field of public intervention, influenced by at times contradictory logics. As a result, housing policy tools were unable to respond effectively to the housing problems faced by different social groups, – particularly the poorer segments of society. As a consequence, **since 1990, housing – and more broadly – social inequalities in Hungary have continued to grow,**[8] **and the housing crisis has deepened.** Finally, our analysis suggests that – apart from the political and administrative marginalisation of housing **– the main reasons for this negative process are the disproportionate support of private homeownership, the severe and systematic under-financing of public and collaborative forms of housing, and the advantageous treatment of wealthier social groups**. Although there have been numerous public policy changes in the field of housing over the past three decades, these three features characterise housing policy in contemporary Hungary with surprising consistency.

[8] Éber, M. Á. (2019). Class Structure of 'Hungarian Society' in the Modern World-System. A historical outline. STRG Working Papers.

1. Five eras of housing policy

We begin with a brief overview that draws heavily on insights from previous similar studies.[9] The five policy eras we have identified from the last three decades' development broadly follow the housing market fluctuations of the period. While the periodisation could have followed an analysis of the political/policy cycles of various governments in power, we did not feel that such milestones (i.e. the starting and end dates of different governments) were the most relevant for out study. Many of the measures – or the spirit of specific measures – were not strictly tied to political cycles; in our view, the major breakpoints should be rather associated with turning points in economic and housing market cycles, punctuated by crises and booms. The housing market cycles – the phases of housing booms and busts – are well illustrated by Figure 1, which shows the number of dwellings constructed annually in Hungary.

1.1. Regime change and crisis management (late 1980s–1995)

A study of the transformation that occurred during the 1970s – that is, roughly the middle of the state socialist period – reveals a number of public policy changes linked to Hungary's growing external debt, its deteriorating position in the global economy and the way this influenced its shrinking fiscal space.[10] The impact of the global economic crisis on Hungary also triggered a number of important changes in the field of housing, leading to a relative decline in the role of the state and the emergence of different types of crises.[11] The 1989–1990 regime change took place during a period of crisis whose effects on the living standard of ordinary people had already been felt for several

[9] See for example Misetics, B. (2017). Lakáspolitika és hajléktalanság. In Ferge Zs. (ed.) Magyar társadalom- és szociálpolitika (1990–2015) (pp. 338–363). Budapest: Osiris Kiadó; Hegedüs, J. (2006). Lakáspolitika és lakáspiac – a közpolitika korlátai, Esély; Hegedüs, J. et al. (2019). Housing market and housing indicators.; or ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről, Budapest: ÁSZ.

[10] Éber, M. Á. et al. (2014). 1989: Szempontok a rendszerváltás globális politikai gazdaságtanához, Fordulat.

[11] Jelinek, Cs. (2021). Turning a 'Socialist' Policy into a 'Capitalist' One: Urban Rehabilitation in Hungary during the Long Transformation of 1989, Journal of Urban History.

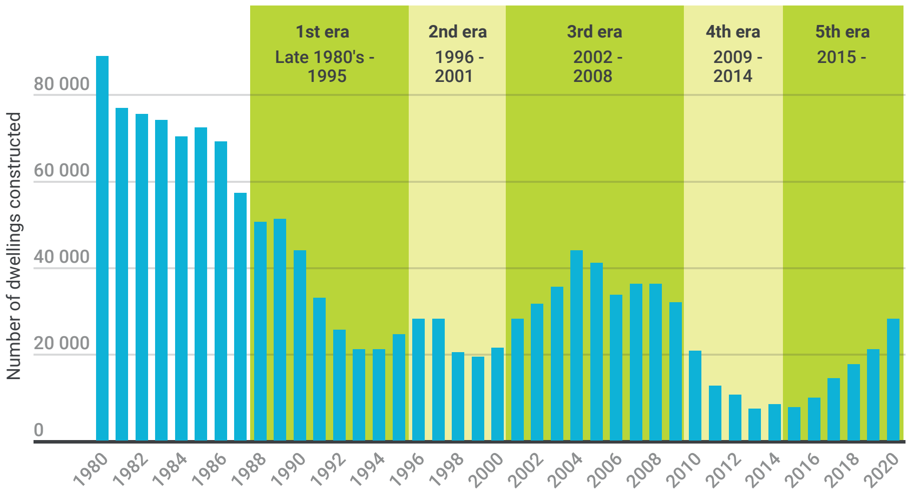

Figure 1: Annual number of dwellings constructed in Hungary.
Data source: Hungarian Central Statistical Office.

years. The nature of the crisis was subsequently transformed by the rapid public policy changes ushered by the regime change. Consequently, the first phase is best characterised by the public policy changes associated with marketisation and the management of the deepening transformational crisis that followed. József Hegedüs a prominent housing sociologist – described the fragmentation of housing from a more or less integrated public policy area into ad hoc crisis-management as a 'drift'.[12]

The privatisation of public housing started already in the late 1980s, but its pace was accelerated with the new Housing Act of 1993 – which probably caused the most profound change in housing policy in the last thirty years. At the time of the regime change, roughly 20% of the country's housing stock was still in public ownership. In the last three decades this figure has fallen to around 2%. In the wake of the regime change, public housing units formerly managed by state socialist councils were transferred into the ownership of newly elected local governments.[13] This policy transferred a significant part of the responsibility of public housing from the central government to municipalities. Municipalities were, however, not given sufficient financial resources for such a task, meaning their new-found political autonomy and responsibilities were not matched with sufficient fiscal room for manoeuvring: as a result, most of them could not afford to properly manage local social and housing problems. With the onset of privatisation, the municipal housing sector not only began to shrink, but also started to suffer from serious structural problems that persist to this day. It was during this period that the ongoing crisis in the public housing sector started to deepen.

Within a few years, the central government had radically cut back on housing spending. Another significant problem for policymakers was the issue of heavily subsidised housing loans in a context of high inflation rates; in 1990, these subsidies already amounted to 8% of the annual GDP.[14] Meanwhile, **there were hardly any significant socially targeted housing subsidies**: the 'social policy allowance'

[12] Hegedüs, J. (2006). Lakáspolitika és lakáspiac – a közpolitika korlátai, Esély, 66.
[13] In Hungary there are approximately 3200 settlements; each of these has its own elected local government. Counties also have their own democratically elected local government. In Budapest, there is a two-tier system: there are 23 district-level local governments and there is also a city-level local government.
[14] Hegedüs, J. (2006). Lakáspolitika és lakáspiac – a közpolitika korlátai, Esély, 67.

(*szocpol*)[15] – which had existed under state socialism – remained in place, but neither housing allowances nor debt management services were introduced until the very end of the period. The negative social impacts caused by the drastic public policy changes introduced during this era resulted in a series of demonstrations and political actions regarding housing.[16] The 'temporary' and 'emergency' interventions – partially in response to the social outcry – introduced during this period notably set in motion the path-dependent development of the institutional homeless care sector.

1.2. Financial liberalisation and new housing finance institutions (1995–2000)

The first and second eras are divided by an austerity-fuelled macroeconomic recovery that followed the regime change crisis (and the subsequent institutional reforms that enshrined marketisation). After the 'emergency', 'drifting' character of the first era**, the second era focused on a more conscious institution-building and the widespread adaptation of market mechanisms.** This process largely followed the (neo)liberal principles of international organisations such as the World Bank.[17] At the beginning of this era, housing finance was in crisis[18] and housing construction reached a record low in 1999.[19] In the mid-1990s, the state-subsidised 'building society' scheme was launched (1996); mortgage-based housing loans were relaunched as well (1998) after six decades – all of which eventually fuelled the first post-regime change housing boom. During this era, the dominant institutional logic regarding housing policy was dominated by financial and macroeconomic perspectives.[20]

[15] The social policy allowance was a widespread, non-refundable cash grant subsidy for homeownership, available to families with children.

[16] See the study by Bernadett Sebály in this volume.

[17] See for example World Bank (1991). Housing Policy Reform in Hungary.

[18] The share of housing loans in total housing investment fell from 20% at the beginning of the decade to 3–4% in 1997, see Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély, 74. See also Hegedüs, J., Várhegyi, É. (2000). The crisis in housing financing in the 1990s in Hungary. Urban Studies.

[19] See the time series on housing and holiday construction by the Hungarian Central Statistical Office.

[20] See the rest of this chapter for more details.

The shifting institutional logic is most clearly illustrated by the housing policies of the first Orbán government (1998–2002) – attempting a somewhat unified approach to housing. **Self-provision became the keyword of the new governmental measures** (these ranged from state-subsidised housing loans to support for private housing construction through tax incentives and renovation schemes targeting socialist-era apartment blocks). **The beneficiaries of those measures were mostly members of the (upper) middle class,** including young families; in effect, this contributed to the further marginalisation of those living in housing poverty. The share of households receiving socially targeted housing allowances, for example, decreased throughout the period. The overall picture is somewhat nuanced by the fact that the first Orbán government supported an increase in the number of public housing units the first such initiative since the regime change. In three years, a total of 11,000 new rental units were added to the drastically reduced stock through acquisitions and new constructions.

1.3. The first housing boom and EU instruments (2000–2009)

After the relatively coherent housing policy of the first Orbán government, **housing policy during the rest of the 2000s was characterised by renewed 'fragmentation'.**[21] However, this era also saw the first housing boom after the regime change. This was largely the result of institutional reforms introduced in the second half of the 1990s and the first years of the 2000s.

Socialist-liberal coalition governments after 2002 tried to implement several more socially sensitive policy instruments. For example, they re-regulated access to the social policy allowance and increased its amount in several steps; they also re-regulated state subsidies and tax incentives linked to the construction of private housing. Housing allowances targeting people living in housing poverty were increased more than twofold in 2003 (financed by a central governmental block grant). A centrally regulated debt management allowance

[21] Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély, 55.

was introduced as well. A subsidy for household gas bills was also introduced during this period – eventually becoming socially targeted in 2007 (until then, the wealthier segments of the population received larger amounts than the most deprived).

The housing boom that started in the early 2000s affected different sections of society in different ways. The wealthier classes were able to improve their housing situation (albeit some of them only temporarily) first through state-subsidised loans and then thanks to the proliferation of forex loans[22] enabled by lax regulation. At the same time, **the majority of society still failed to improve its housing situation,** despite some minor housing policy interventions undertaken with this aim. Overall, however, the predominance of poorly targeted support for private homeownership meant that no meaningful alleviation of housing poverty occurred. A new element that appeared during this period was the risky and growing indebtedness of large swaths of the population. Another characteristic of this era was the **introduction of EU funding for housing-related purposes, and the parallel development of the institutions managing these EU-funded projects.** This era also saw experts prepare the first major urban and settlement rehabilitation projects. During this period, almost 200,000 households were directly reached by the expanding renovation scheme of socialist-era apartment blocks; these renovations were initially financed by the central government, and later increasingly by EU funds.

1.4. The forex loan crisis (2009–2014)

The first post-1990 housing boom was brought to an end by the global economic crisis of 2008–2009, which **severely affected hundreds of thousands of households with forex loans and also the wider national economy.** The early stage of the crisis was marked by the implementation of severe austerity measures. It was followed by the gradual introduction of housing policy measures addressing the negative effects of the crisis: a moratorium on evictions, a forex loan prepayment scheme, a law on compulsory conversion of forex loans to HUF loans, and the establishment of the National Asset Manager, a public institution that took over private properties threatened by foreclosure. Just as the vast majority of housing policy measures introduced since the regime change, **most of these interventions were in effect helping the more affluent.** The only programme targeting people in housing poverty consisted in the creation of the National Asset Manager: this allowed for the largest wave of public housing expansion since 1990, with the purchase of more than 30,000 apartments.

In the course of the crisis, several existing allowances (most of them targeting people living in housing poverty) were either tightened or withdrawn: the social policy allowance was withdrawn, access was restricted to the housing allowance and debt management allowance, and subsidies for the households' gas bills was eventually replaced by the 'utility price reduction' measures of the Orbán regime. Since 2010, a series of governments with a constitutional majority led by PM Viktor Orbán have been in power. The anti-poor politics of the Orbán regime are exemplified by the criminalisation of homeless people (which was also enshrined in the Fundamental Law of Hungary – the country's constitution). In the domain of housing, crisis management and utility price reductions were the priority of the central government until 2015; the housing policy principles of the Orbán regime only became clear after 2015, at the start of the second post-1990 housing boom.

1.5. The second housing boom (2015–2021)

Our analysis of the Orbán regime splits it into two parts, with a turning point occurring in 2015: this marks the advent of the second post-1989 housing boom. In this era, the **governments introduced several housing policy instruments that went well beyond the 'crisis management' character of the previous era.** In 2015, the government decided to introduce the family housing benefit (CSOK); this was followed by the introduction of subsidised loans for families planning to have children (the so-called 'baby expecting loan') and the home renovation subsidy. All these measures have similar objectives: to support (upper) middle-class families with several children. Meanwhile, the socially targeted – and centrally regulated – housing allowance and debt management allowance

[22] Loans denominated in foreign currencies (mainly in Swiss franc, euro and Japanese yen). In the early 2000s, these loans had significantly lower interest rates than loans denominated in Hungarian Forint (HUF). However – as their interest rates were not fixed – after the 2008 crisis with the rapidly devalued Hungarian forint the monthly instalments to be paid for forex loans skyrocketed.

schemes were either abolished or downscaled in 2015. During this period, socially targeted governmental housing expenditure fell – which inevitably led to increasing inequalities. The reprivatisation of 90% of the National Asset Manager's housing portfolio (and the transfer of the remaining 10% to religious organisations) fit into this trend. Throughout this period, the only major socially targeted investment with a housing component have been the EU-funded urban and rural regeneration programmes. Overall, the impact of such programmes has nonetheless remained minimal – particularly as the centralisation of EU funding allocation has only reinforced the paternalistic nature of these projects.

Similarly to the era of the first Orbán government (1998–2002), this one is also characterised by the subordination of housing policy to other policy domains: **macroeconomic and family policy considerations continue to shape housing-related decision-making.** While it is important to highlight that neither of these characteristics is new or unique to the Orbán governments, other traits are distinct features of this era: the systematic disregard of people living in housing poverty, unconditional ideological support for a housing system dominated by private homeownership, and the wholesale rejection of the public or non-profit rental housing sector.

2. Key housing policy instruments 1990–2021

The following section is a brief overview of housing policy instruments introduced during the last three decades, grouped according to the logic guiding them. The groups discussed below cover the most important interventions. As dozens of housing policy instruments have been introduced by different governments over the period under review, we have not attempted to be exhaustive – instead, we have focused on the instruments that are significant in terms of the public funding allocated to them and in terms of the number of people they reached. For each group, we outline historical milestones and – where possible – the extent of government resources used, the number of people reached and their impact on housing poverty and affordability.

2.1. Housing privatisation

The contemporary Hungarian housing system has been largely shaped by the decisions taken during the regime change – most importantly those related to the privatisation of housing. These decisions **led to a historically unprecedented loss of state assets; they also significantly reduced the state's room for manoeuvre in the field of housing.** The legal possibility to privatise state-owned housing units was already introduced in 1969; but in effect privatisation started in the 1980s – well before the regime change. For example, in 1988 c.10,000 flats were privatised nationwide, and 20,000 in the following year.[23] In 1990, the share of state-owned flats was about 20% nationwide and 50% in Budapest. Internationally, this proportion was not particularly high: at the same time, the number of publicly owned dwellings in England was also 20%, despite a privatisation wave that had been ongoing for years.[24]

In 1990, the former state-owned flats were transferred to local municipalities; until 1993 they could decide on their own whether to sell them to sitting tenants or not. From 1993 onwards, housing privatisation was regulated by the new

[23] Farkas, E., Szabó, M. (1995). Privatizáció és szociálislakás-gazdálkodás, Statisztikai Szemle, 1002.
[24] For a historical timeline see: the Ministry of Housing, Communities & Local Government website.

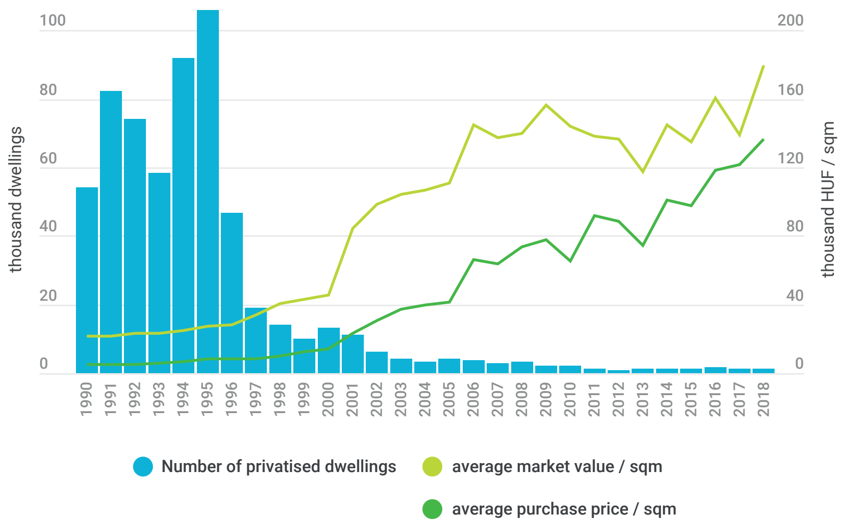

Figure 2: Number of dwellings privatised by municipalities (in thousands), their purchase price and market value (thousand HUF/sqm, current prices). Source: Yearbook of Housing Statistics, 2018.

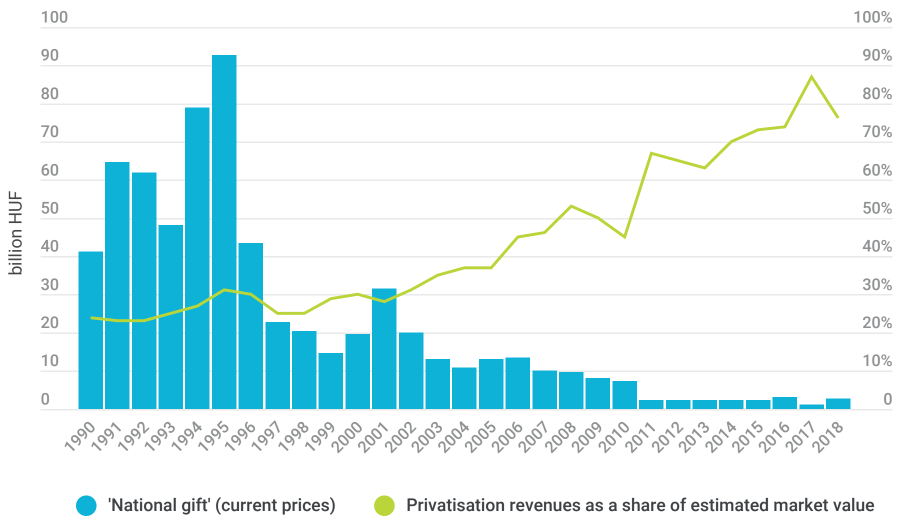

Figure 3: Amount of the 'national gift' given to sitting tenants through privatisation (at current prices, billion HUF) and privatisation revenues as a share of estimated market value (%). Source: own calculation based on the Yearbook of Housing Statistics, 2018.

Housing Act,[25] which made it compulsory for municipalities to sell flats upon request to sitting tenants, (subject to certain conditions).[26] The 1990s saw an **unprecedented shift in the ownership structure of the housing sector, with more than half a million dwellings being privatised in a single decade.** The process has not stopped since then: between 1990 and 2018, 623,000 public housing units were privatised by local municipalities. In recent years roughly 1,000 dwellings have been privatised annually (Figure 2).

A much-debated element of housing privatisation was the highly discounted purchase price. Figure 2 shows that the purchase price paid by sitting tenants remained well below the market price throughout the period. Figure 3 shows the ratio of privatisation revenues in relation to the estimated market value of the sold dwellings. The difference between the two values can be called a **'national gift'**[27] that sitting tenants received when they privatised their homes; this simultaneously reduced the potential revenues and assets of the municipality (this amount is shown in current prices).

Over the past three decades, a total of 663 billion HUF (at current prices) has been given as a 'national gift' to sitting tenants who privatised their dwellings: this process has affected roughly 1.6 million people.[28] In the early 1990s, tenants were able to buy public housing units at roughly 20–30% of market prices; today, they can purchase them for 70–80%.

The main beneficiaries of housing privatisation have clearly been the better-off groups of sitting tenants:[29] they have been able to obtain high-value assets at a much-reduced price. On the one hand, the losers of privatisation were tenants with lower status, who were able to buy their flats – but could no longer cover

25 Act LXXVIII of 1993.

26 Dwellings in listed buildings and areas earmarked for urban regeneration were not subject to compulsory privatisation. In 2021, a proposed amendment to the Housing Act sought to extend the scope of the law to these dwellings. This caused much debate and the the Constitutional Court eventually ruled this unconstitutional in July 2021.

27 Dániel, Zs. (1997). The paradox in the privatisation of Hungary's public housing: a national gift or a bad bargain? Economics of Transition and Institutional Change

28 The estimated number of affected residents is calculated by multiplying the number of sold dwellings by the average household size.

29 Dániel, Zs. (1997). The paradox in the privatisation of Hungary's public housing: a national gift or a bad bargain? Economics of Transition and Institutional Change

the freshly commodified maintenance costs; many amongst them were either displaced or forced into a spiral of debt. On the other hand, tenants who were unable to buy their homes because of their modest financial situation, are also on the losing end of the process. The housing portfolio that remained in the hands of the municipalities was thus typically in poor condition and – in many cases – was not properly maintained and managed. From the perspective of the municipalities, privatisation temporarily increased their revenues, but drastically reduced their assets and their subsequent room for manoeuvre in housing policy. According to the report of the State Audit Office of Hungary, even though the Housing Act stipulated that privatisation revenues should be reinvested in the housing sector, '[i]t can be reasonably assumed that the revenues generated during this period [1991–1995] were not used to alleviate the problems of the public housing sector'[30] but rather to temporarily cover the operating deficits of resource-poor municipalities.

2.2. Interventions to address the housing loan crisis of the 1990s

One of the rarely discussed moments in the history of Hungarian regime change is the **housing loan crisis**, which pushed the largest bank on the brink of bankruptcy[31] in the early 1990s. During the state socialist period, the value of households' housing loans increased exponentially (Figure 4): in 1988, loans for housing construction and purchase accounted for 94% of all loans to households.[32] During this period, an increasing share of housing construction was carried out with the help of housing loans.

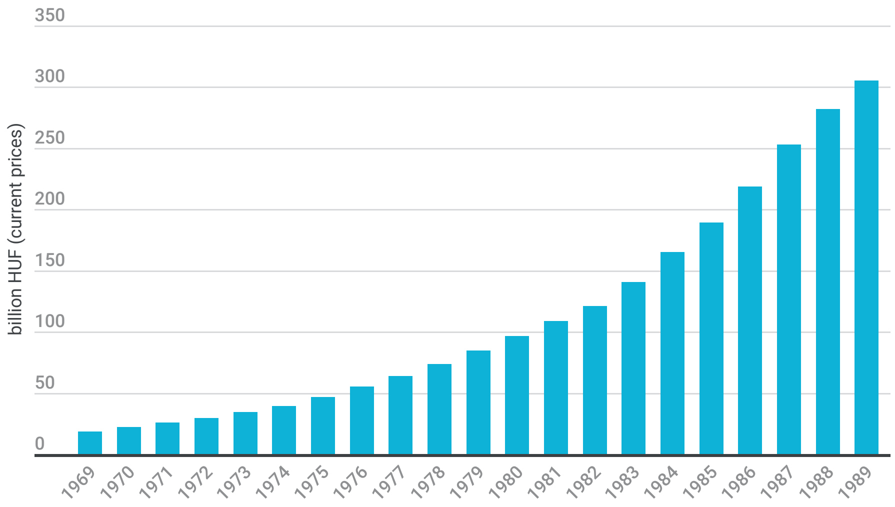

Figure 4: Households' housing loans at credit institutions (stock, billion HUF, current prices). Source: MNB.

[30] ÁSZ [State Audit Office of Hungary] (1997). Jelentés a helyi önkormányzatok lakás- és nem lakás célját szolgáló ingatlanvagyonával való gazdálkodásának ellenőrzési tapasztalatairól, 23.

[31] During most of the state socialist period, Hungary had a one-tier banking system, where the state-owned OTP Bank was the most important – and almost only – actor in housing finance.

[32] Lengyel, I. (1992). Adósságaink és hiteleink, Esély, 35. Out of this figure, 85% were housing loans granted by OTP and savings banks; a further 9% were employer and municipal loans. Consumer loans accounted for the remaining 6%.

These loans were mostly issued by the state-owned OTP Bank on favourable terms:[33] the annual interest rate was fixed (maximum 3.5%) until 1988 with a maturity of up to 35 years. The difference between the low, fixed interest rate and inflation was financed by the state. However, with the surge in inflation in the late 1980s, this put an increasing burden on the public budget. With the regime change, these low interest rates were abolished: not only for newly issued loans (e.g. in 1990 a housing loan on the market had an interest rate of 36%), but also retrospectively for households that were already indebted. In 1989, the so-called Housing Fund was set up as a separate state fund to take over long-term housing loans from financial institutions (OTP Bank and 260 smaller savings institutions) in exchange for bonds. In 1992, the bonds issued by the Housing Fund were replaced by 25-year government bonds (with interests paid by the state to the financial institutions until 2016); the Housing Fund was dissolved, and the remaining loans were returned to the financial institutions (but continued to be subsidised by the state).[34]

In 1991, households with housing loans had to choose between two options: either their interest rate was increased to 15%, or half of their loans were waived – but with the condition of having to repay the other half at market interest rates (32–36%!).[35] The majority of the population chose the second option. However, most households with modest income could not take advantage of this opportunity. Between 1989 and 1995, the stock of housing loans at OTP thus fell from 244 billion HUF to 42.8 billion HUF. In 1995 OTP still had repayment arrears of HUF 10 billion – even in 1997, tens of thousands of households with housing loans were in arrears. [36]

This issue has never been completely settled and has reappeared in almost every era over the past thirty years: the first Orbán government in 2001[37] and the socialist-liberal government in 2005[38] issued a decree to ease repayments on old housing loans. Despite attempts to speed up repayments, the issue remained unresolved – **the governmental budget had continuously allocated funds for this matter from the regime change until 2016.** Besides this direct budgetary impact, the housing loan crisis also had a far-reaching impact on housing finance as a whole during the 1990s – with banks hardly disbursing any housing loans. Consequently, the share of housing loans in housing investments fell from 20% in 1991 to 3-4% in 1997.[39]

2.3. Policy instruments to support homeownership

Throughout the three decades since the regime change (and even in the last two decades of the state socialist period), **one of the most prominent principles has been the state's support for homeownership.** While this has taken many forms, the basic logic is has remained unchanged: **non-repayable state subsidies, tax refund subsidies or state-subsidised loans are used to help households to buy a home.** These interventions are typically demand-side interventions since they use public resources to increase demand on the housing market. One of the main criticisms regarding these interventions is that they usually increase the supply prices in the housing market; as a result, part of the subsidies are automatically channelled to property developers and construction companies (in the case of new housing construction or renovation) or to homeowners (in the case of second-hand housing transactions). Another important criticism is that **the targeting of these instruments can hardly be described as 'social'** – in most cases, they encourage households that are already better-off to engage in housing transactions, thus further increasing housing inequalities.

33 From 1985 onwards, savings cooperatives were also allowed to issue housing loans to households (this was previously the monopoly of the state-owned OTP Bank). From 1989 onwards, commercial banks were allowed to enter the housing loan market, but the volume of lending remained very low in the early 1990s – until the reintroduction of mortgage-backed lending in 1996.

34 For more details, see an annex of the 1992 Budget Implementation Act (pp. 251–256)

35 Lengyel, I. (1992). Adósságaink és hiteleink, Esély.

36 Dániel, Zs. (1997). Lakástámogatás és társadalmi újraelosztás, Közgazdasági Szemle, 851.; Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély, 9.

37 Government Decree 66/2001 (IV.20.). Under this scheme, nearly 30,000 households received assistance to repay their arrears. Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély, 16.

38 Government Decree 11/2005 (I.26.).

39 Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély, 74.

2.3.1. Social policy allowance, housing construction allowance and family housing benefit

In recent years, the government has often referred to the introduction of the family housing benefit (its Hungarian acronym is CSOK) as a new, innovative housing and family policy instrument; in reality, the family housing benefit **is a slightly modified and rebranded version of the support known colloquially in Hungarian as** 'szocpol', **which was introduced in 1971 and then temporarily discontinued between 2009 and 2012**. Officially called 'social policy allowance' (hence *'szocpol'*) between 1971 and 1995, then 'housing construction allowance' and, since 2015 'family housing benefit', this public policy instrument is designed to help households with children to build (or buy, or expand) a home by providing non-repayable state support. To this extent, it can be seen as a housing policy instrument with an **important demographic aspect through the promotion of childbearing** – an objective that the government has been keen to emphasise since 2015.

Between 1990 and 2020, the state spent 918 billion HUF at current prices on 'social policy allowance'-type of subsidies. However, various experts have voiced criticism about the effectiveness of such an instrument.[40] For lower-status families, it was more difficult to obtain the necessary starting capital. This subsequently led to affordability problems or encouraged the purchase of poor quality and poorly located properties – this eventually trapped those who chose this option in a poverty trap, where they ended up in deprived areas and/or poor quality housing.[41] Overall, the *'szocpol'* type of subsidies, and especially CSOK in recent years, **have tended to favour inverse redistribution, i.e. they have helped better-off households, instead of helping those that are more in need.**[42]

'Szocpol' type of subsidies have reached a significant number of households in recent decades, typically during housing booms. For example, in the 2000s, 15–18 thousand applicants were registered annually,[43] and by the end of the 2010s, roughly 30 thousand CSOK applications were received per annum.[44] Hundreds of thousands of households benefited from these subsidies since 1990.

The amount of the subsidies has changed every few years in nominal terms but has fluctuated strongly in real terms: while in the 1990s it deteriorated sharply in real terms due to high inflation, it increased in the 2000s. One important change since 2010 is that households with three or more children receive a much higher amount of subsidy than households with only one child (Table 1).

	1985	1990	1995	2002	2004	2005	2016
1 child	40	50	700	500	800	900	600
2 children	80	200	1 200	1 600	2 000	2 400	2 600
3 children	160	600	2 200	2 700	3 000	3 600	10 000

Table 1: Amount of 'szocpol' type of subsidies for the purchase of a new dwelling (in thousand HUF, current prices). Sources: Lengyel 1991, Lakner 2003, ÁSZ 2009, Elek, Szikra 2018.

2.3.2. Supporting private housing construction through loans

The promotion of private housing construction with state-subsidised loans has been cyclically present since 1990. This type of support was typically more pronounced when the macroeconomic environment was already more favourable (pro-cyclical approach).

As described above, the phasing-out of heavily subsidised housing loans after the socialist period continued to place a burden on the central budget until the late 2010s. The credit crisis of the 1990s also contributed to the overall crisis in housing finance. This temporary crisis ended with the reintroduction of

40 Misetics, B. (2017). Lakáspolitika és hajléktalanság. In: Ferge, Zs. (ed.). Magyar társadalom- és szociálpolitika (1990–2015). Budapest: Osiris Kiadó

41 KSH [Hungarian Central Statistical Office] (2012). Társadalmi helyzetkép 2010, Lakáshelyzet, 3.

42 Elek, Zs., Szikra, D. (2018). Fordított újraelosztás a lakáspolitikában: a CSOK versengő céljai, Új Egyenlőség. CSOK also excludes various societal groups: for example, poor people not paying social security contributions, those in the government's public works scheme, or people with a criminal record are not eligible for the subsidy.

43 ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék.

44 In contrast, during the global financial crisis, only 1,638 households applied for social assistance between 2012 and 2014.

mortgage lending in 1998 (which was not available for six decades),[45] and with the launch of central government sponsored interest-rate subsidy schemes in 2000. Two other important turning points were two legislative changes: one speeding up the previously cumbersome land registrations,[46] and the other ensuring the rapid initiation of enforcement proceedings against defaulting borrowers in the case of loan contracts.[47] The first post-1990 housing boom in Hungary can be dated from here; it ends with the 2008 crisis.

Between 2000 and 2003, there were two major types of interest-rate subsidies: the supplementary interest-rate subsidy and the general interest-rate subsidy. The former was targeted at young couples under 35 and families with three or more children, while the latter was available to anyone who could afford a mortgage. The supplementary interest rate subsidy capped the interest payable by the borrower at 8% (and 6% from 2001) for the first ten years of repayment, while the state took over 3% (4.5% from 2001) with the general interest rate subsidy. Thus, in a market environment where the average interest rate on housing loans was around 19%, the general interest-rate subsidy beneficiaries could achieve interest rates as low as 13–14%.[48] In addition to private individuals, legal entities investing in (or renting) housing, housing cooperatives and condominiums, or even municipalities, were eligible for interest-rate subsidies during this period. Between 2001 and 2008, a total of 404,000 state-subsidised housing loans were contracted, i.e. 8–10% of the population benefited directly from this form of support.

In 2003, the socialist-liberal government tightened the eligibility criteria for interest-rate subsidies, with the aim of excluding the wealthiest groups. In 2005, the *Fészekrakó* ('Nesting') programme was introduced, which provided young people a state guarantee for the down payment on their housing loans: this meant that in some cases young households could obtain a housing loan even without a down payment. Between 2005 and 2008, 44,000 housing loan contracts were issued under the auspices of the *Fészekrakó* programme.

In 2004, forex loans (i.e. loans denominated in foreign currencies) appeared in Hungary, in parallel with the first tightening of the government sponsored interest-rate subsidy scheme. In hindsight, these financial products imposed an extremely high risk on borrowers. **Foreign currency loans were essentially 'developed' by the market, without state support – but took advantage of the permissive nature of state regulation.** Forex loans which offered very low initial interest rates compared to other loans denominated in HUF, were taken out by hundreds of thousands of households, creating serious problems following the 2008 crisis.[49]

After the crisis, housing loan penetration started to grow again around 2015, triggering the second post-1990 housing boom. In the period since then, state-sponsored, subsidised housing loans have been mostly linked to the family housing benefit: beneficiaries of the family housing benefit are also eligible for a state supported loan. In addition, baby expecting loans (introduced in 2019) have also been very popular in the last three years. This financial product is not a housing loan, but a state-subsidised personal loan. However, according to data from the Hungarian National Bank, 44% of borrowers use them to buy a home. In 2019-2020, a total of more than 110,000 baby expecting loan contracts were signed by Hungarian households.[50] According to data by the Hungarian Central Statistical Office, more than 471,000 housing loan contracts were signed between 2016 and 2020, of which 13.9%, or roughly 65,000 loans, were state-subsidised.[51]

In total, **more than half a million state-subsidised housing loans were signed during the two housing booms after the regime change**; according to our estimate, these

[45] Botos, J. (2002). A magyarországi jelzálog-hitelezés másfél évszázada. Budapest: Szaktudás Kiadó Ház, 178. The reintroduction of mortgage lending was already advised by the World Bank around 1989, and it was a requirement before EU accession in 2004.

[46] The newly introduced Act on Real Estate Registration imposed legal sanctions for slow registration and administration.

[47] Previously, banks could expect years of protracted litigation, but from this point on, enforcement could be launched in 30 days. See Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély.

[48] Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély.

[49] Király, J. (2020). Hungary and Other Emerging EU Countries in the Financial Storm: From Minor Turbulences to a Global Hurricane. Springer Verlag.

[50] MNB (2021). Housing Market Report, 31 May 2021. Baby expecting loans can be taken by young couples. The more babies they will have after taking the loan, the more interest-rate subsidy they get. In case they have three common children, their loan will be cancelled.

[51] Hungarian Central Statistical Office: Housing loans (half year data).

could have directly affected one and a half or even two million people.[52] However, this type of public policy instrument has **typically targeted the more affluent** sections of the population. At times when its targeting became more socially sensitive (for example in the mid-2000s), regulatory shortcomings have in many cases led to corrupt fraudsters targeting families in need; meaning that in effect these programmes may have had the opposite effect to the one intended.[53]

2.3.3. Refund subsidy, waiver and exemption of taxes and duties

Another type of measure to support private homeownership is the (partial or full) waiving of taxes and duties by the government (e.g. real estate purchase tax). Unlike previous instruments, this does not entail direct budgetary expenditure but reduces the revenue of the central budget. Since the regime change, a number of such instruments has been used by successive governments. In almost all cases, they have been subject to the same criticism as other measures to support private homeownership: they tend **to help the wealthier rather than those in need.** Given the fluctuating rules and the high number of specific interventions, we highlight a few emblematic decisions.

Although housing-related tax refund subsidies can be found in budget acts as early as the 1990s,[54] **it was the first Orbán government (1998–2002) that applied tax refund subsidies on a larger scale for the first time after the regime change.** It is also symbolic that the first Orbán government's first housing policy decision in 1999 was to provide a tax refund subsidy to housing developers.[55] The instrument did not immediately become popular and was phased out in 2005 with the introduction of austerity measures. From 2001 onwards, households received a similar benefit: borrowers could deduct 40% of the repayments on housing loans from their personal income tax. This measure was phased out in 2007.

After 2015, similar instruments have appeared in the government's housing policy toolbox. For example, a temporary reduction of VAT on the sale of newly built housing units (from 27% to 5%) was introduced between 2016 and 2020, and then reintroduced in 2021 for a further five years. Analysts say **that such a VAT reduction will not contribute to lowering prices, rather will play a part in further increasing them.**[56] In addition, from 2021 onwards, this reduced VAT can be reclaimed for an amount of up to 5 million HUF for private individuals – provided that the applicant is also a recipient of the family housing benefit (CSOK). Those who build their home with self-financing will also be able to benefit from a similar tax refund, also up to a limit of 5 million HUF.[57] This means that a wealthier family buying or building a larger property – when taking advantage of all the above-mentioned benefits – can receive up to 15 million HUF in state subsidies and a further 10 million HUF in state-subsidised low-interest loans; in the meanwhile, households in need can only access a fraction of such subsidies.

2.3.4. Governmental support for contractual savings for housing

The legal conditions for the establishment of building societies in Hungary were laid down in 1996, during the period of the institutionalisation of the housing market that largely followed the German *Bausparkasse* model.[58] Building societies under the Hungarian regulation are specialised credit institutions which – under strong regulations – manage both the contractual savings for housing of their customers and the subsidies (top-ups) from the state; they also provide housing loans. From the customer's point of view, what happens is that they deposit a certain amount of savings every month for a few years in the building society. At the end of the contractual term, they can withdraw the amount increased by the pre-fixed interest on the deposits[59] and by the state subsidy (governmental top-up). They have to spend the withdrawn amount on purchasing or upgrading their own housing units. Additionally, customers can

52 Since state-subsidised loans were typically targeted at families with children, it is likely that the average household size of those taking out subsidised loans was larger than the average Hungarian household size (2.4).

53 See for example the summary of the Miskolc '*Fészekrakó* case' on the K-Monitor website.

54 Bozsik, S. (2001). A lakáshitelezés állami támogatása a rendszerváltás után, Eszmélet.

55 Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély.

56 Portfolio.hu (2021). Mit hoz az áfacsökkentés a lakásárakban? – Hat pontban összessedtük a lényeget.

57 Bankmonitor.hu (2021). 5 buktató, amire figyelni kell az áfa-visszatérítés igénylésekor.

58 Szóka, K. (2019). Lakástakarékpénztárak. In Kovács, T., Szóka, K., Varga, J. (eds.) Pénzügyi intézményrendszer Magyarországon. Sopron: Soproni Egyetem Kiadó.

59 This has typically been 1–3% in Hungary over the last decade.

take out a loan for their housing investment at the end of the term, which usually has a fixed and cheaper-than-market interest rate. All in all, this is another **housing policy instrument that helps those households who are able to accumulate savings to become private homeowners or to upgrade their private housing.**

In Hungary, from 1996 to 2018, the central government granted 30% of the contractual savings deposited as state support,[60] capped at 36,000 HUF per year until 2003 and 72,000 HUF per year thereafter. Contractual savings typically had a maturity of four years, during which customers could achieve a return of up to 10% (with the governmental top-up). The product was popular: in 2000, Hungarian building societies managed deposits of 55 billion HUF,[61] which increased to 1,098 billion HUF by 2019.[62] While in 2008, building societies issued roughly 4% of all housing loans in the country, by 2019 they issued 14%. By then, a total of more than 617 billion HUF in state subsidies had been injected into the building societies system at current prices; at the time of the phasing out of state subsidies (in 2018), there were roughly one million housing savings accounts registered with building societies in Hungary – that is slightly less than the one million two hundred thousand contracts in 2008.[63] In other words, at every given point in time during the 2010s, on average 10% of the population had a housing savings account with a building society.

In 2018, the government decided to phase out state subsidies for savings accounts at building societies. Since then, three of the four providers on the market suspended their activities, as other savings options (e.g. a government bond scheme with annual returns of around 5%) were more attractive than contractual housing savings investments without state subsidies. In 2021, only Fundamenta (one such remaining building society) will offer similar services – without state subsidies.[64] The state support is currently being phased out in a degressive pattern, i.e. subsidies for contracts concluded until 2018 is still part of the central budget expenditures.

Overall, public support to private savings at building societies is likely to have had only a small impact on people living in housing poverty; it can therefore also be considered a policy instrument that has contributed to rising housing inequalities.

2.4. Housing allowance

In the three decades since the regime change, housing allowance has been almost the only housing-related allowance available for an extended period that specifically targeted people in need. This type of demand-side intervention is also widespread internationally, particularly in the context of declining supply-side government interventions (i.e. state-led housing construction programmes) that followed the global neoliberal turn.[65]

In Hungary, the 1993 Social Act[66] defined housing allowance as a form of support that *could be* provided by local governments. This Act also defined an income threshold for this support, on the basis of which **roughly two-thirds of Hungarian citizens became eligible.** Until 2004, local governments were able to determine the exact conditions of eligibility as well as amount of the allowance. This autonomy also meant that local authorities had to finance this allowance based on their own resources. The result was that the financially disadvantaged local governments – which also contained a higher proportion of people in need – gave the least support, with the more affluent ones being more generous. For example, in 1997, two-thirds of local governments with fewer than 3,000 inhabitants, the local authority did not provide any housing allowance at all.[67]

Until the first major reform of this form of support (in 2004), roughly 200,000 people were receiving housing allowance annually; in 1996, the average claimant received 1,000 HUF per month, and in 2004 this figure had risen to 2,500 HUF (Figure 5). In real terms, the value of the subsidy has stagnated. Overall, **the housing allowance reached a relatively large number of people, but certainly not**

60 40% for a short period in 1996–1998.
61 Szóka, K. (2019). Lakástakarékpénztárak. In Kovács, T., Szóka, K., Varga, J. (eds.) Pénzügyi intézményrendszer Magyarországon. Sopron: Soproni Egyetem Kiadó.
62 Portfolio.hu (2020). Újabb nagy változás a lakástakarékoknál: nehéz döntést hozott az Erste.
63 ÁSZ [State Audit Office of Hungary] 2009.
64 Portfolio.hu (2020). Újabb nagy változás a lakástakarékoknál: nehéz döntést hozott az Erste.
65 Misetics, B. (2018). Sosem volt elég: Lakásfenntartási támogatás 2015 előtt, Esély.
66 Act III of 1993.
67 Monostori, J. (2000). Lakásfenntartási támogatás a városokban, Esély, 73.

all those in need – this was particularly the case for those living in small settlements. The amount of support was extremely modest compared to both average monthly incomes[68] and to similar support in neighbouring countries.

In 2004, the housing allowance became a 'normative benefit', i.e. it was made available in all municipalities under the same (compulsory) conditions and 90% of the costs were covered by a block grant coming from the central budget. Until the next major reform, in 2015, the number of households receiving support increased: in the second half of the 2000s, more than 300,000 people received the normative housing allowance annually, and during the crisis years, 400,000–500,000 people received it.[69] Between 2000 and 2015, a total of HUF 212 billion was paid out to people as housing allowance at current prices.[70] **The 2004 reform also made the benefit more equitable: more people in need received the benefit and inequalities of distribution between municipalities were reduced. However, after 2010, the second Orbán government rolled back this equalising trend.** The real value of the average subsidy rose to one and a half times its 2003 level in the second half of the 2000s, before falling back to its 2004 level after the 2009 cuts.

In 2015, the normative housing allowance was abolished: the framework for this form of subsidy is no longer part of the Social Act. Since 2015, local authorities are no longer obliged to provide this type of allowance and the central government no longer provides block grants for financing housing allowance. Local governments can distribute 'municipal social benefit' – but it is only financed by the central government if some specific conditions are met. This means that in 2015, 8% of local governments (in which 40% of the overall population lives) were not eligible for central governmental compensation for issuing municipal social benefit. These municipalities could only provide municipal social benefit to their residents from their own resources.[71] However, municipal social benefit is not necessarily targeted at people in

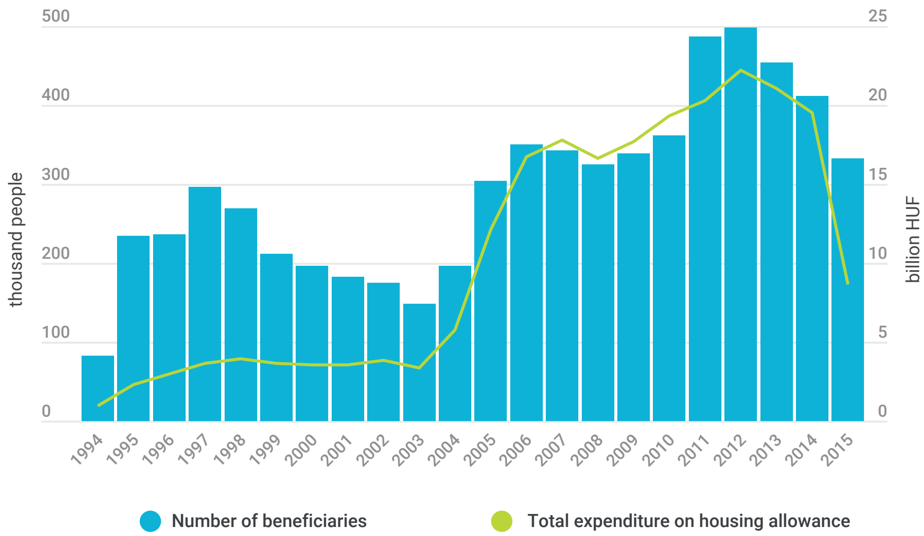

Figure 5: Number of people receiving housing allowance (in thousands) and total expenditure on housing allowance (billion HUF, current prices). Source: Kőnig 2006; Hungarian Central Statistical Office.

[68] In the lowest income decile in 1993, for example, the average amount of housing allowance received was roughly 10% of average monthly income. Own calculation based on Misetics 2018.

[69] Misetics 2018, 22.

[70] We estimate that the contribution of the central budget was around 180 billion HUF.

[71] Misetics, B. (2019). Kevesebbet, kevesebbeknek: A lakásfenntartás önkormányzati szintű támogatása, Esély, 4.

housing difficulties; it aims to cover a population with more diverse needs, with housing being just one of the many problems.

Studies on the impact of phasing out the normative housing allowance have shown that the decision has strongly hit already struggling local governments and households with several children living in extreme poverty.[72] Although most local governments (especially larger ones) continued to provide some form of support to households struggling with housing difficulties, the average level of support has been reduced; it also usually targeted at a narrower group of people and often includes arbitrary, subjective elements[73] among the eligibility criteria.

2.5. Debt management allowance

Alongside the housing allowance, the debt management allowance has been the most important public policy instrument specifically targeting people living in (housing) poverty over the last thirty years. While the housing allowance aimed to provide targeted support for housing expenditures of families in need, the debt management allowance (and in some cases the associated debt management services) sought to help households to clear their arrears.

In the first years after the regime change, the relative weight of housing-related costs increased for a significant proportion of the population: while in the 1980s housing costs averaged 10% of household income, this figure doubled by the mid-1990s and remained stable at around 20% for the next twenty-five years.[74] The most crucial element of this rapid increase was the soaring utility prices (well above inflation levels) after the phasing-out of socialist-era price subsidies. In the 1990s, centrally regulated, systematic debt management programmes were not yet established: public policy interventions seeking to manage debt were ad hoc and temporary. For example, between 1990 and 1994, two smaller tenders were launched by the then Ministry of Welfare to help municipalities to settle the debts of local households with utility arrears. The debt was settled in one lump sum and roughly half of the cost was borne by the central budget (a further 20–30% by the municipality, 10% by the utility providers and 20% by the concerned households).[75] These interventions did not solve the structural causes of debt: a significant number of households became indebted again shortly afterwards.

The experience gained from these first 'emergency' interventions triggered a number of changes. In 1995 a new training of debt counsellors started in the north-eastern city of Salgótarján. The training followed a pre-existing Dutch model and was also financed by incoming Dutch grants. The programme was ushered by the recognition that**, in addition to financial support, the role of specialised social workers and family support workers is essential for effective debt reduction and for helping households escape the debt trap.**[76] In 1998 – for the first time since 1990 – a nation-wide regulation was introduced regarding the conditions of central governmental support for municipal debt settlement programmes.[77] It was not, however, permanently integrated into the official social policy toolbox. Through this tool, roughly 400 municipalities (c. 9,000 families) settled about 1.5 billion HUF worth of utility debts.[78]

The real turning point came with the 2003 amendment of the Social Act, which provided the legal framework for debt management and for its financial support from the central budget – this continued until 2015. A three-pillar system was established, with the debt reduction allowance (90% of which was covered by a block grant from the central budget) complemented by a debt management service and an automatic eligibility for housing allowance. **Compared to previous programmes, in this three-pillar system the one-off cash assistance was backed up by the professional help of social workers and by the reduction of household expenditures (by providing access to housing allowance)**. The 2003 amendment did not initially make debt management a compulsory municipal task – but from 2006 onwards, it became compulsory in municipalities with a population of over 40,000 (and in all the districts of Budapest).

[72] Kováts, B. (2015). Rezsitámogatás-csökkentés. Az új lakásfenntartási célú települési támogatások vizsgálata 31 önkormányzat példáján, Esély; Misetics 2019.
[73] For example, a mayor can distribute the benefits in the absence of clear, objective criteria, or one condition could be that households must meet the undefined criteria of 'running a decent household'. These subjective rules make people in extreme poverty even more exposed to local decision-makers.
[74] Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély, 3.
[75] Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély, 6.
[76] Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély, 7.
[77] Government Decree 96/1998 (V.13.).
[78] The decree also regulated the settlement of the so-called OTP loans – see subsection 2.2.

From the second half of the 2000s, roughly 8-10 thousand households, and in the early 2010s, nearly 20 thousand households were able to take advantage of the debt management allowance every year (Figure 6). During its peak period, the state spent HUF 1.9 billion per year on the programme. Even though the scheme provided help to its beneficiaries, **a significant proportion of those in need were excluded** (typically because they could not afford the necessary co-payments); additionally, the total volume spent on the scheme only covered a fraction of the total volume of arrears (e.g. 1% in 2009).[79]

In 2015, just as the normative housing allowance was scrapped, the government also abolished the legal framework for a centrally subsidised debt management allowance. From then on, municipalities were tasked with deciding whether to provide such support to their residents – from their own budgets, without any block grants. A 2015 survey showed that municipalities were providing only a smaller proportion of this service under the new legal framework, and that the target group was shifting away from the those most in need towards the lower middle class.[80]

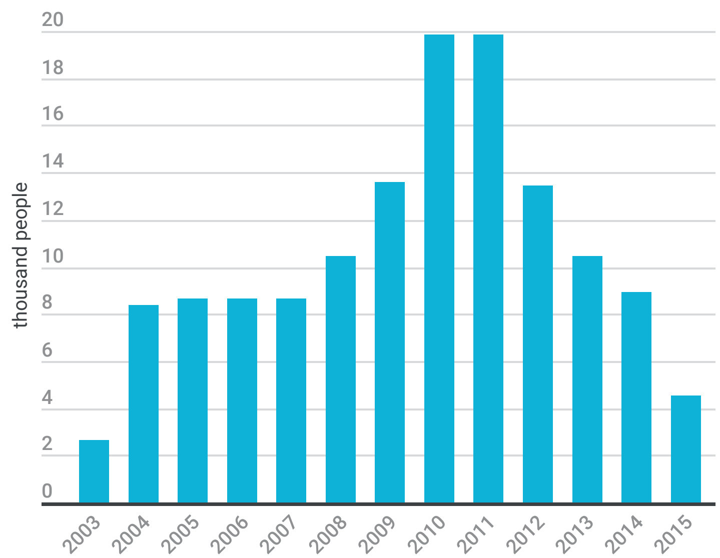

Figure 6: Number of beneficiaries of the debt management allowance (thousands).
Source: Hungarian Central Statistical Office.

2.6. Utility price reduction

Among all the costs faced by an average household, the fastest rise since the regime change has been linked to utility costs. From this perspective, it is easy to understand why the government launched the so-called 'fight for utility prices' before the 2014 parliamentary elections – and why it has been an essential governmental talking point ever since.

The 'fight for utility prices', as proclaimed by the Orbán government, did not become a central topic of political discourse in the mid-2010s; it has been a feature of public policy debates throughout the last three decades. The housing allowance has not been able to compensate for the increase in utility costs; this is why governments have been introducing various 'utility price reduction' programmes since

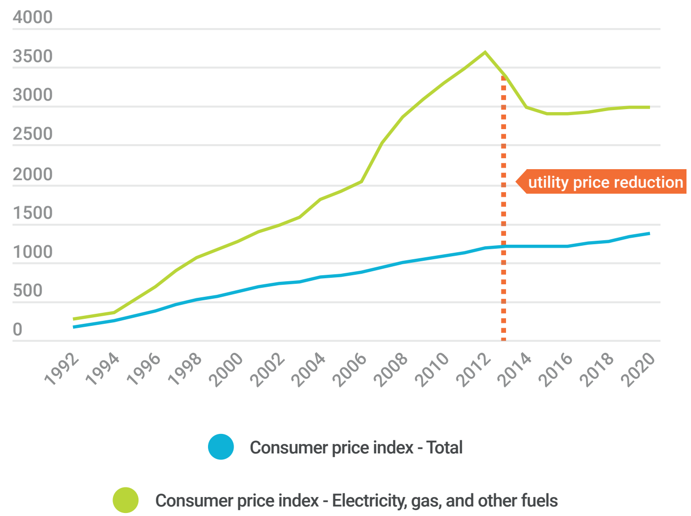

Figure 7: Consumer price increase in different expenditure groups (1990=100).
Source: Hungarian Central Statistical Office.

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79 Gyarmati, A. (2016). Adósságkezelési szolgáltatás: mint a magáncsőd intézményének kiegészítő eszköze, Kézirat.

80 Kováts, B. (2015). Rezsitámogatás-csökkentés. Az új lakásfenntartási célú települési támogatások vizsgálata 31 önkormányzat példáján, Esély.

the 1990s. The first intervention specifically aimed at reducing utility prices took place during the 1995/1996 heating season, when individuals in need were eligible to claim a monthly subsidy of 600 HUF for six months.[81] According to experts, the targeting of the scheme was ineffective, and its overall cost was very low compared to other housing-related interventions. The so-called Energy Fund was set up in 1997 at the initiative of the government, with a total budget of 2.5 billion HUF.[82] In a relatively short period 370,000 households received electricity price compensation and 410,000 households received gas price compensation[83] – but this was still only a temporary, ad hoc intervention.

A significant change occurred after 2003, when the **residential gas price compensation scheme** was introduced. The scheme absorbed a significant chunk of government subsidies dedicated to housing[84] and reached more than 3 million consumers. The targeting of the scheme was very broad in the first years but was somewhat narrowed after 2007. Overall, **many people in need were excluded from the scheme – as a significant proportion of people in housing poverty do not use gas heating.** Another problematic part was that it provided relatively more support to more affluent households, since the compensation was consumption-based.[85] The gas price compensation scheme's phasing out process started in 2009 and ended in 2011.

The next major series of interventions to reduce utility prices was carried out by the post-2010 Orbán governments and became a major issue in the 2014 election campaign (at a time when gas prices were rising significantly globally). The logic of the intervention was fundamentally different from the prevailing logic of the pre-2010 period. Instead of demand-side subsidies (which were a major burden on the central budget before 2010) the nationalisation of previously privatised utilities and the capping of prices at lower levels – that is a complete restructuring of the supply side – began.[86] This has resulted in **more predictable utility bills for the population, but without any social targeting whatsoever:** yet again, the scheme benefitted the better-off rather than the most deprived households. In the light of developments in distribution, energy efficiency and global markets – gas prices have since fallen, and then risen again significantly – many experts have strongly criticised the Orbán government's 'fight for utility prices'.[87] However, it is estimated that utility price reduction after 2014 reduced overall household spending by around 600 billion HUF.

Compared to this project, the volume of the 'social firewood' scheme (3-5 billion HUF annually) seems extremely small. In recent years the scheme has been organised by the Ministry of Interior to provide firewood for families in need, who are on average much less able to benefit from other interventions aiming to reduce utility prices.[88] Here it is also important to mention the 'vulnerable consumer' status and prepayment meters: both started to become widely used after the 2008 crisis. The former allows for preferential utility price payment options for some low-income households, while the latter tries to prevent indebtedness with a technological innovation: utility services (mainly energy) are only available if the meter is topped-up. **Even though prepayment meters are generally seen as a decent solution to avoid the debt trap both by energy supplier corporations and by most NGOs working with people living in housing poverty, there is much international literature criticising this instrument as should a household lack the finances to top up their meter, their access to electricity and gas is cut off.**[89]

2.7. Expansion of the public housing sector

As discussed in the subsection on housing privatisation (2.1.), the number of public housing units declined radically in the 1990s, and then slowly but steadily continued to decrease thereafter. Only two programmes in the last three decades have worked against this trend.

81 Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély, 5.
82 Of this, 1.7 billion was paid by the central budget and 1 billion by utility companies.
83 Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély.
84 In 2006 alone, for example, 158 billion HUF was spent on this purpose. Between 2003 and 2011, the central budget spent a total of 602 billion HUF on this purpose at current prices.
85 Misetics, B. (2018). Sosem volt elég: lakásfenntartási támogatás 2015 előtt, Esély.
86 The interventions related to utility companies illustrate the political-economic logic of the Orbán regime - for an analysis see Éber, M. Á. et al. (2019).
87 Sebestyénné Szép, T., Weiner, Cs. (2020.) The Hungarian utility cost reduction programme.
88 See Gosztonyi, Á., Vankó, L. (eds.) (2020). Annual report on housing poverty in Hungary 2020. English summary. Budapest: Habitat for Humanity Hungary.
89 Herrero, S. T. et al. (2020.) Smart Meters Tackling Energy Poverty Mitigation: Uses, Risks and Approaches, conference presentation.

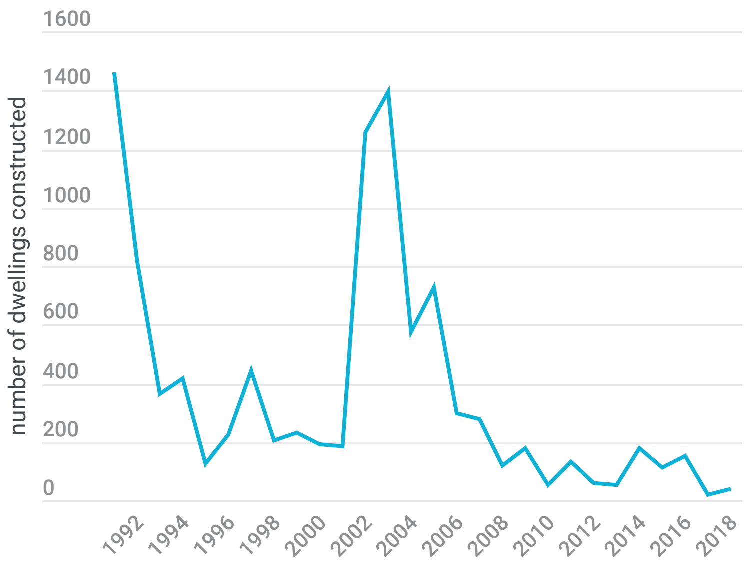

Figure 8: Number of dwellings built by municipalities. Source: Yearbook of Housing Statistics, 2018.

Between 2001 and 2003 the first Orbán government launched the State Supported Rental Housing Programme, which aimed to encourage local governments and churches to build, purchase or renovate housing with the help of central budget subsidies. Municipalities could apply for the construction of affordable rental housing, so-called *Fecskeházak* ('Swallow Houses'),[90] retirement homes, or for upgrading public utilities on plots available for future constructions. Between 2000 and 2005, the central budget allocated a total of HUF 63 billion for these subsidies,[91] and provided 70% of the costs.[92] **Thanks to this programme, by 2008 the number of publicly owned rental housing units had increased by approximately 12–18 thousand, or 5–8% of the total stock at that time.** In total, however, there were only 3–4 thousand dwellings constructed by municipalities – the rest having been purchased from the market.[93] In addition to this, 10% of the public housing stock was renovated in this period. Figure 8 shows how the period covered by the programme nevertheless stands out from the otherwise extremely low figures of municipal housing construction during this overall timespan. Except for the early 2000s, in most years only 0–2% of all new housing construction was due to municipal investment; since 2010, we have consistently seen the lowest construction figures of these past decades – in line with the anti-rental housing policies of the Orbán regime.

The other measure to increase the stock of public rental housing was the creation of the National Asset Manager, which temporarily increased the number of public rental housing units by 25% in the mid-2010s as part of a bundle of measures that dealt with the forex loan crisis. This intervention will be discussed in section 2.8.

90 The target groups for the Swallow Houses were full-time students in higher education, married or in civic union, and married couples (or couples in civic union) under the age of 35. The latter were required to open a savings account at a building society. Tenants were allowed to stay in the property for a maximum of five years, i.e. this form of housing was conceived as a temporary solution, a stepping stone for young people. Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély, 82.

91 Hegedüs, J. (2006). Lakáspolitika és a lakáspiac – a közpolitika korlátai, Esély, 95.

92 However, on average only 45% of the actual costs were eventually covered by central aid due to soaring construction costs. See ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről, Budapest: ÁSZ.

93 The studies discussing the programme often misrepresent the figures (see Lakner 2003, Hegedüs 2006, ÁSZ [State Audit Office of Hungary] 2009). While they estimate the number of new constructions at c.18,000, according to the Hungarian Central Statistical Office, the actual figure was only a fraction of this number. See Figure 8.

2.8. Tackling the forex loan crisis after 2008

The second major post-1990 housing crisis started with the global economic crisis of 2008. The biggest problem in Hungary (besides rising unemployment and deteriorating economic conditions) were the rising forex loan repayments and mass defaults.[94] While the loan crisis of the 1990s was mostly due to soaring inflation, this crisis was amplified by the radical change in exchange rates after 2008. Before the regime change, the stock of housing loans was 15% of the annual GDP, but by the time the 2008 crisis hit, it was already 25%[95] – thus creating an even more widespread problem. **Experts estimate that 850,000 households had mortgages at the onset of the 2008 crisis; out of these, roughly 340,000 suffered major losses during the crisis.**[96]

Apart from the introduction of an eviction moratorium in 2009 (which remained in place until 2014), the socialist-liberal government in power during the very first period of the forex loan crisis did not attempt any significant intervention at the systemic level.

The next Orbán government (2010–2014) made it a political priority to address the issue – partly as a reaction to the significant protest movement organised by foreign currency borrowers.[97] The first major intervention was a significant help to the wealthiest group of foreign currency borrowers: between 2011 and 2012, the forex loan prepayment scheme enabled 15–20% of mortgaged households (that is 170,000 families) to repay their loans in one lump sum with a significant discount. In 2012, a similar number of people were helped by the rate-cap scheme: it was targeted at those who did not have enough capital to participate in the prepayment scheme but were able to pay a maximised (capped), below-market repayment rate on a stable basis. **Together, the rate-cap scheme and the prepayment scheme were able to reach around 350,000 households. The costs of these measures were mostly offloaded onto banks.**

However, these programmes have not reached the worst-off forex debtors. This group of people – many of them affected by housing poverty – was the target of the National Asset Manager, which operated between 2012 and 2020.[98] **It was a well-targeted programme, reaching around 36,000 households in need.**[99] The homes of the defaulting debtors who entered the programme became state-owned, with the former owners allowed to remain in their homes as tenants. The programme also employed social workers to assist families. The National Asset Manager increased the number of publicly owned rental housing units by around 25% over eight years, buying 36,000 apartments with 186 billion HUF of budget expenditure.[100] **The resulting housing portfolio could have been the basis for a new public rental housing programme, but in 2019 decision-makers offered tenants the possibility to buy back their homes at a discount**, which 90% of tenants did. In 2021, the government transferred the remaining stock – roughly 4,600 flats – to a newly registered organisation[101] set up by the Hungarian Charity Service of the Order of Malta and the Hungarian Reformed Church Aid and promised central support in return for managing the portfolio.[102] The programme is expected to start in 2022, but there are still many unanswered questions surrounding its functioning.

In 2015, the government announced a law enshrining the compulsory conversion of forex loans to HUF loans, i.e. the elimination of further exchange rate risk – this law affected a total of 450,000 loan contracts.[103] From that point onwards, the government stated that it considered the forex loan crisis resolved. Nevertheless, between 2015 and 2018, banks have foreclosed

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94 At the end of 2014, despite the bailouts, 140,000 borrowers – a quarter of the total mortgage portfolio – were still in default, i.e. over 90 days late with their repayments. See Dancsik, B. et al. (2015). Comprehensive analysis of the nonperforming household mortgage portfolio using micro-level data. MNB Occasional Papers Special Issue.

95 By the end of the 1990s, the same indicator was between 0–5%. Hegedüs, J., Somogyi, E. (2016). Moving from an authoritarian state system to an authoritarian market system: housing finance milestones in Hungary between 1979 and 2014.

96 Csizmady, A., Hegedüs, J., Vonnák, D. (2019). A housing regime unchanged: The rise and fall of foreign-currency loans in Hungary, Corvinus Journal of Sociology and Social Policy, 22.

97 Szabó, N. (2018). We are the State, We are the People: Forex Loan Debtors' Struggles for Citizenship in Hungary, MA thesis.

98 The concept of the National Asset Manager was not without precedent in Hungary: in 1998, a similar scheme was conceived to 'bail out' OTP creditors, but due to bad regulations, the programme could not take off in the end. See Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély, 11.

99 Gosztonyi, Á., Vankó, L. (eds.) (2020). Annual report on housing poverty in Hungary 2020. English summary. Budapest: Habitat for Humanity Hungary.

100 The budgetary expenditure on the Asset Manager did not reach 40 billion HUF in any year.

101 In Hungarian: MR Közösségi Lakásalap Közhasznú Nonprofit Kft.

102 Nepszava.hu (2021). Jön az egyházi lakásügynökség.

103 Napi.hu (2020). Még mindig kísértenek az egykori devizahitelek.

5,600 properties and a significant amount of debt has been transferred to the portfolio of debt management companies – meaning that many debtors now owe them, rather than banks or other financial institutions.

On the whole, **public policies dealing with the forex loan crisis also mirrored the basic principles of housing policy interventions of the whole period (1990–2022). The governmental interventions were proportionally much more helpful to more affluent families, and the support for families in housing poverty was not part of the policy priorities – with the exception of the National Asset Manager's temporary existence**.

2.9. Housing renovation grants

In Hungary, during the three decades following the regime change, large-scale residential building renovation programmes only targeted socialist-era housing estates. After small-scale experiments, the first nationwide tender for energy-efficient renovation of prefabricated houses was launched in 2000 by the first Orbán government, under the name of 'Panel Programme' (prefabs are commonly referred to as *'panel'* in Hungarian). The 2000 Panel Programme was followed by the Panel Plus Programme in 2005, which was based on similar principles, and the Panel I, II and III Programmes in 2008, 2009 and 2014. Initially, these were financed according to the same rule of thumb: one third of the renovation costs were covered by the central budget, one third by the local municipality and one third by the owners of the flats.[104] After 2009, the state also used part of its revenues coming from the trading of carbon credits to finance these renovation schemes – thus increasing the share of the central budget in the costs. According to the State Audit Office of Hungary's report, more than 127,000 flats were renovated in the first period of the programme, between 2001 and 2008, representing overall 15.5% of the total prefab housing stock. The governments spent almost 20 billion HUF on the programme over this period.[105] Most of the renovations have improved the energy efficiency of multi-apartment residential buildings. In doing so, both emissions and the utility costs of the affected households were reduced.

[104] Szabó, B., Bene, M. (2019). Budapesti lakótelepek a panelprogramme előtt és után. Területi Statisztika.
[105] ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék, 22.

None of the Panel Programmes had any social targeting. Moreover, there were no similar programmes targeting detached houses – even though they account for three quarters of the Hungarian housing stock.[106]

However, from 2021 onwards, a new policy instrument (the home renovation subsidy) will support the renovation of housing inhabited by households with children (regardless of the type of building) with a maximum of 3 million HUF.[107] The logic of this instrument is similar to the schemes introduced in the second half of the 2010s: more affluent households are likely to benefit from it (this non-repayable grant is financed ex-post, meaning that beneficiaries need initial savings). Households without children are not eligible, and – as a demand-side intervention – it is likely that the scheme will push up construction prices.

Overall, the renovation programmes targeting socialist prefabricated buildings have improved the housing conditions of hundreds of thousands of households, but **the public policy attention devoted to the issue of housing renovation is scant compared to the scale of housing quality problems.** In Hungary, the energy use in buildings accounts for 40% of total national energy use – from a climate crisis perspective, energy retrofitting of residential buildings could be one of the most effective points of intervention.[108] In addition, a socially targeted national residential building renovation programme could be an effective response to widespread energy poverty.

2.10. Social and urban regeneration programmes

Social and urban regeneration programmes – including programmes targeting segregated areas – can be considered the only public policy instruments related to housing in the last thirty years whose targeting has not only followed social, but also territorial considerations. Both forms of interventions share the aim of regenerating spatially and socially segregated areas.

[106] Subsidies were available to households for the renovation of non-prefabricated housing under the so-called 'Warm Home Programme'.
[107] Government Decree No 518/2020 (XI.25.).
[108] Bajomi, A. (2014). Institutional framework for energy efficient renovation of social rented housing. MA thesis.

Social urban regeneration in Hungary emerged in the mid-2000s in Budapest and then spread all over the country after the EU accession in 2004 – but especially during the 2007–2013 EU budgetary cycle.[109] The vast majority of these programmes were financed by EU funds. Between 2007 and 2013, 64 social urban regeneration projects were implemented in Hungarian cities with 48 billion HUF of funding.[110] These projects are characterised by an 'integrated urban development' approach, as required by the European Commission and set out in the Leipzig Charter,[111] where social (soft) and infrastructural (hard) elements, as well as different sectoral and territorial interventions, are implemented in a coherent, integrated way. For this reason, although the specific projects typically have a housing dimension (e.g. renovation of existing public housing units or the construction of new ones), they also finance a wider range of interventions (e.g. intensive social work, community programmes, regeneration of community spaces and public spaces, etc.). Although the programmes launched in the 2014–2020 budgetary cycle have not yet been finalised, it is estimated that around 70 billion HUF will be disbursed by the end of the period for social urban and settlement rehabilitation projects, which will be (or have already been) implemented in hundreds of municipalities.

The history of settlement rehabilitation programmes in Hungary goes back a long way, and there has been quite some controversy surrounding them.[112] A nationwide attempt to eradicate rural slums was launched as early as the 1960s. Even though it radically reduced the number of people living in segregated slums, by the time of the regime change, it treated the problem in a simplified way primarily as a problem of 'Roma settlements'. Its arbitrary implementation prevented complex interventions and the identification of the root causes.[113]

After the regime change, the first major wave of settlement rehabilitation programmes started in the mid-2000s, in parallel with social urban regeneration interventions, with the support of EU funds; these continued throughout the 2014–2020 budgetary period. During this budgetary cycle, the methodological approach was very similar to the integrated approach of social urban regenerations, insofar as it sought to address the different interconnected dimensions of socio-spatial segregation by combining 'hard' and 'soft' interventions.

These interventions have made life easier for thousands of affected households in many Hungarian municipalities, but the **overall volume is just a drop in a sea of much larger problems**.[114] In addition, the socially unequal nature of national policies that only end up aggravating segregation can hardly be compensated for by these small-scale territorially targeted programmes.[115] Nevertheless, the advantage of the projects – in addition to improving the lives of the people concerned – is that they provide **technical and methodological experience which could form the basis of more progressive programmes in the future, when the political environment will be less openly anti-poor.**

2.11. Supporting homeless people

The issue of homelessness was already present in the Hungarian society before the regime change, even if it was hidden: experts estimated the number of homeless people at 30,000 in 1990.[116] Around the time of the regime change, the problem surfaced through various protests and demonstrations that attracted a lot of media attention.[117] **In the early 1990s, the government intervened in this area in an ad hoc, 'emergency' manner.** These temporary solutions provided the institutional framework for the newly emerging homeless care system

[109] See the chapter by Anna Zsófia Bajomi in this volume.
[110] Jelinek, Cs. (2019). A városrehabilitáció korszakai Magyarországon: Az állam szerepe marginális városi terek (újra)termelésében. Tér és Társadalom.
[111] See the text of the Leipzig Charter.
[112] For details see Farkas, Zs. (2017). 'Telepszerű lakókörnyezet volt a hivatalos elnevezése...' Telepfelszámolási programme ok integrációs hatásai és nem szándékolt következményei a rendszerváltás előtt és 2005–2010 között. PhD thesis.
[113] On links with the housing movement, see Bernadett Sebály's chapter in this volume.
[114] According to the latest comprehensive survey, around 300,000 people live in segregated conditions and extreme poverty in a total of 1,633 settlements (slums) in Hungary. See Domokos, V., Herczeg, B. (2010). Terra Incognita: magyarországi szegény- és cigánytelepek felmérése – első eredmények. Szociológiai Szemle.
[115] For an example from Southern Hungarian city of Pécs, see Jelinek, Cs., Virág T. (2019) Development Brokers and Place-Based Projects in Deprived Urban Neighbourhoods: The Case of Pécs, Hungary. Justice Spatiale – Spatial Justice.
[116] Misetics, B. (2017). Lakáspolitika és hajléktalanság. In Ferge, Zs. (ed.) Magyar társadalom- és szociálpolitika (1990–2015). Budapest: Osiris Kiadó, 360.
[117] For more details, see Bernadett Sebály's chapter.

and formed the basis of the path-dependent structures still in place today. While we do not have a comprehensive picture of central budget spending on homelessness,[118] experts and social sector practitioners agree that the system is underfunded and unable to address the root causes.

In 2017, it was estimated that there were 5,000 places in temporary shelters and night shelters in the capital, with a further 5,000 places outside the capital and a further 4,000 places in temporary homes for families. However, due to quality problems in underfunded shelters, more homeless people continue to sleep in public spaces than in any of these shelters.

One of the biggest problems of the homeless care system – and more generally, social care sector – is the lack of housing pathways leading out of homelessness: a significant segment of Hungarian society now spends its daily life in a vicious circle of poverty, moving between various temporary social institutions, exploitative 'market' opportunities (e.g. oppressive landlords) and the 'street'.[119]

The situation is further exacerbated by the criminalisation of homeless people and of homelessness. This approach was already dominant in the state socialist period and did not disappear after 1990, but after 2010 it became an even more pronounced, symbolic element of government interventions.[120] In September 2010 – in the midst of the global crisis – only a few months after the elections, the Orbán government amended the Building Act to allow municipalities to punish rough sleeping in public spaces, before criminalising homelessness in 2011. Although this was declared unconstitutional by the Constitutional Court of Hungary in 2012, the measure became part of the new Fundamental Law in 2013 and the Code of Administrative Offences[121] was amended accordingly. Although the use of 'living in a public place' as an offence is rare, its symbolic impact is nonetheless significant.

[118] See section 4.
[119] Pósfai, Zs. (2018). Annual Report on Housing Poverty in Hungary 2018. English Summary, Habitat for Humanity Hungary.
[120] Udvarhelyi, É. T. (2014). 'If we don't push homeless people out, we will end up being pushed out by them': The criminalization of homelessness as state strategy in Hungary. Antipode.
[121] See the Streetlawyer Association's (Utcajogász Egyesület) review.

3. Governmental structure and the institutional framework of housing policy at the national level

In this section, we discuss where housing policy was located within governmental structures over the past three decades. This allows us to highlight which institutional actors were taking part in the implementation of policy instruments discussed in the previous section.

3.1. Competing institutional logics of housing policy

Over the last three decades, **the national government's housing policy has been influenced by a mixture of four institutional logics,** with constantly changing emphases and combinations (Figure 9). The identification of the four logics is based on the location of housing within the governmental structure, names and responsibilities of ministerial units dealing with housing, and housing policy instruments.

- **Housing as a local government issue.** Housing as a local government issue was the dominant institutional logic between 1990 and 1998, when the state-owned housing stock was transferred to the municipalities. This period also saw the mass-privatisation of housing and the establishment of legal framework of managing municipal housing. Between 2006 and 2010, this logic became more pronounced, when the ministry overseeing local government issues took over the political portfolio of housing.

- **Housing as a financial issue.** According to this institutional logic, housing is first and foremost a financial issue for the national government. From this perspective, the crucial question is through which financial instruments the government subsidises homeownership. This institutional logic was dominant between 1994 and 2002 and has been a primary institutional logic from 2012 onwards. A good indicator of this logic is that housing issues have been added to the political portfolio of the Ministry of Finance or the Ministry of (National) Economy.

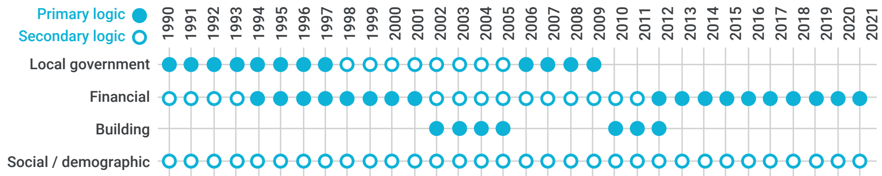

Figure 9: Changing logics of national housing policies

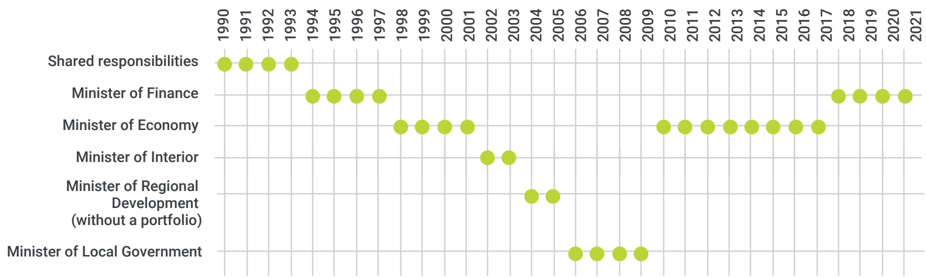

Figure 10: Ministers primarily responsible for housing policy, 1990–2021 (as of 31 December of each year)

- **Housing as a building issue.** The third institutional logic puts the material assets (buildings) at the forefront, with the government ensuring that construction and renovation of dwellings take with the help of various policy instruments. This logic was dominant between 2002 and 2006, and during a short period between 2010 and 2012. The former period represents an era when the government sought to launch a comprehensive housing policy, with all four institutional logics present (albeit with a predominance of the building perspective).

- **Housing as a social or family policy issue.** According to this institutional logic, the government is responsible for developing housing policy instruments that support social groups in need. This approach identifies the reduction of housing poverty as a primary goal. **Over the past three decades, a social approach to reducing housing poverty has never been the primary focus of Hungarian housing policies** but has constantly been a secondary logic (Figure 9). Since about 2015, the family policy (demographic) dimension of housing has been strengthened, – although prioritising families has been a consistent policy dimension for the past five decades.

3.2. Ministerial responsibilities of housing

In parallel to the changing combinations of institutional logics regarding housing policy discussed above, ministerial responsibilities have also been shifting.

A decisive step that occurred before 1989 was the dissolution of the Ministry of Construction and Urban Development on January 1, 1989 – which led to the construction lobby's loss of weight within the government.[122] **The government divided housing responsibilities among different ministries in 1990, leading to an unmanageable structure.** Most legislative work was undertaken in the Ministry of Interior (transferring state-owned housing to municipalities, preparation of the Housing Act, etc.) and to a lesser extent in the Ministry of Welfare (developing frameworks of social institutions and social care). In the meantime, the Ministry of Finance was managing housing subsidies and trying to solve the financing

[122] Hegedüs, J. (2006): Lakáspolitika és a lakáspiac – a közpolitika korlátai. Esély.

problems arising from increasing interest rates of subsidised housing loans. In the Ministry of Interior, the Deputy State Secretary for Local Government, Pál Kara, was responsible for running the municipal logic of housing from 1990 to 2003 under different governments. To add to the confusion, in May 1993 the Minister of Industry and Trade was given the task of coordinating housing policies, by leading an inter-ministerial committee.[123] Preparations for writing a housing strategy failed because of the lack of competence within the first post-regime change government.

After the next parliamentary elections in 1994, the Minister of Finance became primarily responsible for housing, but certain aspects remained in the portfolio of the Ministry of Interior. The financial logic of housing policy became equally important as the local government logic. Housing spendings were dominated by carryover effects from pre-1990 subsidies, and austerity measures were introduced because of the economic crisis. At the same time, there was no government body with broad information on housing, capable of developing and implementing a comprehensive housing strategy.[124]

A comprehensive rethinking of housing policy can be attributed to the first government of Viktor Orbán (1998–2002), which prioritised the financial logic. Housing policy (together with the strategic level of economic policy) was transferred to the newly established Ministry of Economy, while the financial management of housing policy instruments remained in the portfolio of the Minister of Finance. The Minister of the Interior and the minister responsible for social affairs and family policies also dealt with some housing issues. Establishing a Housing Policy Unit within the Ministry of Economy slightly improved the representation of housing in government politics, although the issue of dispersed responsibilities was not resolved. The housing policy was recalibrated to stimulate economic growth through construction activities; this is why measures related to homeownership were the dominant feature of subsidies. A programme was launched to increase the municipal housing stock by construction and buying – without considerably reducing housing poverty.

After winning the next elections in 2002, the socialist-liberal coalition government appointed Judit Csabai as government commissioner to coordinate housing policies. Her tasks included developing the national housing programme, implementing activities related to housing construction, renovation and maintenance, and reorganising building control.[125] As the government commissioner belonged to the Ministry of Interior, units dealing with housing issues were partly returned to this ministry. The management of housing subsidies, however, remained in the portfolio of the Ministry of Finance. The institutional logic of building strengthened in shaping housing policy, as reflected in the draft of the housing programme and the name of the responsible departmental unit.

On 1 September 2003, the National Housing and Construction Office (OLÉH) was established as an overarching executive agency, to which housing issues (and also tasks related to the built environment in general) were transferred.[126] Although an article published in the professional magazine Falu-Város-Régió stated that 'the new national institution has on its agenda the establishment of a broader understanding of the housing question based on international experience, a more complex understanding of housing policy and a closer link with municipal politics',[127] these hopes were premature. According to a 2004 Ministry of Interior review, the creation of the Office did not improve accountability, internal procedures were lacking, and regulatory gaps were looming.[128] After a cabinet reshuffle in 2004, the mandate of the government commissioner was terminated, and housing was transferred to the minister without portfolio responsible for regional development and social inclusion. From 2005 onwards, the National Housing and Construction Office was commissioned to prepare the national housing programme (the first draft of which had failed earlier, in 2003 – see below). Within the Office, housing policies were dealt with by a unit of 15–16 people[129] which **did not allow for a**

[123] Government Resolution 1038/1993 (V.21.).
[124] See for example Győri, P. (1998). A helyét kereső lakásügyről néhány szóban. Manuscript.

[125] The relevant legislations are Government Resolution 1087/2002 (VI.7.) and Government Resolution 1139/2002 (VIII.12.).
[126] Government Decree 135/2003 (VIII. 29.).
[127] Anon. (2003). Beszélgetés Fegyverneky Sándorral, az Országos Lakás- és Építésügyi Hivatal elnökével. Falu-Város-Régió.
[128] ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék.
[129] ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék.

meaningful execution of tasks. The Office was dissolved in 2006, after the next parliamentary elections.

In the same period, after 2002, the socialist-liberal coalition government launched preparatory works to reorganise social policy, including housing-related elements. The preparatory work stalled as a result of cabinet reshuffles of 2004 and 2006 as well as the crisis management after the 2008 economic downturn, and there was no real political will to undertake the necessary reforms.[130]

After the 2006 elections, housing was transferred to the newly established Ministry of Local Government and Regional Development (from 2009, named the Ministry of Local Government), together with the management of housing subsidies.[131] The Secretary of State for Local Government and Housing (three different persons between 2006 and 2010) was in charge of housing policies. With the establishment of the Ministry, the institutional logic of building was receding. According to a report by the State Audit Office of Hungary, the Ministry had only a staff of 11 dealing with housing subsidies in 2008; way below the operational capacity needed to perform analysis and evaluation of housing policies.[132]

Viktor Orbán came back to power as prime minister in 2010. The governmental unit responsible for housing policy changed several times in the next two years. Initially, housing was taken over by the Ministry of National Economy (under the leadership of the current president of the central bank of Hungary – the MNB – György Matolcsy). Within the ministry, the State Secretary for Energy Strategy and Housing coordinated housing policies. This change brought building issues back into the spotlight. Linking energy efficiency of buildings with housing policy was a new government philosophy. The state secretary left the ministry at the end of the year leading to the relegation of energy efficiency issues to the background. In 2011–2012, the institutional logic of building continued (without the energy efficiency aspect), but in 2012 housing policy was transferred to the responsibility of the State Secretary for Taxation and Finance (from 2015 State Secretary for Finance). A subunit within the ministry, the Economic Financing and Housing Unit became responsible for housing policies in general. **From 2012 onwards, the financial institutional logic regarding housing policy became dominant. Financing housing policy instruments became the primary aim of the government, with social issues (mostly understood as demographic or family policy questions) being subordinated to it.**

At the Deputy State Secretary level, housing has been managed by László Balogh, Deputy State Secretary for Financial Policy since January 2014. His opinions on policy are unknown to this day, as he rarely gives interviews.[133] Within the Ministry of Finance, housing policy issues currently fall under the responsibility of the Macroeconomics Unit and the Economic Financing and Housing Provision Subunit.[134] On responsibilities as of 2021 see Table 2.

Housing is a neglected policy field within the ministry, where housing is only one among the 12 tasks of the responsible Secretary of State and one of the 14 tasks of the responsible Deputy Secretary of State. In the Macroeconomics Unit, three of the 12 duties are related to housing, but housing is subordinated to financial aspects. **Housing does not even have a separate unit within the responsible ministry.** This lack of weight has allowed certain housing policy issues to be transferred (at least in government communication) to the Minister without portfolio for Families, Katalin Novák. Although officially the minister without portfolio only 'contributes to the formulation of the Government's programme of housing provision in co-operation with the [Finance] Minister',[135] in reality she has shaped – rather than merely contributed to – housing policy during the past years.[136]

130 On the history of the failed reforms, see Győri, P. (2012). Elszabotált reformok – 'Tékozló koldus ruháját szaggatja.' Dialógus Mózer Péterrel. Esély.

131 2/2006 (MK 94.) order of the Minister of Local Government and Regional Development.

132 ÁSZ [State Audit Office] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék.

133 According to the government websites kormany.hu, 2015-2019.kormany.hu and 2010-2014.kormany.hu, László Balogh has talked about housing issues a total of two times during his entire tenure (here and here), when he commented on the latest housing construction data of the Hungarian Central Statistical Office. In his official Hungarian CV, the only indication of expertise in housing policy is being a member of the Secure Housing Monitoring Committee set up by the government between 2010 and 2011 (the Committee was set up in 2011, so even the years in the CV are erroneous).

134 See the Ministry of Finance organogram (in Hungarian) on the government website.

135 94/2018 (V.22.) Government decree, 143/C. § (2) g)

136 The Minister without portfolio for Families, Katalin Novák was elected President of Hungary in March 2022.

Level	Text of the legislation
State Secretary for Finance	*§ 26 (1) i) ensure the preparation and implementation of measures related to the implementation of housing policy tasks, the development of the concept of the housing strategy and the preparation of legislation related to housing management and housing provision*
Deputy State Secretary for Financial Policy	*54. § (1) c) shall ensure the development of the concept of the housing provision strategy and the housing programme in-line with the general policy of the Government, as well as measures related to the implementation of housing policy tasks, in particular the laws on housing, housing cooperatives, rental housing and renting of premises, and the disposal of municipal housing and premises, and the laws on state subsidies for housing (…)*
Macroeconomics Unit	*Appendix 2 3.6.1.2.* *4. prepares draft amendments to the Act on the Central Bank of Hungary in the monetary policy field, drafts legislation on housing cooperatives, on housing rental and rental premises and on the disposal of municipal flats and premises (…) and on state subsidies for housing,* *5. operates the system of national housing subsidies, ensures the professional management of housing subsidies, the updating of the underlying professional IT systems and the identification of IT development needs, (…)* *8. develops proposals of housing provision, ensures the implementation of housing policies, cooperates with relevant ministries in the development of programmes to support housing of families for demographic purposes*

Table 2: Housing responsibilities within the Ministry of Finance.
Source: Order of the Minister of Finance 1/2020 (I.31.) (unofficial translation).

3.3. Housing strategies

Hungarian housing policy over the past three decades has also been dysfunctional, because **no government ever had a comprehensive housing strategy** (or a comparable strategic document). In the mid-1980s, The National Planning Office started to prepare a housing concept, but this was not finalised due to conflicting interests, political concerns (politicians feared a loss of popularity due to rent increase) and the political changes of 1989–1990.[137] 1991 saw an unsuccessful attempt to develop a housing concept,[138] which was followed by a government decision to develop such a document in 1995[139] (to never be implemented). In 1998, during the first Orbán government, the Minister of Economy was responsible for the preparation of the housing concept. In August 1999, a proposal was approved by the government on the main directions of housing policy, on the reshuffling of housing subsidies, and housing finance. This proposal sought to improve access to homeownership through lending and proposed a programme for increasing the municipal rental housing stock.[140] Although this document setting out the directions of the housing policy was 'adopted as a basis for further work' by Government Resolution 1100/1999 (IX.3.), no comprehensive housing policy document was subsequently developed.

After the socialist-liberal coalition government took power in 2002, the Minister of Interior was tasked with drafting the conceptual document of housing policy. The National Housing Programme[141] was prepared by the government commissioner on housing, Judit Csabai. Although the cabinet discussed the proposal in December 2003, the programme document was not adopted. According to a report of the State Audit Office of Hungary, the main reason for this failure was that the Ministry of Finance doubted the financial viability

[137] On the housing policy around 1990, see housing expert Péter Győri's discussion with Zsolt Oszlányi, who worked on housing policy development: Győri, P. (1991). Hogyan készülnek a lakáskoncepciók? Beszélő.
[138] As housing expert Péter Győri noted: 'In an inward-looking manner – and increasingly excluding other actors – new variations of the housing concept were prepared [in the Ministry of Welfare]. These resembled a flowery essay of a sentimental, patriotic adolescent (…) At the end of 1991, there were still only green (or red-white-green [referring to the colours of the Hungarian flag]) concept crumbs, nothing else.' Győri, P. (1992). 'Lakástörvény' – koncepció nélkül. Beszélő.
[139] Government Resolution 1081/1995 (VIII.31.).
[140] The objectives of the proposal are discussed in ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék.
[141] Miniszterelnöki Hivatal Kormánymegbízott (2003). Otthon Európában. A nemzeti lakásprogram pillérei.

of the proposal.[142] **The draft of the National Housing Programme set out the main pillars of housing policy, as part of a complex understanding of housing: this included 15-year targets and monitoring indicators. However, the document remained at the conceptual level, lacked detailed elaboration of concrete measures, and did not discuss the financial resources needed to implement it.**

Despite this failure, the preparation of the National Housing Programme remained a ministerial task until 2006 – after which even drafting a housing policy document was removed from the duties of any sitting minister. The political need to develop a housing strategy and a rental housing programme resurfaced in 2010, when it became the duty of the Minister of National Economy, György Matolcsy. A green paper on housing strategy was completed in May 2011,[143] but this has not been adopted by the government. The proposal did not address housing poverty per se, but rather dealt with housing as a housing loan availability and building issue. Since 2011, state secretaries and deputy state secretaries are commissioned to prepare the conceptual framework for housing policy (see Table 2 above), but they failed to put forward any concept ever since (or – perhaps – such concepts were not made public). **The 'Housing Programme' referred to in governmental communication is merely a set of policy instruments – without an underlying overall strategy and without comprehensive, publicly available impact assessment and monitoring.**[144]

Habitat for Humanity Hungary's annual reports on housing poverty and other academic/professional articles also list a number of strategic documents on development, economic and social policy (e.g. programming documents for EU funds, various government strategies) in which housing issues are partially featured.[145] These **general policy documents may have shaped housing policy developments and government debates in particular years, but they have not impacted the long-term direction of housing policy and the management of housing policy instruments.** Strategic planning, programming and monitoring tended to characterise the periods of socialist-liberal coalition governments in the past thirty years (1994–1998, 2002–2010). The technocratic character of Hungarian strategic planning can rightly be criticised since it totally lacked public participation. The early years of the post-2010 Orbán government were characterised by an abundance of concepts and strategies in various policy fields, with the Ministry of National Economy being the key actor in the process of development.[146] But these plans were poorly integrated into government politics, and planning itself largely disappeared by the mid-2010s, with measures in housing generally being driven by momentary interests and haphazard decision-making.

3.4. Other institutions implementing housing policy

In addition to the above-mentioned institutions, executive agencies, public bodies and commissions have helped to implement housing policy over the past three decades. **Especially in the 2000s, public tasks – including some related to housing – were delegated to government agencies, foundations, public foundations and public interest companies (PIC).**[147] Although all of them were ephemeral in the long-term, the most important ones related to housing were the Building and Housing Management and Maintenance Innovation R&D Foundation (Épület- és Lakásgazdálkodási- Fenntartási, Innovációs K+F Alapítvány),[148] the ÉMI Non-profit Limited Liability Company for Quality Control and Innovation in Building (previously ÉMI Kht.),[149] the Hungarian Housing Innovation PIC

142 ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék.

143 Nemzetgazdasági Minisztérium (2011). Otthonteremtési stratégia. Szakmai vitairat. Budapest: Nemzetgazdasági Minisztérium. Habitat for Humanity Hungary s position paper on the proposal can be read here (in Hungarian).

144 The government advertised that the 'programme of housing provision became complete' by the end of 2020; a set of instruments helping middle-class families to acquire private property – see the government's website for a summary in Hungarian.

145 For a description of these documents, in addition to Habitat for Humanity Hungary's annual reports on housing poverty, see Csermák, K. (2011). Quo vadis, magyar lakáspolitika? Polgári Szemle.

146 These documents have been analysed in detail in the 2012 and 2013 annual report on housing poverty (Kőszeghy, L. (ed.). (2012). Éves jelentés a lakhatási szegénységről – 2012. Budapest: Habitat for Humanity Magyarország; Hegedüs, J., Horváth, V. (2013). Éves jelentés a lakhatási szegénységről 2013. Budapest: Habitat for Humanity Magyarország.). Subsequent reports could not even devote a separate chapter to the analysis of strategies, because they were not present.

147 On various legal forms in Hungary see: https://www.cof.org/content/nonprofit-law-hungary

148 The foundation was established in 1991 and dissolved in 2015. It engaged in research and development activities related to the built environment, but its objectives also included 'exploring decision-making related to the contradictions between privatisation and the preservation of national (municipal) housing assets, as well as long-term planning and professional anchoring of optimal housing management'.

149 Established in 2000 as the successor to the Construction Quality Control Institute (ÉMI), founded in 1963, ÉMI is Hungary's largest institution dealing with complex building and construction materials industry approval, testing, inspection, certification. https://www.emi.hu/EMI/web.nsf/Pub/professional_activity.html

(Magyar Lakás-innovációs Kht.)[150] , the National 'Kós Károly' Home Creation Supporting PIC (Országos 'Kós Károly' Otthonteremtést Segítő Kht.) which ceased to exist in the mid-2000s, the Public Foundation for the Homeless People of Budapest (Összefogás a Budapesti Lakástalanokért és Hajléktalan Emberekért Közalapítvány) and the Public Foundation for the Homeless (Hajléktalanokért Közalapítvány). Government advisory bodies in housing were the National Housing Policy Council[151] (1995–1999); the Housing Policy Advisory Board[152] (1999–2002); the National Housing Policy Advisory Board[153] (2002–2004, 2008–2010), the Housing Advisory Board[154], the Housing Board[155], the Housing Provision Advisory Board[156] (2011–) and the Secure Housing Monitoring Committee[157] (2010–?). The actual impact of these bodies on housing policy has been marginal, and these bodies are usually not considered as important actors in shaping Hungarian housing policies.

150 MLI Kht. was founded in 2001 to manage housing subsidies distributed through tenders; its tasks were taken over by the ÉMI Kht. in 2007.

151 The successor to the Inter-ministerial Committee established in 1993. It was a 21-member consultative body set up to 'prepare and promote the implementation of a modern and comprehensive housing policy in a multifaceted manner', consisting of representatives of state administration and other bodies (local authorities, tenants' and owners' associations, financial institutions and professional organisations) (Government Resolution 1081/1995 (VIII.31.)).

152 The successor of the National Housing Policy Council – enlarged to 28 members, with main activities unchanged (Government Resolution 1099/1999 (VIII. 31.)).

153 Established parallel to the appointment of Judit Csabai as government commissioner. It was intended to provide broad social participation in housing policy decision-making (Government Resolution 1139/2002 (VIII.12.)). Between 2008 and 2010, a ministerial advisory body was established under the same name within the Ministry of Local Government (Order of the Minister of Local Government 5/2008. (HÉ 39.) ÖM).

154 It was located within the Ministry of Interior (Order of the Minister of Interior 29/2002 (BK. 21.) BM) between 2002 and 2004. Based on available government documents, its specific tasks are unknown.

155 A ministerial advisory body in the Ministry of Local Government and Regional Development, mentioned in the Order of the Minister of Local Government and Regional Development 2/2006 (MK 94). Its responsibilities remain unknown until this day.

156 The Board drafted the February 2011 green paper on housing. The Board was mentioned in the Ministry's organigram and the Ministry acted as the secretariat of the Board until 2014 (Order of the Minister of National Economy 4/2010 (X.5.); Order of the Minister of National Economy 11/2013 (VI.3.)); it is unknown whether the board actually functioned.

157 The committee was set up by the Minister of National Economy in 2011 and dealt with the issue of foreign currency lenders and housing loans. Its members were Júlia Király, then Vice President of the MNB (the central bank of Hungary), László Balogh, Vice President of the Hungarian Financial Supervisory Authority (PSZÁF) (current deputy state secretary responsible also for housing) and András Kármán, State Secretary of the Ministry of National Economy. hvg.hu (2011). Mit javasolhat a kormánynak az otthonvédelmi bizottság?

4. Budgetary expenditure on housing

'There is no comprehensive data on housing subsidy budget expenditures. Housing-related expenditures are listed under different budget lines in different ministry chapters, and there is no information system developed which would help decision-makers conceptually or with statistics', wrote housing sociologist József Hegedüs in Habitat for Humanity Hungary's first annual report on housing poverty, published in 2012.[158] **Comprehensive data regarding Hungarian housing policies has been lacking throughout the past thirty years.** Therefore, we have no exact information of how much the state spends on providing or helping citizens' housing – meaning it is difficult to verify the accuracy of current government statements which claim to run 'the biggest ever home creation scheme'[159] in Hungary, or that 'the government has increased housing subsidy spendings to more than two and a half times compared to 2010'.[160] The first statement can be easily refuted, because the government does not have a housing programme that would define the conceptual framework of housing policy. We will also show below that it is highly doubtful whether the state spends more on housing in 2021–2022 than at any time in the past three decades (not to mention earlier times – for example the large-scale housing construction programme of the state socialist period). The second claim about a two and a half-fold increase in housing subsidies is true in some respects, but we will show why this claim is not suitable for assessing the successes and failures of housing policy.

No substantive information is available on housing subsidies beneficiaries i.e. whether certain instruments have contributed to reducing housing poverty or whether they have targeted those living in housing poverty. Both Habitat for Humanity Hungary's annual reports on housing poverty and housing policy experts generally agree that **budget spendings in the past thirty years were largely misused because they did not target social groups in need.** The details of social targeting were presented in the previous section.

158 Hegedüs, J. (2012). Lakhatással kapcsolatos költségvetési kiadások. In: Kőszeghy, L. (ed.). Éves jelentés a lakhatási szegénységről – 2012. Budapest: Habitat for Humanity Magyarország, 38.

159 See the government's English language website: abouthungary.hu (2021). Hungarian government to launch its biggest ever home creation scheme this year.

160 kormany.hu (2021). Egyre több lehetőség, egyre több családnak.

In this section, we look at housing expenditures of the central government (the national level) in three ways.

1. The first estimate shows spending changes of the 'Housing subsidies' budget line of the central government budget since 1990, based on data from the Closing Accounts Acts and the Budget Acts.
2. The second estimate analyses government expenditure on housing on the basis of the Classification of the Functions of Government (COFOG) – an internationally standardised methodology of thematic areas of government spending that has remained largely unchanged since the mid-1990s.
3. The third estimate is based on a detailed data collection of budgetary expenditure on housing, by processing Closing Accounts Acts and Budget Acts (including annexes in the bills). This method has been followed by previous annual reports on housing poverty, but we slightly modified the classification in order to adapt it to the longer timeframe under review.

4.1. The 'Housing subsidies' budget line

The 'Housing subsidies' (Lakástámogatások**) budget line item has been constantly present in the central government budget since 1990, with only slight changes in terms of what included under this heading.** The current name has been used since 1998 – previous designations being 'home building subsidies' (1997) and 'subsidies of self-organised home building' (until 1996). The Budget Acts themselves do not provide any information on the internal structure of this budget line item (i.e. division of projected spendings according to specific policy instruments), **the exact contents are revealed in the annexes of the Budget Bills and Closing Accounts Bills with the textual justification of government spendings.** The level of detail with which the government has reported on these expenditures has varied over the past three decades. Nevertheless, the below scathing finding of the State Audit Office of Hungary from 2009 is valid for the whole thirty-year period: 'there is no monitoring database available that would allow us to determine the number, composition and quality changes of dwellings built, renovated or purchased with the help of housing subsidies'.[161]

[161] ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék, 10.

The Housing subsidies budget line is relevant for a long-term assessment of housing expenditures because, in principle, **governments have added the expenditures considered to be housing subsidies under the Housing subsidies heading.** The 'Housing subsidies' designation is broadly accurate because spendings served housing purposes in some respects. However, these subsidies were not always for building homes (they included subsidies for renovation or purchase), nor was all expenditure allocated for broadening homeownership (they included some municipal subsidies as well). In general, once an instrument was put under the Housing subsidies heading, it was consistently kept there throughout its lifetime – this was also the case of instruments with similar contents. For example, the current family housing benefit and the former social policy allowance (non-reimbursable cash grants for families with children buying a dwelling) were consistently classified under this budget item, regardless of changes of government. Thus, the dataset can be considered relatively homogeneous.

The central budget has significant housing expenditures that do not appear in the Housing subsidies budget line. This might be explained by scattered responsibilities discussed above: different housing policy instruments belong to different ministries, and the expenditures are always in the budgetary chapter of the respective governmental unit. The Housing subsidies budget line itself has shifted across budget chapters several times. For most of the time, the Ministry of Finance oversaw the spendings, but it was previously classified under the 'direct expenditures of the central government' chapter. In the 2022 budget, it is part of the completely opaque Economic Recovery Fund under which the government classified all expenditures considered to be related to the economic recovery after the Covid-19 crisis under the jurisdiction of the Minister of Finance (this also included many unrelated spendings).

Figure 11 shows Housing subsidies actual and projected spendings between 1990 and 2025. The figure mirrors real estate cycles, financial cycles as well as cycles of housing policy instruments. **The three peaks of housing subsidies have been caused by the increased spendings on the social policy allowance (1990), the interest-rate subsidies of mortgages (mid-2000s) and the family housing benefit and building society top-up subsidies (since the mid-2010s).** (The spike in 1995 was due to a one-off financial effect related to the phasing-out of 'old' housing

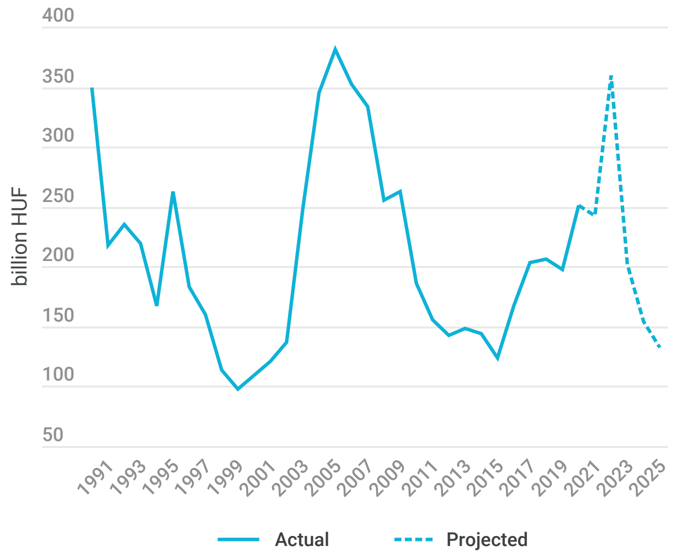

Figure 11: 'Housing subsidies' budget expenditures (billion HUF, 1990–2025), at 2020 prices. Source of data: Closing Accounts and Budget Acts, Hungarian State Treasury.[162]

[162] For the years between 1990 and the early 2000s, the Closing Accounts Bills and Budget Bills are available in the Hungarian Parliamentary Collection of the Library of the Hungarian Parliament, while those of later years are available at the Hungarian National Assembly's website. The Fiscal Responsibility Institute Budapest has also compiled the links to the closing accounts and budgets –both the bills and the acts. The graph shows actual data from the Closing Accounts Acts for the years between 1990 and 2019. Data source for 2020 is the Hungarian State Treasury (at the time of writing, in August 2021, the government had not yet introduced the Closing Accounts Bill of the 2020 budget). For 2021–2025 planned expenditures are shown, based on the 2021 and 2022 Budget Bills and their annexes. Current prices were deflated with the Consumer Price Index (1990–2020) of the Hungarian Central Statistical Office. The long-term inflation target of the central bank of Hungary, MNB (3%) was used as a deflator between 2021 and 2025.

loans dating back to the state socialist era.) All of these subsidies primarily supported homeownership (either to buy or to build) but, for example, building society top-up subsidies – which could be used for renovation – were also included under this banner. **None of these instruments are socially targeted; on the contrary, they are less accessible to the lower classes.** For example, in the case of the family housing benefit, an active social security number is required; subsidised mortgage loans are unavailable for many households due to the lack of creditworthiness; and poorer households only rarely have housing savings accounts or receive top-up payments from the state. Thus, housing subsidies do not directly contribute to alleviating housing poverty.

Housing subsidy spendings were cut back several times in the past three decades. First, due to the economic crisis of the early 1990s, then after the change of government in 2002, and later on the eve of the 2008 crisis. As these austerity measures were introduced, governments changed the accessibility of the instruments and the amounts of subsidies. These changes occurred mostly in response to a surge in public spendings and partly reaction to the mismanagement of funds and a lack of strategic planning. The 2022 surge shown in the figure is due to the home renovation subsidy introduced in late-2020. This instrument – included in a governmental stimulus package after the Covid-19 recession – funds 50% of renovation expenditures of wealthier households: the government hopes to spend 155 billion HUF for this instrument alone in 2022. If government spendings are calculated at constant prices (of 2020), it is clear that the current policy mix is not the 'biggest ever' housing programme as the government states: both the 1990 and the mid-2000s spendings were above current levels.'

Governments have included more than forty instruments under the housing subsidies budget line item in the past three decades, and the availability and accessibility of each instrument has also varied widely, as discussed previously. This shows that governments have not had a comprehensive housing policy that would have provided predictable and fiscally sustainable support for the housing of different target groups. The type of subsidies with the longest and highest fiscal impact in the past three decades have been the ones related to purchasing homes: cash grants to households, interest-rate subsidies on housing loans (including subsidies for banks covering their costs on loan disbursement) and also some socially targeted subsidies such as renovation subsidies for persons with reduced mobility[163] (the latter represented an expenditure of 3 billion HUF in current prices in the early-2000s peak – a minor share of total expenditure). **Interest-rate subsidies and guarantees linked to housing loans result in budget liabilities that can last for several decades after the instrument has been phased out** as subsidies are paid throughout the long maturity of the housing loan contracts.[164] For example, the topping-up of building society savings has remained a dominant expenditure even after the termination of new claims in 2018. The *Fészekrakó* (Nesting) scheme of the second half of the 2000s generates budget expenditure until today. The social policy allowance and the interest-rate subsidy on mortgage loans (phased out in 2009) account for government expenditures until today, albeit in decreasing amounts (the interest-rate subsidy on mortgage loans has a maximum length of 20 years). Although the 'Housing subsidies' budget line consisted mainly of longer-term instruments, one-time expenditures were sometimes also included here, such as the costs of the reconstruction of dwellings after the devastating floods of the Tisza river in 2001.

As mentioned earlier, the government claimed to have increased housing subsidies more than twofold compared to 2010. This claim presumably refers to the 'Housing subsidies' budget line. Technically-speaking, this amount can easily be increased or decreased by merging various housing policy instruments under this budget line item or by taking them out and accounting them elsewhere. If we compare the 2010 current price value (147.4 billion HUF) with the 2022 projected spendings (381.8 billion HUF), we indeed see a 2.5-fold increase (at constant prices, however, the increase 'only' amounts to 1.9). **The reason for the increase is partially due to a consistent overestimation of the 'Housing subsidies' budget line during budget planning in recent years.** For example, the government projected to spend 106.2 billion HUF on the family housing benefit in 2019, but the actual expenditure was only 73.5 billion HUF. The overestimation is useful for communication purposes (e.g. announcing a 2.5-fold increase), but it also provides fiscal leeway for the government for mid-year budget transfers from this line to other purposes. Overestimation, however, has not been a uniform feature of the last thirty years: **the rapid expansion of mortgage lending in the early- to mid-2000s was also due to budget planning failure.** Interest-rate subsidies on mortgages were tightened in 2003, leading to front-loaded demand and a near doubling of budget expenditures in 2004 (at current prices); the aggregated housing subsidies spendings were 1.5 times higher in 2004 than projected (see the steep rise on Figure 11). A similar case occurred with the social policy allowance in the second half of the 1990s, where expenditures ended up being two to three times higher than the estimates of the budget planning.[165]

4.2. Housing expenditure by functional sector of government expenditure

As a second estimation, we look at the housing expenditure based on the functional spendings of government (COFOG methodology).[166] This methodology adds up spendings of central government, local government and social security funds (including state-owned enterprises and non-profit organisations) and divides them into broad thematic objectives linked governmental activities. Expenditures of organisations with multiple activities are divided up thematically (e.g. the expenditures of a municipality-owned real estate management company are considered as housing expenditures if they are spent on dwellings and not accounted for if used for commercial real estate). The long time series help us identify general trends, and data is also internationally comparable (with some limitations).[167]

The COFOG classification aggregates not only central budget expenditure, but the whole government sector: it is therefore broader than the Housing subsidy budget line discussed earlier. **A difficulty in interpreting this data is that its breakdown is not publicly available,** making it unsuitable for evaluating the impact of specific policy instruments.

[163] On this form of support, see Gosztonyi, Á., Vankó, L. (eds.) (2020). Annual report on housing poverty in Hungary 2020. English summary. Budapest: Habitat for Humanity Hungary.

[164] In the early 1990s and mid-2000s, liabilities of earlier programmes accounted for three quarters of annual housing expenditures. Hegedüs, J. (2006). Lakáspolitika és a lakáspiac – a közpolitika korlátai. Esély.

[165] Hegedüs, J. (2006). Lakáspolitika és a lakáspiac – a közpolitika korlátai. Esély.

[166] For more details on the COFOG classification and statistical methodology, see the websites of the Hungarian Central Statistical Office and the Hungarian State Treasury.

[167] To give an example of the limitations of international comparisons in the housing sector: spendings are attributed to a different category if housing subsidies are provided as tax rebates or as cash grants.

Government expenditure on housing is covered by two COFOG groups, Housing development (COFOG 6.1) and Housing (COFOG 10.6). The former includes government expenditure on housing construction, land acquisition for housing and housing purchases; subsidies for the expansion, maintenance and renovation of the housing stock (without social targeting); housing elements of settlement rehabilitation programmes; expenditures on the administration, evaluation and monitoring of housing. The latter group includes affordability subsidies (e.g. utility allowances, rent supplement, socially targeted housing loan subsidies for homeowners) and expenditures on social rental housing. Data for Hungary is available in Eurostat's database from 1995 onwards, but due to a one-time effect in 1995, data is only examined from 1996 onwards.[168]

In many respects, Figure 12 is similar to Figure 11: housing expenditures declined in the second half of the 1990s and peaked in the mid-2000s. But unlike in Figure 11, expenditures stabilised at a lower level than ever before in this period. An important structural change is that **while the bulk of the expenditures was initially classified under social housing, socially targeted expenditures became lower than expenditures on housing development (without means-testing) from 2016 onwards.** The conversion of forex housing loans to HUF loans represented a one-time expenditure of 48.7 billion HUF and 54.9 billion HUF in 2011 and 2012 at current prices (0.2% of GDP in both years), and explains outliers in housing development (COFOG 6.1).[169] Compared to Figure 11, housing expenditures based on the COFOG classification were higher than the Housing subsidies budget line in the mid-2000s (this is probably due to the fact household energy price subsidies were classified as a social expenditure – even though this instrument was not means-tested until 2007). In the past years, however, government spending on housing based on the COFOG methodology is lower than the total expenditure of the Housing subsidies budget line discussed in the previous section.

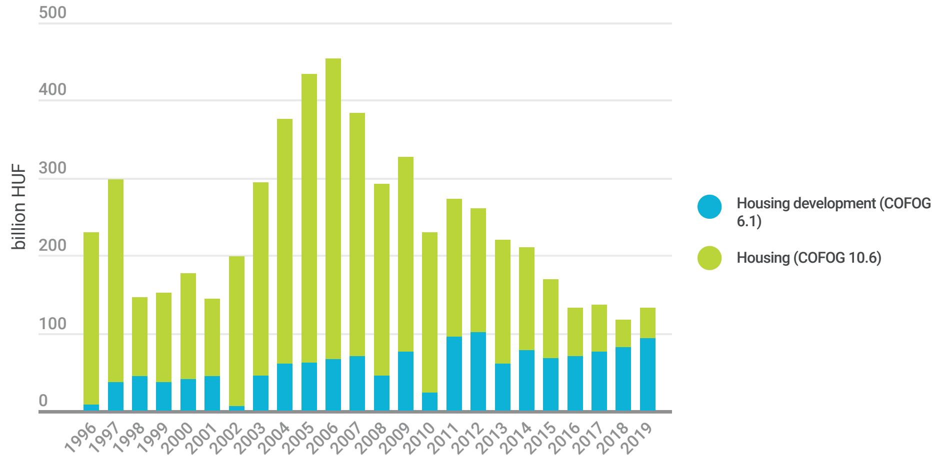

Figure 12: Government expenditures on housing in Hungary, 1996–2019 (billion HUF, 2019 prices). Data source: Eurostat.

[168] The one-time effect was due to the privatisation of the housing stock: in the municipal accounts, the sold dwellings were recorded as negative gross fixed capital formation in the year of privatisation, while instalment payments (by those households who did not pay upfront) appear as receipts on a cash flow basis each year. This effect reduced the expenditure on Housing development (COFOG 6.1) by 2.5% of GDP in 1995, i.e. by HUF 145.6 billion, resulting in a negative value. Eurostat (2019). Manual on sources and methods for the compilation of COFOG statistics – Classification of the Functions of Government (COFOG) – 2019 edition.

[169] Eurostat (2019). Manual on sources and methods for the compilation of COFOG statistics – Classification of the Functions of Government (COFOG) – 2019 edition.

Expenditures devoted to housing over the last fifteen years decreased significantly (i.e. the government has furthered housing policy objectives primarily through family support instruments rather than housing expenditures in the statistical sense) and **socially targeted subsidies have also relatively decreased** (i.e. housing as a social policy has become secondary and housing problems have been – partially – addressed through general social subsidies).

In terms of GDP percentage, **the sum of the two housing expenditure groups fell from over 1% of GDP in 1997 to 0.5% in 2001; it peaked at 1.2% in 2005–2006, then fell steadily to stabilise at 0.3% at the end of the 2010s.** This figure is the lowest share in Hungary in the time series since 1995, making the **government's current housing spending the 'smallest ever' housing programme, rather than the 'biggest ever' claimed by the government.** Experts estimate housing subsidies to be 3% of GDP in the early 1980s; this rose to an unsustainable level of 6% by 1989 (other experts suggest that housing subsidies only accounted for 8% of GDP), and then fell to 1.8% of GDP by the mid-1990s.[170] However, these expert estimates are not directly comparable with the COFOG classification data.

4.3. Detailed breakdown of government expenditure on housing

As in previous editions of Habitat for Humanity Hungary's annual report on housing poverty, government expenditure on housing is also aggregated from the detailed Budget Acts and Closing Accounts Acts and some other sources – such as from data by the Hungarian Central Statistical Office (Figure 13). **An accurate compilation of expenditures is nearly impossible as there is a lack of data transparency throughout the past three decades.** The reasons for this nontransparent data provision range from a lack of a unified monitoring system or coherent housing policy to the level of detail the Budget Acts and Closing Accounts Acts provide on housing expenditures – as well

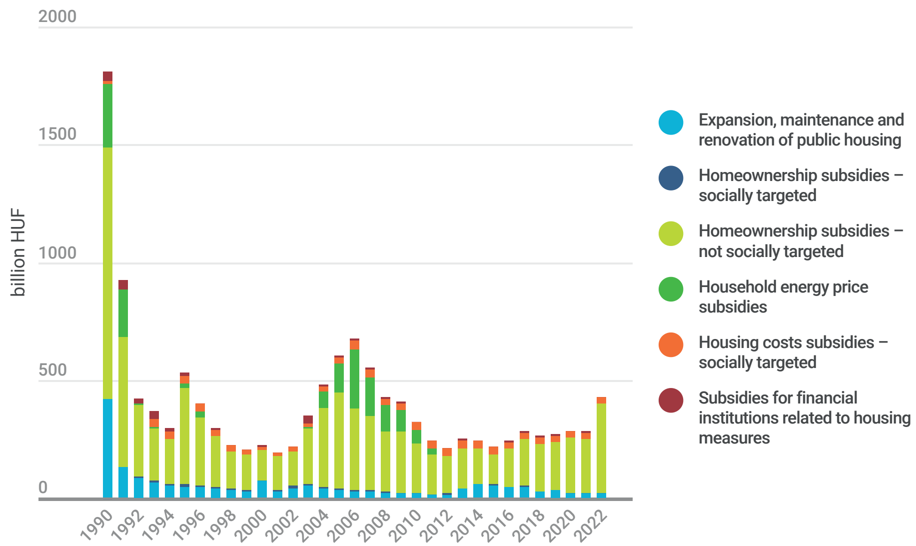

Figure 13: Government expenditures on housing (1990–2022), at 2020 prices. Data source: Closing Accounts Acts and Budget Acts, Hungarian State Treasury, Hungarian Central Statistical Office.[171]

[170] Dániel, Zs. (1997). Lakástámogatás és társadalmi újraelosztás. Közgazdasági Szemle; Hegedüs, J., Somogyi, E. (2016). Moving from an authoritarian state system to an authoritarian market system: Housing finance milestones in Hungary between 1979 and 2014. In: Lunde, J., Whitehead, C. (eds.). Milestones in European housing finance. Oxford: Wiley-Blackwell.

[171] See Figure 11 for the detailed description of the sources.

as ministries hampering access to public data.[172] Thus, **in many respects, our compilation only includes what the budget and the government allow us to see, leaving several expenditures hidden.** However, the compiled data is useful for showing longer trends and internal ratios. Limitations are described in detail below, and we also highlight some housing expenditures not included in the compilation (where time series could not be compiled for methodological or data availability reasons).

Expenditures were divided into six thematic groups, covering most of the housing policy toolkit of the last three decades. The classification was based on two criteria: a) social targeting of the instruments (whether or not they are socially targeted) and b) the target group of instruments (private owners, tenants, renters, utility cost payers, municipalities, companies, financial institutions, etc.). In **total, ninety (!) housing policy instruments were included in our dataset covering the last three decades.**[173] The groups and the main instruments in each group are as follows:

1. **Expansion, maintenance and renovation of public housing.** The main expenditures in this category were: renovation of the municipal housing stock,[174] central budget support for the state-subsidised rental housing expansion programme in the early 2000s[175] (not including municipalities' own contribution), the National Asset Manager Programme (2010s) and the municipal housing subsidy loan.[176] A smaller item was the municipal slum clearance programme supported by the central budget.[177] These subsidies are regarded as socially targeted subsidies, as they primarily ensure that public housing is available for poorer households.

2. **Socially targeted subsidies linked to homeownership.** These amounts are almost invisible on Figure 13. Spendings correspond to three larger instruments: grants for the purchase, construction or renovation of housing for people with reduced mobility,[178] the Child Protection Housing Fund and its predecessors to support access to housing for those leaving foster care,[179] and the consolidation of housing loans taken before 1990 and available to people in need in the early 2000s.[180] The consolidation of old housing loans and accessibility support were part of the Housing subsidies budget line, whereas the Child Protection Housing Fund was not.

[172] There are four main ways of hindering public data access by ministries: extending the deadline for the response, not responding to a request (and hoping that the requestor will not sue), requiring reimbursement for data (Hungarian law allows this since 2016), delaying access to data based on Covid-19 emergency procedures (in 2020 and 2021). The Ministry of Finance, which is primarily responsible for housing policy, has utilised all the above-mentioned methods to restrict access to public data when Habitat for Humanity Hungary submitted data requests for its annual reports on housing poverty in recent years.

[173] The full dataset with Hungarian and English labelling is publicly available online under: Czirfusz, M. (2021). Public spendings on housing in Hungary, 1990–.

[174] The source of the data series is the website of the Hungarian Central Statistical Office and the Yearbook of Housing Statistics; for the years 2020–2022; the 2019 data has been used as an estimate.

[175] For the regulation, see §§ 12–25 of the Decree of the Council of Ministers of the Hungarian People's Republic 106/1988 (XII.26.), amended by the Government Decree 101/2000 (VI.27.); later §§ 26 27 of the Government Decree 12/2001 (I.31.).

[176] The municipal housing subsidy loan (part of the Housing subsidies budget line) included two instruments: interest-rate subsidies from the central budget for loans taken by municipalities for renovation of public housing (Article 22 of Government Decree 12/2001 (I.31.), previously the Decree of the Council of Ministers of the Hungarian People's Republic 106/1988 (XII.26.), amended by the Government Decree 141/1994) and – until 2001 – central budget support for housing subsidies granted by local councils to private households in the 1980s (interest-rate subsidies of the central government for loans taken by local councils to provide this type of support to households – Decree of the Council of Ministers of the Hungarian People's Republic 106/1988 (XII.26.), § 10).

[177] The budget of settlement rehabilitation programmes was negligible, with a peak year of 741 million HUF in 2010 at current prices, see Varró, Sz. (2008). Az MSZP–SZDSZ-kormányok romapolitikája 2002 óta – I. – Céltalanul. Magyar Narancs. From 2013 onwards, EU-funded programmes were undertaken for the same purpose, but these expenditures are not included in the dataset.

[178] A number of structural problems regarding the application and transparency of the scheme were identified by a participatory action research recently (Kovács, V. (ed.) (2018). Önállóan lakni – közösségben élni. Kutatási beszámoló. Budapest: Közélet Iskolája Alapítvány). The subsidy has been devalued to one seventh over the last three decades (the maximum subsidy of 150 thousand HUF in 1990 would be HUF 2.044 million at 2020 prices, compared to a mere 300 thousand HUF currently available). The subsidy is technically misplaced, as it is part of the Housing subsidies budget line, and therefore the Ministry of Finance is responsible for the scheme (i.e. not the ministry responsible for social policy). The instrument is subject to the logic of profiteering: the subsidy must be requested at two Hungarian bank's offices, applications are assessed by the banks, and the state pays a 8% reimbursement to financial institutions – instead of using state institutions for administering the funds as it is done with other social policy benefits.

[179] The fund – which ran under different names during the three decades – has been administered by the ministry responsible for social policy. The rules for the support are set out in Chapter X of Government Decree 149/1997 (IX.10.). The planned expenditure in the 2021 budget is 1.2 billion HUF.

[180] This included two measures introduced in the early 2000s. Under the first measure (Government Decree 66/2001 (IV.20.)), households with housing loans taken before 1994 terminated by the bank were entitled to interest relief, capital repayment and arrears reduction. With the second programme Government Decree 11/2005 (I.26.), the state took over pre-1989 housing loans of certain debtors in need. The government spent 10 billion HUF at current prices on the two schemes. The number of beneficiaries is not fully disclosed in the budget accounts; the second and third tranches of the second programme reached roughly 4,000 people.

3. **Socially not targeted subsidies linked to homeownership.** This group is the backbone of public expenditure on housing in the past three decades, with nearly fifty (!) different instruments.
   - The first subset consists of various **cash grants,** the most important of which are (in chronological order) the social policy allowance, the tax refund subsidy (for self-built housing), the top-up payments for contractual savings for housing (building societies), the renovation scheme for socialist-era apartment blocks and the family housing benefit.
   - The second subset consists of **interest-rate subsidies** for housing loans of state-socialist times, for 'new' housing loans and mortgages after 1990, for measures for phasing out forex loans (e.g. the exchange rate cap scheme and interest-rate subsidies), and – more recently – interest-rate subsidies for housing loans taken together with the family housing benefit cash grant. Smaller schemes existed as well (e.g. interest-rate subsidies for youth savings deposits before 1997). The subset also includes schemes 'waiving' loans, such as the reduction of mortgage debt for families with three or more children from 2017. Cash grants and interest-rate subsidies were combined in a series of measures to phase out housing loans of state socialist times in the early 1990s.[181]
   - The next subset is the mid-2000s **state guarantees** for homeownership (e.g. for housing loans for public sector workers) and the guarantee provided for the *Fészekrakó* (Nesting) scheme.[182]
   - **Smaller grants for various ad hoc problems**. These include cash grants to homeowners after flood and inland water damage (these were generally administered by municipalities through funding by the Ministry of Interior.) The best-known and longest-running programme is the compensation of homeowners damaged by the use of open-hearth slag as building material in the vicinity of Ózd, northeast Hungary (open-hearth slag used in cement leads to cracks in concrete structures over time).[183]
   - The state provided **interest-rate subsidies for working capital loans** for companies and municipalities building housing for sale until the early 2000s (when interest rates were high). This was also a non-targeted subsidy.[184]
   - Finally, we included the **baby expecting loan** in this category which is both an interest-rate subsidy and a waiver. Although these loans can be used for other purposes than housing, in most cases they have supported purchase or renovation of housing.[185]

4. **Subsidies for household energy costs.** Household energy costs have been subsidised in different forms by different governments in the past three decades. In the early 1990s, consumer price supplements contributed to lowering household energy prices for all residential consumers. Later, annual programmes were launched for the same purpose with ad hoc decisions in variable forms (some means-tested, others not).[186] These were replaced in 2003 by a price reduction for natural gas and district heating, initially as a non-targeted subsidy, but transformed into a socially-targeted one in 2007.[187] The scheme was phased out by the Orbán government after 2010, and household energy prices have since been ensured through direct price regulation ('utility price deduction' or 'fight for utility prices' in government communication), which does

181 Almost all non-repayable and interest-rate subsidies were part of the Housing subsidies budget heading. Main exceptions were the renovation of socialist-era apartment blocks and the phasing-out of housing loans taken before 1990. The latter turned interest-rate subsidies into government bond repayments (see earlier) and was therefore filed under the 'government debts and claims' chapter within the budget.

182 The guarantees were not part of the Housing subsidies budget line but were either included in the chapter of Ministry of Finance or in the chapter of the government's direct expenditures and revenues.

183 The legal background for the subsidy is Government Resolution 1085/2001 (VII21..) and Government Resolution 40/2003 (III.21.); regarding the case of houses built with open hearth slag see e.g. Kovács, I. (2014). 'Leszakadt a plafon, elköltöztünk' – Évtizede hagyják cserben a salakos családokat. Magyar Narancs.

184 In recent years, the direct budget support of housing construction loans was replaced by the Central Bank of Hungary's Funding for Growth Scheme Go! programme and the Bond Funding for Growth Scheme. Both are unconventional monetary policy tools providing cheap financing (also available for construction companies in the housing sector.)

185 According to a survey of the Central Bank of Hungary (MNB), three quarters of the applicants used the baby expecting loan to buy and/or renovate. Fellner, Z., Marosi, A., Szabó, B. (2021). A babaváró kölcsön hitelpiaci és reálgazdasági hatásai. Közgazdasági Szemle.

186 Between 1992 and 1997, these ad hoc subsidies were part of either the Ministry of Interior or the Ministry of Welfare budget, depending on who distributed the subsidies to the population.

187 Consumers paid reduced prices, the government paid the difference between market prices and consumer prices for utility providers (by then, privatised companies in foreign ownership). The main legislation is the Decree of the Minister of Economy and Transport 50/2003 (VIII.14.) and Government Decree 231/2006 (XI.22.).

not directly entail budgetary expenditure, as utility providers carry the costs.[188] Housing energy costs have carried variable weight in housing expenditures over the three decades, but in some years contributed to a significant share of spendings.

5. **Socially targeted support for housing costs.** This group is almost invisible on Figure 13. Tools included cash benefits used for housing purposes: rent subsidies (early-1990s, 1996–2002 and 2005–2011), a short-lived housing debt management programme (1998–2003),[189] and major benefits such as temporary allowance, housing allowance, debt reducing assistance and the municipal social benefit.[190] Also included here is the social firewood programme of the post-2010 Orbán governments.[191]

6. **Financial institutions' subsidies for housing.** A recurring feature is that the state reimbursed financial institutions for the additional costs they incurred in disbursing loans and subsidies. In certain cases, financial institutions received advance payments for certain expenses, and the state provided surety for certain non-performing housing loans.[192] However, it is difficult to assess whether these expenditures have increased the profits of financial institutions.[193]

Based on Figure 13 and Table 3 (which summarises assets with a total expenditure of at least HUF 200 billion at 2020 prices) **the share of socially not targeted housing expenditure has made up at least two-thirds of total housing expenditure over the past three decades.** Within this category of expenditure, socially not targeted homeownership subsidies prevail. In the early 1990s and mid-2000s, subsidies for housing energy costs (which partly included socially targeted instruments) were also of high importance. **There was a clear roll-back of the state in terms of housing financing after 1990, leaving behind a gap that could not be filled by the various subsidies supporting homeownership.** Expenditures fell sharply in the 1990s, partly because of the devaluation of previous instruments due to rapid inflation, partly because falling spendings linked to the privatisation of public housing, and partly because previous subsidies were financially unsustainable. The expenditure peaks of the subsequent period were in the mid-2000s and in the 2020s. Table 3 summarises the largest instruments (those with an overall total of at least 200 billion HUF between 1990 and 2022, at current prices in 2020.)

Data for 2020–2022 is partially uncertain. Since 2020, the Ministry of Finance has not provided detailed spendings regarding the Housing subsidies budget line in the annexes of the Budget Bills, as it had previously. Therefore, expenditures of major policy tools (e.g. the phasing out of the top-up of contractual savings for housing) are not included in Figure 13, – which means the actual amount for 2020 was possibly higher than indicated. Projected spendings have generally overestimated actual expenditures in recent years, but the 2021 Budget Act did not yet include the home renovation subsidy – which was introduced after the budget bill was adopted by parliament (increasing actual expenditures). Thus, the share of socially targeted subsidies is difficult to estimate for 2021 and 2022. Newly introduced or modified subsidies (e.g. the home renovation subsidy) are not means-tested. These new instruments are expected to offset declining (e.g. family housing benefit) and phased-out instruments (e.g. the topping-up of contractual savings for housing). Therefore, **we expect that the share of socially not targeted subsidies is either stagnating or declining in 2021 and 2022**.

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188 At the same time, the reduction of utility costs did not solve structural problems regarding the energy supply, see e.g. Weiner, Cs., Szép, T. (2022). The Hungarian utility cost reduction programme: An impact assessment. Energy Strategy Reviews. In the largely renationalised energy sector after 2010, low household energy prices mean lost revenue for state-owned enterprises; costs have to be largely borne by the state in the long run in the form of capital injections.

189 Government Decree 96/1998 (V.13.). Municipalities could apply for additional support for a debt management programme for households. This aid was introduced and subsequently phased out by socialist-liberal coalition governments.

190 The expenditure data is taken from the Yearbook of Welfare Statistics of the Hungarian Central Statistical Office and its statistical tables (here and here). Between 2020 and 2022, the 2019 actual data is shown as estimates in Figure 13.

191 For details on social firewood, see Bajomi, A. Zs. (2018). A szociális tüzelőanyag-támogatás Magyarországon. Budapest: Habitat for Humanity Magyarország.

192 The legislation on reimbursement to credit institutions are: Decree of the Council of Ministers of the Hungarian People's Republic 106/1988 (XII.26.), followed by Government Decree 12/2001 (I.31.), Government Decree 16/2016 (II.10.) and Government Decree 17/2016 (II.10.). The reimbursement rate for banks was typically 1.5-8% of the amounts paid.

193 Hegedüs, J. (2006). Lakáspolitika és a lakáspiac – a közpolitika korlátai. Esély.

		Years*	Socially targeted	Total expenditure (billion HUF, 1990–2022, 2020 prices)
Expansion, maintenance and renovation of public housing		**1990–**	**Yes**	**1695**
Of which:	Renovation of the municipal housing stock	1990–	Yes	1024
	Expenditures of the National Asset Manager	2012–2021	Yes	207
Socially targeted support for housing costs		**1990–**	**Yes**	**856**
Of which:	Housing allowance	1993–2016	Yes	346
	Temporary allowance	1993–2014	Yes	255
Socially targeted subsidies linked to homeownership		**1991–**	**Yes**	**159**
Socially not targeted subsidies linked to homeownership		**1990–**	**No**	**8709**
Of which:	Interest-rate subsidies on mortgages	2000–	No	1288
	Social policy (housing construction) allowance	1990–	No	1283
	Housing Fund (phasing-out state socialist housing loans)	1990–1991	No	1017
	Top-up of contractual savings for housing (building societies)	1998–	No	751
	Repayment subsidy (interest-rate subsidy)	1990–2012	No	738
	Family housing benefit	2015–	No	668
	Supplementary interest-rate subsidy	1994–	No	604
	Interest settlements of housing-related government bonds (related to the phasing-out of state socialist housing loans)	1992–2016	No	481
Financial institutions' subsidies for housing		**1990–**	**No**	**283**
Subsidies for household energy costs		**1990–**	**Partially**	**1424**
Of which:	Contribution to household energy costs	2003–2019	Partially	893
	Consumer price supplement for household energy costs	1990–1991	No	473

Table 3: Main categories of total government expenditure on housing, with instruments totalling above 200 billion HUF. Data source: Closing Accounts Acts and Budget Acts, Hungarian State Treasury, Hungarian Central Statistical Office.[194]

* The years in which Closing Accounts Acts included any expenditures related to that instrument. This does not necessarily coincide with the years in which the instrument was in operation, because expenditures may have occurred in subsequent years as well.

[194] See Figure 11 on sources.

Table 4 shows the overall reach and budget expenditures of the most important housing policy instruments in the 'peak years' of each instrument (reaching the most people or generating the most expenditure). For some instruments, only approximate figures are available. The table highlights differences between broad-coverage and expensive instruments (e.g. top-up payments for contractual savings for housing, gas price subsidies for households); popular instruments supporting homeownership of the middle class (e.g. social policy allowance, housing privatisation); and socially targeted instruments with small budgets and reaching few people (e.g. debt reduction allowance).

Finally, we list some direct expenditures (either permanent or temporary) which were not included in our compilation for methodological or data accessibility reasons, as well as indirect subsidies provided by the state (mostly to homeowners), without means-testing.

- A socially targeted housing expenditure is the provision **of permanent and temporary accommodation in social care institutions**. State spending is relatively difficult to determine. One estimate calculates the running costs of the institutions, which have risen from around 100 billion HUF in the early 1990s to around 200 billion HUF in the early 2010s (2020 price levels).[195] Funding was provided under two different spending categories, with separate tabs for institutions run by municipalities and for other organisations (the former has been managed by the ministry responsible for local government, the latter by the ministry of social affairs). Budget categories have changed regularly: there were periods when it was not possible to tell apart institutions providing accommodation from those providing only daycare. In the case of institutions run by local governments, a further difficulty for comparison over time is that in the early 2000s a certain share of the personal income tax transferred to local governments was earmarked as block grant for financing these institutions. In many cases, municipalities supplemented block grants with their own resources (which are not included in the central budget spendings).

[195] Operating costs exceed budget expenditures because institutions have revenues. For example, fees have risen from 20 billion HUF to over 80 billion HUF in real terms over the three decades, meaning that the state has increasingly withdrawn from providing institutional care. Church-, charity- and NGO-run institutions are not only supported through earmarked block grants, but through 'general' support: i.e. it is impossible to tell how much of the state subsidies to churches are spent to run social institutions. Data source: KSH [Hungarian Central Statistical Office] (2018). Yearbook of Welfare Statistics, 2017.

		In operation between	Number of beneficiaries in peak year	Annual expenditure in peak year (current prices)
'National gift'	Housing privatisation	1990-2021	100-150 thous. ppl	over 100 billion HUF
Expansion, maintenance and renovation of public housing	State subsidised expansion of municipal rental housing	2000-2005	under 50 thous. ppl	10-50 billion HUF
	National Asset Manager	2012-2021	under 50 thous. ppl	10-50 billion HUF
Socially targeted support for housing costs	Housing allowance	1994-2015	100-150 thous. ppl	10-50 billion HUF
	Debt management allowance	2000-2015	under 50 thous. ppl	under 10 billion HUF
Socially not targeted subsidies linked to home ownership	Interest rate subsidies	1990-2021	100-150 thous. ppl	over 100 billion HUF
	Social policy allowance and family housing benefit	1990-2021	100-150 thous. ppl	over 100 billion HUF
	Top-up for contractual savings for housing	1990-2021	over 1 million ppl	50-100 billion HUF
	Renovation scheme of socialist era apartment blocks	1996-2018	50-100 thous. ppl	10-50 billion HUF
Subsidies for household energy costs	Gas price subsidy for households	1990-2011	over 1 million ppl	over 100 billion HUF
	Social firewood	2011-2021	300-500 thous. ppl	under 10 billion HUF

Table 4: Reach and annual budget of main housing policy instruments in their peak years

The renovation of institutions has generally been financed through earmarked, individual grants from the central budget or from European Union funds, but these measures and their budgets are not included in the detailed breakdowns of the budget and the Closing Accounts Acts. Therefore, amounts spent by the state on social institutions for capital expenditure cannot be estimated.

- A recurring theme in annual reports of housing poverty has been the question of **how much the state spends on helping homeless people** (with accommodation and other benefits). The government claims to have spent 12 billion HUF on homeless people in 2020,[196] but we do not know which expenditures and benefits were included in this figure. A 2013 estimate suggested that the central government budget allocated around 10 billion HUF on funding services for homeless people; for the same year, the annual report on housing poverty reported 8 billion HUF, based on ministry data.[197] Block grants for temporary accommodation for homeless people can be traced from the central government budget (with the limitations described above), and regular (but very low) project funding was also available through two public foundations and ad hoc grants (an example of the latter is an 80 million HUF one-time grant to the Municipality of Budapest in the winter of 2013/2014, provided by the Ministry of Interior as a 'compensation' for additional demands stemming from the legislation criminalising homelessness[198]). To give an example: in 2005, earmarked government expenditure to tackle homelessness was 4.4 billion HUF (7.2 billion HUF at 2020 prices), of which 3.8 billion HUF were block grants for institutions, 500 million HUF was project funding for capital goods, and a further 100 million HUF was available for project funding through two public foundations. The lack of a long-term government strategy on tackling homelessness means that funding is not aligned with real needs and objectives, and the impact of budget spending cannot be monitored.[199]

- **Dormitories in the secondary and tertiary education** are another type of institution providing housing**.** For university students who do not get accommodation in a dormitory, housing allowance has been provided since 1998 as block grants for universities who distribute these funds in their own jurisdiction. Data is difficult to compile because the Budget Acts separated block grants for dormitories for state and non-state institutions, and the block grants for housing allowance were reported in the Closing Accounts Acts combined with other block grants for several years. In secondary education, block grants for dormitories were initially classified within municipal block grants, but this changed with the centralisation of public education and the increase in the number of non-state institutions (such as schools run by church organisations). As in the case of social institutions, it is difficult to compile data on investments. For example, expenditures on public-private-partnership contracts for the construction and maintenance of dormitories in higher education are disclosed neither by universities nor the responsible ministry.[200] In 2007, the state spent over 15 billion HUF (at 2020 prices) on block grants for higher education dormitories and housing allowances, but this amount has been roughly halved since then. The housing issues of young people were discussed in more detail in the 2019 edition of the annual report on housing poverty, which highlighted the importance of dormitories in alleviating housing difficulties of students coming from poorer families in higher education.[201]

[196] Életbe lépett a vörös kód szerda reggel. kormany.hu, 2021. július 7.
[197] Győri, P. (2014). Hajléktalanügyi országjelentés.; Koltai, L. (ed.) (2014). Éves jelentés a lakhatási szegénységről 2014. Budapest: Habitat for Humanity Magyarország.
[198] For details see Koltai, L. (ed.) (2014). Éves jelentés a lakhatási szegénységről 2014. Budapest: Habitat for Humanity Magyarország.
[199] This was already noted in a 2006 report by the State Audit Office of Hungary: ÁSZ [State Audit Office of Hungary] (2006). Jelentés – A hajléktalanokat ellátó intézményrendszer ellenőrzése. Budapest: Állami Számvevőszék.
[200] For more, see Bucsky, P. (2019). Egy hasznosnak tűnő állami program, a részleteket mégis rejtegetik. G7.hu. The outsourcing of higher education to public trust funds in recent years also undermined the transparency of spendings. On this legal and political move see the information note by the Hungarian Helsinki Committee.
[201] Ámon, K. et al. (2019). Annual Report on Housing Poverty in Hungary 2019. Executive Summary. Budapest: Habitat for Humanity Hungary.

- **EU-funded programmes** with housing elements are also not included in our compilation of budget expenditures on housing. These programmes are discussed in a separate chapter of this publication.[202]

- **Tax or fee reductions and rebates related to homeownership** have been indirect subsidies, as they are not direct expenditures of the budget, but represent losses in government revenues. The existence of these benefits illustrates well the anomalies of the homeownership-dominated housing regime. Private property and a functioning housing market are not able to solve the housing crisis, reduce housing inequalities and increase housing mobility. **Tax and fee reductions related to homeownership reduce public sector resources that could be used for housing – particularly the funding available for non-homeowners. They favour homeowners and provide discounts for investors buying homes.**[203] The annexes of Budget Bills estimate revenue losses, but the time series are not covering all three decades, nor is the methodology of the estimates provided. The Orbán governments after 2010 provide more detailed information on these revenue losses than previous governments did. According to expert estimates, the share of tax and fee rebates and other indirect rebates amounted to one third of total housing expenditure in the early-1990s (although the largest share of this amount consisted of the difference between market rents and rents in social housing[204]). The personal income tax credit for housing savings was introduced as part of the 1987 tax reform (which also introduced personal income tax) and phased out in 1997 (the credit was available until 2001). The personal income tax credit for housing loan repayments was available from 1994 to 2007 (the budgetary impact lasted until the early 2010s). These two tax reliefs caused a total loss of tax revenue of 355 billion HUF (2020 prices) for the central budget. The phasing-out of the personal income tax relief can be justified given the social targeting of the subsidies (as tax reductions were generally accessible to people with higher incomes.[205]) Further losses in government revenue have occurred because of reductions in transfer taxes and fees on transfer of residential property, on the purchase of land (if used later for residential construction), on the purchase of newly-built homes of less than 30 million HUF, on the purchase of housing with the help of the family housing benefit and on inheriting residential property. The **2022 budget estimates these reliefs to amount to 129.6 billion HUF (at current prices);** half of this relief is linked to transfer tax and a third to houses bought with the family housing benefit. Between 2012 and 2022, the Ministry of Finance estimated the total loss of tax revenue related to homeownership tax reliefs at 639 billion HUF (2020 prices). Although the government does not disclose data on the distribution of the tax rebates among social or income groups, it is likely that better-off taxpayers profited more from these measures.

[202] Bajomi, A. Zs. (2021). The EU framework for reducing housing poverty. In: in this volume.

[203] In the early 2000s, experts estimated that 10–15% of homebuyers receiving tax benefits bought homes as investments. ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék.

[204] Dániel, Zs. (1997). Lakástámogatás és társadalmi újraelosztás. Közgazdasági Szemle.

[205] For details see Hegedüs, J. (2006): Lakáspolitika és a lakáspiac – a közpolitika korlátai. Esély.

5. Housing affordability

The extent of housing poverty is often assessed in terms of housing affordability. Housing poverty can be effectively reduced through public policy interventions if the affordability of housing is improved. Methodologically, however, it is difficult to find affordability indicators that are relevant and comparable over time – and which could also possibly allow for comparisons between different housing regimes in different countries. For example, the definition of affordability includes the ability of households to afford the cost of a 'socially acceptable' dwelling[206]; but what Hungarian society considers to be 'acceptable' standards (in terms of amenities, overcrowding, etc.) has also changed over the three decades under review.[207]

Housing affordability in previous years' annual reports on housing poverty was analysed with a mixture of different thematic approaches.

- **Affordability of home-buying.** Given the dominance of homeownership in Hungary, the affordability to buy is a key determinant of housing affordability in general. According to this approach, household income relative to house prices can be a good indicator. The analysis can be complemented by the examination of terms and costs of housing loans; and houses bought as investments can also be considered. From this perspective, housing poverty levels dip when it becomes 'cheaper' to buy a dwelling or if homeownership becomes affordable for a wider range of households.

- **Affordability of housing costs.** This approach has been a prominent consideration in previous annual reports on housing poverty. A methodological choice must be made in regards to what counts as housing costs. Eurostat defines housing as affordable if a household spends less than 40% of its disposable income on housing,[208] but other expert assessments may use other values. An advantage of this approach is that affordability can be calculated separately for each income group of the population. Thereby, it is possible to show how much poorer households spend on housing compared to richer households. The analysis can be complemented by an analysis of households' subjective judgements of affordability, when households are asked, for example, whether they have regular problems paying their housing costs.

- **Energy poverty.** A narrower understanding than the previous point, this approach approximates the affordability of housing with the affordability of household energy costs. This understanding can be complemented by analysing housing quality indicators (proportion and characteristics of housing with poor building energy ratings) or by subjective perceptions of households (e.g. whether they have difficulties in heating their home properly.) Previous annual reports on housing poverty discussed energy poverty either within the affordability chapter or as a separate topic.

- **Rental costs (both in private rental and municipal rental housing).** This approach looks only at renters. The conceptual backbone of this approach is the idea that renters experience housing poverty differently than homeowners. The private rental market is unaffordable or difficult to afford for many – which means increasing rents (relative to the increase of incomes) may indicate exacerbating housing poverty, with households forced out of the private rental market. As municipal rental housing is primarily aimed to be allocated to the socially deprived population, the situation of municipal rents may also be a good indicator of housing affordability.

- **Household indebtedness.** According to this approach, affordability problems are reflected in the accumulation of household arrears. Arrears can take different financial forms, such as non-performing housing loans, arrears in rent or utility bills. Aggregating data from these different forms is methodologically difficult (there are different data sources, from household

[206] See for example Koltai, L. (ed.) (2014). Éves jelentés a lakhatási szegénységről 2014. Budapest: Habitat for Humanity Magyarország.

[207] For example, an analysis of the 1993 Hungarian Household Panel found that half of Hungarian households lived in substandard housing (which meant a lack of amenities – running water, bathroom, indoor toilet – and/or a dilapidated and/or overcrowded dwelling). Hegedüs, J., Kovács, R., Tosics, I. (1994). Lakáshelyzet az 1990-es években. In: Andorka, R., Kolosi, T., Vukovich, Gy. (eds.). Társadalmi Riport 1994. Budapest: TÁRKI.

[208] Details of the calculation are available on the Eurostat website.

questionnaire surveys to data on arrears recorded by utility companies) and there are limitations of comparing affordability over time.

- **Evictions.** This approach defines evictions as a consequence of a wider affordability problem. For example, more evictions occur if proportionally more households cannot afford paying their housing costs – which leads to the termination of their rental/housing loan contracts, and ultimately, often to evictions as well. Additionally, a rise in the number of squatters can also be a viable indicator of an affordability crisis.

- **Availability of policy tools improving housing affordability.** This approach looks at affordability from the perspective of public policy instruments (e.g. beneficiaries of the housing allowance or the debt management allowance), and combines the analysis of affordability and accessibility. (This approach was followed earlier when we discussed different Hungarian housing policy instruments.)

Different indicators can indicate housing affordability issues over different time horizons. For example, changes in house prices or rental prices due to booms and busts in the housing market can rapidly reflect improvement or deterioration of affordability. Housing cost affordability follows with a small lag: after an economic downturn, arrears and debts start to increase a few years later; they eventually start to decrease again when an economic upturn occurs. Evictions indicate affordability on even longer periods because an eviction is a longer legal process that can take up several years after one has stopped being able to pay housing costs. Policy instruments reflect affordability issues over very different time horizons. For example, debt management programmes of the past decades for those with housing loans have been able to reach many people on a time horizon of up to a year. Price caps on utility costs can also be implemented quickly and with quick gains in households' monthly budgets. In contrast, investments in energy efficiency of buildings improve affordability over the long-term with less rapid investment costs returns. Interest rate subsidies on housing loans combine short-term and long-term effects: they improve affordability and accessibility in the short term, but their costs for the central government budget might be dispersed over several decades.

5.1. The affordability of buying a home

The literature discussing the affordability of housing primarily measures it by comparing house prices with per capita incomes on real terms (Figure 14). Real house prices in Hungary fell by 60% in the 1990s compared to the 1990 baseline, while incomes fell 'only' by 15%. This suggests that housing affordability improved in the 1990s. In the late 1990s and early 2000s, housing affordability deteriorated because real house prices rose faster than real incomes. After a period of stagnation in house prices, both house prices and real incomes declined as a result of the 2008 crisis. Since 2014, house prices have been rising considerably faster than incomes. The real house price index reached the 1990 price level in 2020. **Overall – compared to 1990 levels – housing affordability in Hungary has improved in crisis periods and deteriorated in times of economic upswing.** However, because of the emphasis on the financial logic of Hungarian housing policies, it was precisely in these prosperous periods that the government spent more money on subsidising housing (which suggests a poor utilisation of public money). It is also important to stress that if housing affordability improves in periods of crisis, when real incomes are falling, fewer households are able to buy.

The time series of Figure 14 are not homogeneous,[209] and thus can only approximate housing affordability. House prices show prices of dwellings bought – i.e. there is a significant composition effect in the evolution of prices. Over the last three decades, dwellings of different quality, geographical location and physical characteristics have changed hands in the housing market;[210] and the number of housing transactions has also fluctuated. **Moreover, the relationship**

[209] Real income time series are compiled from national accounts by the Hungarian Central Statistical Office, where, due to the change to ESA2010 methodology from 1995, the time series are only comparable to a limited extent. The housing price index was compiled by MNB researchers from sales tax data of the National Tax and Customs Administration, where there was a major change in the records in 2008. Banai, Á., Vágó, N., Winkler, S. (2017). The MNB's house price index methodology. Budapest: Magyar Nemzeti Bank.

[210] The composition effect is not constant over time, see detailed data from the Hungarian Central Statistical Office's house price index for the last half decade: KSH [Hungarian Central Statistical Office] (2021). Housing prices, housing price index, Quarter 1 2021. In addition, a 1999 survey pointed out that housing market transactions only provide information on prices in a sub-market of dwellings, and only a survey-based method would provide more refined data on differences in prices and their causes. Székely, G.-né. (2000). A lakásárak társadalomstatisztikai összefüggései. Statisztikai Szemle.

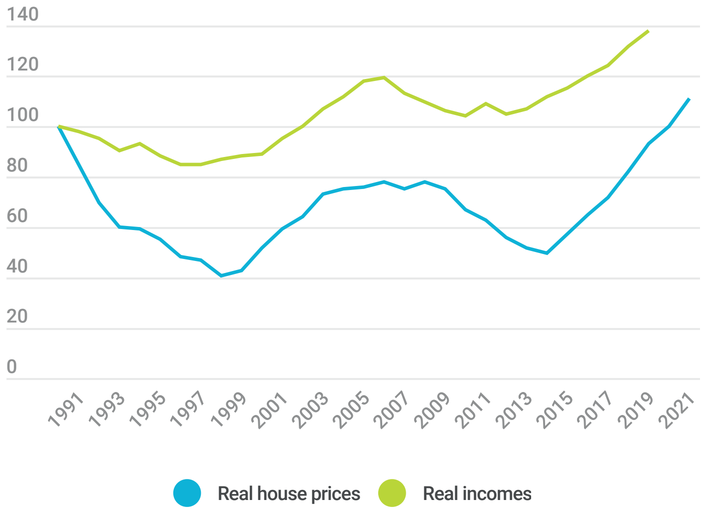

Figure 14: Indices of real per capita incomes and real house prices in Hungary (1990=100). Source: own calculations based on [KSH [Hungarian Central Statistical Office] and MNB [The Central Bank of Hungary]] data. House price indices show first quarter data for each year.

between average incomes and average house prices does not capture the particular problems faced by those living in housing poverty: indeed, this segment of the population has lower than average incomes and can only afford lower priced, poorer quality homes in worse geographical locations (if at all).

In addition to a 'simple' comparison of house prices and incomes, research has also analysed the affordability of housing prices in detail. The speculative demand for housing in the 1980s (investing in real estate was attractive at the time) disappeared after 1990; in the 1990s, financial investments had higher returns than real estate investments, with housing subsidies unable to compensate for the difference. Demand for housing declined and due to high real interest rates, high inflation, high instalments and insecure incomes during the economic crisis, housing loans made access to housing less affordable for those with lower incomes. In addition, income differences were more pronounced in the 1990s than the price differences between dwellings.[211] In the 1990s, the price of an average dwelling equalled 4–6 years of total income of an average household; the figure was around 6 years in the mid-2000s.[212] **In the lowest income quintile, an average dwelling in Budapest would have cost 24 years of total income in 1993.**[213] In the years before the 2008 crisis, incomes rose and house prices stagnated in real terms, and there was no housing price bubble just yet.[214] In the 2010s, house price growth outpaced income growth. House price growth has been different depending on the dwelling size: for example, in the case of dwellings advertised on jofogas.hu (one of the largest Hungarian online marketplaces) prices of larger dwellings have risen faster than those of smaller dwellings. The MNB house price index showed significant geographical differences: house prices rose more steeply in Budapest (partly due to the prevalence of investment property).[215] Similar trends were laid out by the Takarék House Price Index: the **affordability of a 60 square-meter**

[211] Hegedüs, J., Várhegyi, É. (2000). The crisis in housing financing in the 1990s in Hungary. Urban Studies.

[212] Hegedüs, J. (2006): Lakáspolitika és a lakáspiac – a közpolitika korlátai. Esély; Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély.

[213] Hegedüs, J., Kovács, R., Tosics, I. (1994). Lakáshelyzet az 1990-es években. In: Andorka, R., Kolosi, T., Vukovich, Gy. (eds.). Társadalmi Riport 1994. Budapest: TÁRKI.

[214] Hegedüs, J., Somogyi, E., Teller, N. (2019). Housing market and housing indicators. In. Tóth. I. Gy. (ed.) Social Report 2019. Budapest: TÁRKI Social Research Institute.

[215] See e.g. Ámon, K. et al. (2019). Annual Report on Housing Poverty in Hungary 2019. Executive Summary. Budapest: Habitat for Humanity Hungary; Gosztonyi, Á., Vankó, L. (eds.) (2020). Annual report on housing poverty in Hungary 2020. English summary. Budapest: Habitat for Humanity Hungary.

dwelling deteriorated across the country between 2014 and 2020. Compared to other regions in the country, housing affordability is worse in Budapest and its surroundings, the western border, around Lake Balaton and some other cities.[216] Trends in the 2010s were particularly unfavourable for people living in housing poverty. The Covid-19 crisis also shaped housing affordability: early data suggests that the price of a second-hand housing stagnated in 2020,[217] while average incomes have continued to rise.

The trends of house price affordability also contradict the common belief that lower house prices and more affordable housing can be achieved through construction. In the late 1990s and early 2000s, housing construction doubled, property transactions increased,[218] housing subsidies expanded, all the while affordability deteriorated. A similar trend emerged in the second half of the 2010s and in the 2020s: housing subsidies and incomes have increased and the Orbán governments have used various means to stimulate construction – but housing affordability has continuously deteriorated.

5.2. The affordability of housing costs

Housing affordability is a measure showing the burden of various housing-related expenses on households relative to their income.

Housing expenditures of households increased significantly as a share of their total expenditures, leaping from 10% in the 1980s to its double in the mid-1990s. **For the poorest decile of the population, the share of income spent on housing almost tripled in the early-1990s.**[219] This was due to the increase in rents for those living in municipally-owned housing and the rise in utility costs (which accounted for 85% of their overall housing-related expenditures).[220] Consumer price supplements for utility bills were terminated by the government, and the price increase was compensated by various ad hoc (and later permanent) utility subsidies by governments in the 1990s. Even so, the price of household energy increased fourteen-fold in nominal terms over a ten-year period between 1987 and 1997.[221] Inflation and falling real wages have increased the housing cost burden on households relative to their income.[222] In 1993, a third of the population spent more than 30% of household income on housing-related expenditure. **In the bottom quintile of the population, utility costs, rents and repayments accounted for 42% of household income in 1993.**[223] Housing cost affordability was also differentiated across housing tenure type: around 1990, owner occupiers' housing expenditure as a share of their income was roughly 1.5-times higher than that of those living in publicly owned rentals. Although privatisation gave a 'national gift' to new tenant-owners, the high running costs related to housing led to the paradoxical situation of most people remaining dissatisfied with their housing situation.[224]

Housing costs accounted for roughly 20% of household income in the 2000s, rising above 25% in the years following the 2008 crisis and falling to just under 20% in the late 2010s.[225] The basic indicator of housing affordability (the share of the population paying more than 40% of household income on housing) has become a less informative variable over the past 15 years. The ratio was above 18% in 2005, declined to around 10% before the 2008 crisis, and after a temporary increase due to a methodological change, the figure is only 4–5% in 2019 (slightly increasing in 2020 due to the Covid-19 pandemic, as seen in Figure 15). Values by income quintiles have also improved: while **in the early-2000s, 40% of households in the poorest quintile spent more than 40% of their income on housing, by the end of the 2010s this was true only for 20% of**

[216] Takarék's methodology is not directly comparable with the similar dataset discussed earlier, as it uses income data and median house prices instead of average prices. Takarék Index (2021). Budapesten majdnem ötször annyi ideig kell dolgozni egy lakásért, mint Nógrádban.
[217] KSH [Hungarian Central Statistical Office] (2021). Housing prices, housing price index, Quarter 1 2021.
[218] Hegedüs, J., Somogyi, E., Teller, N. (2019). Housing market and housing indicators. In. Tóth. I. Gy. (ed.) Social Report 2019. Budapest: TÁRKI Social Research Institute.
[219] Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok. Esély; ill. Misetics, B. (2018). Sosem volt elég: Lakásfenntartási támogatás 2015 előtt, Esély.
[220] Hegedüs, J., Kovács, R., Tosics, I. (1994). Lakáshelyzet az 1990-es években. In: Andorka, R., Kolosi, T., Vukovich, Gy. (eds.). Társadalmi Riport 1994. Budapest: TÁRKI.
[221] Misetics, B. (2018). Sosem volt elég: Lakásfenntartási támogatás 2015 előtt, Esély.
[222] Lakner, Z. (2003). Versengő célok, versengő elvek. Lakáspolitika és politikai motivációk 1990–2003, Esély.
[223] Hegedüs, J., Kovács, R., Tosics, I. (1994). Lakáshelyzet az 1990-es években. In: Andorka, R., Kolosi, T., Vukovich, Gy. (eds.). Társadalmi Riport 1994. Budapest: TÁRKI.
[224] Dániel, Zs. (1997). Lakástámogatás és társadalmi újraelosztás. Közgazdasági Szemle.
[225] https://www.ksh.hu/thm/2/indi2_7_4.html

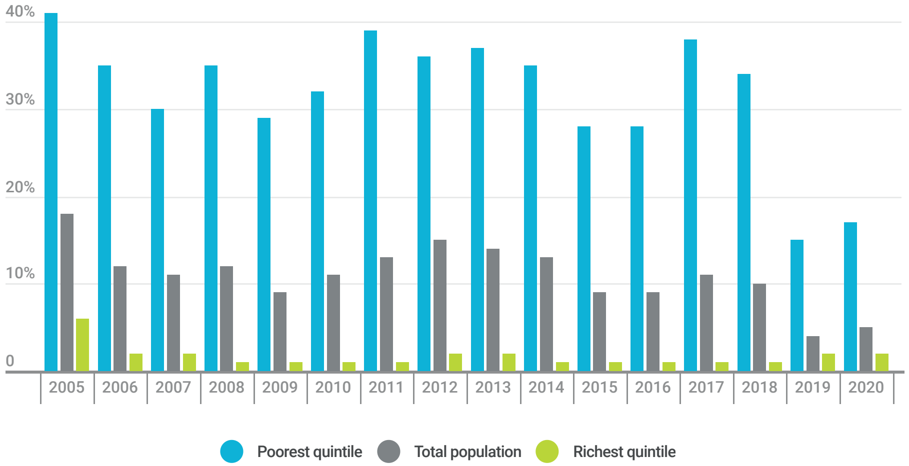

Figure 15: Proportion of households with affordability problems (proportion of households spending more than 40% of their income on housing, 2005–2020) Source: Eurostat (n.d.). [Housing cost overburden rate by age, sex and poverty status – EU-SILC survey.](#) *Eurostat (n.d.).* [Housing cost overburden rate by income quintile – EU-SILC survey.](#)

the same income group.[226] However, the proportion of people living in housing poverty and their housing cost overburden is less well represented by this indicator – other indicators highlight more permanent problems.

The affordability of housing costs also varies by household type, type of dwelling and settlement type. For example, according to a 2015 survey by the Hungarian Central Statistical Office, the affordability problem based on the housing-income ratio was more pronounced among people living in family houses, those living in municipal rental housing and those living in smaller settlements.[227]

5.3. Energy poverty and affordability

Energy poverty also overlaps with the question of housing affordability: if households cannot afford to pay energy costs or cannot heat their homes properly, it is often due to energy affordability.[228]

Hungarian households faced severe problems in terms of energy cost affordability during the early 1990s: according to survey data, nearly a third of the population only partially heated their dwelling in 1993 (Figure 16). The same was true for half of the poorest social group (those with less than 40% of average income).[229] There were significant fluctuations in the time series, reflecting volatile household incomes in the 1990s.[230] **Household energy prices rose more steeply than both consumer prices and incomes**: between 1987 and 1997, energy prices rose 14-fold in current prices, consumer prices 8-fold, while incomes rose only 5-fold (and only 4-fold for the poorest decile).[231] Governments

[226] Eurostat (n.d.). Housing cost overburden rate by age, sex and poverty status – EU-SILC survey. Eurostat (n.d.). Housing cost overburden rate by income quintile – EU-SILC survey.

[227] Hegedüs, J., Somogyi, E. (2018). A lakások megfizethetősége és a társadalmi egyenlőtlenségek – a KSH 2015-ös lakásfelvétele alapján. In: Miben élünk? A 2015. évi lakásfelmérés részletes eredményei. Budapest: Központi Statisztikai Hivatal.

[228] There are a number of other indicators of energy poverty, which were reviewed in detail in last year's report: Gosztonyi, Á., Vankó, L. (eds.) (2020). Annual report on housing poverty in Hungary 2020. English summary. Budapest: Habitat for Humanity Hungary.

[229] Andorka, R., Spéder, Zs. (1994). Szegénység a 90-es évek elején. In: Andorka, R., Kolosi, T., Vukovich, Gy. (eds.). Társadalmi Riport 1994. Budapest: TÁRKI.

[230] Kolosi, T., Sági, M. (1998). A háztartások demográfiai, foglalkozásszerkezeti és anyagi helyzetének változása. In: Kolosi, T., Tóth, I. Gy., Vukovich, Gy. (eds.). Társadalmi Riport 1998. Budapest: TÁRKI.

[231] Misetics, B. (2018). Sosem volt elég: Lakásfenntartási támogatás 2015 előtt, Esély.

Figure 16: Percentage of households unable to keep their home adequately warm.[232]
Source: Eurostat (n.d.). Inability to keep home adequately warm – EU-SILC survey; Kolosi, T., Sági, M. (1998). A háztartások demográfiai, foglalkozásszerkezeti és anyagi helyzetének változása. In: Kolosi, T., Tóth, I. Gy., Vukovich, Gy. (eds.). Társadalmi Riport 1998. Budapest: TÁRKI.

have tried to alleviate the burden on households by subsidising heating costs in various ways, but these measures have not necessarily and adequately reached households in need; additionally, most subsidies have remained ad hoc measures.

The affordability of heating prices improved in the second half of the 2000s: energy poverty decreased, before rising sharply again after the 2008 crisis – especially among people living below the poverty line. In the second half of the 2010s, some energy poverty indicators improved for all income groups, mainly due to the utility price reduction. However, energy poverty differences by demographics, settlement type and dwelling type (family house or apartment buildings) remained significant throughout the late-2010s.[233] Over the past decade, the only government programme specifically designed to reduce heating costs for the poorest households has been the social firewood subsidy (for which municipalities must apply from the Ministry of Interior). The scheme is not easily accessible, is not well designed and has been allocated a very small budget, therefore it has not been able to significantly contribute to alleviating energy poverty.[234]

Over the past three decades, renovation subsidies with a focus on energy efficiency have failed to make a breakthrough in reducing energy poverty. Subsidies (partly funded by the EU and partly by domestic sources) have largely been available to better-off households, making housing more affordable for those faced with less housing-related challenges. **Governments have favoured simpler, shortsighted interventions linked to energy prices (with the associated short-term political gains) rather than schemes that would have contributed to energy savings in the longer term.** Programmes have also failed to pave the way towards a large-scale modernisation of the Hungarian housing stock and the deep renovation of buildings – which would have improved energy affordability and reduced energy poverty.

[232] Data from 1993–1997 and data from 2005 onwards are not directly comparable. People living below the poverty line are those with less than 60% of median income.

[233] For more on this, see last year's housing report: Gosztonyi, Á., Vankó, L. (eds.) (2020). Annual report on housing poverty in Hungary 2020. English summary. Budapest: Habitat for Humanity Hungary.

[234] For details see Bajomi, A. Zs. (2018). A szociális tüzelőanyag-támogatás Magyarországon. Budapest: Habitat for Humanity Magyarország.

The policy instruments of the last three decades related to energy poverty will be unsustainable or insufficient in the next years and decades, as the energy transition will proceed. **Meeting the climate targets of both the European Union (and Hungary itself) is difficult to reconcile with the policy of utility price reduction through governmental price caps.** In the medium-term, cheap energy prices can only be secured by financing losses of state-owned energy companies with public money. In doing so, the government intervenes in household energy prices yet again in a socially not targeted manner.

5.4. Rental affordability

In addition to the affordability of homeownership, rental affordability is an indicator of housing affordability. The importance of rentals in housing tenure has considerably changed over the last three decades. In 1990, 685,000 of the 3.6 million Hungarian dwellings were owned by local authorities and 936,000 dwellings were rented (private and municipal rental combined). By 2016, only 48 thousand inhabited dwellings out of 3.85 million were owned by municipalities, and 322 thousand dwellings were rented (the latter figure was up by 50 thousand compared to 2001).[235] While **the rents of municipally owned dwellings had a large role in shaping overall affordability in the early 90s, private rentals have a much bigger impact today.**

Measuring rent levels over three decades is not easy methodologically. The Yearbook of Housing Statistics of the Hungarian Central Statistical Office provides information on rents in municipally owned housing, broken down by the prevalence of amenities (WC, bathroom, central heating) and by rent type (social rent, cost-based rent, market rent[236]). Rents have been regulated by municipal ordinances since the early 1990s, when municipalities were given ownership of state-owned housing and the task of housing management. There is no complete record of the number and cost of private rentals, but larger surveys of the population covering housing issues have most often asked about rent levels. The level of rents can also be assessed by evaluating rental prices of housing advertisements.

Long-term trends in rents in municipal housing can be approximated using data from the Hungarian Central Statistical Office's price indices, as municipal rents are part of the basket of goods and services from which inflation is calculated (Figure 17). **Between 1995 and 2016, rents in municipal housing increased 2.3-fold in real terms, i.e. rents increased more than twice as fast as consumer prices.** Meanwhile, the population living in municipal housing has shifted increasingly towards poorer households. In the 2010s, the real price increase of rents in municipal housing stopped.

There are significant regional differences in municipal housing rent levels. In Budapest, rents have risen by an average of three times in nominal terms in the 1990s, lagging behind average income growth rate. There were also differences in the extent of rent increases between Budapest districts (which are independent municipalities) and depending on the amenities of the dwellings. The affordability of municipal rental housing presumably deteriorated in the 1990s, because of the socially selective nature of housing privatisation. This meant that better-off households were able to profit from privatisation, while the share of lower quality housing occupied by poorer households grew within the residual municipal rental housing.[237] Rent subsidies by the central government in the 1990s failed to address affordability problems in a systemic way. **The imprecise rent regulations of the Housing Act have remained unchanged since its adoption in 1993. According to most experts, the Housing Act needs to be fundamentally rethought to ensure affordable rents for tenants, while also allowing municipalities to maintain their housing stock in both economic and socially just ways.**[238] Rent differences between municipalities have persisted throughout the 2000s and 2010s – with differences up to four or eight times between largest cities in the mid-2010s (depending on the amenities of the dwelling).

235 Data from censuses and the 2016 microcensus; see the respective table on the microcensus website.
236 In Hungary, there are three basic rent categories in municipal rental housing. Local governments define rent levels as well as which household falls into which category.

237 Győri, P. (2011). Csak csendben, csak halkan, hogy senki meg ne hallja... A budapesti bérlakás-szektor teljes szétesése. Népszabadság, november 11.
238 See for example Darvas, Á., Farkas, Zs., Győri, P., Kósa, E., Mózer, P., Zolnay, J. (2013). A szociálpolitika egyes területeire vonatkozó szakpolitikai javaslatok. Esély.

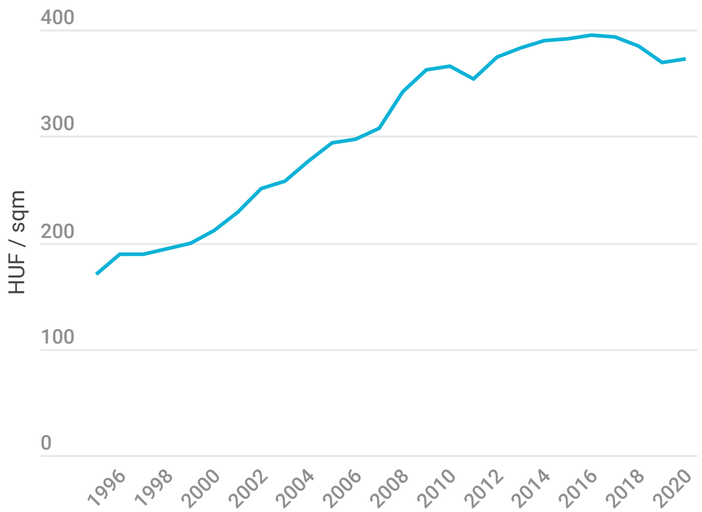

Figure 17: Monthly rent per square meter of a municipal dwelling with all amenities[239] (HUF, at 2019 prices). Source: own calculations based on [Hungarian Central Statistical Office data.](#)

Most municipalities have not taken into account the social need of the local inhabitants and the question of affordability when setting rents.[240] In the majority of municipalities, it is difficult to reconcile the fiscal logic of preserving the value of the housing stock with the social logic of providing affordable municipal housing primarily for poorer and vulnerable families. At current rent levels, the municipal housing stock is depreciating, there are insufficient local financial resources for renovation – but there is also very little room for manoeuvre to increase rents without compromising affordability. This contradiction can only be resolved, according to most experts, by a significant increase in the publicly owned housing stock and by block grants for municipal housing from the central budget.

There is little quantitative and reliable data or sociological research on the private rental market (and thus also regarding affordability problems of people living in private rentals); this is particularly true for the period running from the 1990s to the 2000s. Rapidly increasing rental prices and the increasing share of private rentals in the 2010s, however, led to increased research on this subject.

Surveys by the empirical social science research centre TÁRKI and by the Hungarian Central Statistical Office explored affordability from many angles in the 1990s and 2000s but put less emphasis on the population living in private rentals. However, it can be assumed that private rentals became less affordable for households for whom homeownership was not accessible – while simultaneously the availability of municipal rental housing also deteriorated. Sporadic data over the last three decades show that price differences per square meter between the private rental market and the municipal rental market have been roughly three- to four-fold. These values have also varied significantly by settlement size, with the highest differences in Budapest.[241]

[239] A dwelling with all amenities, according to Hungarian law, is a dwelling with a room of at least 12 square meters, cooking facilities, bathroom and WC, utilities (electricity, water and sewage), hot water and central heating.

[240] Koltai, L. (ed.) (2015). Éves jelentés a lakhatási szegénységről 2015. Budapest: Habitat for Humanity Magyarország.

[241] For data of the 2003 and 2015 surveys see: KSH [Hungarian Central Statistical Office] (2003). Lakásviszonyok az ezredfordulón. Budapest: Központi Statisztikai Hivatal; KSH [Hungarian Central Statistical Office] (2016). Miben élünk? A 2015. évi lakásfelmérés főbb eredményei. Budapest: Központi Statisztikai Hivatal.

In the 2010s, rents in the private rental market roughly doubled, and halted only temporarily during the Covid-19 crisis. In 2021, rents started to rise again, but have not yet reached the peak of the first months of 2020.[242] According to data from the Hungarian Central Statistical Office, the affordability of the private rental market varies significantly by region and settlement size. Affordability was supported by the fact that one tenth of those renting privately paid below-market-price rents in 2018 and there was a significant proportion of tenants who rented through acquaintances.[243] Prices on advertising websites are therefore generally higher than rents measured throughout the whole sector. Due to the unregulated nature of the private rental market, data on rents only give a partial picture of the rental sector. For example, the lower end of the private rental market, i.e. sub-standard, affordable housing for lower income households, expanded in the 2010s, both in Budapest and in peripheral villages. Demand has been created by the increase in the number of people for whom homeownership is inaccessible because of rising social inequalities.[244]

The regulation of the private rental market (like many other areas of housing) needs to be thoroughly rethought: by now, it has become obvious that the legal framework established in the early 1990s is not suitable to stop the increase in rental prices or to provide legal security – and thus, ultimately, to reduce housing poverty.[245]

5.5. Household indebtedness and affordability

Issues around housing affordability often lead to household indebtedness. Households accumulate arrears in housing costs or can only cover housing costs by taking credits. On the one hand, arrears and indebtedness point to the structural problems of the housing regime (e.g. many households can access adequate housing only through housing loans). On the other hand, housing affordability issues also emerge cyclically, leading to arrears and indebtedness in times of economic crisis. The level of indebtedness is also a result of the regulatory environment, as well as the business practices of credit institutions and utility providers. Households with arrears are not a homogeneous social group, which means policy instruments seeking to tackle this issue should also differ.[246] At the same time – as we have shown earlier – public policy instruments used to address arrears since 1990 have been less successful in providing appropriate responses to the affordability problems of those in housing poverty.

In the 1990s, most of the housing loans of state socialist times were phased out in a complex series of measures, and the credit market was in contraction. Arrears, nevertheless, persisted. At the end of the 1990s, 650,000 households (out of approximately 3.9 million Hungarian households) had difficulties paying their housing loans: this represented one fifth of loan contracts at the time.[247]

Non-payment of rent was also on the rise in the 1990s. In 1989, for example, 6% of living in municipal rental housing in Budapest (25,000 households) did not pay their rent on time, and arrears of longer duration increased in the following years.[248] Non-payment of rent was primarily an urban problem, as the vast majority of rental housing was in cities.

The number of people with arrears rose in the 2000s, partly because of a housing loans market boom until the 2008 economic crisis. After the 2008 crisis, some measures were also targeted at those with non-performing housing loans, but most instruments were targeted at households without arrears.[249] **At the peak of overall indebtedness in 2014, one in fourteen Hungarian households**

[242] HCSO–ingatlan.com-rent index, July 2021.
[243] KSH (2019). Magánlakásbérlés, bérleti díjak – a 2018. évi lakbérfelmérés főbb eredményei. Budapest: Központi Statisztikai Hivatal.
[244] Pósfai, Zs. (2018). Annual Report on Housing Poverty in Hungary 2018. English Summary, Habitat for Humanity Hungary; Hegedüs, J., Somogyi, E., Teller, N. (2019). Housing market and housing indicators. In. Tóth. I. Gy. (ed.) Social Report 2019. Budapest: TÁRKI Social Research Institute.
[245] For a possible outline of the reform of the private rental sector see Szabó, N. (ed.) (2020). Feketelakás 3.0. Budapest: Habitat for Humanity Hungary.
[246] Different social groups with arrears and possible policy interventions are described in: Győri, P., Tausz, K. (1999). A díjhátralék-probléma szociálpolitikai nézőpontból. In: Péteri, G. Tausz, K. (eds.). Megelőzés és együttműködés: a díjhátralék-probléma megoldási lehetőségei helyi szinten. Nagykovácsi: Pontes Kft.
[247] Győri, P., Tausz, K. (1999). A díjhátralék-probléma szociálpolitikai nézőpontból. In: Péteri, G. Tausz, K. (eds.). Megelőzés és együttműködés: a díjhátralék-probléma megoldási lehetőségei helyi szinten. Nagykovácsi: Pontes Kft.
[248] Győri, P. (1990). Adósságok kicsinyben. Valóság.; Győri, P. (1995). Eladósodott társadalom. Esély.
[249] Pósfai, Zs. (2018). Annual Report on Housing Poverty in Hungary 2018. English Summary, Habitat for Humanity Hungary.

had a mortgage or rent arrears (Figure 18), which meant that hundreds of thousands of households were unable to pay their mortgages. The statistics on non-performing loans were improved by write-offs by credit institutions and the sale of non-performing loans to claims management companies – but these interventions did not solve the affordability crisis.[250] The economic boom in the second half of the 2010s and the tighter regulatory environment for credit institutions in borrowing practices led to a situation where only 2% of the Hungarian population had loan and rent arrears by the end of the 2010s. Mortgage and rent arrears affected one in six poorer households (those earning less than 60% of median income) in the peak year of 2013.

In the 1990s, the rise in utility costs was accompanied by an increase in arrears (utility costs rose faster than rents): according to a 1993 survey, 12% of households were unable to pay their utility costs. In the early 1990s, the increase in utility costs led to many households falling into arrears or reducing their consumption.[251] Those living in rental housing in cities (especially those living in socialist-era apartment blocks with district heating) had less opportunities to cut consumption, while in villages, those living in larger family houses were facing difficulties in payment of utility bills (especially heating). At the end of the 1990s, 800–900 thousand households had overdue bills, 13% of households for electricity, 6% for gas and 21% for district heating.[252] Utility arrears affected more households than mortgage and rent arrears: **in the peak year of 2013, a quarter of the population had utility arrears.** Today, one in ten households are affected, despite the utility price reductions by the government. Among poorer households (those earning less than 60% of median income), 60% of households were affected by rent arrears in 2013, falling to 25% by the end of the 2010s (Figure 18). In other words, **poorer households' indebtedness is affected by business cycles to a larger extent than society as a whole.**

Figure 18: Share of households with arrears on mortgage or rent payments and utility bills in Hungary (%).
Source: Eurostat, Eurostat.

250 For more details see Bródy, L. S, Pósfai, Zs. (2020). Household debt on the peripheries of Europe. New constellations since 2008. Budapest: Periféria Policy and Research Center.

251 Győri, P. (1995). Eladósodott társadalom. Esély.

252 Győri, P., Tausz, K. (1999). A díjhátralék-probléma szociálpolitikai nézőpontból. In: Péteri, G. Tausz, K. (eds.). Megelőzés és együttműködés: a díjhátralék-probléma megoldási lehetőségei helyi szinten. Nagykovácsi: Pontes Kft.

In the most acute cases related to affordability, utility arrears can lead to a disconnection of service, enforcement and loss of housing. Disconnection from the water supply is more limited due to legal reasons, more common for gas and electricity, and rarely feasible for district heating for technical reasons. With the spread of prepayment meters in the 2010s (13,000 gas consumers and 135,000 electricity consumers had prepaid meters in 2020),[253] statistics on disconnection are less representative of how many households are currently living without a utility service due to affordability problems. Furthermore, official data on disconnected customers sometimes also includes business consumers.

Data on disconnected consumers have sporadically appeared in the annual reports of the Hungarian Energy Office (currently Hungarian Energy and Public Utility Regulatory Authority, MEKH) and in various surveys. The number of disconnected consumers was also covered by previous annual reports on housing poverty, based on data provided by MEKH in response to public data requests submitted by Habitat for Humanity Hungary. In 2003, 13% of electricity consumers and 6.5% of gas consumers were disconnected, but this share decreased to 5–6% for electricity and gas after the 2008 crisis, mainly due to regulatory changes (the non-payment period before disconnection was extended and certain vulnerable consumer groups were more protected than earlier).[254] The number of disconnected consumers increased to 102,000 gas consumers and 37,000 electricity consumers in 2012.[255] In the second half of the 2010s, the figures decreased steadily: at the end of 2020, 33,000 residential gas consumers (out of approximately 3.3 million), 8,500 electricity consumers (out of approximately 4.9 million), 3,700 district heating consumers (out of approximately 0.7 million) and 43,000 water consumers (out of approximately 4.2 million) were disconnected.[256]

5.6. Evictions

Problems with housing affordability may be indirectly reflected in the number of evictions. If more and more households fall behind with rent and utility bills, it is likely that more and more households will be subject to enforcement – a fraction of whom will eventually lose their housing. Evictions due to squatting also highlight general housing affordability problems, as those who are forced into squatting are those who cannot otherwise find acceptable and affordable housing. Measuring evictions is methodologically difficult. Detailed data on evictions from municipal housing is provided by the Hungarian Central Statistical Office (not covering evictions from private rental), while data on evictions due to foreclosure has recently been published by the National Order of Judicial Officers of Hungary (MBVK) on its website. [257]

The rise in homelessness after 1990 was partially due to the increasing number of evictions. The number of evictions in the inner city of Budapest increased with the launch of urban renewal programmes and housing privatisation in the 1990s. In Budapest, evictions were mainly taking place due to unlawful occupation.[258] Municipal debt management programmes in the first half of the 1990s were seen by experts as having reduced the risk of evictions to some extent, but without lasting results.[259] The legal procedure of evictions was codified in the early 1990s as well.[260] Around the turn of the millennium, municipalities often evicted families in order to displace the poor (especially poor Roma families). Eviction methods became more brutal (e.g. the use of private security companies, municipalities making dwellings uninhabitable after the evictions); the legal security of squatters steadily deteriorated and, from 2000, the privatisation of municipal housing with its occupants (i.e. without relocating tenants into another dwelling in municipal housing) was also made possible.[261]

The rise in evictions following the 2008 crisis showed an increase of affordability problems. The number of evictions from municipal housing rose to over

253 The Hungarian Energy and Public Utility Regulatory Authority (MEKH)'s data release for Habitat for Humanity Hungary's 2021 data request.
254 Herpai, B. (2010). A lakossági díjhátralékok alakulása egy felmérés tükrében. Esély.
255 Herpai, B. (2010). A lakossági díjhátralékok alakulása egy felmérés tükrében. Esély.
256 The Hungarian Energy and Public Utility Regulatory Authority (MEKH)'s data, responding for Habitat for Humanity Hungary's public data request in 2021.
257 https://www.mbvk.hu/info.php
258 Balogh, K. (1999). Hol tart a budapesti önkormányzati lakások privatizációja? Területi Statisztika.
259 Kőnig, É. (2006). Adósságkezelés: sikerek és kudarcok, Esély.
260 Udvarhelyi, É. T. (2015). A hajléktalanság kezelése 1989 után: osztálypolitika és növekvő egyenlőtlenségek. Ezredvég.
261 Ferge, Zs. (2001). A költségvetés szíve. Az ezredforduló vibráló szociálpolitikája. Beszélő.

1,000 per year in 2013, as the economic crisis reached many households – with evictions almost exclusively due to arrears. During the crisis, at the request of the government, most banks stopped evictions, just as tools were developed to help households with non-performing forex housing loans. A moratorium on evictions of debtors was also introduced at that time; this instrument was repeatedly used by the Orbán government until the public policy tools of 'rescuing' forex housing loan borrowers were developed.[262]

There were significant differences between eviction practices of municipalities in the 2010s,[263] varying by the party affiliation of the mayor and the composition of the local council. In the late 2010s, several municipalities adopted local ordinances which prohibited eviction from municipal housing without providing adequate accommodation elsewhere. In the second half of the 2010s, the number of evictions due to enforcement (not only from municipal properties) was 3,000–3,500 per year, which was halved in 2020 because of the moratorium on enforcement announced at the start of Covid-19.[264]

Providing adequate housing for evicted people has been essentially unresolved since 1990.[265] The welfare system and the legal environment do not currently provide comprehensive solutions to provide housing for households who were evicted due to affordability problems or for other reasons. Housing movements have repeatedly led the fight against evictions over the last three decades.[266] The single recurring (but by no means systemic) intervention has been the institutionalisation of a moratorium on evictions during winter months. This practice was also followed during the last two years of the Covid-19 pandemic.

[262] For a more detailed history of events see the earlier section and also: Prugberger, T. (2011). A lakossági és az előállítói 'fogyasztással' összefüggő jogügyletek társadalompolitikai és jogi problémái. Sectio Juridica et Politica, Miskolc.

[263] For a detailed analysis see Czirfusz, M., Pósfai, Zs. (2015). Kritikus ponton? Önkormányzati lakásgazdálkodás a gazdasági világválság után. Területi Statisztika.

[264] See the data by the National Order of Judicial Officers of Hungary on their website, currently the most recent data set is for the first quarter of 2021.

[265] Győri, P. (1990). Gyorsjelentés a hajléktalanságról, Magyarországon, 1990. In: Andorka, R., Kolosi, T., Vukovich, Gy. (ed.). Társadalmi Riport 1990. Budapest: TÁRKI.

[266] See Bernadett Sebály's chapter and Péter Győri's essay on evictions.

6. Summary

In the early 1990s, housing policy experts warned that the political elite will shift the housing regime towards the dominance of private homeownership. The mass privatisation was not only due to pressures from the majority of the society but also to a lack of progressive housing policy ideas among policy-makers. Even during the more technocratic governments of the 1990s and 2000s, proposals from housing experts have failed to systematically influence central governments' housing policies. In the past three decades, housing has been weightless or subordinated to other policies within government policy almost throughout the entire period.

No government has had a comprehensive housing strategy since 1990 that would have set out long-term goals of housing policy and would have provided a framework for government action on housing. The proposals for a housing strategy failed in government consultations due to weak political representation of the field. **For most of the last three decades, there has been no political will to develop a housing strategy which would set out a long-term framework for political action.** Housing expert Péter Győri's 1992 observation is still true today: when parties and political decision-makers had no vision in the field of housing, instead of starting with writing concepts, they rather concentrated their efforts in writing legislation (without any broader considerations about the general directions of housing policy whatsoever).[267] Legislation – whether the Housing Act of 1993, constantly shifting and modified government decrees, as well as municipal ordinances – served as a substitute for meaningful action. Although legislation introduced housing policy instruments which were communicated broadly by governments, these have hardly provided comprehensive solutions to housing poverty in Hungary. The **poor quality of legislation and policy is illustrated by the fact that legislation on main housing policy instruments has changed frequently over the years:** the Decree of the Council of Ministers of the Hungarian People's Republic 106/1988 (XII.26.) outlining housing subsidies was amended 18 times in 12 years. The subsequent framework legislation, Government Decree 12/2001. (I.31.) was amended 75 times in 20 years.

[267] Győri, P. (1992). 'Lakástörvény' – koncepció nélkül. Beszélő.

Government Decrees 16/2016. (II.10.) and 17/2016. (II.10.) which launched the family housing benefit and some other instruments have changed respectively 17 and 20 times over 5 and a half years. In other words, the **basic legislation of housing policy instruments has changed on average every three to four months, making subsidies unpredictable and unmanageable for stakeholders.**[268]

Housing policy has operated under the squeeze of momentary political interests over the last three decades. This has mostly meant that housing policy has been subordinated to financial interests. **Social considerations have not been a dominant factor in shaping housing policy – which resulted in failures to considerably reduce housing poverty in Hungary.**

Apart from a brief period, housing policy has had no considerable representation in government for the past three decades. A government commissioner was in charge of the field for two years (but a cabinet reshuffle abolished the position and no substantial change in housing policy was achieved); there was no representation of housing at a state secretary level ever (i.e. a state secretary whose only task would have been housing), and **housing was allocated a separate unit of the responsible ministry only in less than a third of the period under review. This fact is striking, because in the meantime, governments spent hundreds of billions of HUF on housing every year** (in nominal terms).

After 1990, the privatisation of the state-owned housing stock essentially removed the housing regime from democratic control. Publicly-owned housing stock is not controlled democratically either.[269] Public property was transformed into private ownership by way of a 'national gift' (privatisation prices well below market prices), due to sitting tenants' lack of capital.[270] **Compared to the loss of public wealth incurred through the privatisation of housing, programmes of the past three decades expanding the public housing stock were minimal, including the State Supported Rental Housing Programme in the early 2000s and the operation of the National Asset Manager in the 2010s.** Yet even these small-budget programmes provided tens of thousands of affordable housing units. (The housing stock of the National Asset Manager was reprivatised, and to a small extent, handed over to charity organisations in the 2020s.)

At the same time, the homeownership-dominated housing regime led to a path-dependence of housing policies, in which the system of housing subsidies inherited from the state socialist period has been maintained to support homeownership. **The most persistent housing policy instruments of the last fifty years (with the largest budgets) have been non-refundable cash grants and interest-rate subsidies for housing loans which were accessible for families to buy property.** After 1990, households' general lack of capital meant that governments had to develop new forms of credit-based solutions of homeownership, which led to acute crises of household indebtedness because of global credit market fluctuations. **The lack of any coherent framework of housing subsidies is illustrated by the fact that, over three decades, more than fifty different types of socially not targeted subsidies of homeownership have existed.**

A comprehensive solution to the affordability of utility costs has not been devised. A system guaranteeing accessibility of these public services to all – including securing the long-term renewal of material infrastructure and providing a comprehensive and stable support system for those in need – is lacking. Utility companies (water, sewage, electricity, gas, district heating) were largely privatised in the 1990s, but were renationalised over the last decade. Combined with the price cap on residential utility costs, re-nationalisation has led to eliminating the profits of private utility companies and ensured the affordability of housing costs. However, democratic control of these state-owned utility companies is non-existent, and the renewal of material infrastructure (water, sewage, electricity, gas and district heating networks) is not secured

268 This fact had already been reported by the State Audit Office of Hungary in 2009: ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék. Since then, Orbán governments have only 'succeeded' in eliminating the State Audit Office's responsibilities in terms of overviewing governmental action; they have failed to introduce a stable legal environment regulating housing subsidies.

269 Democratic control of public housing would include giving decision-making rights to sitting tenants in municipally owned companies managing the public housing sector, and stronger public control of these companies than at present. Such a restructuring of municipal companies has recently been proposed in Germany, primarily in Berlin: see e.g. taz (2021). Berlins landeseigene Wohnungsunternehmen: Aus 6 mach 1. taz.de; Bündnis 'kommunal & selbstverwaltet Wohnen' (2018). Kommunal & selbstverwaltet Wohnen. Mieter*innen für die Demokratisierung der Wohnraumversorgung.

270 On the broader context of ownership change in Hungary see Böröcz, J. (1992). Dual dependency and the property vacuum: Social change on the state socialist semiperiphery. Theory and Society.

by current utility prices: this inevitably leads to a deterioration of services in the long term.[271]

Over the past three decades, governments have allocated more than ten thousand billion HUF (at current prices) to socially not targeted housing subsidies, while much less has been allocated to socially targeted support. It is thus little wonder that housing affordability has not improved substantially over the three decades.

In the absence of a housing strategy, it is not surprising that **the only criterion measuring housing policy instruments' success is how much money the government has spent on supporting citizens' housing.** The 2009 finding of the State Audit Office of Hungary on housing subsidies is still valid today: 'the financing approach prevailed, and the sole indicator measuring the performance of the subsidies was the amount of budget expenditure'.[272] **As of date, there is no monitoring system, no overarching database on the expenditures, results and effects of housing policy instruments. And even if there were any – the objectives the government would remain unknown, making it impossible to benchmark the policies' successes.** This is particularly worrying for two reasons. Firstly, **our analysis shows that the housing policy mix cyclically into major falls crises every ten to fifteen years,** when the expenditures cannot be covered by the government due to the macroeconomic environment. None of the governments has paid attention to preventing such crises, nor has any government committed itself politically to abolish the homeownership-focused housing instrument mix or to fundamentally rethink expenditures on housing. The current macroeconomic environment of rising interest rates, – along with rising construction and building material prices – pinpoint to a looming crisis, with budget expenditures skyrocketing. Secondly, since the current narrative measures the success of housing policy depending on the amount of money spent on it, **any comprehensive change to the current system (such as redistribution for those in need or the reduction or phasing-out of subsidies favouring the middle classes) would inevitably be framed as austerity measures: this inevitably narrows the political acceptance of progressive, socially just housing policies**.

Overall, our comprehensive analysis of housing policy over three decades clearly shows that **fundamental changes are needed in terms of housing** to reduce housing poverty, affecting 2–3 million people. **In the longer term, a progressive, socially just housing policy should work towards a substantial reduction of the homeownership rate.** There is thus a need for an increase and renewal of the publicly owned housing sector, a radical expansion of the non-profit rental housing sector, and a reduction of public money going towards homeownership and buying property as investment. Various forms of non-profit housing (such as housing associations, social rental agencies and cooperative forms of rental housing) have been proposed by different expert groups in recent decades. Yet, pilot projects of this kind have been sporadic.

The state has essentially withdrawn from substantively engaging with the housing crisis. In effect, housing policy has been captured by lobby groups within the government linked to the construction industry, finance and family-issues. Housing that is accessible, affordable to all, and less homeownership-dominated than at present has disappeared from the horizon of the elite and the wider public as a fundamental political goal.

[271] For an example of the serious lack of investment in the Hungarian water utilities sector, see KPMG (2015). A magyar víziközmű ágazat bemutatása – átfogó tanulmány. For the newest debates, see: nepszava.hu (2021). Forrásra szomjaznak a víziközműcégek.

[272] ÁSZ [State Audit Office of Hungary] (2009). Jelentés a lakástámogatási rendszer hatékonyságának ellenőrzéséről. Budapest: Állami Számvevőszék. The quoted passage is on page 16.