

**Summary**  
**of the audit on the provision by Municipalities, of water**  
**regularization and rainfall drainage services (0708)**

In the recent years events of extraordinary water damages were brought about locally by heavy rainfalls, which exposed the need to turn more attention in municipal water management to the water regularization services, and as part of them, especially to the preventive development projects and reconstructions, in order to safeguard a sustainable environment and protect human life and the increasing assets of the nation that are located in the concerned communities.

Pursuant to the Act on Local Governments and the Act on Water Management, water regularization<sup>1</sup> and rainfall drainage are compulsory public services for the municipalities. Due to the various ownership arrangements, there are no legislative requirements in place to specify the services that municipalities are to provide under the statutorily defined water regularization in the respective territories under their jurisdiction. Adequate technical standards were missing to implement a harmonization in the operation of the facilities of water regularization. They did not develop water regularization plans either and the development projects implemented in the municipalities' core areas were not harmonized with those implemented in the external areas (outskirts). Despite the existing incentives cooperation between municipalities was not characteristic. For the sake of harmonizing the operation of water drainage systems, cooperation evolved between municipalities and water enterprises but this differed largely from case to case.

The local regulation on the provision of rainfall drainage and water regularization services partly complied with national legislation. Twenty-six percent of the municipalities did not even mention the water regularization as a municipal service in their respective statutes. Half of the audited municipalities had no economic program, 36 % had no comprehensive environmental programs. Twenty-nine percent of the municipalities reached an agreement between the local rules concerning the provision of municipally approved water regularization and rainfall drainage services and the technical programs, policies, land regularization plans as well the water regularization sub-plans<sup>2</sup>.

Despite provisions of the relevant government decree, the data presented in the property cadastre for the value and characteristics of waters and water facilities did not reflect the reality at a third of the municipalities, i.e. data were not available on each municipally owned water flow and facility. Pursuant to a

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<sup>1</sup> Water regularization is a comprehensive technical term that involves *all engineering actions* (development projects, preventive actions) taken in a given territory to drain excessive waters, protect against water damages, establish sustainable water situation with special regard to the aquifers, etc.

<sup>2</sup> The sub-plans always address only a part of the respective municipality.

questionnaire completed by mayors of the audited municipalities, the drainage capacity of the municipally-owned waters and water facilities only partly fulfilled its initial function, and 87 % of water flows as well 66 % of storm water sewers were in need of minor maintenance works. A survey conducted by the Ministry of Environment and Waters stated that HUF 224 billion (calculated with 2003 prices) would be necessary to adequately reconstruct and develop the municipal water facilities.

In the last 6 years the Hungarian central budget assisted municipalities in their respective development and reconstruction measures falling under water regularization by contributing with a total financial assistance of HUF 23,9 billion in forms of “targeted subsidies<sup>3</sup>”, special grants to level the territorial disparities, the Earmarked Appropriation for Waters, decentralized subsidies for specific purposes. In the period of 2001-2006 municipalities submitted 338 claims for targeted subsidies, and as a result, 28 municipalities were granted a total of HUF 15,7 billion for their respective municipal core area water regularizations. This amount is merely 6 % of the nationally awarded total targeted subsidies (for all possible purposes) or put in another way, 22 % of the financial assistance the water management sector received as targeted subsidy. In the audited period HUF 2 billion was spent from the Earmarked Appropriation for Waters, and HUF 6 billion as decentralized subsidy for municipal core area water regularization. It was a favorable arrangement that decentralized subsidies, unlike other resources, could be fully used for municipal core area water regularization if the concerned municipality was provided in the two years prior to submitting its application with a public grant for protection against excessive ground water.

Assistance for the maintenance and upkeep of the municipalities’ drainage systems and engineering structures was provided for the Municipalities in forms of pro-employment public grants and community services of public concern and interest. The multi-channel financial assistance for municipal core area water regularizations and the missing segregation (i.e. separate presentation) of the relevant water regularization expenses were drawbacks for the transparency. Claims and applications submitted for grants for capital expenditures and maintenance projects did not address the real needs of municipalities, because the competitive schemes (to which the applications were submitted) involved several goals, therefore the municipalities’ goal selection and consequently the applications they submitted were influenced by their views, approaches and also by the priority order established for the implementation of municipal tasks on the basis of the residents’ needs.

For the provision of the services (i.e. water regularization and rainfall drainage) the municipalities spent less than needed; the share of the relevant expenditures in their annual budgets was low, i.e. 1,9 % in average. From the beginning of 2001 till 30<sup>th</sup> of June 2006 HUF 11,2 billion was spent for the services. Three

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<sup>3</sup> „Targeted subsidies” are special earmarked subsidies for municipalities for their capital expenditures.

quarters of this amount were used for capital expenditures, development projects. Sixty-six percent of water regularization expenditures were funded by financial assistance from the country's central budget. Forty-four percent of the audited municipalities, without having received any financial assistance from the central budget, carried out projects with a total value of HUF 1,3 billion, each with a minor need for financial resources.

The grants received for the municipalities for the goals and tasks specified in the submitted applications used capital expenditures. Generally, the grants were used regularly, i.e. in line with the respective contracts concluded on their use. The development projects implemented with the use of grants were expedient, since they contributed to the development of the water drainage network. The total length of rainfall drainage channels has also increased, the engineering condition of water drainage facilities has improved, and thus the protection of concerned municipalities against the floods and excessive ground water has improved, too.

The audit was carried out at 84 sites and it established that since the previous audit of the same subject in the year 1998 the municipalities' capability for core area water regularization had improved, mainly because of the development projects, yet merely minimal advancement had been made in the continuous maintenance of water facilities and in the development of protection plans. Only 5 municipalities drew up an overall strategy to prevent the occurrence of water damages, and 25 municipalities mapped up the territories exposed to such dangers. The statutorily demanded protection plan was developed in 41 municipalities, but a lack of this document did not place the concerned municipalities at any disadvantage in receiving public grants to finance the recovery from and the protection against water damages.

In the audited period of five and half years a total water damage of HUF 2,3 billion was inflicted on 34 municipalities. Of this total damage 57,9 % was suffered by municipally owned premises, roads, engineering structures, and drainage facilities. Concerning the expenditures for protection, the municipalities bore a smaller share. In addition, central government resources financed 69-93 % of the recovery from water damages. Thus, the municipalities are not adequately interested in meeting their maintenance obligation in context of water drainage.

Concerning the implementation of a harmonized operation of the facilities of water regularization there are no technical rules in place, which could safeguard that development projects in municipal core areas and external areas be agreed with each other and integrated with the goals and tasks of regional development. At the municipalities there wasn't any standard IT-system in place to present the utilization of the very resources spent on water regularization and rainfall drainage.

In order to enable progress in the provision of water regularization services and on the basis of the site audit experiences, the State Audit Office recommended

the Government to pay more attention to the water regularization services when the use of budgetary resources is the issue; to expand the incentive system; when deciding on the submitted claims to take into account the requirement of purposefulness of the deliverable services as stipulated also under Acts of the Parliament; to initiate that the local water regularization tasks be covered by regulation. In addition, the Government Minister of Environment and Waters was recommended to make the data delivery system full-scale, to take into account how communities are ranked in order of their respective exposure to dangers, and to check the protection plans.