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## THE DOGMATIC BASICS OF ADMINISTRATIVE CONTRACTS AND ITS CURRENT ISSUES IN THE HUNGARIAN LAW

### I. Introduction

Despite that the administrative contract<sup>1</sup> is a well-known legal institution in the Hungarian and also in the international legal literature, it cannot be said that the theories or the studies of these contracts would be complete. The reasons of it is that the perceptions of administrative contract vary from state to state (where they are codified) on the one hand and on the other hand the legal situation of these contracts is not clarified, neither in the European Union (EU), therefore, a set of general rules of administrative contracts does not exist. It should be noted that due to these factors, it is very complicated to discourse about this kind of contracts, although it will be explained more precisely in the further part of the study.

It should be mentioned, regarding the dogmatism, that nowadays the administrative contracts are outstandingly relevant for the jurisprudence and also for the practice. This is due to the fact that from the date of 1 January 2018, two new administrative procedural codes will enter into force: the *General Public Administration Procedures* (AP)<sup>2</sup> and the *General Public Administration Actions* (AA)<sup>3</sup> *expressis verbis* declare the theme of the writing. For all these reasons, the aim of this study is to provide a general overview about the administrative contracts. Three separated parts are included in it: in the first part, the general characterisation of administrative contracts are discussed, namely the definition, the main features and the well-known types. In the second part, the main dogmatic problems are in focus. In this part, a highly subjective self-made argumentation proves that the dogmatism of administrative contract is still at an embryonic stage. Last but not least, in the third part, the Hungarian legal situation is discussed, namely the two new codes are taken into examination. It should be emphasised that this topic highly affects other segments of the public administration; however, this study aims to cover only the most important parts of this legal institution.

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<sup>1</sup> It is necessary to note from the very beginning of this study that the definition of administrative contracts is hardly relative. As in the Hungarian or in the international legal literature, a wide variety of terminology is used by the experts. Public contract or public administration contract can be mentioned as examples however many experts restrict these terms only to the contracts made during the public procurement procedure. On the following text, term of administrative contract will always be used, as a generic term.

<sup>2</sup> Act CL of 2016 on General Public Administration Procedures (AP).

<sup>3</sup> Act I of 2017 on General Public Administration Actions (AA).

## II. The historical background of administrative contracts

In advance, it is necessary to review shortly the historical aspects of this kind of contracts to ensure the coherency. In general, administrative contracts were born simultaneously with the public administrative law in France in the 19<sup>th</sup> century.<sup>4</sup> This was primarily due to the fact that the control of administrative activities, as in the states of the continental law system, were not carried out by ordinary courts. These indicated tasks were carried out by the administrative courts, which showed a certain separateness in the judicial system.<sup>5</sup> It is not necessary to explain more precisely that in the 19<sup>th</sup> century administrative tasks were growing extremely fast, the economic governance and the public service role of the administrative organizations became more and more general. These factors have determined the spread of the administrative contracts.

In the 20<sup>th</sup> century, factors described before having escalated in the administrative systems of the states. Because of this, the contracts became standard in the public administration. This was further compounded by the fact that in the second part of the 20<sup>th</sup> century, several theories and doctrines have spread in the jurisprudence of public administration (for instance New Public Management), which have targeted to reform the whole public administration. The method of the reform would have been the use of the instruments of the private sector. These doctrines have assigned a huge role to contracts.

Generally speaking, the administrative contracts of the previous times – as it will be discussed – show a relatively high similarity with the current types. It is worth mentioning that one of the most well-known contracts were so-called communal work contracts, which has had a hard influence of public law, but its subject was special, and the administrative elements have manifested in them.

## III. The dogmatism of administrative contracts

### III.1. The definition

After the historical aspects, it can be concluded that nowadays administrative contracts play a huge role in the world of public administration. To day to day, the public administration, more precisely the organizations of public administration rely on using a huge number of contracts, they are involved in several legal relationships; however, these contracts are not necessarily administrative contracts. This is due to the fact that the authorities of public administration take part in different legal relationships (for example international relations), which differs from the classical administrative legal relationships. Although examination of it exceeds the scope of the study. On the other hand, it is notable that there are cases when authorities of public administration take part in a legal relationship as a private person. These organizations conclude several contracts, but these contracts belong to the rules of the private law.

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<sup>4</sup> Fazekas Marianna (szerk.): *Közigazgatási jog – Általános rész III.* ELTE Eötvös Kiadó, Budapest, 2013. 84–85.

<sup>5</sup> HARMATHY Attila: *Szerződés, közigazgatás, gazdaságirányítás.* Akadémia Kiadó, Budapest, 1983. 19–20.

If a general definition of administrative contracts need to be found, the following can be a proper one: this contract is generally a special legal relationship, in which the elements of the public and private law are combined.<sup>6</sup> On the other hand, the specific legal definition is slightly different. Because of this reason, it is necessary to analyse the concept of a Hungarian legal book.<sup>7</sup> This concept approaches the definition from the dogmatic basis of acts. According to this, the administrative contract is a special or unique individual administrative act.<sup>8</sup> This speciality, as in every contract, is the bilateralism. It is perceptible how broad concept this definition is; therefore, several contracts can be included in this category. Due to these factors it is very important to distinguish between each types of contracts.

### III.2. The main dogmatic features

Despite this broad concept, the dogmatic features of administrative contract are clear and coherent. The following part tries to describe the most important and well-known parameters of these contracts.

The first and probably the most important feature is bilateralism, as it was mentioned above. Bilateralism means that instead of the general characteristic of public administration, which is, as it is known, the unilateral declaration of intent, administrative contracts are always made by the bilateral agreements of the parties. If the analysis of administrative acts is continued, it is obvious that public authority is manifested in any decision which are made by the organizations of public administration regardless the fact that under what kind of procedure the decisions are made. However, in the administrative contracts this feature is broken: as in the case of ordinary civil law contracts, the bilateral agreement is strictly necessary to conclude the contract.

The second indispensable feature is that one of the parties is always an entity regulated by the public law.<sup>9</sup> Analysing this criterion is completely unnecessary because this feature can relate to any organization in the system of public administration. However, distinction can be made between these authorities based on that how frequently they conclude contracts. Local governments and state administrative organs can be mentioned as examples.

What is interesting, that the person or body who is responsible for the duties in connection with the subject-matter of the contract acts on behalf of the organizations what concluded the contract. In case of elected organs, the body is the highest authority (for example representative body), in case of non-elected organs the person is the head of the organization. Last but not least, it is notable that the above described organizations occasionally have an obligation to make the contract.

The next criterion relates to the aim and the subject of the administrative contracts. Generally accepted dogmatic parameter is that the aim and the subject of the contract is always a public task performance. Nowadays, it is impossible to exhaustively enumerate

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<sup>6</sup> HORVÁTH M. Tamás: *A közigazgatási szerződések szabályozási koncepciója*. Magyar közigazgatás, 2005/3. 142.

<sup>7</sup> FAZEKAS, 2013. 84–97.

<sup>8</sup> FAZEKAS, 2013. 89.

<sup>9</sup> ÁDÁM Antal: *A közjogi szerződésekről*. Jura, 2004/1. 7.

the tasks of public administration. However, we can mention for instance the provision of public service or granting aid. These two examples just illustrate the criterion, tasks are usually regulated by law.<sup>10</sup>

The fourth specific feature is that the entity of the administration has, without exception, some kind of privileges in the legal relationship. Hence, in this case the ordinary civil law principle is broken, and it does not prevail the equality of the parties. It is mentionable for example the right to terminate the contract without notice or the right to control the other party's activities.

Related to the previous concept, administrative contracts occasionally would have some special validity requirements. It is interesting that in this case, another civil law principle is limited. The immanent meaning of contractual freedom is that the parties can stipulate freely the content of the contract. Administrative contracts usually go beyond this principle, and the codifier could prescribe for example the prior consent or the post approval of the supervisory organ.

Last but not least, the sixth special feature of administrative contracts is that if there is a legal dispute over the administrative contract, the authority of the procedure is a separated organ with special competences. As it was already mentioned, this special organ is the administrative court.<sup>11</sup>

Dogmatic features	
Conclusion	administrative contracts are always made by the agreements of the parties
Parties	one of the parties is always a public entity
Subject	public task performance
Content of the contract	the entity of public administration always has some kind of privileges the contract would have special validity requirements
Legal dispute	administrative court's competence

1. Dogmatic features of administrative contracts (Author).

In my point of view, the above-mentioned features are the most important to tell regarding the dogmatism of administrative contracts. The 'dogmatic line' definitely cannot be closed because there are several other provisions and clauses in the administrative contracts which are not fitting into the world of classic civil law.

### III.3. The most well-known types

As it was stated in the introduction, this study is trying to analyse the most well-known types of administrative contracts, focusing on the Hungarian law. Above all, it should be noted that the following standardization is highly subjective. Because of this factor this study discusses only three categories. Later, it will be discussed what kind of special legal issues belong to the administrative contracts in case of classification.

<sup>10</sup> FAZEKAS, 2013. 89.

<sup>11</sup> F. ROZSNYAI Krisztina: *Közigazgatási bíráskodás Prokrusztesz-ágyban*. ELTE Eötvös Kiadó, Budapest, 2010. 86.

The first and in my point of view one of the most well-known types of these contracts is the so-called coordinating and cooperation contract.<sup>12</sup> Without any broad analysis, it is notable that the organizations of public administration make several relations to day to day, so their cooperation and coordination is completely natural. The system of public administration would be unimaginable and perhaps deficient, if its organs would not make connections and relations with each other. Because of all these reasons it can be declared that this type of administrative contract relates any organs. On the other hand, distinction can be made between organs based on how frequently these organs conclude this kind of contract. For instance, the cooperation between local governments<sup>13</sup> (their common cooperation is the so-called inter-municipal association) and the cooperation agreements between local-governments and police can be mentioned.<sup>14</sup>

The next category is the so-called aid and financing agreements. Due to the multidisciplinary feature of them, which is caused inter alia the strong influence of the financial law, a detailed examination cannot be made here. Although it is notable that due to this strong financial law influence, a very complicated system developed at the borders of the two areas, which makes the theories of administrative contract increasingly complex.

Last but not least, the third well-known type of administrative contract is the public service delegation contract. Nowadays there, several acts in Hungary which contain, more or less, regulation about these contracts: for instance, the law on protection of environment or the law on healthcare.

To summarize the part with a final thought, it can be easily found out that discussing the dogmatism of administrative contract is a hard task. In my point of view, the next part of this study will prove this statement.

#### **IV. The legal problems of administrative contracts**

It can be concluded from the previous part that the experts are able to determine uniformly the dogmatic and the special elements of those contracts but only to a certain point. However, after the dogmatic characterization, in this part three entirely subjective factors are enumerated which can prove that the dogmatism of the administrative contracts is still on a rudimentary level.

##### **IV.1. Influence of the civil law**

Maybe the most basic problematic factor is the influence of the civil law which can be called ‘the entry of civil law into the public administration’. During this process several legal institutions, legal principles, and ordinary elements of private law, which are the keystones of civil law, appear in public administration law. The simplest example of this process is evidently the contracts. As it was described before, the organizations of public administration make several contracts, but despite of this, it cannot be surely asserted that

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<sup>12</sup> FAZEKAS, 2013. 89.

<sup>13</sup> See in details: Art. 87–95. of Act CLXXXIX on Local governments of Hungary.

<sup>14</sup> See in details: ROZSÁS Eszter: *Közigazgatási jog, különös rész II.* Dialóg Campus Kiadó, Budapest, 2014. 32.

all of them would the examined legal institution, even though some of the features, what were detailed before, can be found in the contractual construction. Due to this progression, it is very complicated to find out the affiliation of private or public law. Pursuing that line of thought, it complicates the situation further that a ‘proved’ administrative contract usually uses the terminology of civil law.

#### IV.2. Difficulties of classification

The second issue, which actually comes from the first, can be called as the difficulty of the classification of administrative contracts. In Hungary, a number of classifications were made by the theorists. In this study, I would like to review two illustrious conceptions.

*Tamás M. Horváth* differentiated more than ten types of administrative contracts.<sup>15</sup> Omitting the whole enumeration, it is notable that the writer has analysed the legal milieu in those days, making an exhaustive list about administrative contracts.

*Antal Ádám* has declared several types of administrative contracts similarly to the previous concept.<sup>16</sup> Interesting fact that in his study, he used the terminology of *public contract* and he rated the so-called ‘mixed’ public contract as an administrative (precisely public) contract.<sup>17</sup> (In his opinion, the ‘mixed’ public contract is a special contract in which the elements of public and private law can be found.)

It shall be highlighted that only the most well-known types of administrative contracts, which were detailed before, can be found in both classifications. It shows that how multi-coloured the classifications of administrative contracts are. In my point of view, the reason of it is primarily the frequent changes of legislation. Secondly, and perhaps it is more important, the legal literature knows several mixed contracts affiliation of which is undefinable. Here are two simple examples: the concession contracts and the contracts made during the public procurement procedure. Both procedures are the special types of administrative procedures. Despite this fact the legal literature cannot identify the affiliation of the contracts which are made under these procedures therefore the standpoint in this question is unclear. It is notable that *Horváth M.* and *Ádám* consider that the concession contracts and even the procurement contracts are administrative (or public) contracts.

#### IV.3. Absence of codification

Last but not least, the third issue of dogmatism is the absence of codification. In my point of view, codifying a legal institution would always facilitate the work of the experts and the jurisprudence. Nowadays, unfortunately there are only a few states, where administrative contracts have well-developed legal culture and where these contracts can be found codified. Due to the broadness of the topic, only two legal systems are discussed which are the most important regarding this part.

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<sup>15</sup> HORVÁTH, 2005. 144.

<sup>16</sup> ÁDÁM, 2004. 7–9.

<sup>17</sup> ÁDÁM, 2004. 8.

In the French legal system, the administrative contracts are handled like a separate legal institution, since France codified them first. This means that the administrative contracts were created by the French law, which facilitated the scientific researches in connection with the dogmatism of these contracts. French law requires the coexistence of two conditions to qualify a contract as an administrative contract: a structural and a material requirement. In the case of the first requirement, one of the parties in the contractual relationship is needed to be an entity, governed by the public law. According to this requirement if two private legal entities conclude a contract, the rules of private law shall be automatically used. Although if a public entity makes a contract with a private party, it shall be examined whether this contract is an administrative contract. To be able to decide this question it shall be analysed the next requirement. The material requirement means that the subject of the contract shall be a public task.<sup>18</sup> If both requirements are fulfilled, the contract can be qualified as an administrative contract. It is mentionable that the French legal system strongly focuses on the public procurement contracts.<sup>19</sup>

As for Germany, the German legal system also knows the administrative contracts. In this state, the administrative procedural code (*Verwaltungsverfahrensgesetz, VwVfG*) generally regulates this legal institution, makes differences between each type. Basically, the VwVfG regulates two types of administrative contracts and it says generally that the administrative contract (*öffentlich-rechtlicher Vertrag*) can establish, modify, and terminate a public legal relationship.<sup>20</sup>

The two types are the so-called *Vergleichsvertrag* and the *Austauschvertrag*.<sup>21</sup> It is interesting that in the case of *Vergleichsvertrag*, the condition for the conclusion of the contract is the indefinability of the legal situation. In the case of *Austauschvertrag*, the client assumes a sort of consideration to the public authority. It is notable that the VwVfG knows a special administrative contract (so-called act replacement contract,<sup>22</sup> which is in Hungary the administrative agreement and it will be discussed later) and the code allows for the authority to make a contract with the client, if it had made an administrative act.<sup>23</sup>

#### IV.4. Conclusion

The legal problems of administrative contracts make the work of the experts more difficult. In my humble opinion, if you want to provide a more advanced dogmatism, it has to be started with resolving the problems described before. There are some factors which cannot be influenced by the public administration, for instance the process of civil law. However, the public administration should take the opportunities to make a more advanced dogmatism.

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<sup>18</sup> VALLÉE, Pierre-Hugues: *Le problème de la qualification juridique de l'action administrative négociée : un défi aux catégories classiques du droit?* Les Cahiers de droit, Vol. 49, numéro 2. 2008. 175-330.

<sup>19</sup> VÁRHOMOKI-MOLNÁR Márta: *A közigazgatás szerződéseinek típusai az Európai Unióban és Franciaországban.* Fazekas Marianna (szerk.): Jogi tanulmányok, az Eötvös Loránd Tudományegyetem Állam és Jogtudományi Kar Doktorai Iskoláinak III. konferenciája, II. kötet Budapest, 2012. 427-430.

<sup>20</sup> Art. 54 of *Verwaltungsverfahrensgesetz (VwVfG)*.

<sup>21</sup> Art. 55–56 of *VwVfG*.

<sup>22</sup> Art. 55 of *VwVfG*.

<sup>23</sup> F. ROZSNYAI, 2010. 117.

Last but not least, another factor has to be highlighted: the above-mentioned list of issues cannot be closed. It means that there are a lot of other issues which make this task harder. It is notable that although the Hungarian legal system regulates several administrative contracts, it cannot be said that this regulation would be coherent or uniform.<sup>24</sup> On the other hand, issue of terminology, which was described before, is also a very problematic element. It shall be highlighted that in this study a coherent terminology tried to be used.

## **V. The current issues of administrative contracts in the Hungarian law**

As it was stated in the introduction, in the last part of the study, the current legal situation of Hungary is discussed, focusing on the administrative contracts. The starting point is that at the end of 2016 and in the early 2017, the Hungarian Parliament, with the spirit of expediency and efficiency, adopted two completely new proceeding codes: the above-mentioned AP and AA. With these codes, the legislator has essentially changed the system of administrative action and procedure. AP is much shorter and recognisable than its ancestor (Act CLX of 2004 on the General Rules of Administrative Proceedings and Services) and regulates many new legal institutions. AA replaces the rules of the Code of Civil Procedure and it exhaustively regulates the most important rules of administrative action. Naturally, the codes must be analysed one by one, but only those provisions of them which are connected to the topic.

Basically, both acts contain only minimum standards of administrative contracts. In my point view, despite these minimum rules, this is a very huge step, because Hungary enters among the states, which regulates the legal institution of administrative contracts in law. On the other hand, until this time, legal regulation of administrative contracts was missing in Hungary. In the next parts, the rules of the codes are analysed, starting with AA.

### **V.1. General Public Administration Actions**

One of the most important innovation of AA is that it, although laconically, defines the administrative contracts. According to this, each contract is an administrative contract which is declared by an act or a government decree.<sup>25</sup> This means that from 1 of January of 2017 only an act or a government decree can qualify a contract as an administrative contract. It is very interesting that the bill of the AA contained a completely different definition of administrative contract.<sup>26</sup> The current regulation uses a general clause regarding the definition. In spite of that, the bill made an open exhaustive list the first part of which gave examples of the most well-known types of contracts and at the end of that the current definition could be found. To make it most understandable, the whole list can be read below. According to this list, administrative contracts are:

- administrative agreements;

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<sup>24</sup> HORVÁTH, 2005. 143.

<sup>25</sup> Art. 4 paragraph (7) point 2 of AA.

<sup>26</sup> See in details: Number T/12234. Bill of General Public Administration Actions <http://www.parlament.hu/irom40/12234/12234.pdf> (28.11.2017.).



- contracts and agreements according to Act on Local Governments of Hungary;
- a long-term and complex contract made by the public authority to perform service or investment public tasks, according to which the contracting party undertakes obligation to design, building, operation and funding of the subject matter of the contract with or without bearing the operational risk connected to the public task performance and transferring the instruments, established under the performance, to the public authority when the contract expires; and
- each contract which is declared as an administrative contract by an act or a government decree.

This implies that there are significant differences between the definition of the bill and the code. In this part, the first element of the definition namely the administrative agreement, will not be explained because this task belongs to the next part. As for the second conceptual element, according to the bill, the different agreements between local organisations would have been administrative contracts. One of the most well-known type of this kind of settlement is the inter-municipal association with legal personality.

In case of inter-municipal association, the representative bodies of the local governments actually make an association in order to provide more effectively and expediently one or more municipal duties and powers of the representative body or state administrative jurisdiction of the mayor or the clerk.<sup>27</sup> This legal institution provides advantage for small populated local governments because the high-priced compulsory tasks are performed not by the small local government itself but by the association with legal personality.

As it was mentioned before, this kind of association is established by the written agreement of the participating representative bodies.<sup>28</sup> If this agreement is under a detailed examination, it can be obvious that this has to be considered an administrative agreement: it is concluded by the authorities of public administration in order to perform public task and certain element of the agreement are regulated by act. This is confirmed by the fact that according to the act, the administrative courts have competence over the dispute of the agreement.<sup>29</sup>

As the third conceptual element, this long definition is unambiguously referring to the *Public-Private Partnership* (PPP or P3) as the contract made during the application of alternative public task performance.<sup>30</sup> In general,<sup>31</sup> PPP means a form of agreement between the public and the private sector for a long term in which parties bear equally the responsibilities and risks of the public task performance.<sup>32</sup> Very fundamental dogmatic issues belong to P3. Perhaps, one of the most important one is about whether the PPP is an atypical contract of the private law or an administrative contract of the public law. Detailed examination of it exceeds this study but it needs to highlight that PPP has very

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<sup>27</sup> Art. 87 of Local Governments of Hungary.

<sup>28</sup> Art. 88 paragraph (1) of Local Governments of Hungary.

<sup>29</sup> Art. 92 of Local Governments of Hungary.

<sup>30</sup> HORVÁTH M. Tamás: *Közmenedzsment*. Dialóg Campus Kiadó, Budapest–Pécs, 2005. 151.

<sup>31</sup> This is only the tightest definition of PPP. One of the most important issues about P3 is the difficulties of dogmatic classification derived from the lack of proper definitions.

<sup>32</sup> Leiner Vera (szerk.): *PPP-kézikönyv: a köz- és a magánszféra sikeres együttműködése*. GKM, Sajtó és Protokoll Főosztály, Budapest, 2004. 9.

significant private law effects.<sup>33</sup> However, this problem would have been clarified properly by the bill and finally this question would have been closed: it would have declared PPP as an administrative agreement.

The last conceptual element is the currently effective definition. This element would have opened the exhaustive list because the two types of law could have declared every kind of agreement as administrative contract.

The following question can be arisen: why the current code rejected the definition of the bill? In my point of view, the latter could have represented better the general definition of the administrative contracts. However, due to the current definition legislation can decide almost freely about which agreement needs to be declared as administrative contract. It could mean that the legislator may ignore the well-established dogmatism of private and public law.

Following the rules, AA says that the dispute over the contractual relationship is an administrative legal dispute.<sup>34</sup> If any act or government decree qualify a contract as an administrative contract, that administrative court has venue where the contract was concluded. However, the parties may set another court with venue. Related to the previous rule, it is notable, that in this dispute legal representation is obligatory.<sup>35</sup>

The code allows to make a settlement in case of legal dispute over the administrative contracts,<sup>36</sup> and it declares in detail, what kind of decisions the court can make.<sup>37</sup> The previous rule may be applied if sectoral legislation does not lay down any other sanctions.

## V.2. General Public Administration Procedures

This code consists only one provision about the administrative contracts, but in my point of view, this provision closed a long-standing dogmatic debate.

In several continental legal systems (for example in Germany) administrative agreement have been regulated for a long time. It was introduced to the Hungarian legal system by the earlier code of administrative procedures,<sup>38</sup> as a completely new legal institution. The aim of this special settlement is that the authority does not provide a right or prescribe an obligation for the client, but if the agreement is best suitable for both parties and also for the public interest, the case can closed by this bilateral agreement.<sup>39</sup> It seems that the administrative agreement is a sort of unusual legal institution, because the case can be closed without the unilateral decision of the administrative organization.

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<sup>33</sup> The question of the distinction of public and private law is very significant in the legal literature. Because of this, there is a legal debate between the authors. Some authors (*Horváth M. Ádám*) consider that this kind of agreement between the state and the private sector is unambiguously administrative contract, others consider PPP contract as an atypical contract, for example see it in details: Papp Tekla (szerk.): *Atipikus szerződések*. Opten Informatikai Kft., Budapest, 2015. 236–264.

<sup>34</sup> Art. 4 paragraph (2) of AA.

<sup>35</sup> Art. 27 paragraph (1) of AA.

<sup>36</sup> Art. 68 paragraph (1)–(3) of AA.

<sup>37</sup> Art. 94 paragraph (1) point a–d. of AA.

<sup>38</sup> Act CLX of 2004 on the General Rules of Administrative Proceedings and Services.

<sup>39</sup> FAZEKAS, 2013. 96.

Administrative agreements have several advantages. The first, and maybe the most important one, is that it may facilitate the client's performance, guaranteeing the fulfilment of the contract. It is doubtless that concluding this kind of settlement could be more practical than a unilateral decision because with administrative agreement the client can feel himself/herself as an equal party. With making such agreement, the client and the authority basically create a partnership to satisfy a general interest.<sup>40</sup> However, it is necessary to pay attention to the disadvantages as well. These days, public authorities are trying to close the cases effectively and fast, therefore conclude a contract with the client could seem to be promising. Although this could let to the situation when relevant facts remain undiscovered which, if they had been discovered, could have had an influence on the 'classical' decisions of the authorities.

It is notable that according to AP, as the previous regulation, there are certain conditions of making an administrative agreement:

- it can be concluded when the settlement is best suitable for both parties alike and also for the public interest;<sup>41</sup>
- it can only made in written;
- AP prescribes mandatory conditions.<sup>42</sup>

The code settles the cases when the authority or the client does not fulfil the contract. If the authority does not perform its obligation the client can go to the administrative court after its unsuccessful request for performance.<sup>43</sup> If the client breaches the contract, the authority arranges for the enforcement of contractual sanctions and if it is necessary, it initiates the execution.<sup>44</sup>

Returning to the administrative contracts, the administrative agreements are hardly classifiable. This is due to the fact that the form and the content of this bilateral settlement contains the elements of the public and private law at the same time. AA ignores this situation, because it *expressis verbis* says that the administrative agreement is an administrative contract.

### V.3. Conclusion

The aim of this part was to provide an overview about the current legal situation of Hungary, focusing on the administrative contracts. It is quite obvious that the regulation of the codes sets only a minimum standard about this kind of contracts. Furthermore, sectoral legislation is able to make a more detailed regulation in light of the general rules.

The question is if this minimum standard is sufficient or not; only practice would take a side. However, it is clearly obvious that the codification and the judicial practice would provide a great opportunity for the experts to make a development in dogmatism.

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<sup>40</sup> TILK Péter: *A hatóság döntései és a hatósági szerződés az új eljárási törvény alapján*. Magyar jog, 2006/2. 89–90.

<sup>41</sup> Art. 92 paragraph (1) of AP.

<sup>42</sup> Art. 92 paragraph (2) of AP.

<sup>43</sup> Art. 93 paragraph (4) of AP.

<sup>44</sup> Art. 93 paragraph (3) of AP.

## VI. Consequences

Reaching the end of the study, it should be summarized to set the main conclusions and consequences. At the beginning, the definition of administrative contract was analysed the base of which is the administrative acts. The most important and well-known features were also detailed. Regarding to this, the study has dogmatically placed the contracts in the field of public law, and related to the characterization, the most relevant types of administrative contracts were shortly discussed.

Knowing the dogmatic basis, the aim was to prove with subjective elements that several issues appear when administrative contracts are construed. On the one hand, these factors always make the work of the theorists more complicated and on the other hand, it makes uncertain whether the dogmatism of administrative contracts even exist. As it was stated in my point of view, the answer is yes; however, as long as the relevant problems are not resolved researches of the topic remain in an elementary stadium.

At the end of the study the current Hungarian legal situation was taken under examination focusing on the relevant provisions of two new codes.

It can be concluded easily from the study that this legal institution is Janus-faced. However, it cannot be forgotten that administrative law is one of the most frequently changing legal area because of which several new legal institutions appear. This factor may become visible in case of administrative contracts.

It should be noted that this short study covers a small part of the administrative contracts, several other parts could have been examined. The purpose of the study was to provide a general overview with special focus on the recent codification process and the expectable consequences of the near future.

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