

# DREAMS AND REALITIES IN THE LOCAL GOVERNANCE OF HUNGARY

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## Introduction

The aim of this paper is to introduce the development process of the local governance system in Hungary, highlighting the paradox of the starting model selection and the real state of the art of local governments in Hungary. This paradox is not the special case of Hungary since the framework type of regulation always bears the risk that “life” overwrites the legal dreams. The speciality of the transitional countries is that we did have normative ideas about the western type of governance, but without having a real picture on how to implement and use the fashionable institutions and norms in our contexts (*Galligan–Langan–Nicandrou*, 1998). The legislator at that time expected that the declaration of autonomy and democracy will lead to a completely new quality of local governmental performance both in terms of public services and local democracy.

From the distance of 20 years, we shall realise that the legal model on its own was unable to guarantee the autonomy and efficiency of local governments. The processes occurring in the local governance system of Hungary produced adequate evidence for the evaluation of the real space of “Europeanisation” and also for forecasting the near future of decentralisation in the new member states, where the polarisation and fragmentation is a possible argumentation in the hands of national governments explaining their centralising ambitions.

## The heritage

In the history of Hungarian local governments, the standard feature was the strong dependency on the central power in the form of subordination to the upper tiers of governance and the necessity of belonging to “bigger” cities and neighbouring settlements. This also means that the equality of local decision-makers has almost never been the case for the local tiers, especially not for smaller villages. This fact is important, since it clearly indicates that it was not only the “communist legacy” (*Galligan–Langan–Nicandrou*, 1998) hindering adaptation to the more decentralised western governance system.

For the first time in the legal situation the act on the municipalities and the act on the villages, passed in 1870 resulted that the entire territory of Hungary was

under a public administration built on identical principles, and therefore both the municipalities and the counties received self-government rights.

Concerning the settlements, the acts differentiated among units with different legal status by their ability to run administrative organisations and to perform tasks allowed by their size. The logic of public administration as a whole, however, did not change during this era, nor did it compared with former eras, namely the counties maintained their dominant power and the independence of the municipalities existed only in theory.

This phenomenon was striking in the era of state socialism between 1950–1990. Following World War II, the communists formed a government with the support of the Soviet Union and decided to follow the Soviet model. In 1950 the so-called Council Act practically eliminated the rights of independent local governments in the territorial decision-making and created a hierarchical governance system. The power logic of the model is well reflected by the definition of the Soviet council system, claimed by the administrative ideologists of the communist party: local councils are not the organs of the local power but local organs of the power. The Soviet-type council system in Hungary functioned in a territorially integrated, concentrated organisational mechanism until 1990. The high level of integration – it was said – improved efficiency and the proficiency of public administration but at the same time it resulted in a huge democracy deficit and made representation within the councils a mere formality.

Professional and certain political circles already perceived the reform necessity of the local council system in the eighties before systemic change. The reformist thinking at that time affected the territorial structure of the administration only to a lesser degree. More attention was paid to organisational independence than to the freedom and the essential political features of self-governance. In spite of the few signs of the ambition to build a real “self-governance” system accepting the idea of local taxation, devoting more rights and resources for the smaller settlements, the main barrier, namely the insistence on the unity of the state power following the Leninist theory of state, which left no chance for the model of autonomy of local councils – remained unchanged.

### **Paradigmatic change of the model**

Following systemic change, the first really significant legal document passed by the newly elected parliament was Act LXV/1990 on Local Governments. The preparation of the act progressed in the crossfire of serious political debates, since all political groups realised that the act will fundamentally impact the future power exercise. In spite of the huge number of amendments and debates, the act was passed with a significant majority.

The act meets international standards as far as its spirit and liberalism are concerned and at the same time, has brought a dramatic change in the structure of Hungarian public administration. The act declares the right to self-governance as the collective right of citizens living within one locality; therefore, the settlement became the key element in the local government system. The rigid separation of central state and local governments as well as the weak legal control over local governments point out the fact that the essence of the Hungarian self-governmental model is autonomy. The choice of value by the legislator was mainly motivated rather by political intentions and therefore, besides the guarantees of democracy and independence, the aspects of efficiency and the public administrative rationality were rather neglected.

The Act declares that the tasks of local governments may only be defined by parliamentary acts protecting local governments from being overloaded by public issues, and therefore limiting their space of movement. The liberal spirit of the act is well illustrated by the fact that it allows a fairly liberal distribution of local governmental functions on a voluntary basis, being obviously more favourable to municipalities versus the counties.

The legislator considered the elimination of the hierarchy between the tiers as a *sine qua non* of the independence of local governments, arguing that none of the local governments are entitled to make obligatory or hierarchical decisions for another local government.

The principle of subsidiarity concerning the role of the counties and the efficiency concerning the scale of municipalities were less important points for the legislator, so the new structure put an end to the previous, century-long traditions such as subordinating and integrating the municipalities and granting power over the municipalities to the counties, the ever-present territorial tier of the Hungarian State.

The legislator in 1990 put the local society of the settlements into the centre of the system. The right of self-governance was declared as a right of the local community. In the former Soviet council system, the 3,200 settlements were administered by approximately 1,600 local councils. The number of local administrative units was doubled after 1990, growing from 1,600 to 3,200. During the first free elections, every settlement created its independent local government, completely disregarding the number of the population. This measure was definitely welcomed in those villages where this was the first time and chance to elect their own representative bodies and mayors. The local governments of the settlements, in accordance with the act, were given a general authority to manage practically all local public affairs, irrespective of their capacity. Every village has even until now the right to elect its own body and mayor, to establish office, and there is no legal compulsion to join any association or to integrate the too small offices or to employ civil servants together. The process of splitting went on: about 100 new villages

with independent local government were founded via secession. The newly elected local politicians were eager to prove that freedom and power were the prerequisite of development and they strongly pushed the central government in order to acquire development sources. In the period of the first government after systemic change, the formerly city-focused development policy was replaced by development priorities definitely favouring small villages. State support played a dominant role in the financing system of the local governments; however, the majority were not able to fulfil their tasks from their own resources. The legal and financial system did not encourage a reasonable division of labour among municipalities and governance tiers allowing real local choice in managing local services. This liberal model was very democratic from a political point of view, but this exact regulation generated the extreme disintegration of the local governmental structure.

The rigid understanding of the principle of subsidiarity led also to the completely different regulation of the county level. The legislator wished to abolish the former power of the counties, stating that they were only ‘subsidiary’ units of the local government system. For this reason, the legislator obliged the counties to provide services which the municipalities are not able, or do not want to perform and therefore the municipalities were empowered to transfer such competencies to the counties. Normally, subsidiarity as a principle of division of public competences should not mean that every task and resource is allocated to the municipalities. The lowest operating level of services and administrative functions may not always be the municipalities, especially not in such a model where the municipalities are sometimes the tiniest settlements. Unfortunately, municipalities themselves generally did not want to transfer their tasks and competences to the counties, even though counties would be more able to carry out functions in the regional services, regional development and professional administration. Therefore the regulation concerning the counties was misguided, and resulted in the weakness of the county level within the local government system, without having strengthened the municipal level – rather, quite the contrary.

Summarising the point of the regulation – not denying the virtues, political and constitutional importance of the introduced model – the act has been unsuccessful from “only” one aspect, namely that it failed to establish a legally guaranteed decentralised territorial structure of public administration. The legal guarantees of free decision-making alone could not ensure political and power decentralisation.

The parliamentary and governmental decisions, as well as the measures of the last 20 years run in many respects counter to the original logic of self-governance, in spite of the fact that in terms of the legal form there was no interference with the competencies and decisions of the local governments.

### **The process of recentralisation**

As we have outlined before, the Act on Local Governments placed the settlements in a favourable situation and deliberately pushed the territorial governments to the periphery. The probably good intention to democratise territorial administration and to bring decisions closer to the citizens has brought about several, perhaps unexpected side-effects, as well.

Smaller settlements can perform their tasks only in poor quality and with low efficiency, many times not even complying with the legal requirements. The present local administrative structure is unable to carry out local services and administrative tasks professionally and with good quality due to its frayed organisation and insufficient resources.

In spite of the above, municipalities did not recognise the possibilities of association; in fact, the system further disintegrated due to the partitions of settlements and secessions from the integrated notary districts. One reason of the separation process was that the Act on Local Governments was not elaborated in detail, and therefore was not appropriate to surmount the gap between the fragmented local decision making system and the services and infrastructure organised by territorial districts.

Consequently, the establishment of the local self-government system did not result in a real decentralised state. Organisational guarantees on the one hand are built into the legal regulation, but on the other hand, the issue has never been clarified what kind of division of labour shall be created between the different tiers of local governments. Local governments became politically free and legally equal, but they do not have enough capacities and financial resources to control local affairs generally. The weak performance and capacities of local government sector led to the firm centralisation in various forms.

The displaced county governments were replaced by dozens of deconcentrated state offices and agencies which were empowered to carry out tasks which normally would require representative, democratic control. The 'nationalisation' of the meso-level led to the dominance of the central state against the self governments, while elected counties lost their integrative role within public administration. From the middle of the nineties, a new institutional sector emerged including development councils, boards for tourism, employment etc. parallel with elected local/county governments. The institutional fragmentation confused the public space, contributing to the increasing influence of central government.

The landscape has also been becoming fragmented from the geographical point of view since new geographical units emerged as options against the traditional county division. Macro- and micro-regions have been sketched on the map, shifting the competences and power up and down.

In the spirit of compliance with EU regional policy, the so-called NUTS 4 regions created in the second half of the 1990s (the number of which rose from the initial 138 to 174 today) have become the framework for comprehensive local government partnerships. Observing the principle of voluntary association, the central government uses financial incentives for organising co-operation throughout the country among the micro-regional urban centres and rural communes in their respective agglomeration areas. The process is still ongoing; therefore, it is hard to tell whether micro-regional partnerships will fulfil expectations (Somlyódyne, 2008). The dilemma is that since these partnerships are voluntary, the system may break down at any time, because rural communes may withdraw whenever they choose, which, in the event of default of extra incentives, is likely. It is an even larger dilemma, however, whether 174 micro-region partnerships are suitable for replacing 3200 local governments and organising the fragmented basic services. The targeted structure may seem to be another extreme in relation to the previous one. The 174 micro-regions, one of which comprises nearly 80 member local governments, are hardly capable of meeting daily governance tasks. However, if, in the long run, the micro-region remains merely an option for performing municipal tasks and the possibility of organising services on the level of primary settlements, it would mean the augmentation of territorial public administration with a new, micro-regional level over the settlement level. This raises questions as to the model's efficient and economical character and also as to the disadvantages of getting too distant from the citizens.

A good example of centralisation is the process of regionalisation. The rescaling and shifting of the public power structure accelerated with the approach of accession. A special act on regional development was passed, setting up special institutions in different geographical units. In the hope of accessing the European Structural Fund's resources, the so called NUTS 2 regions became the geographical frames of development councils, each of them covering the territory of several (generally three) counties. The former political aversions for the traditional "old" counties were apparently justified by the European requirements, since the regions, being larger than the counties, were (and are) eligible for European grants, and therefore the development programmes are elaborated and implemented in and for these geographical units, as a more efficient scale for regional development.

The necessity of meso-level public administrative reform and European regional policy jointly led to the formulation of the governmental programme in 2002. This programme declared as an accented target the creation of elected self-governmental regional assemblies instead of the counties by the year 2006. In the mirror of this governmental programme, the decade-long dilemma seemed to be solved: the counties shall be replaced by elected regions which are at the same time to democratise meso-level governance, decentralise the strongly centralised Hungarian state and provide for the efficient management for the European Structural Funds. The

reform, however, has never been implemented, even though the government set up an expert committee with the mission of professional preparation and implementation of the reform, trying to demonstrate its commitment towards regionalism. However, no single concrete measure was taken in the period between 2002 and 2006 in order to introduce any elements of regional change.

Accession in 2004 caused a shock and disappointment. Referring to the “weak regional capacity”, the European Commission insisted on the centralised management of the Structural Funds; therefore, the regional institutions (regional development councils) have almost completely lost their former influence on regional policy. The management authorities were set up within the central government and the regional actors received co-operative functions only. Hungary had to face the fact that the EU does not insist on the active role of the regions and does not intend to carry the risks of the decentralised structures.

The second national development plan for the 2007–2013 period provided opportunity for change and for real regionalisation. Although the government placed a heavy emphasis on the role of the regions during the planning process, in fact, it promised the creation of independent regional operational programmes, the prospects of the regions were not very promising by the end of the negotiation series with Brussels. The government created a very much centralised management system with the National Development Agency having all of the competences concerning the management of Structural Funds, the regional development agencies once again received an intermediary role as in 2004–2006, and the regional development councils remained nothing more than consulting partners in the planning process and project management.

Paradoxically, the same government elected in 2006, immediately after the elections, made proposals in an extremely swift manner for the amendment of the act on local governments and the constitution. The regionalisation package was submitted to the Parliament before the beginning of the summer, without any social or political reconciliation. No wonder that the opposition did not support the reform, and the issue of regional self-governments was taken off the agenda and it is uncertain when it will be put back again. The government had a firm intention to carry out regionalisation of at least the state administration and services at least. The government was more committed to regionalism on the field of deconcentrated administration, as it decided at the end of 2006 to integrate the county divisions of state administrative organisations into regional units. This regionalisation was implemented within a very short time span without any professional preparation since it had no political limits as belonging into the own competences of the central government. However, this restructuring strengthened the regions only as state administrative tiers and served the interest of the central branch offices, proving that top-down regionalisation will not necessarily result in real decentralisation, the devolution of power. Such a regionalisation “leaking through the back door”

always bears the danger that the positions of the central government are reinforced against local/regional society and political elite. This element again very well illustrates that “rescaling” can easily mean jumping the power from bottom to the top, or pushing out elected–representative institutions by state agencies; consequently, rescaling can lead to centralisation and democratic deficit.

To sum up, it is very easy to state a serious disapproval twenty years later. The legislator could probably not foresee itself that some elements of the legal regulation will lead to processes which necessarily disrupt the consistency of the originally intended model of local governance. The real default was not just the regulation, but rather the neglecting of the real circumstances of local functioning, which is completely different from the western countries where the pattern came from accepting the opinion that local governments could, even under generally wrong conditions, provide good performance on the basis of local knowledge, creativity (*Lankina–Hudalla–Wollmann, 2008*).

### European dimensions

When the local governmental system in Western Europe moved to a more integrated and regionalised structure, the Hungarian and most of the Central and Eastern European post-socialist countries started towards a completely different direction. According to an increasing number of opinions, if the homogenisation of national public administrations does not take place, the European Union may split into two groups: the leading, pioneer states on the one hand and other states reinforcing the centrifugal effects on the other (*D’Orta, 2003*). Because of the growth of states, population and territory the administration of the European Commission became less able to directly overtake the implementation of the common policies. (*Lazareviciute, 2000*). The convergence of public administrations proceeds alongside different needs, power structures and values.

As it is well known, the expectations of the European Union for the public administration of the countries involved in the last round of accession were much more definite than during any other previous enlargement phase. Many believe that the insistence on meeting the criteria of administrative capacities would be justifiable if the concept itself was clear and if it contained equal expectations for everyone (*Hughes–Sasse–Gordon, 2004*). The accession states had to adapt to an almost “moving target” where the principles formulated by the EU and OECD etc. were too general and uniform, and evaluators had great personal freedom to formulate their opinions on the performance of national public administrations (*Moxon-Browne, 2005*). In the shaping of the territorial administration model of the transitional countries, the necessity for a democratic and decentralised state and the political aspect of reinforcement of the local roots were simultaneously present reflecting the thesis of Sharpe on “democratic maturation” (*Sharpe, 1993*).



Due to these facts, the question must be raised whether these countries, in terms of administrative professionalism and capacity, are appropriate and prepared enough for the European adaptation process and for dealing with fragmentation to take place at the same time. In this region, the changing or reform processes in public administration have to be implemented within a much shorter time and under much stronger external pressure than in the former member states. This fact only highlights the failures and paradoxes in the shaping of public administration in Central and Eastern Europe, where there is a big gap between the ideal legal model and the consequences of real functioning.

It can be no accident that after enlargement, regionalism is not as fashionable any longer as before (*Elias, 2008; Scott, 2009*), and the so-called European standards are getting looser (see the new Utrecht Declaration, 2009). The new democracies beyond transition, having just copied the model and principles, have to consider also how they can find their own way of adaptation and catching up to the more effective western governance system.

### **Future outlook**

The recent literature in Hungary points out that the huge debts of local governments, the deteriorating quality of public services make new local and national strategies and possibly paradigms necessary (*Vígvári, 2006; Pálné, 2008*). It seems that both, the challenges of legitimacy and efficiency require rethinking the basic values and principles of local governance in CEE countries. Hungary and the other Central and Eastern European countries are in the period of transition when on the basis of democratic order and values the efficient governance guaranteed in the constitution and laws is the priority. This project is much tougher than the political and legal systemic change was, since simply following the western legal models will not be enough (*Bouckaert, 2009*). We have to analyse the real conditions of localities in order to find the adequate model.

The urgent need to innovate the Hungarian public administration is fact, and would be necessary, even if ideally it would not suffer from the current structural problems. Even normal, healthy public administrations are facing the permanent challenge of adapting to the changing environment by learning and improving their methods, means and mechanisms. The low performance of Hungarian public administration, however, can be explained mostly by the wrong structure; therefore, the challenges are to be answered not simply by gradual corrections, but rather deep structural reforms. These mean not simply territorial rescaling, or better formulated these they do not mean it at all, since simply redrawing the map is not enough, the whole system of territorial actors of public administration has to be reshaped.

Hungary is in a special phase of the (re)organisation of its territorial public administration. On the one hand, institutions of the organisational and operational framework of meso-level governance are still incomplete, since neither professional nor political consensus has been reached on whether the traditional 19 counties + the capital or the seven NUTS2 regions should be the units of the meso-level exercise of authority. Consequently, both are weak, set against a strong central government. On the other hand, Hungary is already supposed to comply with the new “European” expectation of making larger cities suitable for exercising spatial-organisational functions, of strengthening the urban systems using both development policy and public administrative organisational means. The two tasks are not contradictory and may be carried out simultaneously. The cause of our pessimism lies in the fact that, basically, none of the governments following systemic change had consistently carried through with decentralisation. The originally liberal local government model allowing a high degree of autonomy did not lead to a decentralised system. By now it has become clear that in the wake of the mechanisms that helped small villages to catch up, severe shortages came about in the spatial organisation of services. As a result, both the administrative and the municipal service capacities are underperforming, while the divided meso-level governance, with its weak competencies and resources, cannot compensate for the shortcomings of local governments. The centralised, sandglass-structured state should be rehabilitated, especially at the meso-level, based on the fundamental precondition that the primary level, integrated by cities, undergoes intense modernisation and integration.

The tendencies following the 2010 change of government point rather to centralisation than enabling the self governments for better performance. The government, in tackling the economic and budgetary crisis, justifiably claims that a *strong state* is needed, and the consolidation of local governments will be achieved through the paternalistic intervention of the central government in the form of redistributing local competences. Even though no significant reform has been undertaken yet in the local governmental sector following the change of government, the perspective can be foreshadowed in light of the steps already taken. The public administrative sector becomes the strongest at the meso-level of governance with the appointment of governmental commissioners and strong, integrated governmental offices. These steps forecast that the hesitation on rescaling the meso level is over. The government established strong government offices at the county level, the meso-regions exist just because of managing EU Structural Funds. There is also strong evidence of the emergence of nationalising concepts for the resolution of problems occurring in certain areas of public services (public education and health). So there is a real danger that the politically privileged status of local governance will be weakened starting to another direction with indisputable credo towards an omnipotent central state. The past has returned.

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