

# Changing patterns of local governance in Hungary

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&

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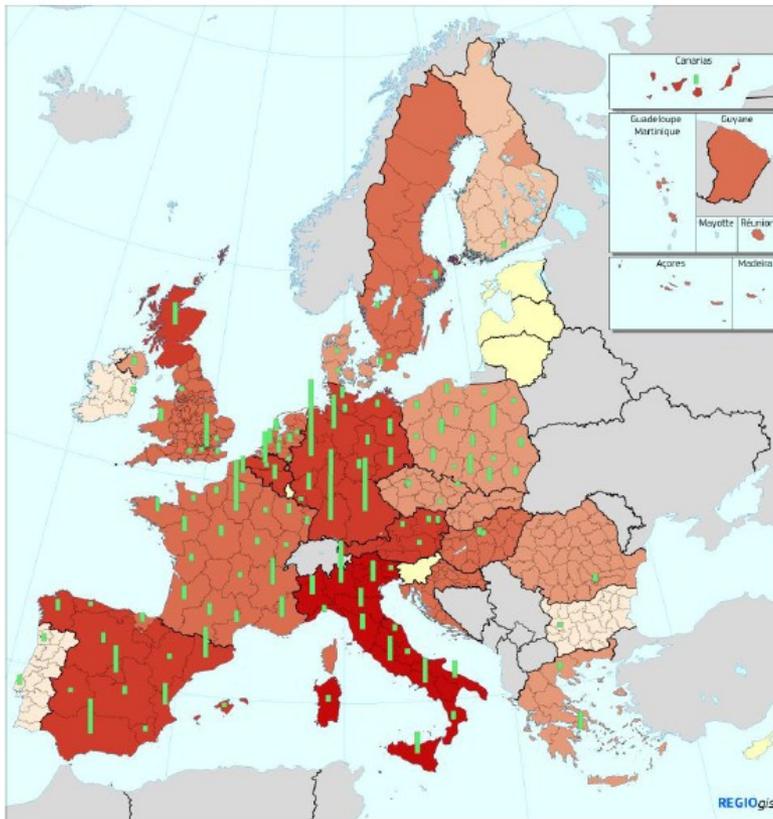
**BEFEKTETÉS A JÖVŐBE**

# Old dilemmas relating local governance models and reforms

- **Small or big** state
- Public or private
- Economy of **scale or closeness** to the people
- **How** to correct/reform: muddling through (branch) or revolution (root)(Lindblom, 1959)
- What happened with the local governments in Hungary can not be answered only within these theoretical or rational frames, the context of **politics** seemed to be crucial

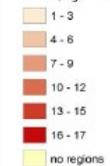
# European governance background

European Commission



Regional self-rule index, 2011

Index (highest value by region)

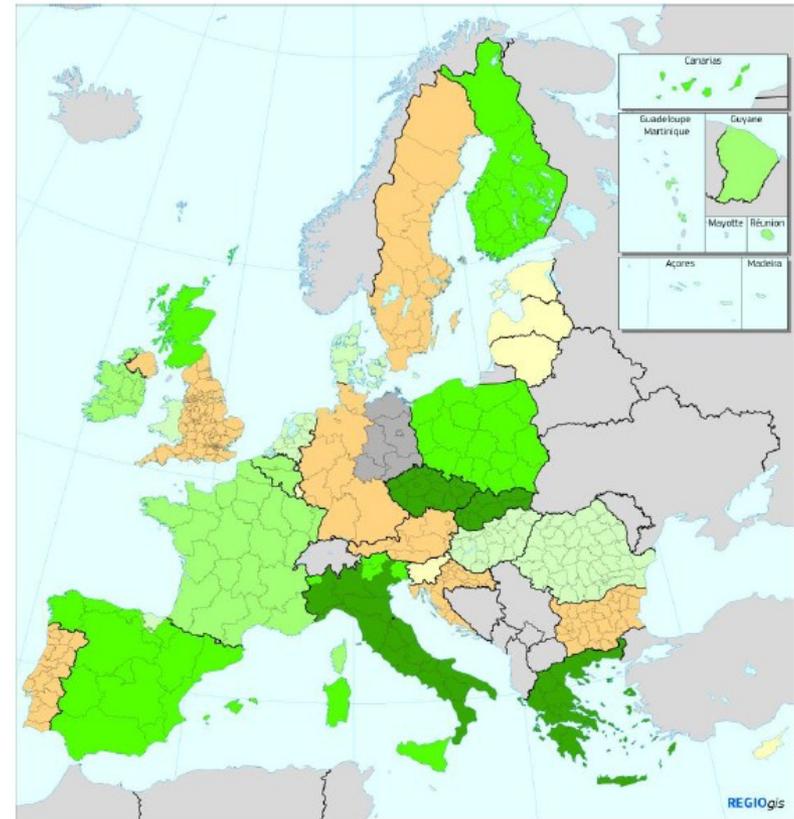


population of regions with at least 1 million inhabitants

Source: Hooghe, Marks and Schakel (forthcoming)

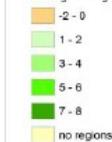
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Change in regional self-rule index, 1960-2011 \*

Change in highest index value by region



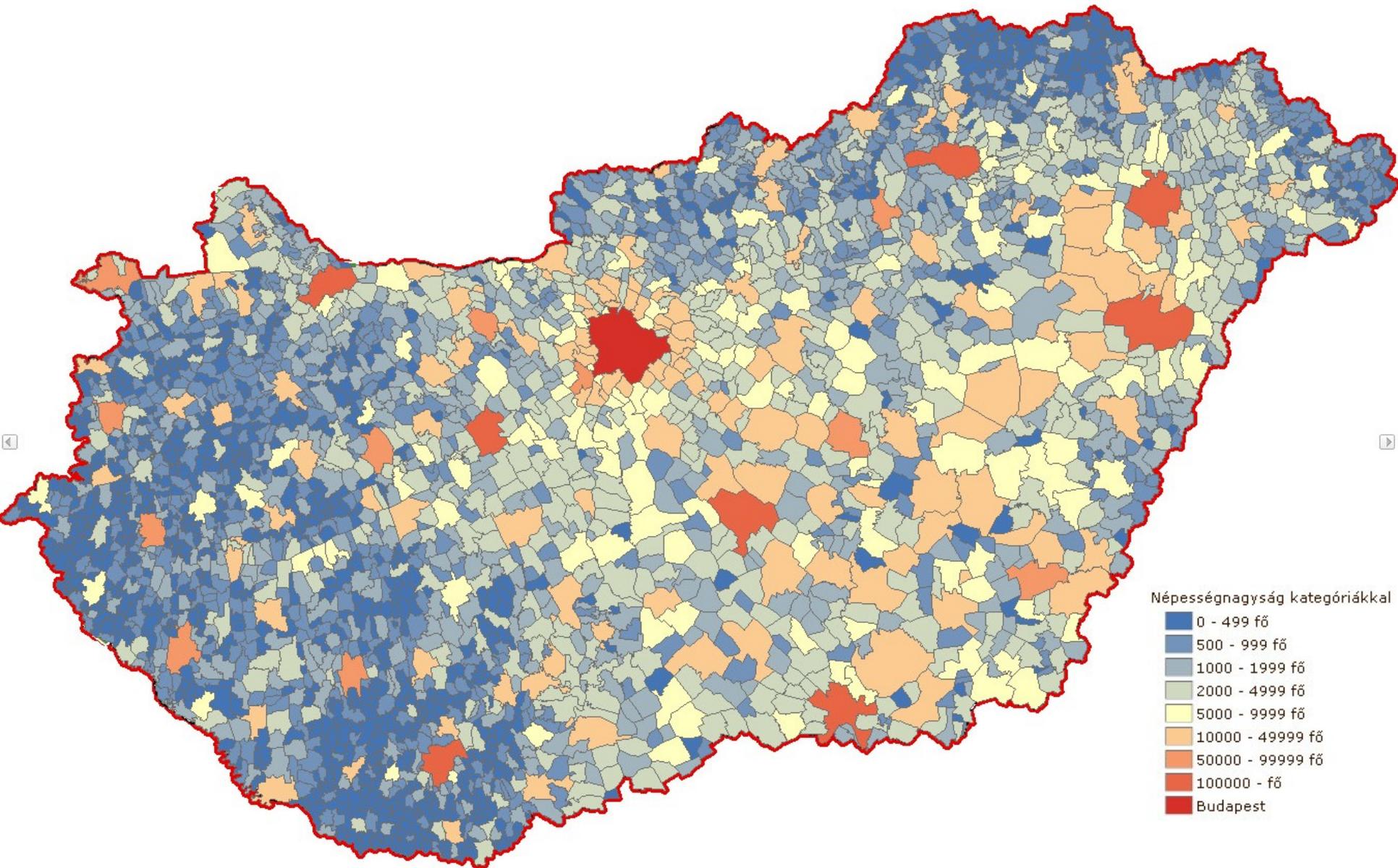
\* PT: 1976-2011; ES: 1978-2011;  
BG, HU, PL, RO: 1991-2011;  
CZ;  
HR, SK: 1993-2011  
Source: Hooghe, Marks and Schakel (forthcoming),  
DG REGIO

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# The challenge was crucial, how to fit (settlement structure)



# The Hungarian (fragmented) territorial public administration

		Number	Population	Population (%)
	Municipalities, sum	3178	9 830 485	100,0
	Municipalities with single offices	545	6 743 757	68,6
	Municipalities belonging to joint notary office	2633	3 086 728	31,4
	- seats from above	738	2 076 870	21,1
	- no seats settlements	1895	1 009 858	10,3
According status	Municipalities sum	3155	9 826 061	100,0
	capital	1	1 759 407	17,9
	Cities with county rank	23	1 972 564	20,1
	- county seat from above	18	1 708 398	17,4
	Cities	322	3 197 869	32,5
	Municipalities of big villages	126	453 770	4,6
	municipalities of villages	2683	2 446 875	24,9
Lagging behind	No lagging behind	1124	6 300 204	64,1
	Transitional lagging behind	116	138 220	1,4
	Lagging behind	968	1 954 370	19,9
	Most lagging behind	247	461 854	4,7
	Complex program for most lagging behinds	700	975 837	9,9
Size	0-200	420	50 161	0,5
	200-500	709	238 174	2,4
	500-1000	652	476 104	4,8
	1000-2000	634	917 056	9,3
	2000-5000	469	1 406 708	14,3
	5000-10 000	128	877 599	8,9
	10 000-50 000	124	2 338 182	23,8
	50 000-100 000	11	738 616	7,5
	Over 100 000	8	2 787 885	28,4

Source: Public administrativ register of settlements of Hungary 2016.

# Necessity of the reform (paradigm shift) or crisis management?

We had **chronic** problems with the model and structure of local government system created in 1990

- Weak **capacity** of the fragmented local and almost missing meso level (lack of optimal scale, staff, disproportionate client loading etc.)
- **Quality** problems in public services (lack of educated staff, lack of accessibility etc.)
- Contradiction of broad competences and the **decreasing financial capacity** of local governments
- Postponing territorial reforms during the last 20 years (only a jungle of territorial units on the map)
- There was **no standard and conscious attention** to territorial contexts of governance

# Acute problems (mostly after 2008): crisis management

- Global financial crisis
- Overheated EU investments (matching part to EU funds, Kopányi et al, 2000, WB)



Big debt made mostly by larger cities and counties

# Same answers to the past and the crisis

- 2010 new government- new (neo-weberian) governance paradigm: 'good **state**' instead of 'good **governance**'
- 2011 new constitution - stronger public (state) responsibility, **less autonomy**
- Centralised crisis managing of local debts
- 2011 **new act** about local governments dramatically narrowed scope of local competences, stricter legal, financial and policy control
- National modernisation program (Zoltán Magyary) of the state administration (put emphasis on the deconcentrated side of the state)
- **Nationalisation** of hospitals, the entire education system, most of the social services parallel with the restructuring the public utility companies

# Why could this story happen in Hungary?

(Palne et al: Farewell decentralisation...2016)

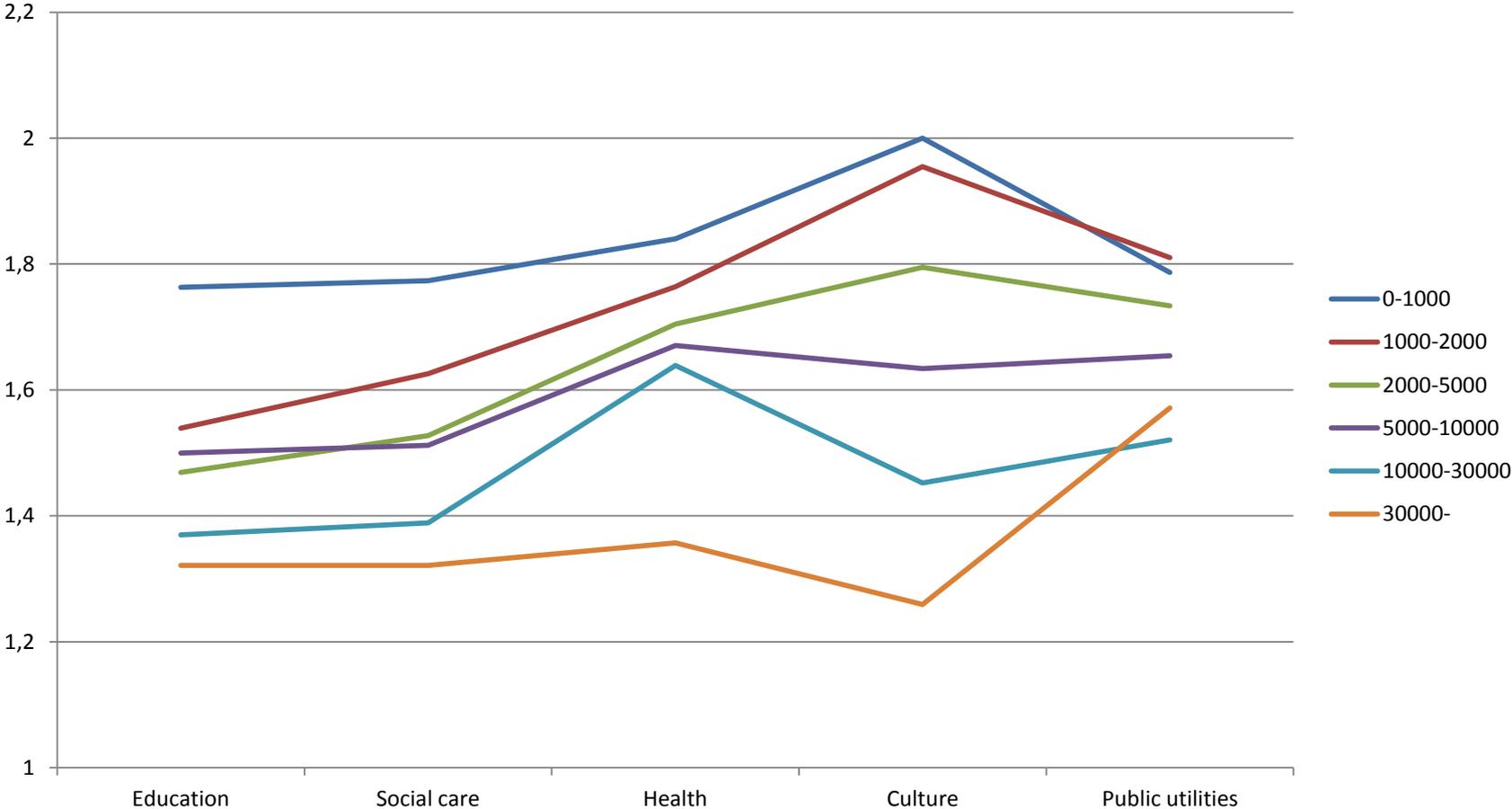
- Strong **veto players against** decentralisation (all of the parties, central bureaucracy, even the local elite!)
- Weak friends, missing guaranties of decentralisation (local government associations, professionals, academics)
- **People** have more trust but are rather neutral than involved

# How does the new system work?

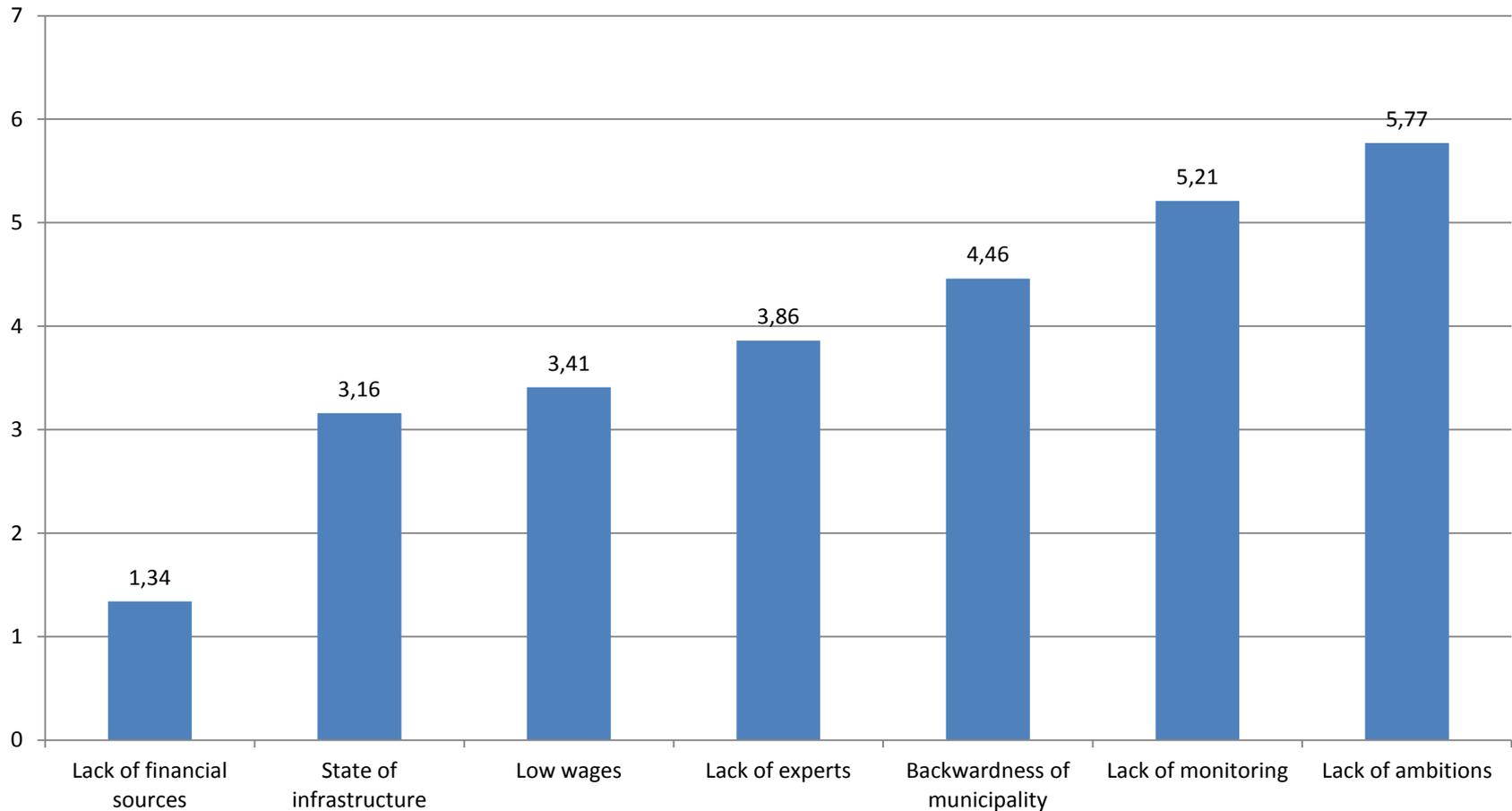
Results of the research project on local public services (ÁROP, 2012-2014)

- Aim was to monitor the process of change
- Multiple methods (surveys, case studies)
- Online questionnaire for chief executive leaders (notars) of local governments (750 responses, about 50% of the total) on the state of art of local public services and opinion on the reforms implemented

# Self- evaluation on the functioning of the former local government system (1-well, 2-average, 3-bad functioning)

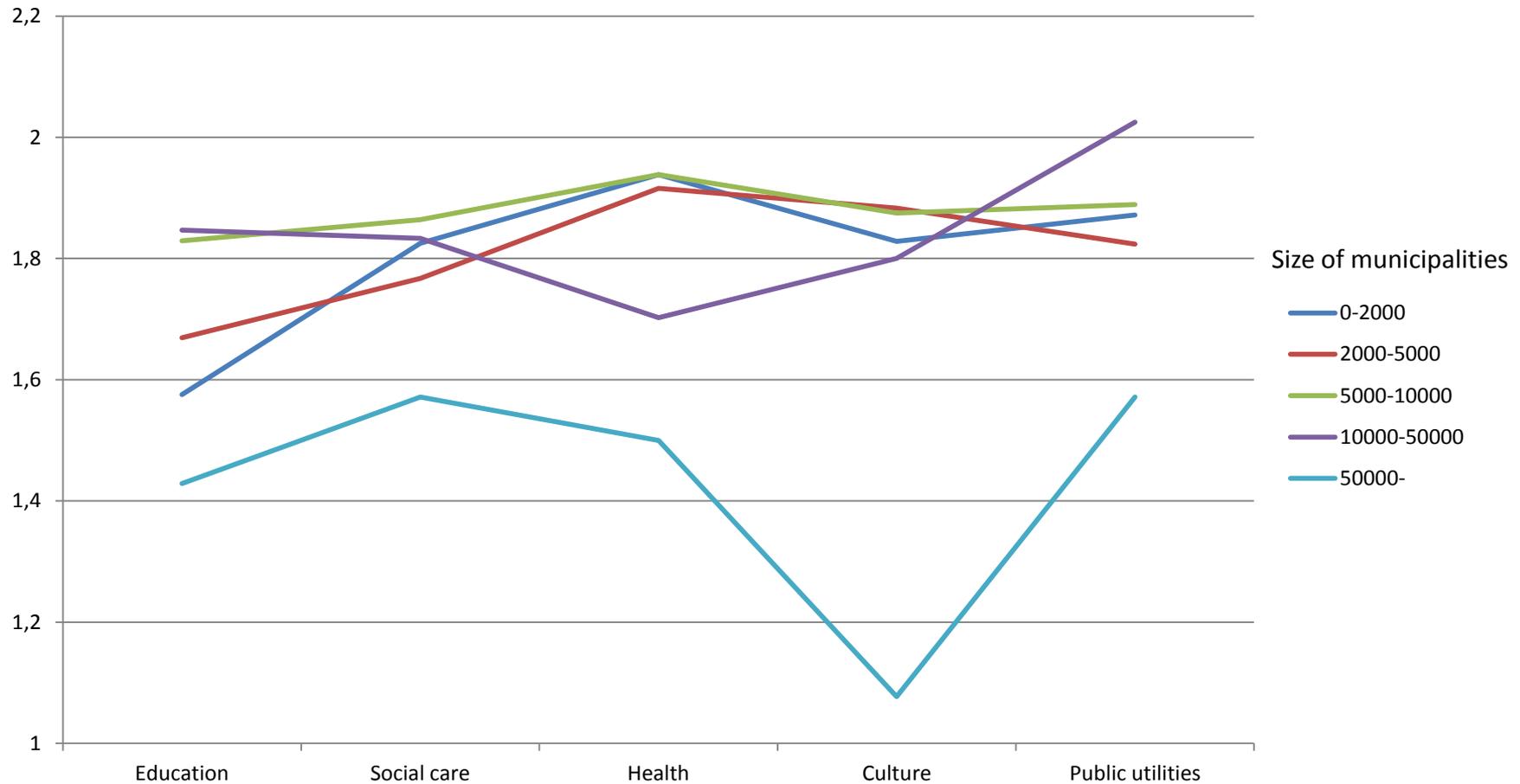


# Reasons for former problems



(Rank average: 1=most important – 7=least important)

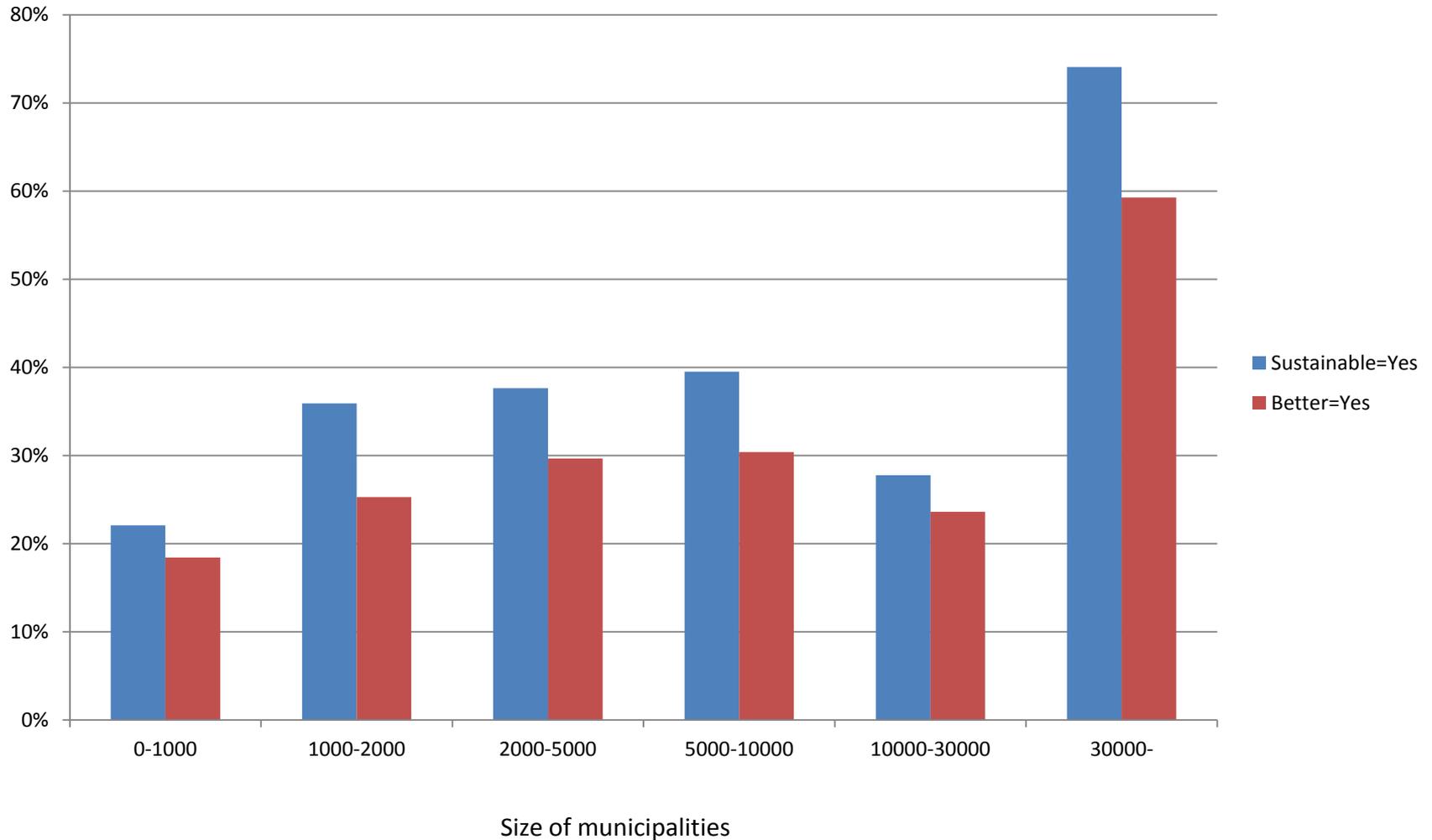
# Assessment of the changes according to the main tasks?



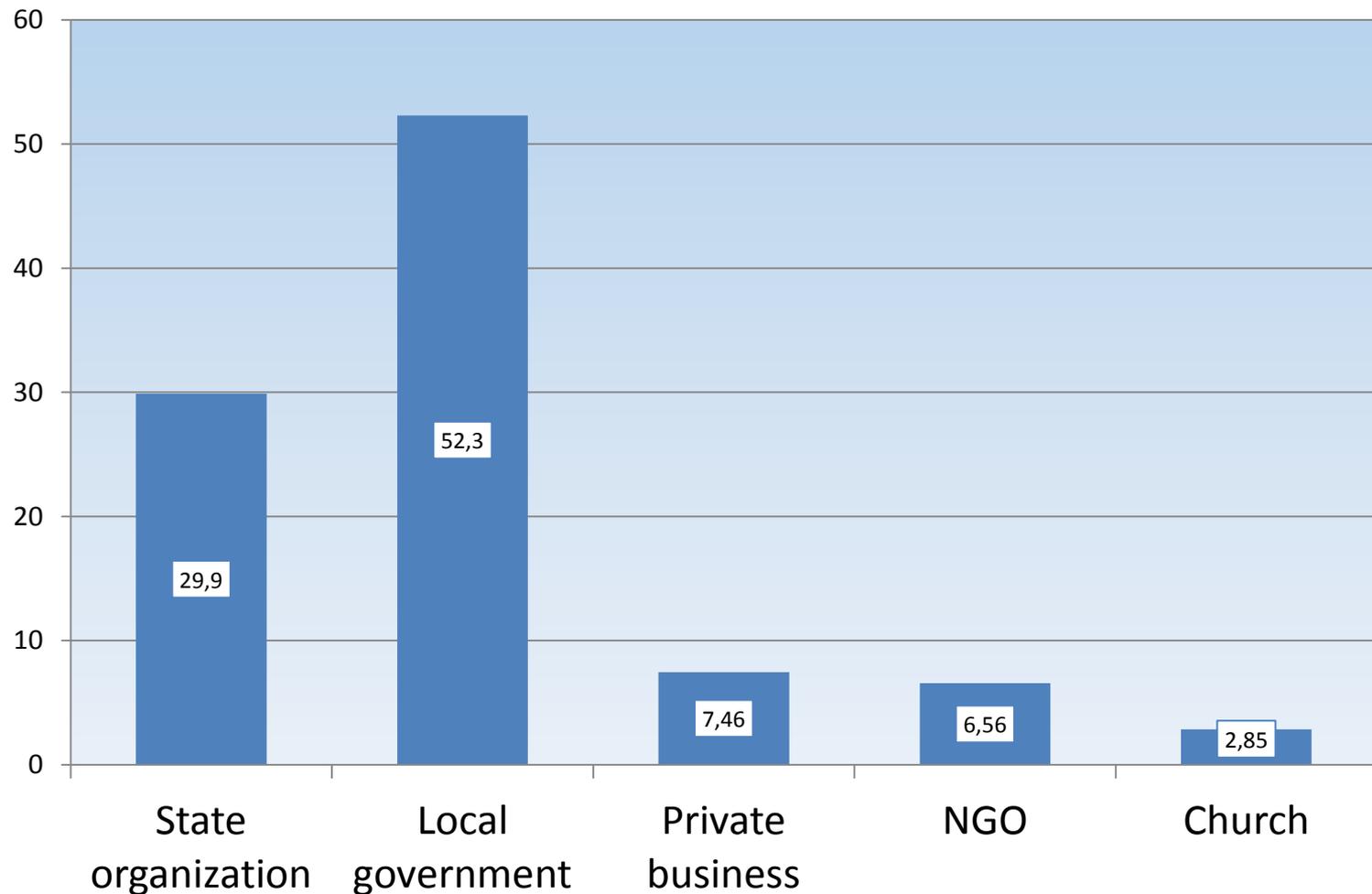
(1= advantageous, 2 = neutral, 3 = disadvantageous)

# Satisfaction with the reform

More sustainable (finance) and better (quality)?

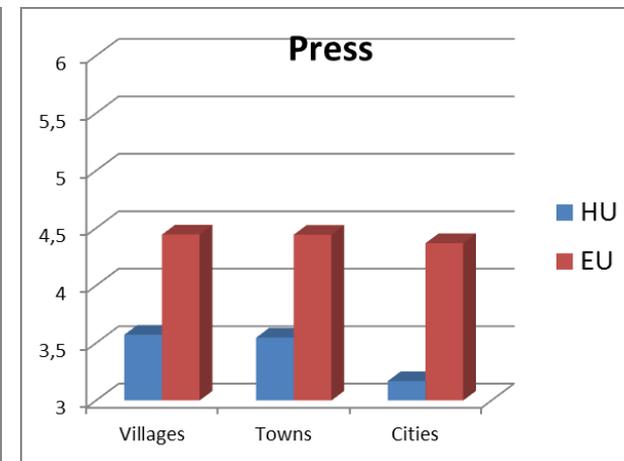
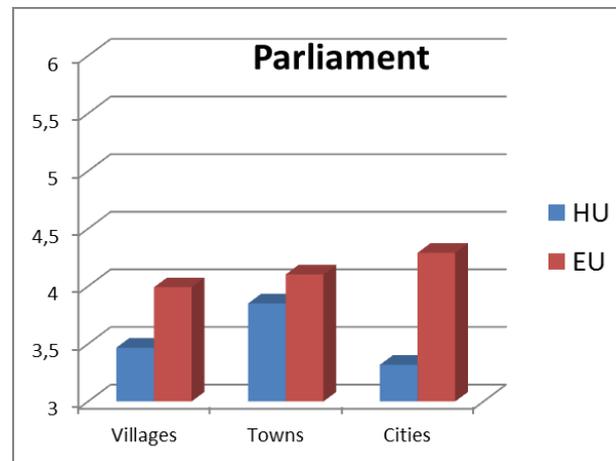
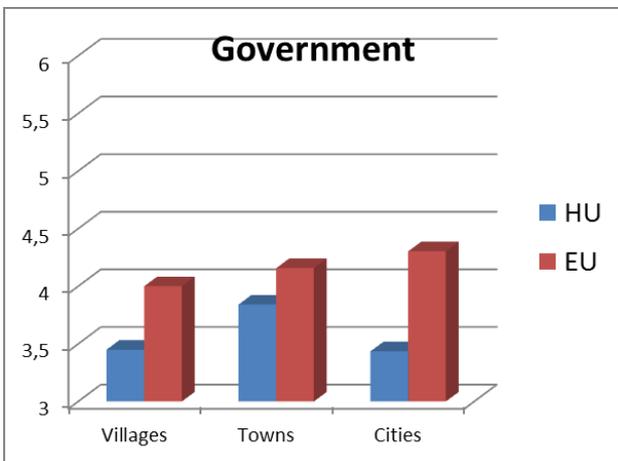
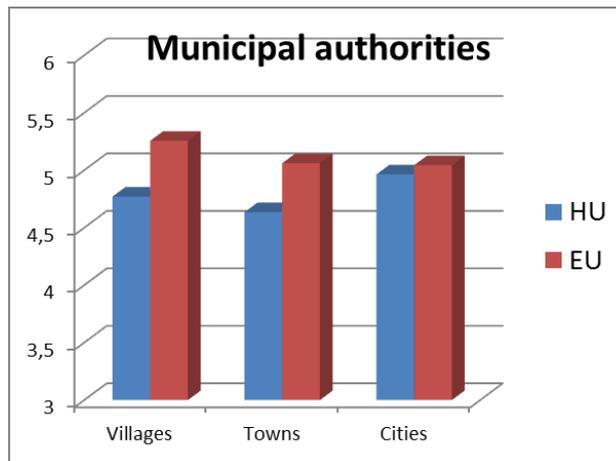
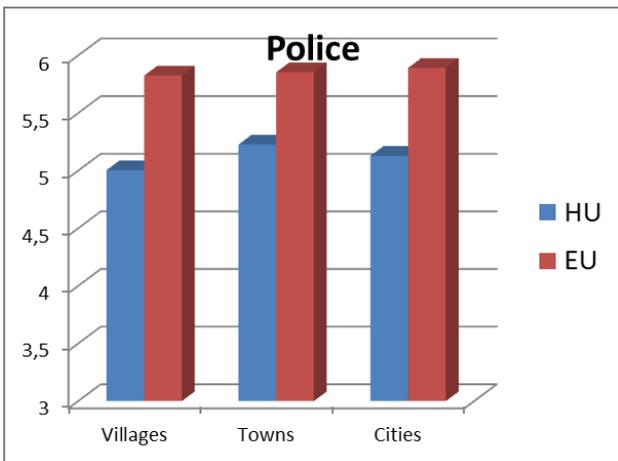


# Trust of people towards possible service providers (%)



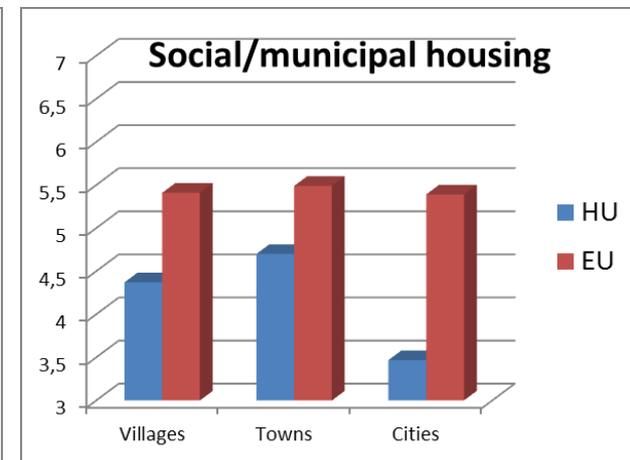
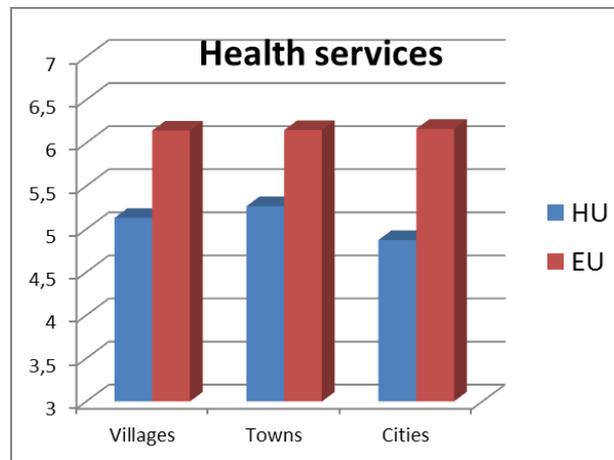
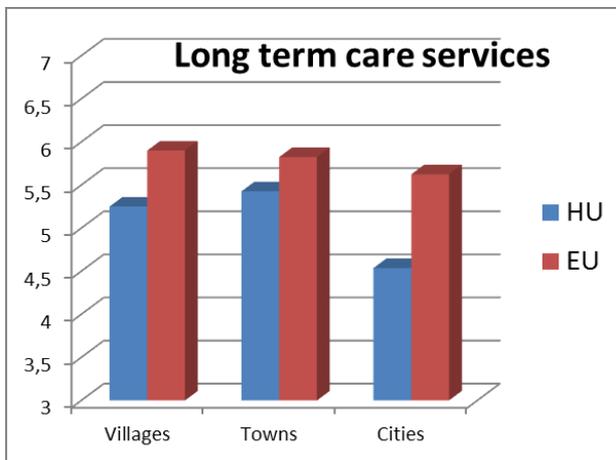
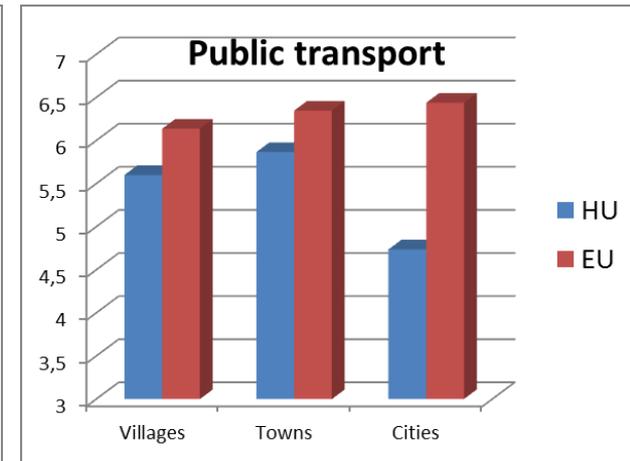
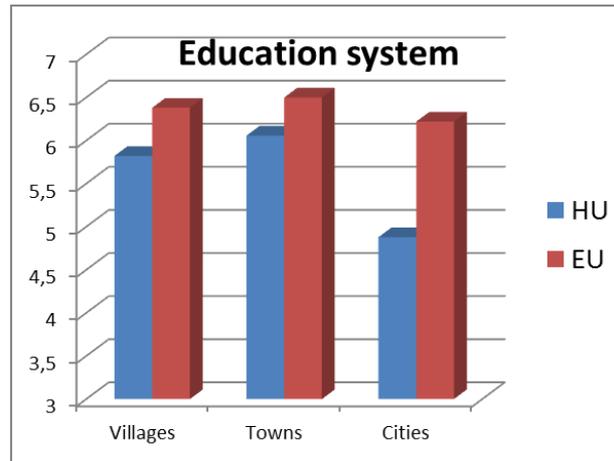
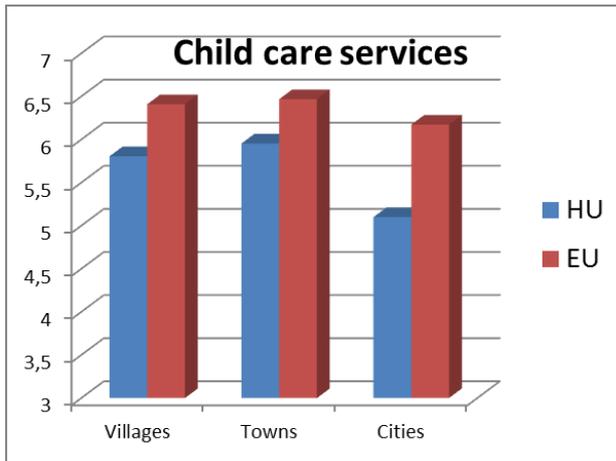
# EQOL-28. How much do you personally trust each of the following institutions?

(1=Do not trust at all, 10=Trust completely)



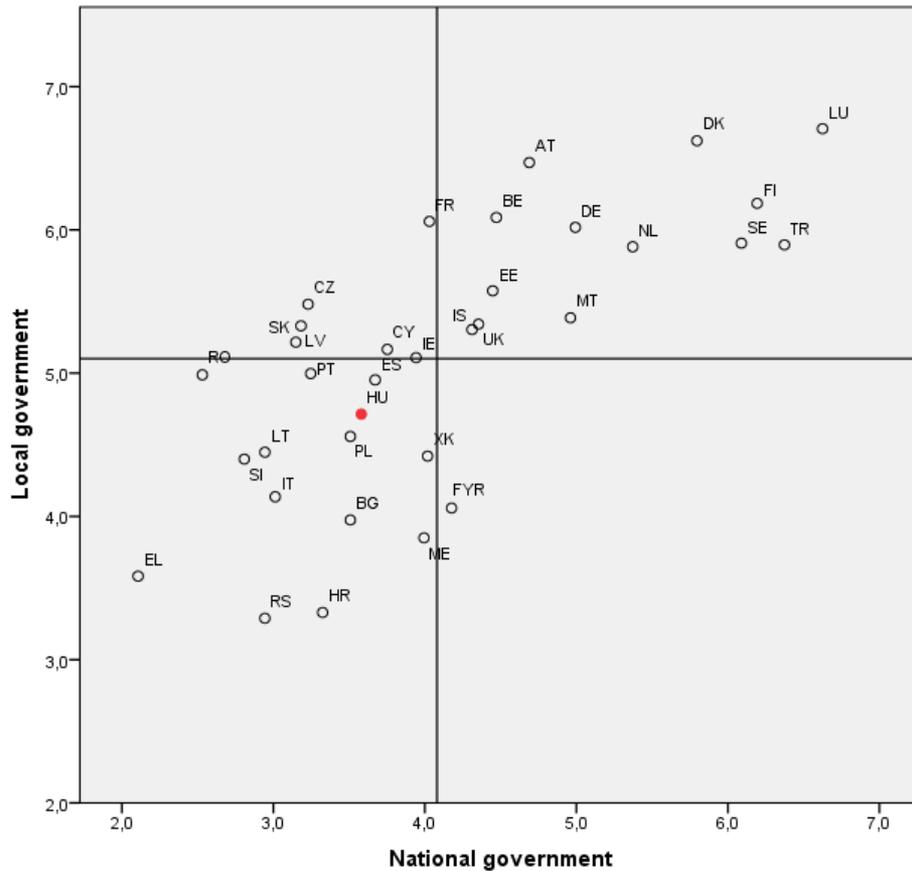
# EQOL-53. How would you rate the quality of each of the following public services?

(1=very poor,...,10=very high quality)

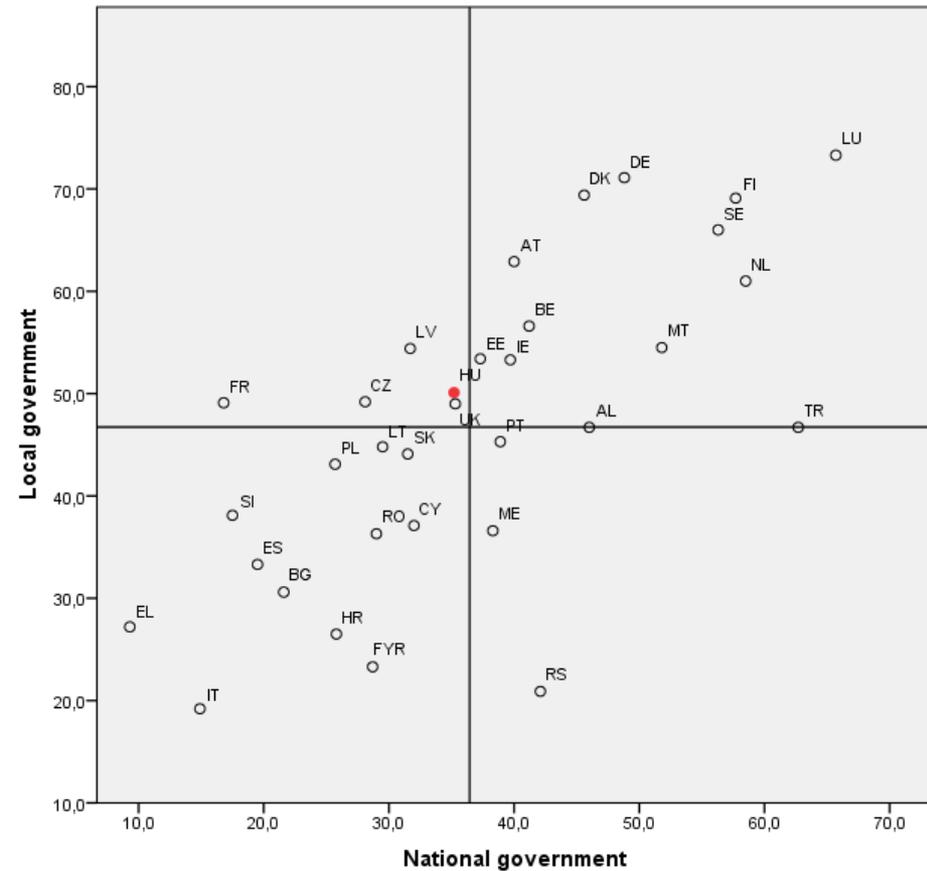


# Comparing European Quality of Life survey (2012) and Eurobarometer (2016) results on social trust

How much you personally trust?  
 1=Do not trust at all, 10=Trust completely  
 Points: country means, Lines: EU means



Do you tend to trust it or tend not to trust it?  
 % of positive answers, by countries  
 Points: country means, Lines: EU means



Source: Own computations based on the European Quality of Life Survey, 2012 and Eurobarometer Survey, 2016.

# New round of the survey in 2017 (KÖFOP 2.3.3.VEKOP-16)

**Qualitative** research: 140 interviews (mayors, notars, leadership of public services) in 50 settlements

Main (preliminary) **findings**:

1. Strong organizational integration, **increasing size** in water supply, sewage, waste ,
2. Tangible **shock** in the management, crucial financial problems
3. **Disconnection** among branches and institutions (education, social care, basic health care)- no local knowledge and innovation and synergy
4. Elimination of the former **associations** of local governments
5. Hidden **withdrawal** in different public services (longer waiting lists, more fees, bigger distances etc.)
6. The system is more uniform (rational) and **less reflexive** to the local needs
7. **Costs?** Too early to measure but it seems to be more costs on the client side

# Conclusions: The pendulum swings too far

## Negative consequences of rationalisation in public service provision in Hungary

Public policy **without considering local contexts** could lead to crucial impacts

- Loss in information, feedback
- Loss in trust and conflict handling capacity, legitimacy, cohesion
- Loss in creativity, driving forces, additional local resources, synergy
- Loss in performance (local flexibility, „resilience“)

Many facts show that real **paradigm change** is going on in Hungary not only rationalisation of public service delivery: lost territorial face of power

# The new pattern is not the old state

- **Neo-weberian turn** is not a Hungarian unique
- More state needed but **not the old/**ancient one
- '**Neo**'- because it preserved many elements of neo-liberal governance era: smarter and more responsible state in co-operation (and coproduction) with the market and civil actors
- The system of public services are changing in many countries: **remunicipalisation** (Wollmann, Koprivic, Marcou, 2016)

But not thrown the baby out with the bathwater

# Two main meanings of local governance

We should go back to the democratic origin

## Originally LG as pillar of democracy

- Public bodies being closest to the **citizens**
- School of **democracy**
- **Counterbalance** of power
- Important tiers of **multilevel** governance
- Messages of subsidiarity

## Recently LG as local agents

Conflict's container or **buffer zone** (Offe)

- Post-Fordist '**local state**'  
(Duncan, Goodwin, 1993  
Stoker, 1995)
- Public service **company**
- The **problem** itself (debt, corruption, paternalism)

# Keep local governments in power

- Local governments are important actors in the system of power sharing because of their **legitimacy deriving from the bottom**
- Local governments are **in between** the state and market as ‘hybrid’ agents in service delivery combining bureaucratic and business logic with local knowledge, driving forces and social support (trust)
- Economy of **scale could be** perform by co-production, association, differentiated allocation of competences, etc.
- There is **no better state** at the expence of local governments.

# Acknowledgements

- Recent KÖFOP project (2.1.2.-VEKOP 16) aims to elaborate scientific research base for fine-tuning
- **Thanks** to the National University of Public Service for financing our participation here

and for **your attention!**