Abstract:

The study focuses on the reforms of the Hungarian local government between 2010 and 2014. After its overwhelming national electoral success in 2010, the right-wing party Fidesz altered the Hungarian political system in many aspects. Numerous provisions affected also the sub-national (middle and local level) political institutions.

On the one hand, the local electoral reform in 2010 resulted in a shift of the political relations within the sub-national governments, as the new electoral rules made possible for the stronger political actors (typically the national parties) to become more dominant over the weaker participants of the local politics (typically the civil organizations).

On the other hand, the administrative reforms between 2011 and 2014 changed the daily operation of the local governments: the Fidesz cabinet modified the system of finance and tasks on local level, strengthened the position of the state’s agencies and administrative institutions, while limited the activity of local and regional governments to their basic services.

The study analyzes the data on the nomination process and the results of the Hungarian local election in 2010. Furthermore, it uses the experiences of semi-structured interviews with local leaders to offer an evaluation of the ongoing reforms. It argues that there is a significant shift in the local political system of the post-transition Hungary: the local governments become less important actors of the political system, while their leadership is more and more captured by the national party politics.
1. The local government system before 2010

In 1990, after decades of centralized local administration under Communism, a decentralized local government system was established in Hungary. The designers of the new political system regarded local governments as a major guarantee of the survival of democracy. By relying on community values and creating a set of self-reproducing interests, local governments were expected to counterbalance the central government, limiting the possibility of an authoritarian system. The cornerstone of the reforms was the re-establishment of the fully autonomous elected local governments in the name of the ‘one municipality – one local government’ principle. More than 3,000 local communities (NUTS 5/LAU 2) formed the lower tier and 19 counties plus the capital city the second level (NUTS 3). Although decentralization made great progress in Hungary in the first years (Soós and Kálmán 2002:21), the formation of this framework did not result in a truly autonomous and effective functioning.

First, the principle itself was the problem. Every municipality had the right to form local government. Although a small restriction was introduced in 1994, which allowed the establishment of new local governments only in communities of more than 300 inhabitants, the ageing society produced lots of villages where less than 100 people lived. The structure of more than 3000 local governments created a system which was difficult to manage both from administrative and financial aspects. Simply, there are certain tasks and problems which can be easier solved in larger scale (e.g. complex waste and sewage management), and the fragmentation of the units resulted in costly operation and ineffective decisions. Nevertheless, every time the central state (and the governing forces) tried to rationalize the structure, the opposition argued that this can be considered as an offence to the autonomy of the local governments. Therefore from the late ’90s, the cabinets tried to force the local governments into effective units with financial instruments: the associations of local governments could obtain special subsidies to reach their common goals. The European integration also gave some stimulus to the associations, which could access easier to the sources of the structural and cohesion funds. These steps somewhat eased the problems but did not transform the fragmented local level.

Second, this fragmented system was established without any differentiation between the governments on local level: there is barely any divergence between small villages and cities in their competences and tasks. The local governments can manage the same tasks, while the concerns of a greater municipality are clearly different from the problems of a village. In the Hungarian system, the local governments have mandatory and voluntary (or entrepreneurial) tasks: the mandatory tasks (like street lightning or waste management) have to be completed in every municipality, but a local government can provide any services what it want (unless it is
regulated on national level). The differentiation of tasks only appears on the middle level: until 2010, the elected county governments were destined to fulfil the functions of complex area development and provide the services which can be hardly established in every municipality (like operation of hospitals or middle level educational institutes). This institution offered ‘backdoor’ to the greater cities too: above 50000 inhabitants the cities could choose to be ‘promoted’ to the middle level as they could become “cities of county rank”. At present, there are 23 cities in Hungary who can provide services which normally would the competence of the county governments. Beyond that, it only depends on the given local government (and its financial room to manoeuvre) to undertake any voluntary tasks. This “wide responsibility” is coupled with “wide irresponsibility” (Pálné 2008:155): while the legal framework gives the local governments the opportunity to increase their autonomy, the declining financial support from the central state (Table 1) forces them to give up their tasks – it was common in Hungary in the last two decades that the local governments handed over their services to the county governments because they could not continue to finance them.

Table 1: National and local government expenditures

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2001</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value of annual GDP (HUF billions)</td>
<td>2 498</td>
<td>15 825</td>
<td>18 574</td>
</tr>
<tr>
<td>Local government share of central budget (%)</td>
<td>33.2</td>
<td>28.3</td>
<td>31.0</td>
</tr>
<tr>
<td>Share of central budget that is transferred to local government (%)</td>
<td>24.6</td>
<td>19.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Government Financial Status (GFS)-based share of local governments as a percentage of GDP</td>
<td>15.2</td>
<td>12.3</td>
<td>11.9</td>
</tr>
</tbody>
</table>

*Source: Vígvári 2006.*

While there is a high level of independence in finances (drawing own income, gaining per capita grants from the central budget, receiving assets, engaging in business activities), the local governments were under a constant and increasing fiscal pressure – to maintain their functioning, most of the Hungarian local governments issued bonds or take out credit. The debt of the local level constantly grew (Figure 1), and the vis major financial aids from the national state became regular sources of the local governments. The situation went worst after the 2008 financial crisis, when the local governments (whose debt was typically in foreign exchange) could not ensure their functioning: they had to stop their development plans, compensate their loss from the local tax revenues and deal with the falling social status of the local communities.

Finally, another problem is the absence of a strong middle level government system. As I mentioned above, originally the county governments were established to coordinate the complex development projects and provide services that are difficult to ensure by the local
governments. In Hungary the middle level remained a ‘missing tier’ (Zongor 1999), because the “central government was not interested in filling out the institutional vacuum at the middle level and local governments were not interested in the establishment of a potential rival in service delivery” (Soós and Kákai 2011:546). As a consequence, the county governments could not become strategic planners of the regions, their role was limited to the daily operation of the middle level institution. This was also a difficult task to fulfil, because the county governments had a narrow financial room to manoeuvre (e.g. they could not introduce county tax), and they were strongly dependent on the support of the national level.

Figure 1: Debt of local government sector in Hungary (thousand million HUF)

In sum, one can observe a controversial picture of the local level. Seemingly (based on the legal framework) the local governments hold great autonomy in the organization of their activities, but their functioning considerably dependent on the financial assistance of the central state. As the recalibration of the local government system requires the support of the two-third majority of the national parliament, until 2010 the main instrument to control the local governments remained the financing. In its two decades of post-transition history, the Hungarian local government system became ripe for changes, and the legislators of the national parliament had to face with both structural and financial difficulties when they initiated reforms of the sub-national levels.

In 2010, after its landslide parliamentary victory, the right-wing Fidesz had the tools (the two-third majority) to introduce a number of dramatic changes in the Hungarian political system. One of them was the reform of the local level. While the act1 on the local electoral system influenced the local political relations, the reform of the public administration altered the

---

1 Act L of 2010.
operations and finance of the local governments. In the next chapter, I present the modification of the local electoral system and the reform steps of the public administration and examine how these changes formed the face of the sub-national level.

2. Local politics and the reform of the electoral system

In 1990, the heritage of the past regime (the communist party’s supervision over the local communities) led to the question: how should local politics look like in Hungary? Should they either prevent the appearance of the national parties in the local communities and strengthen its locality or let national parties in and surrender local politics to them? Is the local politics about the local issues or about the national politics on local level?

The debate led to a compromise between the ‘bottom-up’ and ‘top-down’ politics through the local electoral system: in the settlements under 10,000 inhabitants, there is a plurality formula with block vote system in use, and above this limit they apply mixed formula with compensatory lists. The block vote system helps the selection of individual candidates and the compensatory lists ‘let in’ the national political actors to the local level (Kákai, 2004:122), as the list system forces the political actors to establish organizations to compete in elections (Soós, n.d.:2).

This differentiation was present even on the regional level: until 2010, the voters of the settlements under 10,000 inhabitants and the voters of the bigger cities could vote in separate districts for different party lists (Figure 2).

The separation of the ‘locality’ and the ‘national party politics’ clearly determines the political profiles of the local governments (Swianiewicz and Mielczarek, 2005:20): ca. 80 percent of the elected representatives and mayors are independent candidates in the municipalities under the limit, and there are only a few (ca. 8-10 percent) independent candidates in the larger communities (Pálné, 2008:232). Beside the independent local representatives and candidates of the national parties, there are no traditional local parties, although NGOs are running for positions in the local councils. They are civil organizations both regarding their political functioning and legal status: their only real political activity is the participation in local/regional electoral competition and they are regulated in the Hungarian law differently than the national parties². On the one hand, it is important to emphasize, that none of these organizations is driven by the aim to participate and get mandates in the national (parliamentary) elections. On the other hand, when a civil organization gains mandate in the local or regional elections, its representatives forced to play by the political ‘rules of the game’, it can not follow its own

²Even the National Election Office of Hungary keeps a record about whether an organization is a party or a civil organization.
agenda, and its civic character becomes political (Kákai, 2004:184). In a sense, these NGOs can be considered as local parties but with very limited political goals. They activity is 'civil' in every aspects, except the running for local political positions. One can understand the nature of these organizations through the examination of their political behaviour on the regional level.

**Figure 2: The relation of the local and regional levels in the electoral system**

In the local electoral system, the settlements are separated by population size. The smaller communities use a block vote system, while the municipalities with more than 10000 inhabitants all use the (single-member districts + compensatory list) mixed formula – the only difference is in their relation to the regional level: the districts of the capital elect the Municipality of Budapest while the cities with county rank do not vote for a county government (in a sense, they are 'counties within the counties' by their rights). The representatives of the regional level governments are elected in proportional list systems.

First of all, it is important to note that there are no typical regional parties in Hungary. The country is a unitary state with homogenous society. Although there are minorities (especially the Roma society) who can be characterized as regionally intact groups, they are politically divided by the logic of the right-left two-block system³, and neither their ethnic, nor their regional attributes come to surface. Whereas the Hungarian county-system is one of the oldest mezzo-level institutions of Europe, the Hungarian citizens have no strong regional identity (Bőhm, 2002). The political-institutional framework of Hungary also diminishes the chance of the emergence of a strong regional party: before 2011⁴, the national (parliamentary) electoral system's candidate nomination mechanism hindered the organizations with restricted territorial representation⁵. Therefore, only the parties with broad horizontal organization could be successful in the parliamentary elections, and the local/regional organizations could not

---

³The bipolarisation of the Hungarian politics is observed both on the elite and the mass level (Enyedi and Casal-Bértola, 2011) with the Fidesz-Hungarian Civic Union (Fidesz) dominating the right spectrum and the Hungarian Socialist Party (MSZP) dominating the left.

⁴The electoral reform in 2011 altered some attributes of the national electoral system, but the basic principles remained intact.

⁵The criteria to participate in the national compensatory (proportional list system) tier of the elections was the presence of the organizations in seven counties (from the total twenty) in the regional tier.
become relevant actors of the national politics. Thus national parties, especially catch-all parties focused on organization building on the local levels. Beside this ‘top-down’ logic of party development, one can observe ‘bottom-up’ type tendencies too on the regional level: due the lack of strong regional parties, the regional elections in Hungary opened up the opportunity to participate in politics for the above mentioned local civil organizations. Because the elections for the municipal governments and the regional elections are scheduled at the same time, these NGOs often participate both in the local and regional competition. Thus the ‘regional parties’ can be described as organizations rooted in the local communities with most of them fitting into the following two categories:

- In the communities with greater population (usually in the bigger cities), the ‘regional parties’ are local-patriot clubs, which want to represent the interests of their settlements on regional level.

- The social basis of local actors in the smaller communities is much narrower, and they are unable to participate independently in the regional competition. For this reason they organize themselves into electoral alliances with each other – this alliances can be formed based on common interests (alliances of pensioner clubs, agricultural organizations etc.) or they can be established just for the electoral advantages (in almost every regions is an ‘alliance of mayors’ or an ‘alliance of villages’).

Either way, the ‘bottom-up’ type organizations in the regional elections of Hungary are the local actors without strong regional identity. Their political aim is to represent the interests of their local community on the regional level, not to gain more power.

One can observe the increasing dominance of national parties both on the local and regional levels. According to Bőhm (2006:14-15), the national politics suppresses the local politics by controlling the local issues, it tries to solve the problems from ‘above’ and enforce its own interests. The party-relations of the national level mirror in the local governments and influence the policy positions of parties in the local issues. From a macro perspective, one can identify the effects of the national party-politics on the local politics: while after the transition the parties tended to enter into an alliance (on local level) with their political opponents on the national level, there are no ‘multicolored’ coalitions anymore in the Hungarian local governments. The process of the party-system’s concentration (and the stabilization of the two-block system) can be traced on the local level – although, it was somewhat slower than in the national politics (Wiener, 2010:118).

At the same time, national parties are not strong equally in every municipality. It is a commonplace in the Hungarian local politics that the most dominant factor in the parties’ institutionalization is the population size (Soós and Kálmán, 2002:75; Soós, 2005). As I noted earlier, the local electoral system itself was created with the expectation to favour the local
actors in the smaller communities. In fact, because there are much more small municipalities than large communities\(^6\), one could argue that the local governments in Hungary are dominated by the independent representatives. Although, most of the members in local councils are independent representatives (in 2006 their proportion is 64.6 percent – Soós and Kákai, 2010), this does not mean that the national parties are not trying to reach the smaller communities: Horváth (1996:158) pointed out, that 1300 inhabitants is the limit where one can identify the appearance of the political parties.

The regional level clearly shows the signs of the increasing party dominance, which was reinforced by the changes of the regional electoral system in 1994 and 2010 – both of them fundamentally restructured the nature of the regional politics. While in 1990 the representatives of the regional governments were selected by electors, who were delegated by the elected local governments, they introduced the direct election of the regional representatives in 1994. The system of delegation made it rather difficult for national parties to reach the regional level, since it was favourable for the local communities, as the regional governments became forums for the local issues. As a result, national parties showed no interest in the regional elections (Zongor 2000:18-19), but the new electoral system encouraged them to participate in the regional elections. This new system settled the relations of the regional level for a long period, which brought the growing presence of the national parties in the regional governments, who slowly forced out the civil organizations. However, an interesting phenomenon came into existence following the reform in 1994: the party-civic coalitions. After the post-communist transition, one can observe a dynamic development of the civil activity in Hungary (Pálné 2008:259). As the civil sphere emerged, the national parties tried (and succeeded) to establish connections to the civil organizations. This cooperation was favourable for both sides: the local organizations could get access easier to the mandates in the regional governments, while the parties got the ‘brands’ of these organizations, which helped them to reach the local society easier. This connection between the parties and the civil organizations lasted until the regional elections in 2010, when the national parties ran alone for the mandates in all regions. One possible explanation for this can be given based on the political situation: while the parties on the left side became undesirable coalition-partners for the local organizations, the Fidesz could easily win the election without the help of its civil partners (and their demands for positions).

After the 2010 general election the Fidesz began to reconstruct the local political system quickly, because in Hungary the local elections are (more or less) a half year after the general elections. The declared aim of the electoral reform was the cost saving by decreasing the

\(^6\) In 2012, only 167 local governments had more than 10000 inhabitants while there were 3009 municipalities with smaller population size (based on the data of the Hungarian Central Statistical Office).
number of representatives in the local governments. The basic structure of the electoral system remained almost completely intact, but minor changes were initiated in every aspects of the local electoral system (Table 2). With one exception⁷, every alteration was a step from the proportional representation to a majority system.

Table 2: The local electoral reform in Hungary (2010)

<table>
<thead>
<tr>
<th>Nomination</th>
<th>Local level</th>
<th>Regional level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of proposals</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td>Conditions for set up a list</td>
<td>Candidate in the ¼ of the SMDs (\rightarrow) more than ½ of the SMDs</td>
<td>Proposals from the 0.3% of the voters (\rightarrow) 1%</td>
</tr>
<tr>
<td>Number of mandates</td>
<td>Fewer mandates</td>
<td>Fewer mandates</td>
</tr>
<tr>
<td>Number and size of the districts</td>
<td>Bigger SMDs (fewer mandates, same settlement size)</td>
<td>Merged districts (under and over 10 000 inhabitants)</td>
</tr>
<tr>
<td>Threshold</td>
<td>No threshold (\rightarrow) 5%</td>
<td>4% (\rightarrow) 5%</td>
</tr>
<tr>
<td>Method for allocating seats</td>
<td>Modified Sainte-Lagué (\rightarrow) Sainte-Lagué</td>
<td>Sainte-Lagué (\rightarrow) d'Hondt</td>
</tr>
</tbody>
</table>

Based on Table 2, one can identify two major types of changes: the number of mandates and the process of nomination (if we accept that the minor threshold changes and the alteration of the highest averages methods do not really influence the outcome of the election).

Even the reduction of mandate numbers means that the political organizations with more support will get mandates, while the smaller actors may fall short of seats in the local or regional councils. But the direction of changes becomes clear if we compare the pre- and post-reform mandate numbers by electoral formulas (Table 3). In the Hungarian local electoral system, there are majority (block vote, single-member districts) and proportionality (lists) elements. In 2010, there was a reduction in every segment of the system, but while the number

⁷In the case of the settlements with more than 10 000 inhabitants: the modified Sainte-Lagué method creates more likely a proportional result than the regular Sainte-Lagué method (Lijphart 1990:484).
of mandates was reduced with only about 25 percent in the majority categories, the number of seats allocated with proportional formulas was halved.

<table>
<thead>
<tr>
<th></th>
<th>Electoral rules before 2010</th>
<th>Electoral rules 2010</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGs under and with 10 000 inhabitants (block vote, majority)</td>
<td>21569</td>
<td>14642</td>
<td>-32,1%</td>
</tr>
<tr>
<td>LGs above 10 000 inhabitants</td>
<td>SUM 3494</td>
<td>2272</td>
<td>-35,0%</td>
</tr>
<tr>
<td></td>
<td>FPTP (majority) 2079</td>
<td>1631</td>
<td>-21,5%</td>
</tr>
<tr>
<td></td>
<td>Compensatory list</td>
<td>1415</td>
<td>-54,7%</td>
</tr>
<tr>
<td></td>
<td>(proportional) 835</td>
<td>391</td>
<td>-53,2%</td>
</tr>
<tr>
<td></td>
<td>Capital government</td>
<td>66</td>
<td>-50,0%</td>
</tr>
</tbody>
</table>

The changes of the nomination processes in the local electoral system show a clear direction of the reform: the majority type elements (block vote and the first-past-the-post SMDs) remained constant, while the conditions to participate in the proportional type elections (by setting up a party list in the bigger municipalities and in the regional/capital elections) became harder to fulfil. This direction is obviously beneficial for the bigger political organizations with a broader horizontal network.

The only structural alteration of the electoral system resulted in a dramatic change in the regional politics. The merge of the districts divided by the population size increased the necessary number of proposals – an average organization needs 6.7 times more recommendations to compete in the elections after the reform. While the national parties with broad horizontal (organizational) networks could easily adjust to the new system, the locally rooted civil organizations could not compete outside their original district. Rooted in the local society, neither the clubs of local patriots in the cities above 10000 inhabitants, nor the alliances of the small communities are able to meet these requirements (Table 4). The electoral reform of 2010 can be interpreted as the end-point of a process, in which the national parties captured the regional level and forced out the civil organizations.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2006</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parties</td>
<td>55,0%</td>
<td>55,6%</td>
<td>86,1%</td>
</tr>
<tr>
<td>Civil organizations</td>
<td>45,0%</td>
<td>44,4%</td>
<td>13,9%</td>
</tr>
</tbody>
</table>

In sum, with the local electoral reform in 2010, the majority elements of the system became stressed, the significance of the proportional elements diminished, and their accessibility decreased for the smaller competitors. The winners of the changes are the bigger national parties, who can dominate the single-member districts and are able to fulfil the
conditions to set up party lists. With a fragmented left-wing opposition (since its collapse in 2010), these characteristics describe the Fidesz.

3. The public administration reform

3.1. The regional level

After the alteration of the electoral system, the next stage of the local reform was related to the middle level. The first step was the restoration of the county level administrative offices in the autumn of 2010. It was an important phase in the regulation of the local governments, because for a short time before 2010 (when the socialist cabinet dismissed these offices and transferred their competences to regional level) there was no legal control on the local governments. Before the reform, the county offices were destined to control if the decrees of the local governments are against the national law, but from 2011 the legal control was succeeded by legal supervision, which is a more powerful tool in the hands of the county authorities, e.g. they can even fine the local governments if they find irregularities.

The second step of this stage was far more than a restoration: from January 2011 the administrative offices became government offices. Before that, there were several state authorities (e.g. for tax collection, hygiene supervision etc.) on the middle level, whose task was to represent the central state in a deconcentrated structure. Now, most of these authorities were merged into the government offices. The heads of these offices became political delegates (instead of the earlier administrative leaders), responsible for the cabinet. With this step, the Fidesz cabinet stated that the direction of the administration on middle level is clearly a political act and it is under the central government's supervision. The most important characteristic of these steps is that the cabinet built and strengthened a parallel structure besides the elected county governments, which was forced into the background.

The final step of the middle level reform was in January 2012, when the central government took over the tasks, the properties (and also the debts) of the county governments. The head of the government office position became part of the Fidesz's patronage system, as the minister responsible for the administration appointed several Fidesz politicians to the leaders of the government offices.

Although, the county governments remained the only elected authorities on the middle level, they were practically abolished in their old form. Their future is uncertain: based on the Fidesz cabinet's conception, they could be coordinators of strategic planning and area development, but at the moment these fields are strongly connected to the use of EU sources,
and because of this, they are supervised by the regional/county development councils (which are under the influence of the national parties and the central government).

3.2. The local level

The recalibration of the local government system began in 2012 and it was carried through in the name of cost saving and the separation of local and state tasks. The reform (and the new Act on the Local Governments in Hungary) comes into effect in three phases:
- county governments, legal supervision, asset management (from January 2012)
- financing and tasks of local governments (from January 2013)
- incompatibility of political positions (from October 2014).

The reform affected the activities of the local governments, their financial settings and changed even the positions of the local political actors.

The main principle of the reform (besides the cost saving) was that the local governments should only deal with local issues and services, and anything else could transferred under the supervision of the central government. To complete this, the Fidesz cabinet introduced a new mezzo-level administrative structure, the institution of the districts (“járás”). In Hungary, there are 175 districts in the counties and 23 in the capital. In the European Union’s territorial system the districts are the LAU-1 units under the county level (NUTS3). When the boundaries of district were settled in the end of 2012, the opposition parties claimed that the Fidesz tried to manipulate the local power relations through the district system (e.g. municipalities with Fidesz’s leadership became district centres while there were MSZP led cities with greater population in the area).

The districts are administrative units, whose task is to represent the central administration on local level. Before the reform, this duty was assigned to the notaries of the local governments, who had two roles: they were the heads of the local administration (and directors of the mayor’s office) and the agent of the central state. There are certain services that are not related to the operation of the local governments, but they are state tasks (like social services, giving out documents etc.), which are easier and more effective to maintain in a decentralized structure. Before the reform the supervision of these tasks was assigned to the notaries.

The reform’s aim was to separate these roles, and let the notaries deal with local issues, while the government tasks were transferred to the district offices. The regulation of the districts\(^8\) opened up the opportunity for the cabinet to extend its political influence: at the head of the districts, the Secretary of Public Administration and Justice appoints the government

\(^8\)Act XCIII of 2012.
representatives, who need to have at least 5 years administrative experience, but this can be obtained as Member of Parliament or as mayor. As a contrast, the deputies of the government representatives need to have degree in administration, economics or law. This indicates that the recruitment of the heads of the districts is more based on loyalty, while the deputies are more intended to have expertise.

As the data showed above, the reformation of the local governments’ finance was a vital point. First, the cabinet tried to moderate the financial problems from the fragmentation by merge the mayor’s offices of the municipalities under 2000 inhabitants. This does not violate the autonomy of the municipalities since they can elect their own representatives, but rationalizes the costs of local administration. Second, the central government changed the method of finance in the local government system: before the reform municipalities were subsidized from the central budget by means of per capita grants. This means that they got a certain amount of money based on their activities – it did not matter if the actual expenditure was more or less than the norm. From 2013 the local governments’ founding is changed to activity-based finance and the municipalities got a sum based on a calculated cost of the given activity from the central government. This provision also serves the cost-rationalization of the system. Finally, they forced the management of the local governments into a more rigorous framework:
- the local governments can not plan with deficit in their yearly budget
- they can provide voluntary services only if it is not endanger the fulfillment of the mandatory tasks
- the voluntary services must be covered from the local governments’ own revenue (e.g. local taxes, incomes from own venture)
- the conditions of issuing bonds and taking out credit became stern, as they regulated the process and the quantity of the credit-takings\(^9\).

These provisions mirror the idea that the operability of the local governments is the first priority, and with a narrow elbow-room they can be forced to follow a responsible management. I present in the next sub-chapter, how dramatically changed these steps the daily operation of the local governments.

The reform series did not leave untouched the relations of the local actors either. First, while before 2010 the deputy mayors had to be an elected representative, now they can be appointed from outside the council. Technically, the mayor can propose the appointment of a deputy mayor from outside only if he/she already has a deputy from the council. The ‘outsider’ deputy mayor has no right to vote but he/she can participate and dispute on the council meetings. Because the Hungarian law do not give a clear specification about what are the exact

\(^9\)The local governments have to ask for permission from the central government to take out credit if it is not for cover EU-related developments, ensure liquidity or settle debts.
tasks of a deputy mayor (he/she “substitutes the mayor”), the real power and room for manoeuvre of deputy mayors can vary between the municipalities based on the local circumstances (see Várnagy and Dobos 2012). With this provision, the Fidesz cabinet was able to add one more potential position to its patronage system.

Second, the status of the notaries also changed. As we mentioned above, most of their tasks as the agent of the central administration were transferred to the districts, but their relation to the local political elite also changed. Before 2013, the council was the employer of the notary, but now this right is shifted to the mayor, which brings uncertainty in his/her work: earlier, if something went wrong, the notaries could find supporters in a politically divided council, now they have to be unconditionally loyal to the mayor. Although, theoretically, notaries are not political actors, their administrative activities can influence the political work of the mayor and the representatives.

Finally, the reform brought the strengthening of the mayor’s position: he/she gained veto power over the council’s decisions, if he/she considers them against the municipality’s interest; if the council can not make a decision, the mayor can decide; moreover in certain (urgent) cases the mayor can decide without involving the council. All these shifts in the statuses of the local actors are resulted in the strengthening of the mayor’s position. Following the provisions, the decision-making and the implementation in the local governments can be more effective, as the mayor has more tools to control the processes.

3.3. The first impressions of the reform

After I looked over the main changes in the Hungarian local government system, in this sub-chapter I introduce the first experiences of the reform. Although only a short time passed since the provisions above came into effect (moreover, the incompatibility of the mayoral and MP positions will be introduced only after the local elections in autumn of 2014), this period offers an excellent opportunity to examine how the local governments can adopt to the changing institutional environment, and what kind of difficulties they have to face during the transition.

As part of a larger PhD research project we interviewed mayors and notaries about the changes with open questions – we asked them to tell us, what they find the most important elements of the reform-series, and how these changes affect their local governments. Between

---

10 The interviews took place immediately after the reorganization of the local governments’ task and financial management, which was the most essential change in the life of the municipalities.

11 The aim of the project is to complete the mapping of the local elite relations. As part of a case study research design, in two (from social-economic perspective similar) counties we interview mayors, representatives and notaries about their role in the local governments. Our starting-point is the legal-institutional framework and we investigate how the actual patterns of relations diverge from it.
January and April 2013 we had 17 interviews with local political and administrative actors of 10 municipalities (Table 5).

<table>
<thead>
<tr>
<th>County</th>
<th>Mayor</th>
<th>Notary</th>
<th>SUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hajdú-Bihar</td>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Veszprém</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td><strong>SUM</strong></td>
<td><strong>9</strong></td>
<td><strong>8</strong></td>
<td><strong>17</strong></td>
</tr>
</tbody>
</table>

According to the local actors, the fundamental problem of the reform-series was the uncertainty: after 2010, when the first news came about the reforms, mayors and especially notaries (whose responsibility is to maintain legality in local government offices) tried to inquire about the future of the local governments, without any success. They heard only rumours in the press about the changes, but could not prepare for the new structure without knowing of the exact provisions - while the greatest changes in the local government system came into effect from January 2013, the legal background of the reforms was not settled until the end of December 2012. The cabinet tried to command the reorganizations at a quick pace, and the institutions could not prepare to the changes. This quick pace also affected the operation of the local governments: according to one of the interviewed notary, in 2012, the mayor’s office dealt with giving information to the central government (and to the newly established district offices) in ca. 40 percent of their working hours. They were overloaded with work to help the development of a new system, about which they did not know how it will affect their operation in the future.

Regarding the rearrangement of the tasks and duties, the local governments had to face with difficulties. First the central government reduced the maximal number of the administrative staff in the mayor's offices then the district offices asked for civil servants to establish their own personnel. The idea behind this was that in the new system the mayor’s office has to perform only the duties related to the local issues, which means less workload, and the ‘unnecessary’ staff can transferred to the districts.

Comparing the proportion of the transferred tasks to the proportion of the transferred manpower we can find huge differences, especially in the local governments with greater population. For example, in a municipality with 9000 inhabitants, there were 40 employees in the mayor’s office before 2013. The city became a district centre\(^\text{12}\), and the district office was established in the same building as the mayor’s office (the local governments had to hand over

\(^{12}\) On the one hand, the essence of the district reform was to gather the decentralized tasks into one centre to save money. On the other hand, this drew the services away from the local community. For example, a few notaries mentioned that the needy residents of their municipalities have difficulties in access to social services, because they can not afford to travel to the district centres for the administration.
buildings and/or offices to the districts). The district office got 35 percent of the personnel and some of their tasks. The administration of the legal guardianship and the Office of Government Issued Documents was entirely handed over\textsuperscript{13}, but the so called “authority tasks” (like the social services, health care, aid for elderly people etc.) were divided between the local government and the district: the mayor’s office handed over six employees with five tasks (one of them is the coordination of graduation exams for one week in every year), while only one employee left to provide the remaining eight tasks. The interviews show, that few months after the transformation the district offices has many unutilized capacities, while the local governments are overloaded. For instance, according to a mayor of a municipality with 4500 inhabitants, in January 2012 they had 856 issues to deal with, while they faced 800 issues one year later, right after the changes in the task management.

Finally, we asked the local actors about their experiences on the new **financing** system. They considered the activity-based finance method more or less correct, although they thought that the central government underestimated the costs of some activities. An extreme case came to the surface in June 2013, when the central government sent 3480 HUF (approximately 12 €) activity-based support to a small village for covering the local government’s operation.

However, the real problem is that the government expects local governments to give up on their own revenues and use them in the completion of their mandatory tasks. An example: in a municipality with 4000 residents the cost of the street lightning is 10 million HUF in a year. The central government admits this, but they know that this local government has 2.6 million HUF revenue from the local business tax. Because of this, they support the task of street lightning only with 7.4 million HUF. Based on the central government’s calculation, the given local government should give 94 million HUF from its own income into the municipality’s maintaining cost, but (according to the mayor) they have only 61 million HUF own revenue, so the local government has a 33 million HUF deficit, which is forbidden by the new provisions. In this situation the local governments are unable to meet the two requirements of the budget ("sustainability" and "no deficit") at the same time. This finance method’s result is that the local governments have to sacrifice their income in the favour of the operation of their municipalities, while their only assets to accomplish developments and provide voluntary services are these revenues. If this trend goes on, the local governments’ room to manoeuvre disappears as they will be not able to provide anything for their communities besides the basic services. As a Fidesz-affiliated mayor summarizes the situation: “We have the same amount of tasks, our

\textsuperscript{13} It is important to note that these are the easier tasks (from the notaries’ viewpoint): before 2013, the social guardianship was supervised by the county government offices, and the work of the Office of Government Issued Documents is an automated ‘self- propelling’ process.
budget was cut in half, we are not able to fill the gap, and the government says cynically: 'Oh sorry, you are not permitted to calculate with a deficit.'

4. Conclusion

In Hungary, the overwhelming parliamentary victory of a single political force led to profound changes in the local government system. One can safely claim that the political system has become more centralized since 2010.

The alteration of the electoral system resulted in significant changes in the local political relations. With the exceptions of the smallest communities, the municipalities are conquered by the national parties. In the short term (in the current political situation), the winner of the reform is the Fidesz, in the long term, one can identify only the losers: the local communities and their representatives. The civil organizations, whose key attribute is their locality, can not hold on in an electoral competition, where the key of the success is a broad horizontal network.

After the public administration reform, the local governments’ room to manoeuvre considerably shrank. The Fidesz cabinet re-designed the structures of the tasks and finance, which resulted in a more rigid framework for the local governments’ operation. The local governments have to sacrifice their own incomes to meet the requirements, and they are not able to help the development of the local community. That means that the local governments become more uniformed, as they can only provide the basic mandatory services. Meanwhile, the regulations opened up lots of new opportunities for the government party to place its clients in local offices. The new system considerably cut the local governments’ administrative capacity, and it also prefers politicians to professional administrators (see e.g. the strengthening of mayors).

Following the Fidesz cabinet’s reform steps, as the dominance of the national politics is coupled with uniformed operation of the local governments, one can question if the sub-national level is still an autonomous, important element of the Hungarian political system.

References


