

## Concentrating or Centralising Public Services? The Changing Roles of the Hungarian Inter-municipal Associations in the last Decades

ISTVÁN HOFFMAN, JÁNOS FAZEKAS & KRISZTINA ROZSNYAI

**ABSTRACT** The article reviews the transformation of the roles of municipalities, inter-municipal associations and the central government in the light of local public services. Firstly, theoretical and international backgrounds of the topic are shown. Secondly, the article presents the changing roles of Hungarian municipalities and inter-municipal associations in the field of local public services and administration. Here, a tendency of concentration can be observed from the disintegration in the early 1990s up until now. Thirdly, the outcome of the transition from a decentralised to a centralised system is analysed, i.e. the nationalisation and centralised administration of the former municipal local services.

**KEYWORDS:** • centralisation • decentralisation • concentration • local public services • inter-municipality • agencies • Hungary

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CORRESPONDENCE ADDRESS: István Hoffman, Ph.D., Associate Professor, Eötvös Loránd University, Faculty of Law, Department of Public Administration, H-1053 Budapest, Egyetem tér 1-3, Hungary, email: hoffman.istvan@ajk.elte.hu. János Fazekas, Ph.D., Assistant Professor, Eötvös Loránd University, Faculty of Law, Department of Public Administration, H-1053 Budapest, Egyetem tér 1-3, Hungary, email: fazekas.janos@ajk.elte.hu. Krisztina Rozsnyai, Ph.D., Associate Professor, Eötvös Loránd University, Faculty of Law, Department of Public Administration, H-1053 Budapest, Egyetem tér 1-3, Hungary, email: rozsnayaik@ajk.elte.hu.

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## **1 Introduction**

### **1.1 Hypothesis and research method**

In Hungary, the system and the delivery of public services have changed radically in the last decade. The system was originally based on a strong, but fragmented municipal system, so the main goal of the reforms in the last decade was to strengthen this system and to solve the problem of economies of scale. This article will examine the regulatory methods and the related budgetary support system applied for this aim. Thus, the primary method of the research is jurisprudential, but the effects of the regulation and the practical outcome of the new support system will also be analysed.

First, we examine the concepts of concentration, centralization and decentralisation. This theoretical review is very useful, because different administrative systems and paradigms have different concepts on centralisation and decentralisation. After a short theoretical review, the article summarises European changes in this respect. The jurisprudential and budgetary analysis will then show the transformation of the Hungarian inter-municipal system and the paradigm-shift these entities after 2013. The subsequent changes to the judicial review in this field will be summarised as well. Finally, the centralisation of (local) public services and the organisation of the centralised service delivery will be analysed. The approach of this part will mainly be jurisprudential, to show how former local services – especially education, health care services and several social and cultural services – are presently organised by agencies of the central government.

### **1.2 Concentration, centralisation and decentralisation**

Centralisation and decentralisation are treated differently in administrative systems. Decentralisation is related to the principle of autonomy, which is linked to self-governance as a guarantee that the decentralised bodies act in the name and according to the will of the community to which powers are transferred by decentralisation. Although these bodies perform state tasks, act in public interest, the principle of decentralisation may not result in the lack of control of these entities. State organs should control their functioning, procedures and decisions (Hoffman and Rozsnyai 2015: 486-487). In modern administrative sciences decentralisation can be approached in various ways – for example as competitive and non-competitive, internal and external, vertical and horizontal (Pollitt 2005: 372-375) –, but a detailed analysis of these forms exceeds the framework of the article.

The definition of centralisation constitutes a greater problem. In classical administrative jurisprudence centralisation is considered as a concept by which the unity of the administration is ensured. Political centralisation guarantees the unified and central decision-making, whereas the centralisation of several administrative activities can be considered as administrative centralisation (Kuhlmann & Wollmann 2014: 12, Fazekas et al. 2015: 117-118 and (Forgács, 2015: 19). Centralisation is closely linked to the principle of deconcentration, under which administrative activities are executed on a territorial (local or regional) level, but directed by central government. Therefore, the centre will prevail (Berényi 2003: 243). The concept of the concentration is at the same time linked to the concept of decentralisation. The economies of scale problem of local public services has evolved in modern countries in the last decades, due to the transformation of the public services (Gomez-Reino & Martinez-Vazquez 2013: 8-11). This has led to the transformation of local government structures: larger entities – as for example merged municipalities, inter-municipal associations – have evolved. This process is described in the literature as the concentration (of the municipal) system (Horváth M. 2002: 177-178).

### **1.3 Concentration of local public services in Europe – a short international overview**

The structure of European local public service systems has changed in the last decades, too. One of the central challenges everywhere is the economies of scale due to the developments in the field of public services and the related financial challenges (Prebilič & Bačlija 2013: 546-547). The result is a significant transformation in the spatial structure of the European municipal systems.

This transformation had two periods. The first period can be classified as the “classical” period of the concentration of local public services systems, which already began in the 1960s, but a significant part of these reforms was influenced by the New Public Management paradigm in the late 1980s and the 1990s (Hoffman 2013: 300-301). These reforms were based partly on the concentration of local public services and partly on the privatisation of these services (Horváth M. 2005: 44-60, Pollitt – Bouckaert 2011: 8-11). The Scandinavian model represented one type of the concentration, where the number of the municipalities was reduced radically in the 1960s (see Table 1).

**Table 1:** Number of the municipalities in Denmark and Sweden

	1967	1975	2008
Number of municipalities in Denmark	1 021	275	98

Number of municipalities in Sweden	1 000	278	290
Source: Lidström 2011: 270 and Blom-Hansen & Heeager 2012: 223-224.			

The Central European countries, especially West Germany chose another model of concentration. The number of (West) German municipalities was reduced, but not as radically as in the Nordic countries. An important element of the spatial reform of the German municipal system was the strengthening of the territorial level, accompanied by decreasing the number of regional entities (counties, the German Kreise) (Gern, 2003: 150-151). Although a moderate merger of local and regional entities was executed, inter-municipal cooperations were promoted by the central and the provincial (Länder or in Switzerland the cantonal) governments. In these countries, several types of compulsory inter-municipal associations evolved (Neuhofer 1998: 558-560, Schmidt 2011:241-246).

The countries following the French (Napoleonic) model – especially France, Italy, Spain and Greece<sup>1</sup> – chose another type of reform. Several tasks and powers of the county councils were transferred to the new regional governments, thus the concentration process can be considered at the same time as a regionalisation of the territorial administration. The local municipal system of these countries remained fragmented (see Table 2); inter-municipal cooperations were promoted by central governments. The intensity of this promotion was different in the given countries, it was used primarily by France after the loi Chevènement (1999), the act under which practically semi-compulsory inter-municipal associations were established (West 2007: 87-88).

**Table 2:** Numbers of the municipalities and their average population in 2005 in France, Italy, Spain, Portugal and Greece

Country	2005	
	Number of municipalities	Average population of the municipalities
France	36 559	1 600
Italy	8 104	7 000
Spain	8 082	4 800
Greece	5 922	1 800

Source: Kovács 2011: 328.

As mentioned above, in the field of the local public services private and corporate tools were strengthened by the influence of the New Public Management (NPM) paradigm in Europe. Although this transformation appeared across Europe, the

forms were different. In the United Kingdom, the Competitive Compulsory Tendering (CCT) and a strong privatization course evolved (Wollmann & Marcou 2010: 242-244), in Germany, the concept of “entrepreneur local government” was created and in France, the significance of public contracts increased (Horváth M. 2005: 48-60).

The second period of concentration began in the end of the 1990’s in the field of the local public services. By this time, several dysfunctions of the NPM paradigm have been detected and new paradigms – for example Good Governance and New Public Service – evolved (Chien 2015: 375-376; Pollitt & Bouckaert 2011: 11-19). Thus decentralization and privatization, formerly strengthened by the NPM, slowed down in Europe.<sup>2</sup> New tendencies emerged, but the economies of scale issue remained one of the major problems of local public services.

Another line of transformation appeared after the 1960s and 1970s: the strong urbanization in Europe transformed the former logic of inter-municipality. Agglomerations required new forms of cooperations. Thus, the concept of urban government resulted in new inter-municipal entities in Europe (Horváth M., Józsa & Hoffman 2014: 12-14). The majority of the European countries did not intend to break up the decentralisation process of the last decades, so they tried to solve the size inefficiencies within the municipal systems. Therefore, two major transformations have evolved: firstly, the inter-municipal cooperations had a “renaissance” after the 1990s. This transformation is very spectacular in countries where this form of cooperation was poorly applied formerly. Thus, the significance of inter-municipality has been strengthened in the Nordic countries, whose former reforms were based on the merge of municipalities. For example, in Finland, social and the health care systems are now based on inter-municipal cooperation: compulsory associations, 21 hospital districts and districts for social care were formed (Sjöblom 2011: 247), which will be further merged under a new regulation from 2015.

The merger of local governments is a quite important tool, however, another interesting trend is that previously established regional entities are now merging. The best example for this regional amalgamation is the regional reform in France after 2014: 26 former regions were merged into 13 “great regions” with 1st January 2016 (Kuhlmann & Wollmann 2014: 160).

The economic crisis accelerated concentration tendencies after 2008/2009, which also instigated tendencies of nationalization. The nationalization of the management of public services could already be observed after the Millennium – the first major nationalization was the Norwegian health care reform in 2002, by which the delivery and management of the inpatient health care became the task of the central government (Hagen & Vrangbaek 2009: 114) – but its significance has heavily increased after the economic crisis. These reforms tried to solve the

problems of size inefficiency outside the municipal system, through the nationalization of public services to a strongly centralised structure. Another example for this type of reforms was the Estonian education reform in 2012. One of the main aims was to incentivise local governments to transfer the maintenance of upper-secondary schools to the central government (Auers 2015: 156-160). Nevertheless, probably the strongest nationalization took place in Hungary (see below, part 3).

Even though nationalizations took place in several European countries, we can state that the major reforms mostly point to the concentration of local governments. Thus, local governments preserved a significant part of their duties, while their economic role has moderately decreased in the majority of the Member States of the European Union (EU). In several major Nordic and Continental countries, this tendency cannot be observed, though (see Table 3).

**Table 3:** Local government expenditures after 2010 (in % of the GDP)

Country or group of countries	Local government expenditure (in % of the GDP)				
	2010	2011	2012	2013	2014
Average of the EU-28	12.0	11.6	11.6	11.4	11.3
Average of the Euro area countries (EU-19)	10.5	10.2	10.2	10.2	10.1
United Kingdom	13.4	12.6	12.9	11.4	11.1
Ireland	5.5	4.7	4.3	3.9	3.6
Germany	7.9	7.7	7.6	7.7	7.9
Austria	8.7	8.3	8.3	8.5	8.6
France	11.5	11.4	11.7	11.8	11.9
Italy	15.7	14.9	14.9	15.0	14.7
Spain	7.1	6.8	5.9	5.9	5.9
Sweden	24.2	24.5	25.0	25.3	25.4
Finland	22.4	22.6	23.4	23.9	23.9
Hungary	12.6	11.4	9.3	7.5	7.9
Czech Republic	11.3	12.3	11.3	11.4	11.7
Slovakia	7.3	6.8	6.4	6.4	6.7
Poland	14.9	13.9	13.2	13.2	13.5

Source: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.doc> (Downloaded at 3rd January 2016)

Consequently, concentration – and partly centralisation – of local public services can be identified as a relevant trend in the European municipal systems. After the theoretical and international overview of this phenomenon, we would like to analyse the case of Hungary. Firstly, we would like to review the concentration reforms, then the new tendencies after the new Hungarian Constitution of 2011, which resulted in a very strong centralisation of this field.

## **2 The concentration of the Hungarian municipal public service system**

The fragmented Hungarian municipal system required a more concentrated structure to eliminate size inefficiencies already some years after the creation of the new local government model in 1990. Gradually, the legislation introduced new tools for the concentration of local public services. Although these reforms brought good results, there was a paradigm shift in 2011: nationalization of these services has become the new goal. To trace back this evolution within the Hungarian municipal system, we have to take a closer look on the basic features of the system.

### **2.1 The fragmented public service delivery system after 1990 and its dysfunctions**

The Hungarian local government system was a two-tier, but local-level centred system. The first tier was the local level. According to the Act LXV of 1990 on Local Self-Governments (hereinafter: Ötv) villages, large villages, towns, county towns and Budapest as the capital city were considered local-level governments (municipalities). The second tier was the county level. The county local governments had an intermediate service-provider role – especially in the maintenance of intermediate health care services (inpatient care), social care services (residential social care), educational services (secondary schools, vocational schools, student hostels) and cultural services (county museums, archives and libraries) – but the county-level service delivery could largely be overtaken by the municipalities.

The local-centred nature of the Hungarian local government system was strengthened by the system of voluntary inter-municipal associations. Article 44/A of the amended (former) Constitution declared that the right to cooperate is a fundamental right of municipalities. These rights had similar constitutional protection as human rights had, just at a lower level. Article 44/C of the Constitution declared that an act passed by the two-third majority of the Parliament could restrict these rights. Therefore, the introduction of a compulsory inter-municipal association system was very difficult, (Verebélyi 1999: 30-36) almost impossible, due to the need for a broad political consensus.

Meanwhile local public service systems – which were built on the duties and responsibilities of the local governments – had several dysfunctional elements. For one thing, the second tier (the counties) played only a subsidiary service provider role. The local-centred nature of the service delivery system was further strengthened by the possibility of the voluntary assumption of (county) tasks by local-level governments. As mentioned above, the municipalities overtook the majority of county tasks from the 1990s. The data on the maintenance of secondary schools highlights this tendency: these schools belonged primarily to the responsibility of county governments, but were factually maintained mainly by municipalities (see Table 4).

**Table 4:** Local government maintainers of secondary schools in 2005 and in 2010

Year	Secondary schools maintained by the counties	Secondary schools maintained by local level municipalities
2005	526	1004
2010	485	932

Source: Source: Hungarian Central Statistical Office  
(<http://statinfo.ksh.hu/Statinfo/haViewer.jsp>)

This wide responsibility of municipalities was accompanied by a fragmented municipal structure that was even strengthened by democratic changes, as a counterpart to former Communist times, where compulsory inter-municipal associations (common village councils, *közös községi tanács*) treated size inefficiency problems. This type of inter-municipal cooperation was practically the merger of villages, as village councils and their administration were basically amalgamated. This compulsory form was unpopular among Hungarian municipalities; therefore it disappeared with the democratic changes, giving opportunity to a disintegration tendency in the transition period (Hoffman 2009: 130-132).

The majority of Hungarian local municipalities had less than 1 000 inhabitants, and in 2010 only 4.57% of the municipalities (144 municipalities of 3152) had a population of more than 10 000 inhabitants (see Table 5).



**Table 5:** Population of Hungarian municipalities

Year	Population of the municipalities									All
	0-499	500-999	1000-1999	2000-4999	5000-9999	10000-19999	20000-49999	50000-99999	100000-	
1990	965	709	646	479	130	80	40	12	9	3070
2000	1033	688	657	483	138	76	39	12	9	3135
2010	1086	672	635	482	133	83	41	11	9	3152

Source: Szigeti 2013: 282.

This fragmentation and the related size inefficiency problem was tried to be solved by inter-municipal associations. The inter-municipal system of the Ötv was based on voluntary cooperation. Three plus one forms of inter-municipal cooperations were initiated: the joint representative body (társult képviselő-testület), the service provider association and the administrative inter-municipal association. The fourth form of cooperation was a special common body of the municipalities, the common municipal clerk. The joint representative body was the replacement of the single-village councils by one body, but because of this close relationship, this type practically did not work. The common municipal clerk was a narrower cooperation: in this form only the municipal offices amalgamated and had a common professional leader, but the participant municipalities retained their own mayors and representative bodies (councils). The other two types were forms of cooperations in chosen single fields. These types of cooperations could not stop the disintegration because of their purely voluntary nature and the poor financial support provided by the central budget. Therefore, the number of service provider associations was only 120 (!) in 1992. The joined municipal administrations decreased in these years: the number of common municipal clerks was 529 in 1991, 499 in 1994, and only 260 administrative inter-municipal associations were established until 1994 (Hoffman 2011: 30-31). The lack of the inter-municipal cooperations, the fragmented spatial structure, and the weak, subsidiary intermediate level public service provider role of the county local governments resulted in significant service delivery dysfunctions. The local self-governments were not able to perform a significant part of the municipal tasks.

## 2.2 The strengthening of inter-municipal associations

The dysfunctional phenomena of the new, democratic system became well recognisable already in 1992-1993. Therefore, in 1994 a partial review of the regulation took place. The reform left the paradigm of the voluntary inter-municipal cooperation unaltered, but introduced supplementary funding from the central budget for the establishment of inter-municipal associations and for their service delivery. Another change was the clarification of the regulation on associations. Its rules were originally kept very scarce to secure a great organisational freedom for municipalities in this field, which resulted in a lacuna. Therefore, additional rules were adopted based on a French-type model, thus the

institutional diversity of the various inter-municipal associations began to evolve after 1997. A separate new Act on inter-municipal cooperations (Act CXXXV of 1997) was adopted, which introduced unincorporated simple associations, unincorporated service provider associations, unincorporated associations with an independent council, and incorporated associations (i.e. associations with legal personality). The creation of associations has been stimulated by the acts on the annual budgets through the allocation of additional support, thus the central legislator began to centralise the service delivery system by subtle – financial – coercion (Balázs 2014: 426-427). New, additional state subsidies were introduced to accelerate the formation of voluntary inter-municipal associations after 1997 (Balázs 2014: 428). As a result of these changes, the number of inter-municipal associations radically increased after 1997 (see Table 6).

**Table 6:** Number of service provider inter-municipal associations from 1992 to 2005

Year	Number of the inter-municipal associations responsible for public service provision
1992	120
1994	116
1997	489
1998	748
1999	880
2003	1 274
2005	1 586

Source: BM 2005: 205.

In 2004, the legislator introduced a new type of inter-municipal association – the multi-purpose micro-regional association – based on the French inter-municipal association form ‘SIVOM’. The central government significantly supported service delivery through associations: in 2004, the share of the special subsidies for them was 1,19% of the whole central government subsidies for local governments, in 2011 it already reached 2,91% (see Table 7).

**Table 7:** State subsidies for the multi-purpose micro-regional inter-municipal associations (in percentage of the total central government subsidies for local governments)

Year	2004	2005	2006	2007	2008	2009	2010	2011
Proportion of the subsidy	1,19 %	1,74 %	1,94 %	2,31 %	2,08 %	2,28 %	2,53 %	2,91 %

Source: Hoffman 2011: 31.

The joined form of municipal administration was stimulated as well. The establishment of common municipal clerks was strongly supported by the central budget. Thus, the disintegration tendencies of the local administration stopped at the end of the 1990s, giving place to the concentration of the municipal administration in rural areas (see Table 8). Experts highlighted, that the growth of the number associations correlated strongly with the amount of central budget subsidies. (Szigeti 2011: 283-284).

**Table 8:** Number of the offices of common municipal clerks and the number of the participant municipalities from 1991 to 2008

Year	Number of offices of the common municipal clerks	Number of the municipalities having common municipal clerks
1991	529	1 535
1994	499	1 382
1997	492	1 360
1998	505	1 391
2001	580	1 554
2004	616	1 654
2007	669	1 784
2008	762	2 020

Source: Szigeti 2009: 8.

Thus, a pure concentration tendency could be observed in the field of the Hungarian local public services. The problems of size inefficiency and economies of scale were tackled within the municipal system by inter-municipal associations. As these types of cooperations were modelled for rural areas, one of the greatest debts of concentration reforms around the Millennium was the lack of association forms for urban local governments (Horváth M. 2015: 48-49).

### **2.3 Changes after 2010: the concentration of the municipal administration**

These concentration tendencies continued until the new Hungarian Constitution (The Fundamental Law of Hungary, published on 25th April 2011 – hereinafter: Fundamental Law), by which a more centralised state has been created. In consequence, the former decentralised model of the Ötv has been transformed by the new Municipal Code – the Act CLXXXIX of 2011 on the Local Self-Governments of Hungary (hereinafter MötV). To reduce the fragmentation of the public service system, the central government chose a simple model: the most problematic services were nationalised and centralised, and their delivery was given to central government agencies (to be reviewed in part 3).

Due to this remodelling, the concentration of the municipal local services has partially lost its significance. Nevertheless, the legislator retained inter-municipal associations in a simplified form, with only one type of the inter-municipal association, which is a multi-purpose one with legal personality, managed by a council. Even though the former unincorporated forms should have been transformed, instead, they just disappeared. Despite the simplification of the regulation, the differentiated task performance and the operation of diverse service delivery systems within the association are still allowed. Thus the new type of the association can be described as an umbrella organization, because the former independently organized associations – which did not have legal personality – could be mainly integrated into this new type of inter-municipal association (Nagy – Hoffman 2014: 307-309).

The concentration tendencies have been weakened by the MötV in the field of the local public services, and at the same time, the forms of joined municipal administrations have been strengthened. The Fundamental Law allowed the legislator to establish compulsory inter-municipal associations by an Act (of Parliament). Thus, the MötV established a new, compulsory form of the inter-municipal cooperation: the joint municipal office. Villages of the same district (járás) having less than 2 000 inhabitants are obliged to take part in these associations.<sup>3</sup> Villages having more than 2 000 inhabitants and towns can take part in such an association, if they become the head-quarter municipality of these offices. The result of this new regulation is a heavy concentration process: in 2014, the major form of local administration was already the common office (see Table 9).

**Table 9:** Municipal offices and common municipal offices in Hungary (2014)

Common municipal offices		Number of the (independent) municipal offices (mayor's offices) in Hungary	Number of the local municipalities in Hungary
Number of the common municipal offices	Number of the participant municipalities		
749	2632	521	3 153

Source: Fazekas et al. 2014 ; 299.

If the villages do not freely contract for this joint municipal office, it is the commissioner of government, who is empowered by law to determine the villages taking part in the association and replace the agreement for its establishment.

Of course, municipalities tried to fight this centralization process. Several municipalities, even though obliged, did not join the joint municipal offices. When the commissioner of government replaced their consent to the agreement, and joined them forcibly to a joint municipal office, these municipalities brought actions ahead these decisions before administrative courts. Several judges handling such cases turned to the Constitutional Court. The judicial applications accepted by the Court stated the regulation to be contrary to the European Charter of Local Governments. The provisions of the MötV on the joint municipal office were seen to infringe Article 6, which gives the freedom of determination of appropriate administrative structures, and Article 4 para 6 on the duty of preliminary consultation in the planning and decision-making processes for all matters which concern local governments.

The Constitutional Court did not annul the contested rules, in its decision 22/2015. (June 15) it stated that the freedom of municipalities regarding the determination of their administrative structures has its limits in the provisions of the Fundamental law and other statutes setting up rules on these structures. The municipalities have to consider these rules. The Court stressed that the municipalities have the possibility to mutually agree with other municipalities on the joint municipal office within the fixed time limits given by the MötV. The government commissioner can only act, if the municipality did not fulfil its duty . The possibility of the government commissioner to decide on the forced joining of a municipality to an office or to replace the agreement establishing the office is an extraordinary last tool, which is necessary for ensuring the effective administration and the right of the inhabitants to self-government. The need for effective administration entitles the state administration to intervene, and the infringed tool of the supervisory authority is in line with Article 8 para 1 of the Charter, too. The only point where the Constitutional Court accepted the applications was the infringement of Article 4 para 6 of the Charter. It held that an

unconstitutional omission exists, because of the lack of rules for the consultation with the affected local governments. The Court obliged the legislator to heal the omission until the end of 2015.

Still, this decision does not alter the system: the obligatory nature of the joint municipal office remains.

We can thus summarise the changes of the last 25 years as follows: the fragmentation and the size inefficiency of the Hungarian municipal system was first treated by the concentration of the municipal services after the formation of the democratic local-government system. After 2010, a strong centralisation of the local public services took place, using inter-municipality as a major tool of municipal administration and not of service provision.

### **3 Centralization of human public services in Hungary after 2010**

After 2010, the newly elected Hungarian government decided to reorganize the system of human public services. The main goal of the reform was to centralise the maintenance of public institutions in the fields of primary and secondary education, health care and social care. Before 2010, most of the institutions were maintained by local governments: e. g. inpatient health care was a compulsory task of the counties, primary care was under the authority of municipalities. According to governmental statements, serious problems occurred before 2010 in these sectors. The local governments lacked sufficient budgetary resources to maintain their institutions effectively and transparently, therefore only the state administration could provide these public services on a unified high level of quality. Governmental decision-makers deemed that only the control of the central government is able to ensure equal opportunities in these sectors.<sup>4</sup> Thus the Government established agency-type central bodies and their territorial units for the task of maintaining institutions (e. g. schools, hospitals and nursing homes) in the aforementioned three fields:

- a) health care: National Institute for Quality- and Organizational Development in Healthcare and Medicines, (Reorganised in 2015 as National Health Care Service Center);
- b) primary and secondary education: Klebelsberg Institution Maintenance Centre for the maintenance of service providers;
- c) social care: General Directorate of Social Affairs and Child Protection.

Agencies are widely used types of the non-ministerial sphere of central administrations. These bodies are usually to some extent independent from Government and are entitled to rule-making and individual decision-making competences, too. The main advantage of their existence is that they concentrate on a few specified tasks, while the ministries can develop policies and higher rule-

making (Peters 2010: 129-130, 314-315). Furthermore, agencies as buffer organizations may provide a much more flexible framework of human resource management during personnel cutback campaigns, which are rather frequent in Hungary (Hajnal 2011: 77-78). In spite of their (respective) autonomy, agencies often carry out political tasks and frequently operate under tight governmental or ministerial control (on politicisation see Hajnal 2011).

The above mentioned three Hungarian agencies have been working under strong governmental control as we will see it later (Fazekas et al., 2015: 196).

According to the statutes<sup>5</sup> regulating legal status and performance of the aforementioned bodies, the typical maintenance tasks are as follows:

- a) establishing, reorganizing and terminating the institution;
- b) budgetary tasks, e. g. approving the annual budget and regulating the budgetary conditions of the institution;
- c) property management;
- d) adjusting the personnel of the institution;
- e) appointment and dismissal of the senior officers of the institution;
- f) legal, professional and budgetary supervision of the institution.

In addition, these tasks are not entirely carried out by the agencies itself. As a higher level of centralization, some of these tasks are assigned to the minister responsible for the sector (this is the Minister of Human Capacities in all three sectors). These tasks are commonly as follows:

- a) establishing, reorganizing and disbanding the institution;
- b) budgetary tasks, e. g. approving the annual budget and regulating the budgetary conditions of the institution;
- c) appointment and dismissal of senior officers of the institution.

In these cases the agency usually makes proposals for the Minister and drafts the decisions.

The General Directorate of Social Affairs and Child Protection and the Klebelsberg Institution Maintenance Centre (primary and secondary education) have territorial units in the counties (19) and in the capital (Budapest). The Klebelsberg Institution Maintenance Centre has units in county districts and capital districts (198), too. The territorial units contribute to performing the maintenance tasks (preparing decisions and making proposals) or carry out competences on their own. E. g. the competences of district units of Klebelsberg Centre extend to primary schools, while secondary schools are under the competence of county units.

Another very important aspect of centralization is the organisational power (Böckenförde 1964, Fazekas 2014: 290-291) of the Government and the minister

overseeing these agencies. In accordance with the Fundamental Law, the Government may establish government agencies pursuant to provisions laid down by law (Art. 15). The origin of this power is the authorization of the Parliament to the Executive to implement its program in certain sectors and in general. For this purpose the Government must have an appropriate and well-constructed administrative system.

The three agencies are categorized as ‘central offices’ (Fazekas 2014: 299). According to Section 72-73/B of the Act XLIII of 2010 on Central State Administrative Bodies and the Status of Government Members and Ministers of State, the Government and the Minister have certain organizational and control powers over them as follows:

- a) The central offices are created by Government decrees.
- b) Their main tasks and duties are regulated by Acts adopted by the Parliament and by the above mentioned Government decrees as well. The organisational power of the Government prevails in the regulation of the bodies’ tasks and competences. Namely, the Acts of Parliament do not designate state administrative organisations with their proper name, but only with their common names referring to the main tasks of the organization. The Acts authorise the Government to designate the concrete agency in decrees with proper name and detailed tasks. E. g. Act CLIV of 1997 on Health Care states that health care institutes are maintained by the entitled bodies so that Government Decree No. 27/2015. (II. 25.) designates the National Health Care Service Centre as the maintaining agency. This way of regulation provides the possibility of reorganisation for the Government without an Act of Parliament.
- c) The three central offices are under the direction of the Minister of Human Capacities, who appoints the Head of them, instructs them, and adopts the organizational and operational procedures of the agency. The appointment of the Head of the agency must be approved by the Permanent Secretary of the Prime Minister’s Office (PMO).
- d) The budgetary matters of the agencies are governed by the Minister of Human Capacities. The budgets are situated in the Ministry’s chapter in the Act on the Central Budget of Hungary. So the Minister performs the rights of the founder over these bodies, and exercises financial control over their performance. The transformation of the role of the central administration can be observed by the change of total expenditure of the budgetary chapter – practically the sectors – directed by the Ministry of Human (formerly National) Capacities (see Table 10).



**Table 10:** Total expenditures (in million HUF) of the budgetary chapter directed by the Ministry of Human Capacities

Year	Total expenditures (in million HUF) of the budgetary chapter directed by the Ministry of Human (formerly National) Resources*
2011	1 535 370,6
2012	1 949 650,5
2013	2 700 363,9
2014	2 895 624,8
2015	3 049 902,2
2016	3 011 947,7

\* Inflation rate was 3,9% in 2011, 5,7% in 2012, 1,7% in 2013, and -0,9% in 2014 based on the data of the Hungarian Central Statistical Office ([www.ksh.hu](http://www.ksh.hu), downloaded at 5th January 2016).

Source: Act CLXIX of 2010 on the budget of the Republic of Hungary, Act CLXXXVIII of 2011, Act CCIV of 2012, Act CCXXX of 2013, Act C of 2014 and Act C of 2016 on the central budget of Hungary

In sum, the maintenance agencies in these three sectors are rather tightly subordinated to the Government and more directly to the Minister of Human Capacities. This influence expands to the territorial units, e. g. the Heads of the county and district units of the Klebelsberg Institution Maintenance Centre are appointed by the Head of the Centre, but the approval of the Minister is also necessary [Section 6 of the Government Decree No. 202/2012. (VII. 27.) on the Klebelsberg Institution Maintenance Centre]. Furthermore, the heads of the county units of the General Directorate of Social Affairs and Child Protection are appointed by the Minister [Section 2 of the Government Decree No. 316/2012. (XI. 13.) on the General Directorate of Social Affairs and Child Protection]. Additionally, the PMO Permanent Secretary's competence of approval may allow the central government (and personally the Prime Minister) to predominantly influence the senior personnel matters of the maintenance agencies.

#### 4 Conclusions

The Hungarian system based on the European Charter of Local Governments was one of the most decentralised municipal systems in Europe. Due to the fragmented spatial structure and the broad responsibilities of the local governments, serious size inefficiency problems evolved, which were first tackled by a concentration tendency within the local government system, without the harm of the municipal autonomy. Voluntary inter-municipal associations were stimulated by financial aids and by the transformation of legal regulation.

The elements of the new model introduced in 2011 are not unknown in European democracies. It is rather the mixture of these elements, which is unfamiliar: a strong centralisation of the delivery of former local public services and at the same time the concentration of the local public administration. The former concentration of the local government system partially remained, but the inter-municipal associations are now mainly responsible for the joined local administrative tasks, which turns this form of concentration into a mode of centralisation in its effects. Now, Hungary has a very centralized local administration system, in which the autonomy and the service provider role of the local governments (and their inter-municipal entities) have been largely weakened.

### Notes

<sup>1</sup> Portugal has a special status. The municipalities (municípios) and the parishes (freguesias) belong to the local level of the Portuguese municipal system. Thus the number of parishes is very high (4 261 in 2011), but the number of municipalities is moderate (307 in 2011) (Magone, 2011: 391).

<sup>2</sup> This change was considered by Tamás M. Horváth as a „quiet revolution”, which begun by the transformation of the tendering of public services and the public procurement procedures in Europe, especially by the new interpretation of the in-house public procurements and the new rules on the permissibility of the state aid (Horváth M. 2013: 175-178).

<sup>3</sup> There are only few exceptions: the joint office can have less than 2 000 inhabitants, if at least 7 municipalities take part in the cooperation; or it has at least 1 500 inhabitants and the protection of the right of (national) minorities requires a separate. This minority based exception was modelled after the administration of three villages in Vas county which have Slovenian majorities.

<sup>4</sup> These governmental statements are summarized in the Rapporteur’s Justification of the Act CLIV of 2011 on the Consolidation of the Self-governments of Counties and the Rapporteur’s Justification of the Act CXC of 2011 on Public Education.

<sup>5</sup> Social care: Act III of 1993 on Social Care, Act XXXI of 1997 on Child Care, Government Decree No. 316/2012. (XI. 13.) on the General Directorate of Social Affairs and Child Protection. Health care: Act CLIV of 1997 on Health Care, Act CLIV of 2011 on the Consolidation of the Self-governments of Counties, Government Decree No. 27/2015. (II. 25.) on the National Health Care Service Center. Education: Act CXC of 2011 on Public Education, Government Decree No. 202/2012. (VII. 27.) on the Klebelsberg Institution Maintenance Centre.

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