

AER Study on the state of regionalism in Europe

Country report on Hungary

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Author Biography

Ilona Pálné Kovács (1954) graduated as a lawyer, defended her PhD in political science, and was elected as a corresponding member of the Hungarian Academy of Sciences in 2013. She is a scientific adviser in the Institute for Regional Studies, Centre for Economic and Regional Studies, HAS and full time professor at the Department for Political and International Studies of University of Pécs. She is a leader of PhD programme in political science here. The focus of doctoral programme led by her is territorial, time and social aspects of governance.

Her scientific interests are regional governance and local governments, management of regional policy, teaching also public administration and constitutional law. She was a leader and participant of many domestic and international research projects, among them several EU framework, ESF, INTERREG, TEMPUS, ESPON, UNESCO, EC DG Regio programmes.

She has published several books and hundreds of scientific articles. She is a member of many national and international professional organisations (like ESF, IGU, RSA, NISPACee).

INTRODUCTION

The Hungarian state has always been centralized throughout the 1000 years of its history. This fact emerged especially in the role of the meso-level governments. The systemic change in 1990 gave to Hungary a chance to shape its own democratic political and decentralised governance system. It is a well-known fact that political culture and the state traditions, as well as the conditions of the civil society and especially the economic conditions have a deep impact on the shaping of power structure. However, the domestic political relations and needs of the state were not the only factors to determine the development of the new power structure. As an applicant for EU membership, Hungary made serious efforts in the last two decades to adjust its institutional system to the requirements of the European Union. The almost permanent reforms at the meso-level were mainly justified by the cohesion policy of the European Union. One of the Hungary's first lessons of Europeanisation was about the creation of new regional units and institutions.

The new constitution in 2011 brought fundamental changes again which also touched upon the meso-level governance. We can say in advance that the past of centralisation returned.

PART ONE : THE PRESENT SITUATION

Before the systemic change

The county has always been the traditional unit of the Hungarian local government system, ever since the state was founded in the eleventh century. The county organizations were designed to protect the interests of the king and later of the nobility. This essentially feudal structure remained intact until the Civil Revolution and War of Independence in 1848–1849. The relatively great power of the county was retained and acknowledged by the 1870 Act on Municipal Authorities, which was the first in the Hungarian history to regulate the public administration in a comprehensive way. The counties and larger cities of county rank being the seats of the counties continued to be the two pillars of the local government system, even

though the idea of a public administration reform and the elimination of the counties have been raised several times over the past centuries (Hajdú, 2005).

In 1950, when Hungary became a part of the Soviet Empire, the Leninist local council system was introduced. The model was essentially hierarchical and centralized within the framework of a socialist unitary state. The councils were not the organs of local power but the local organs of the (unitary) power (Beér, 1951), and this was true for the county councils as well. The county continued to function as the transmitting unit of central government. The elected bodies in the villages and towns were subordinated to the county councils first legally, and after 1971 according to the more “liberal” regulation by economic and political means.

The overture in 1990

The systemic change led to a fundamental transformation not only in the model but also in the territorial configuration (Pálné Kovács, 2011). The Act on Local Governments, enacted in 1990, resulted in a completely new situation regarding the spatial distribution of power. Instead of the former power structure, where the meso-tier (the county) was dominant, the basic level, the municipalities became the key element of the local government system. Freedom and independence from the central government were the focal points of the Hungarian model of self-governance. Legislators preparing this law were motivated mainly by political considerations when choosing the dominant values of the Act. The developers of the Hungarian local government model made conscious efforts to eliminate all the compulsory and hierarchic aspects. This ambition put an end to the centuries-long dominance of the nineteen counties. Referring to democracy and autonomy, the number of local decision-making units was doubled: more than three thousand municipalities replaced the former about 1600 local councils. Due to this fragmentation and the lack of willingness to form associations, the system became extremely expensive and still operates, in many cases, with a very low efficiency and quality rate. The second structural change was the almost total elimination of the counties’ power. The lack of competencies, means and resources was accompanied by an unstable political legitimacy and the lack of trust towards county assemblies. Using this power vacuum, the central government and the ministries in particular established their own “bridge-head” positions at the meso-level. Since 1990 many different types of deconcentrated bodies have been set up (labour, construction, education, environment protection, consumer protection and agriculture etc.). The increasing direct influence of the

central government on the territorial levels contradicted the original philosophy of letting local-regional issues be controlled by the local governments.

It can be stated that the Act on Local Governments has played an extremely important role in the democratisation process of the Hungarian state. Local communities were given a wide scope of competencies and autonomy and therefore they have become important schools of democratic political learning. However, the structure of the local government model has not proved to be suitable and sustainable for the decentralization of state power. The weakness of the elected county governments has led to an increase of the central government's influence in a form of deconcentrated public administration. We claim that the centralisation started paradoxically already in 1990 with the new, democratic law on local governments due to the coded structural problems.

Correction phase until 2010

The 1990s were actually spent with the correction of the structural problems caused by the first Act on Local Governments, without any real success. The Act was amended in 1994, but the reinforcement of the county governments did not take place, primarily because of the resistance of the municipalities, especially the cities of county rank, and the lack of consensus between the political elite. The next decade was marked by the continuous reform attempts for rescaling the territorial administration. This was motivated more by external EU pressure rather than the internal recognition of the necessity of strong meso-level government.

The legislation on regional development policy, born in the spirit of Hungary's accession to the European Union, was more successful. Although the European Union in general considers the public administration as a national affair, it has established a fairly influential regulation for using the Structural Funds. The EU cohesion policy principles of subsidiarity and partnership have contributed to the emergence or strengthening of the regions and made them virulent actors in the multilevel governance (*Bache, 1998*). Behind the slogan of regionalism, however, it is possible to detect rather varied intentions, values and even concepts of geographical configurations as it happened in Hungary.

The aim of the Act on Spatial Development in 1996 was to adapt to the European regionalism, but it did not result in a positive turn, regarding the counties. According to the Hungarian regulation, the development councils established at national, regional, county and micro-regional levels were created by delegations. A great dilemma was whether the about 160

micro-regional (NUTS4), the 19 county (NUTS3) or the 7 regional (NUTS2) levels should be the main action space of the regional political intervention and institutional system. The answer was based on fairly pragmatic arguments. The legislator decided to establish special institutions at all three territorial tiers, so called development councils referring to the principle of partnership. This over-fragmented institutional system, combined with the conglomeration of development councils operating at three territorial tiers, had three main consequences. It contributed to the fragmentation of the development resources, to the competition of the tiers among each other and to the evolving of conflicts, due to the lack of clear division of labour and, what is most important, the macro (NUTS2) regions were not able to become central actors in the regional policy. This regulation thus further eroded the position of the 19 county self-governments. The parallel institutional structures and the jungle of competing geographical (regional, county and micro-regional) units did not contribute to the strengthening of the meso-level.

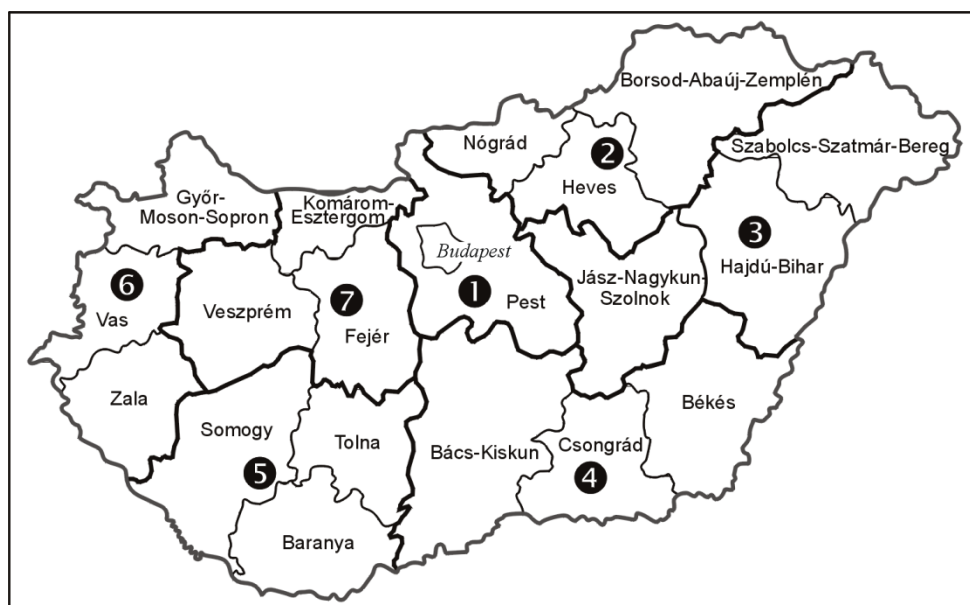


Figure 1 The counties and the NUTS 2 regions in Hungary

Source: Centre for Regional Studies, HAS

2002 meant a new turn in the position of county governments. The new left-wing liberal government announced a radical programme of regionalisation, namely the election of regional governments, which were organized in 2006. The ambitious governmental programme was not realised, even though some drafts were elaborated. The process did not

reach the political decision-making phase. The government re-elected in 2006 made attempts again towards the comprehensive reform of the constitution and the local government act, but it failed to gain a two third parliamentary support. The fact that the central government did not really consider regionalisation to be a serious matter became obvious after the unsuccessful reform package, when a dominant tendency towards “regional centralisation” appeared. By the end of 2006, the government prescribed the regional reorganisation of deconcentrated public administrative organs, functioning until that point primarily in the framework of the counties. The merger of county organisations in regional scale meant only a change of tables without any positive impact. Besides savings in personnel, nobody calculated the rising costs of travel, added to the augmentation of expenditures, compared to what real benefits the regionalisation would provide. A specific charm of regional integration was the designation of regional public administrative organs’ seats. The cities aspiring for hosting the headquarters of regionalised deconcentrated organisations competed with each other and could manage that the official seats of different types of organisations were spread in various towns of their regions. This phenomenon is just one of the evidences reinforcing the artificial character of regions, so the boundaries and seats were in the focus of political debate.

The progress of regionalisation in the area of spatial development was also laden with contradictions. The regions became the most influential units having professional development agencies with skilled staff and some experience in partnership cooperation, but after the EU accession, the entire institutional system of national development policy lost its positions, including the regional level. The Hungarian management system of EU Structural Funds became strongly centralised. Each operational programme, even the so-called Regional Operational Programme was managed by the National Development Agency. The regional development councils and agencies were not granted decision-making positions; they are only endowed with a certain intermediary and advisory role. Arguments in favour of centralised management undoubtedly existed, all the more so because the European Commission had no trust in regional institutional capacities and did not insist on regionalised management. It is still quite contradictory that the officially consciously supported process of regionalisation was halted after 2004. Strong centralisation and the marginalisation of regional stakeholders in decision-making scarcely augmented the number of the advocates of regional reform. Even the second programming period starting in 2007 did not bring any changes and the regions remained very weak actors in the EU cohesion policy. Even their role in the public administration was peripheral.

This story leads us to the conclusion that the territorial reform cannot be and should not be exclusively handled as a part of the European adaptation process and understood as subordination to the needs of regional policy.

Returning to the old tradition of centralisation

In 2010 a new period started with the ambitions of the right-wing government gaining power in overall terms, and also in relation to territorial public administration. Overtly defying the previous neo-liberal civil philosophy, Hungary can currently witness the centralising and nationalising efforts of the “neo-weberian” state, which has obviously to do with the governmental efforts to cope with the emerging economic crisis. The new government passed a new constitution, as a symbol of the beginning of a new era in the official idea and system of values of the political and government system, claiming that the original one created 20 years before was only temporary. It is no miracle that the new law on local governments adopted in 2011 moved also towards a weaker and centrally more controlled model of local government system. The position and status of self-governments in a strong and centralised state underwent serious modifications, and, in the meantime, the government refrained from regionalisation in structural aspects with the stabilisation of counties as the meso-level of governance. It is important to emphasise that the counties survived only as geographical scales, and not as elected county self-governments. This is the end of 20 years long history of decentralisation in Hungary which was mostly identical with the failed experiment for making the meso a strong self-government.

PART TWO : THE PRESENT SITUATION

Constitutional backgrounds

The Fundamental Law of Hungary was adapted in 2011, and promulgated at Eastern. The new term (‘fundamental law’ instead of the former ‘constitution’) and the timing were definitely symbolic, demonstrating the overture of a completely new political era. Not going into the details and the domestic and international discussion about the Hungarian constitution, it

seems to be enough to claim that the essence of the change from a governance point of view is the much stronger state including centralisation. The territorial aspects of governance became less important, or more precisely the role of the elected local/territorial governments weakened in favour of territorial state (deconcentrated) administration. The archaic character of the new constitution emerges already in the preamble: “We honour the achievements of our historical constitution and we honour the Holy Crown, which embodies the constitutional continuity of Hungary’s statehood and the unity of the nation.”

The article F states: „(1) The capital of Hungary shall be Budapest.

(2) The territory of Hungary shall consist of the capital, counties, cities and towns, as well as villages. The capital, as well as the cities and towns may be divided into districts.“

This formal regulation has actually ended the two decades long hesitation about the geographical scale of meso-level governance by stabilizing the space or scale of the county in the government system.

In the chapter about the state in the Basic Law, the very short part on local governments contains the rules for the local governments in general with one speciality concerning exclusively the counties, namely the president of the county assembly is not a directly elected position as compared to the mayor. There is no any constitutional provision on the task, mission of county self-governments. The territorial state administration got however more attempt. The article 17 in the part on the central government gives general empowerments for the county government offices: “The capital or county government offices shall be the territorial state administration organs of the Government with general competence.”

So the constitutional background has provided legal frames for the later legislation to fulfil the counties as geographical units with completely different power content, thus with much more central, top down state influence and much less elected, bottom up self-governance.

The new law on local governments and counties

The necessity of the local government reform was generally accepted both by political and professional circles since many reform documents emerged and were discussed during the last decades in order to solve the functional problems. The fragmented structure of municipalities and the weakness of the county assemblies resulted in low quality of performance and financial problems. The latter led to crucial financial crisis accelerated by the global economic and financial crisis started in 2008. So the new government had to do something. Possessing

two-third majority in the National Assembly it was able to do essential changes even without compromise with the parliamentary opposition.

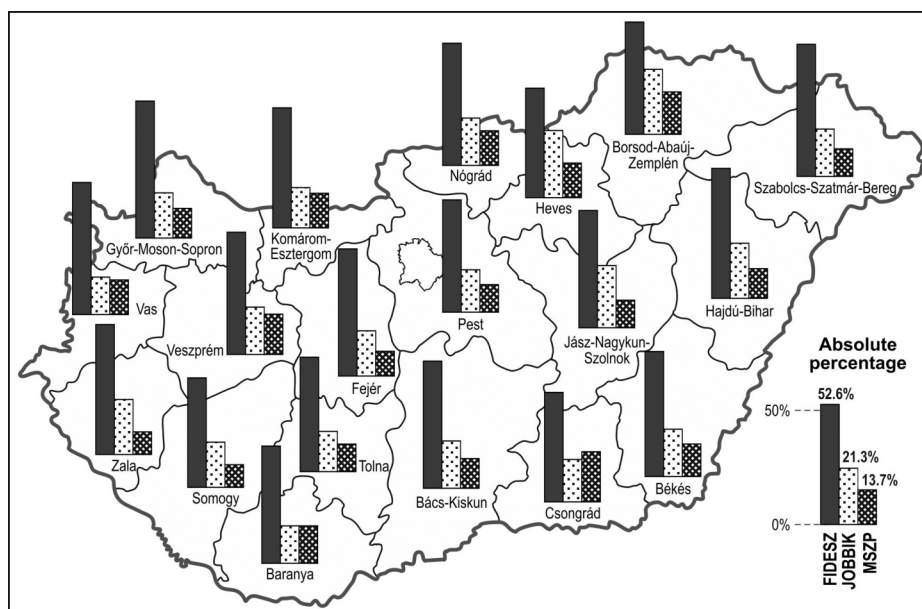
The new act was adopted in 2011, but several parts of it came into force at different times later. The Law on Local Self-Governments (No. CLXXXIX of 2011) fundamentally changed the whole system and also the role of the counties. As the new neo-weberian state philosophy emerged already in the Fundamental Law, the centralisation became dominant in the regulation of the local government system. Local governments as a whole have lost many competences in public services and their former „freedom” in the financing was subordinated to stricter legal control. We have to mention that the report of the Council of Europe in 2013 on the Hungarian local government reforms criticised many aspects of the law (CoE, 2013). But the biggest losers of the reform are the counties. We can say „again” since counties have had minimal presence in the political architecture prior to this reform, but due to recent developments they became seriously weaker (CoE, 2013).

The management of numerous public institutions (hospitals, schools, etc.) was taken over by the Central Government already in 2010-2011 before the new legislation communicating the necessity of nationalisation by the financial crisis of county assemblies. Instead of the former mission of running public services the primary function of the counties became regional development. As 27. § formulated: „The county assembly is territorial self-government which according to law fulfils tasks of territorial development, rural development, physical planning and coordination”. This is the only special regulation for county assemblies in the entire law on local governments. The law regulates the organisation, finance, control and other issues of local governance in general and these regulations are of course relevant for the county councils as well. The most important element in the new model is, however, that counties as self-governments have lost all of their own competences possessed before. What they have got as „compensation” is the very vaguely defined mission of regional development.

In order to understand the power structure of the meso-level we have to note that the special status of the county towns (the seats of the counties irrespective their size and independently from cities over 50000 inhabitants) was preserved, due to the long administrative tradition of Hungary (we have all together 23 cities with county rank). As a consequence, the jurisdiction of the county government does not cover these cities resulting in serious obstacles to the territorial cooperation. The county towns even won a bit due to the new regulation since the maintenance of some public service institutions has been transferred to their jurisdiction.

The new law (No. 2010. L.) on the election of local council members and mayors dramatically changed the former system. It reduced the number of local representatives with 30%, but in the case of the counties and larger cities, the scale of the representative bodies was reduced to less than the half of the former size (the present figure is 391 instead of the former 835 in the whole country). Another change in the county election system is that the former dual list system has been eliminated. There are single lists of parties making the system easier and more transparent. The former model was really confused, distinguishing the representation of smaller and bigger settlements. This rather symbolical amendment however shows also the changing political attitude, that is the dominance of the parties without any ‘territorial’ embeddedness. It is just a nuance that, besides the parties other civil organisations can have a list only when they obtain the recommendation from minimum 1% of the county population instead of the former 0,3%. As a result, the non-party organisations almost completely disappeared from the county assemblies (after the election in 2014 from the 418 representatives elected in the counties only 3 members are independent.). It was therefore clear, even prior to the elections, that the new county assemblies will be much smaller and more homogeneous.

Results of county election in 2014



	Fidesz	Jobbik	MSZP
Mean of county results (%)	53.1	21.1	13.8
Standard deviation of county results (%)	3.75	3.82	3.05
Relative standard deviation	0.07	0.18	0.22

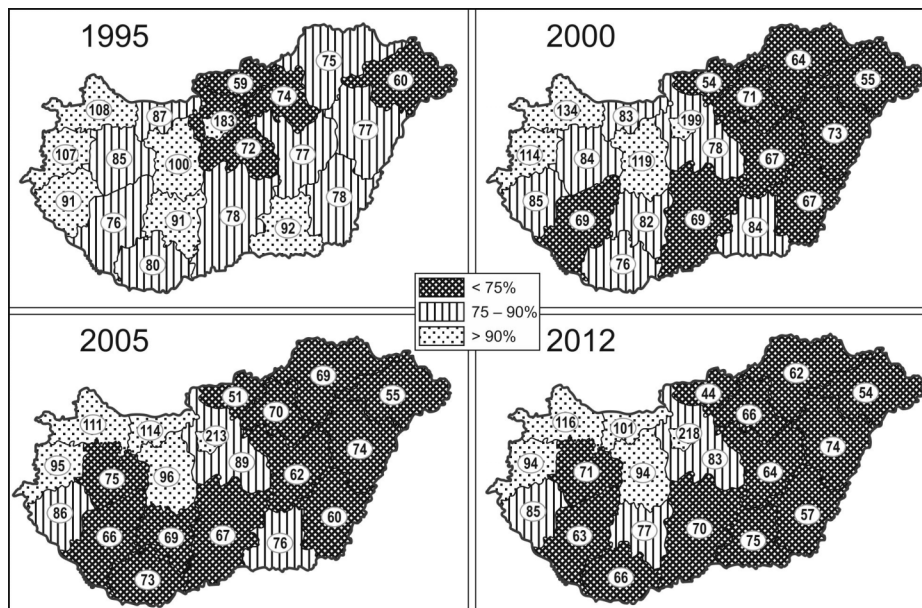
Source: www.valasztas.hu/hu/onkval2014/

The results of the county elections in 2014 show the dominance of the ruling parliamentary conservative party (Fidesz) and the expansion of the radical right wing party (Jobbik) as well. It is also clear that the two stronger parliamentary oppositional parties, Jobbik and the leftwing MSZP have geographically more polarised support, which means that the counties provide firm background for the nationwide politics of the ruling party

Developments after the cardinal legislation

This report does not deal with the local governance system in general, but it is important to know that the firm centralisation concerned all of the municipalities and cities. The whole sector has been shrunk in competences, budget, assets, staff, power and independence. The reason why I think, that the biggest losers are the counties, is because even their status as self-government has been questioned since they are not empowered by “general competence” any more (as it is one of the requirements of the European Charter of Local Governments). County assemblies are rather “single issue organisations” responsible for development policy. The model itself raises many doubts whether a representative body without any competences in public services, any legal links with municipalities, any own resources, is able to manage development policy? What is more, without skilled staff and administrative capacity, how do they fulfil this mission? The mission of regional development however would be very important since disparities among counties have been increasing dramatically. The figures below) show that in spite of the EU cohesion policy the capital city and the western part of the country have started growing first after the EU accession.

GDP per capita in percent of the national average, 1995-2012



Source: National Statistical Office

<http://statinfo.ksh.hu/Stainfo/>

These questions, doubts concerning the new governance system of development policy cannot be answered yet, because the activity of the counties at this field is almost invisible. The law on regional development (No. 1996. XXI.) has been amended in 2013. It cancelled the macro regions (NUTS 2) and the whole development council system. Instead of them, this amendment aimed at strengthening the county self-governments, and listed the competences of the county assemblies. However, these competences are vaguely formulated (planning, coordinating, participating etc.), their real policy impact depends on the financial instruments, and the real practice of development policy led by the central government.

The counties have been participating in the very intensive domestic and EU planning process. They had to prepare and adopt the county development plans for the National Development and Territorial Development Conception passed by the Hungarian Parliament in 2014.

Of course, the European cohesion policy plays a more important role since the European Structural and Investment Funds provide almost all of the resources for Hungary to catching up in the next programming period 2014-2020. As a basis for development policy, the so-called Partnership Agreement between the EU Commission and Hungary has been signed.

This document contains also some parts on the domestic management system, claiming that the counties as NUTS3 units will be the most important platforms of territorially decentralised investments, in strong relation with the reform in territorial administration. The single territorial operative programme will be the frame of small scale development projects in the field of local economy, employment, tourism, public services etc. It seems from the official domestic EU planning documents that about 10 percent of the EU subsidies will be allocated in the frame of territorial operative programme. It would be however too early to predict what will be the role of the county assemblies in the real decision making.

Counties as geographical frames of deconcentrated public administration

The fact, which proves that the ruling political elite has chosen the county as a stable scale for public administration and development policy, is more striking in the institutionalisation of county deconcentrated public administration. It is an unambiguous fact that the county government offices are much more powerful actors than the elected county assemblies. Their crucial role has been already guaranteed in the Constitution. The government's firm ambition was in 2010 to make 'order' in the very fragmented territorial state administration. Similarly to the central level, where the prime minister (and his office) became the strongest person and position, the county government office with the government commissioner appointed by the prime minister became the power centre of the county. This was the first time when there was enough political will and power force to integrate most of the territorial branches of line ministries into one single government office. The deconcentrated sector became more integrated and it has also been expanded at the same time, due to the nationalisation efforts in the public services. The hospitals, schools, elderly homes etc. maintained before by the county assemblies are managed by the newly established state organisations. The nationalised schools for example belong to the National School Maintaining Centre employing more than one hundred thousand teachers. A separate nationwide office runs the hospitals. Referring to the increased state duties, the government introduced new territorial units, the districts (175+23 in the capital) as well in order to assist the functioning of the mega-organisations and also to get closer to the citizens. The circle has been closed. The narrowing self-government system has been replaced by the expanding deconcentrated state administration instead of enabling local and territorial elected bodies for more efficient service provision.

Self-governments of minorities

Hungary has a special legal regulation and representation for national and ethnic minorities. Article XXIX (2) of the Fundamental Law of Hungary states that „Nationalities living in Hungary shall have the right to establish their own self-government at both local and national level.” This seemingly generous regulation however amended the former model of minority representation since there is no ever opportunity to create minority self-governments at county level. This change is also slight evidence that the county-level will not be a real political representational platform in the future either.

PART THREE : CURRENT REFORM AND DEBATES

Current reform and debates

The government has not announced any new reform attempt, considering the new structure introduced in the last years as complete. However there are trends, measures which predict the process in territorial administration and services in the future. It seems that the nationalisation of services provided formerly by local governments or private actors will be continued in social care and communal infrastructure. But these steps do not touch the position of the county assemblies since they have no any public service competences any more. At least their legally declared competence of ‘co-ordination’ can be understood as a mean of co-ordinating the activities of municipalities in some fields of services and development.

It is also an open question how cities will be enabled for local economic development having no means and discretionary rights in strategic planning and local taxation. The institutional frame of municipal co-operation is also missing although the successful absorption of EU cohesion funds depends on the ability of cities in developing local economy, infrastructure and human capacities.

The shift towards the stronger central state responsibility is of course politically disputed by the associations of self-governments and oppositional parties, but honestly said, most of the people is rather neutral concerning the massive centralisation. In the next years there will be a big experiment on how will the central state portfolio copes with the increasing tasks.

Important lesson is that actors of decentralised power have not enough strong guaranties to preserve their position and empowerment. The ‘meso’ is in specially fragile position since not only the centrally located actors and institutions are ‘jealous’ towards sub-national levels, but also the municipalities, especially the cities are not enthusiastic being ‘subordinated’ by any upper levels. The civil, democratic embeddedness and identity are crucial factors, also in legitimating the regional governments. Without democratic support, it is hard to save the power position. When the conflicts between governance levels bypass the publicity, these remain only closed bargaining with less chance to win. It is true, however, that the meso level governments have a hard job, as they have to sell their mission to the public.

SUMMARY

Counties in Hungary have gradually been excluded from the power arena after the systemic change. In the first decades, the dilemma of geographical scale was on the agenda, as the main argument why counties were (are) not addressed by real power and competences. The reform experiments with the micro and macro regions failed, the counties as public administrative frames remained on the map, in spite of the fact that EU accession and the cohesion policy were a crucial external driving force for the reform. However, as elected self-governments, they have almost disappeared from the territorial governance system, losing their assets, competences, local networks and legitimacy. The county self-governments are the victims of the strong centralisation taking place in Hungary, so there is no democratic meso- level to counterbalance the oversized central power. The inner driving forces are still missing for recognition of necessity of regional decentralisation.

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