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Municipality Management in the City of Bicske - Variety of Solutions

Introduction

The success of the decentralised state depends on whether the relevant actors who receive the financial means to meet the local population's needs can competently provide the services they have been tasked with. One of these key actors are local governments. Hence the appropriate municipal management is one of the tools that ensures the process of smooth functioning. Different transitional countries - among them Hungary - have adopted diverse schemes of municipal systems, some of them allowing more freedom in adjusting to local needs, others having stricter regulation. Hungary adopted one of the most decentralized municipal systems, resulting in a wide variety of municipal management models. The aim of this chapter is to explore these ways of management and show their advantages and possible drawbacks for community life with special regard to the utility service delivery at the local level including services such as education, health service, communal services and housing management. Our main example is the town of Bicske, while some more cases will be shown as illustrations for municipal management¹. We have chosen Bicske because its location urged the municipality to adopt some progressive changes concerning the service provision. On the other hand, the municipality has a well organised set-up, with a clear structure and can be a solid basis for comparison. We can also find some good examples of the results of the transitional process in this settlement, which can benefit other cities that have to get through the same stages of reforms.

Mandatory and optional tasks on local level

In order to understand municipal management, two different approaches are necessary: theory and practice. Our theoretical point of view is based on the legal regulation concerning the local government

¹ These examples are provided by the National Association of Financial Officers of Municipalities.

issues including the central legislation², which can vary markedly from country to country; we can get familiar with the practice by exploring the local governments' decisions or the local administrations directly.

A question of primary importance concerning the management of local communal services is the framework of local governments' tasks. It is impossible to give a list of these functions without knowing the special circumstances, traditions, economic and social conditions or possibilities of a certain state, nor is it possible to evaluate municipal management without the context of the current legislative regulations.

Here are - in brief - possible responsibilities of local governments:

1. General administration
2. Education
3. Social welfare
4. Health services
5. Culture, leisure, sports
6. Public utilities
7. Transport, traffic
8. Environment, public sanitation
9. Urban development, economic development

In Hungary, local governments can act autonomously in public affairs of local interest if they fall within the scope of their functions and powers (local public affairs³). The rationale for this approach is that it is the local level that can best meet the population's needs and that is best capable of delivering the appropriate public services⁴. These services, however,

² Legislation concerning local government that serves as the basis for this study mainly includes:

- Act No. XX. of 1949 on the Constitution of the Republic of Hungary
- Act No. LXV of 1990 on Local Self-Government
- Act No. XX. of 1991 on the Tasks and Competences of Local Governments and their Organs, Commissioners of Republic and some Organs under Central Subordination
- Sector Acts determining further responsibilities for municipalities. Each branch of public administration is regulated by the so-called Sector Acts determining among other subjects the responsibilities of different organizations. Due to their huge number, their detailed specification is outside the scope of this study.
- Local legislation i.e. decrees, are issued by the municipality of Bicske. Local governments may regulate legislative subjects on the basis of delegation or autonomously when central legislation is lacking.

³ Local public affairs are defined by the Act itself: local public affairs are related to providing public utility services for the population, to enabling the exercise of power of local self-government and to procuring locally the organisational, personal and financial conditions for all this. A local public affair may be reassigned to fall within the competences of another organization only by law and only exceptionally.

⁴ „In Hungary, the term *local public services* is connected to several types of deliverable services to the public. These services include social welfare services, education and health services, environmental protection and local development, transport and public utilities.” See: Somogyi, E. and Teller, N. (2003): *Public Services in Hungary*, in: *Reforms of Public Services. Experiences of Municipalities and Regions in South-East Europe*, Zagreb: Friedrich Ebert Stiftung Zagreb Office, p. 45

vary according to the demand and also to the financial needs and possibilities. Therefore, the tasks are divided into two groups: the mandatory and the voluntary or optional tasks as defined by law (Act No. LXV. on Local Self-Government of 1990). Small settlements have fewer mandatory tasks, which implies that there are different resources and needs at the local level in a fragmented municipal system such as Hungary's.

Mandatory tasks for all settlements are:

1. Providing healthy drinking water
2. Kindergarten education
3. General school instruction and education
4. Basic health and welfare services
5. Public lightning
6. Maintaining local public roads and public cemeteries
7. Ensuring the rights of ethnic and national minorities.

The mandatory tasks for larger settlements are also stipulated by legislation. The laws also ensure the financial means necessary for such purposes and decide on the extent and the manner of contribution that has to be provided from the state budget⁵. For example, a number of mandatory tasks are determined by Act No. XX. of 1991, the so called "Competency Act".⁶

To meet the local conditions, requirements and capabilities, local governments may undertake optional tasks. Local governments, through the locally elected representative body or by means of local referendums, may voluntarily take on any local public affair not assigned by law to another organ. These tasks are then listed in the local

⁵ A settlement in Hungary may be a city or a commune (two different categories). Both categories are mainly titles, but they have implications for the status of the settlements. This means that the "settlement local self-governments" include the local self-governments of the commune, the city, the capital and its districts. In many cases the tasks of settlement self-governments are determined on the basis of their population size (by sector Acts), rather than on the basis of their status.

The President of the Republic gives a status to a settlement. The relevant conditions are determined by the Act on Land Organization (1999); however, the decision itself is based on their discretionary judgment. The most important conditions are the state of the infrastructure network, the economic development, the population size, the public institutions and the regional role of the given commune. A detailed review of these conditions and process may be the subject of another study. In Hungary there are nearly 3200 communes and 274 cities.

⁶ „According to Article 43 of the Hungarian Constitution, the Law on Local Self-Governments is not the only regulation that may prescribe the duties that have to be performed on local level. These are the sector laws and the so-called 'Competency Law' that set further obligations, such as the operation of public libraries or, depending on the size and the population of a settlement, the different levels of obligatory social service, health and educational service, and waste disposal." See: Somogyi, E. and Teller, N. (2003): Public Services in Hungary, in: *Reforms of Public Services. Experiences of Municipalities and Regions in South-East Europe*, Zagreb: Friedrich Ebert Stiftung Zagreb Office, p. 45

governments' decrees (normally the statute) and are totally unique in their composition.

Further mandatory functions of Bicske

Bicske is a small town situated in central Hungary, west from the capital, in Fejér county. Its population is approximately 11.000. As a settlement with a sizeable population and as a rather important settlement among its neighbours, Bicske has some extra mandatory tasks compared to other smaller settlements.

1. Waste collection and disposal
2. Sewage
3. Maintaining local fire brigade
4. Local civil defence
5. Certain veterinary tasks
6. Some tasks in the area of child protection such as
 - maintaining local nursery
 - service provision temporary shelter
7. Maintaining library
8. Some tasks in the area of welfare services, such as
 - home assistance service
 - soup kitchen
 - daytime welfare service
 - maintaining care centre for the handicapped and the elderly
9. Providing local communal space for leisure activities
10. Supporting local sport activities
11. Providing medical consultation by specialists.

Optional tasks carried out in Bicske

1. Organising tourism
2. Certain tasks in the area of public utilities
3. Investments and reconstruction of infrastructure serving the city
4. Supporting local police force
5. Supporting public and private institutions not belonging to the settlement's self-government
6. Supporting sport activities in the city.

Whether a local government can perform additional optional tasks very much depends on its financial resources. Therefore, it is not rare that costly optional tasks are carried out in cooperation with other towns.

Operation of local governments

Local governments decide on a variety of tasks and they should have a structure which best matches this service delivery. Nevertheless, some basic rules about the local governments' setup have to be pointed out in order to understand the structure of municipal management.

First of all, it is necessary to clearly divide elected organs of self-government - being politically responsible - from those of administration, appointed by the elected organs. The elected organs' mandate is of limited duration while the organs of professional administrative bureaucracy is of unlimited duration.

Body of representatives and its organs⁷

The basic rights and powers of local government are exercised by a body of representatives. The body of representatives delegates some of its powers to the mayor or to its committees. The decisions of this body are made in two possible forms: the decree or the resolution.

The body of representatives in Bicske

In the city of Bicske the body of representatives consists of 19 elected representatives for a 4-year-term including the mayor. The last elections were held in autumn of 2002.

A committee is an elected organ of the body of representatives. Within its power, the committee prepares the decisions of the representative body, organizes and controls the implementation of the decisions. It controls the work of the representative body's office concerning the preparation and the implementation of the decisions of the representative body. The body of representatives may authorize the committee to make decisions, and may revise the decisions made by the committee. By law, local self-governments are obliged to establish a budget committee. Delegating tasks to committees is a very favourable option, since the members of these committees can commit themselves to certain issues and have a better insight into the given tasks. It is also common that consultative experts are invited to assist the committee

⁷ Section 9 (2) of the Act No. LXV of 1990 on Local Self-Government says that the functions of self-government shall be performed by the body of representatives and their organs, by the mayor, the committees, the sectional local government and the office.

members in their work, which can make local self-government's work more effective.

Committees in Bicske

In the city of Bicske, the body of representatives established 6 permanent committees:

1. Committee of Finances

This committee's task is to control and evaluate the legality and effectiveness of using public financial sources and the public property in connection with the changes in local government's property and financial assets, including the management of local governments' institutions. It has delegated the rights of decision-making in two main aspects: it approves the plan for the financial-economic control over local governments' budgetary institutions and it also approves the report on it. After asking the opinion of competent committees, it makes decisions on the appropriation, utilization and mortgaging of limitedly transferable movable core property items enabling the functioning of the body of representatives or of its organs.

2. Committee of Procedures

Its task is to support the legal and effective functioning of the local self-government of Bicske. It supports the preparation of the decisions made by the body of representatives connected with the organization and procedures of local self-government. It controls the execution of the decisions, takes a stand on procedural and ethic matters and issues prior opinions on the decrees and resolutions to be issued.

3. Committee of Education, Culture and Minority Affairs

It prepares the decisions of the body of representatives related to education, culture and matters affecting minorities, and provides for the execution of those resolutions. It may make the decisions itself in line with its delegated power e.g. the approval of the statutes and the professional plans of educational and cultural institutions owned and maintained by the local self-government.

4. Committee of Urban Development

In its delegated power it makes the decisions concerning initiating construction, procurement of public property up to a

certain limit, concerning selling and encumbering of certain property items as well as leasing grounds, fields, apartments or other premises and facilities owned by the local self-government. It also gives an opinion on the decisions of the representative body to be made in matters defined by the Statute of the body of representatives.

5. Committee of Welfare and Health

In its delegated power it makes the decisions on establishing several types of social subsidies for citizens and on the requests for getting a place in the local government's welfare institutions.

6. Committee of Sports and Tourism

Its task is to prepare and to give an opinion on the decisions related to sports and tourism to be made by the body of representatives, to organize and control the execution of the relevant resolutions and to make decisions within its delegated power. The committee may make the decisions on awarding financial support, and monitors its utilization. It makes the decisions on the utilization of the sport facilities owned by the city.

Each committee consists of 5 members. Three members are always local representatives, while the remaining two members do not belong to the body of representatives. The body of representatives in its Statute defines in detail the committees' tasks and responsibilities.

The mayor is one of the most important organs of the body of representatives. The mayoralty is a political position. They are the political and the administrative heads of the local government responsible for the local policy implementation. The mayors' administrative function is dual: they perform both local and state administrative tasks. The mayor represents the body of representatives. They perform their local administrative and state administrative tasks and discharge their powers with the cooperation of the office of the representative body. The mayors govern within their powers of local government and in accordance with the resolutions of the body of representatives. They determine the tasks of the office in organizing the work of the local government, in the preparation of decisions and in their implementation. They make the decisions in state administrative matters within their competences and may delegate the exercise of

some of these powers. On the proposal of the chief executive, the mayor submits a draft to the representative body for determining the internal organizational structure, the plan of activities and the timetable for contacts with customers. The mayors are employers: the deputy mayors, the chief-executive and the heads of the local government institutions are their employees.

Lower level of state administration: the chief executive

While the mayor deals with the local government policy, the chief-executive can be said to deal with expertise. The chief-executive, also called the notary, is an expert on public administration in local government. They represent the public administration's professional and permanent character, while the mayor represents its political aspect. That is why the chief-executive is appointed, and not elected by the body of representatives. The appointment is for an undetermined period of time and is competitive. Finally, the person appointed to the post of the chief-executive must have the necessary qualifications stipulated by law.

The chief-executive runs the office of the representative body. While the mayor directs the office from the outside, the chief-executive works from the office, and is responsible for the day-to-day activity of the office: they are the employers to the civil servants working in the office. The chief-executive supervises the performance of the tasks related to the activities of the local government, and prepares the administrative decisions made by the mayor. They make the decisions regarding the competences delegated by the mayor.

The chief-executive is responsible for the lawful activity of the local government. They must participate in the sessions of the body of representatives and its committees, and must point out if their decisions violate any laws. A violation of law committed by the mayor's decision must be pointed out to the mayor as well. A deputy chief executive can also be appointed.

Organizational structure

The administrative organization of local governments is determined by the decree on the Rules of Organization and Procedure. This means that the body of representatives sets up its office, including its division into organisational units called departments or offices, stating the responsibility of each. The Office of the Body of Representatives functions as an auxiliary body to the body of representatives, to its committees and officers when preparing and executing their decisions, organises their execution and their control. It also has some state

administration tasks determined by law. The activities of the Office of the Body of Representatives are organized by the chief-executive.

The Office of the Body of Representatives informs the citizens, and canvasses their opinion. It co-operates with the organizations providing public services, with civil associations, NGOs and churches. It is in touch with other centrally-subordinated local self-governments, administrative organs and authorities.

Since it is always the body of representatives and the chief executive who together define the office's setup, there are some variations in the offices' organization in Hungary. The municipalities search for the most effective utilization of personnel and rationalize the work in order to keep the administrative expenses as low as possible. During one term (4 years), however, some changes can be initiated. For example, in Tatabánya (a town in western Hungary), the body of representatives wanted to speed up the economic development and designed a new paradigm of the town development, namely strategic planning; consequently, a new department, the so-called "Strategic Department" was established. Besides elaborating the development goals and tools, this department also coordinates the other departments' development-related activities. They are also responsible for communicating with the inhabitants and thus ensuring the legitimacy of the strategy.

In order to cover all the possible duties and perform not only the mandatory but also the optional tasks, the rationalized number of civil servants has to carry out a range of duties. The grouping of these duties differs from case to case, and the more fragmented the office is, the harder it is to achieve a smooth information flow which is necessary for good management. Since normally it is the head of the relevant department who is responsible for communicating with other departments, a strict-hierarchy organization also stands in the way of effective work.

Internal Structure of the Office in Bicske

In Bicske, the Statute defines the internal structure of the office. The number of people working at the Office of the Body of Representatives in Bicske is 76, including the mayor and the deputy mayor; the latter two do not have the status of civil servants. The office head is the chief executive, supported by her deputy. The office is divided into six organisational professional units:

1. Department of Finance and Budget

Its function is to provide the local self-government finance and budget as well as the public accounting. Its duties include the affairs related to taxation, the domain of the separate Tax Unit. Six out of fourteen civil servants in the Department work for the Tax Unit, which acts as the tax authority in the area of local taxes.

2. Department of Urban Development and Management

Many functions of this department include exercising authority related to construction, environment, environmental protection, utilization of public space, as well as providing public lightning and power, maintenance of public roads, organisation of public transportation. Also, it is responsible for the matters related to street cleaning, water management, flood-prevention and drainage, water supply, waste collection and disposal, sewage, mining, communal management, statues and monuments. Besides development and management (and both have their own units within the Department), it also comprises separate units for affairs related to building and construction with their own staff of five out of fourteen employees of the Department.

3. Department of Organization

It serves as a support for the local government's directives. It organises and prepares the decisions of the body of representatives of the Roma Minority Self-Governments as well as of their staff. It is also responsible for human resource management, informatics and organisation of further training. Its functions of primary importance are probably the participation in decision making, mainly the preparation of the officials' decision. For example, the department prepares the mayor's decisions or those of the chief-executive, concerning defence, civil defence and natural disasters. In addition, the main professional areas of its activity are the organisation of management, supervision and control of the activities related to public education, culture, public gatherings, sports and leisure. It maintains contact with the public non-profit organisations and funds, the press and the media. It also organises fire protection and work safety and maintains the system of communication inside the office. Finally its responsibility is the co-ordination of the preparatory tasks

stemming from the membership in the European Union. This department has a staff of eleven, including the head.

4. Department of Administration and Welfare

Its responsibility is to deal with welfare, including the reports of financial assistance, its allocation and registration. It is also responsible for the tasks concerning child protection which are within the chief executive's domain. Many other functions of the state administration delegated to the chief executive are also performed by this department, e.g. refugees and nationality status, register of births, marriages and deaths, contraventions and the protection of property in administrative procedure, and issuing official certificates concerning the estates of the deceased. Another central task of this department is the authorization of the activities related to health and welfare services, including the authorization of such institutions. Its staff consists of nine civil servants, including the head.

5. Office of Documents

In this office documents, certificates and permits are issued, and records are kept. The office is responsible for the registration of residence and personal identification, and issues official documents such as driving licences, vehicle permits and business licences. It is actually a sort of a one-stop-shop for the citizens. This office carries out the tasks of the state administration under the professional supervision of the Ministry of the Interior, being in online connection with its central database. The number of civil servants working for the Office of Documents is ten, including the office head.

6. Public Guardianship Authority Office

Its functions cover the tasks concerning tutelage and are legally regulated. This department performs the tasks under the state's jurisdiction. Consequently it is subordinated to the County Guardianship Authority. Organizationally it belongs to the Office of the local self-government of Bicske, and the responsible official authorized in the matters of tutelage is the chief-executive of Bicske. This department has a staff of five, including the office head.

Forms of service delivery

Public service delivery in a settlement may have several different forms. The regulation says that local governments perform their tasks according to the needs of their respective population and in line with the legislation through

- their own budgetary organs
- through other business organisations, and
- through buying services in some other way.

The local governments may select the forms of service delivery themselves.

Budgetary institutions

The first group of municipal service functions are those under the control of the local government. In a majority of tasks, the most frequent form of service delivery is that the local government carries it out itself. This can be done in two ways. First, the local government carries out the task organised *within its office*. Second, the local government has its *own budgetary institutions or business associations*. In both cases, the service is within the local government's own budget. The local government holds its own budgetary institutions or companies under tight control. The difference is the influence over the public service provider. While a self-government may direct its own office, companies owned by the city may be influenced only indirectly, in the way stipulated by law on companies and business associations. The supervision of its own budgetary institution is exercised indirectly as well.

The solution is that when the service is provided outside the local government's own organizational unit, the body of representatives may establish the local government institutions, enterprises, and other organisations and appoint their heads. In case of business ventures, the representative body of the local government may establish such institutions only in the form of business associations or co-operatives.

It is very common for the local governments to perform basic educational, social and healthcare services which are under their strict control. Nevertheless, it would be difficult to find business organizations to carry out these services, or to find ventures that would operate the relevant facilities, at a reasonable price for the inhabitants. We also have to have in mind that the related resources that are provided by the central budget are quite often insufficient and hence the local self-governments have to “add” their own money to carry out the tasks at an appropriate level.

Budgetary institutions of Bicske

Bicske has several budgetary institutions providing public services:

- 1) Elementary School
- 2) Public Nursery
- 3) Kindergarten No. 1
- 4) Kindergarten "Kakas"
- 5) Kindergarten "Szivárvány"
- 6) Family Aid and Children Welfare Service
- 7) Care Centre
- 8) Cultural Centre "Petőfi"
- 9) City Library "Nagy Károly"
- 10) Professional municipal Fire Brigade

As pointed out in the case of voluntary service provision, there is a special form of service delivery through the local budgetary institutions, namely the association of several settlements' organizations. Local governments may voluntarily join them for the sake of providing some public service or they may even set up joint institutions. This solution is still not common, although efficient service delivery would definitely require a rational cost-effective organization of more expensive services (e.g. medical).

Associations for service delivery in Bicske

As a regional centre, Bicske is a member of three local self-governments' associations on the basis of agreements made with several nearby villages:

- 1) Association for medical care. Established in 1998. Members are local self-governments of Bicske, Csabdi, Mány, Szár, Újbarok, Szárliget.
- 2) Association for district medical service and district children's medical service. Established in 1998. Members are local self-governments of Bicske and Csabdi.
- 3) Association for Basic Health Service Provision. Established in 2000. Members are local self-governments of Bicske and Óbarok.

The local self-governments can also be owners or shareholders in a variety of different companies. Since the local governments are also allowed to invest, they may obtain shares for business investment opportunities as well. Establishing companies which are 100% owned by the local government is a common solution e.g. the tasks related to housing and real estate management. Real estate management is one of the core tasks directly related to the municipalities' wealth; that is why the modern methods of asset management have recently become more popular in this field, such as portfolio management and transforming some council flats and constructing non-council flats as well. The sector still lacks transparency due to some cross-financing, but especially local self-governments with high-value assets struggle for cost-effective and precise operation. Establishing Ltds or other forms of companies is also common due to the tax regulations: business tax regulations motivate the foundation of public-purpose companies in Hungary.

Bicske's corporate ownership

The town of Bicske is an owner in its own right. It has shares in several companies. Some of them, however, are public services exclusively owned by Bicske. Others serve mainly as investment e.g.:

- 1) MMG Automatika Művek Ltd.
- 2) Alba Regia Construction Enterprising Holding Company
- 3) Undertaking Ltd. of County Fejér
- 4) National Saving Banks and
- 5) Zsámbékgáz Ltd.

Most companies or ownership shares serve as the municipal local government property. In many cases the city became the owner by way of the compensation from the state when the companies were privatised. The regulation on privatisation determined that the compensation had to be paid for the value of the companies' land.

The company Zsámbékgáz Ltd. is an exception. It was established by 15 settlement self-governments to enable the construction of the regional gas network. In 2002 the company sold its shares to the owner: the local self-governments. At this moment the gas supply is provided by the National Oil and Gas Company; the role of the city-owned company was the construction of the infrastructure and its maintenance.

Other companies provide public services for the whole county or the region and are owned by several settlement self-governments. In these cases an agreement is made between the local self-government of Bicske and the company, even if it is exclusively owned by the city.

The companies providing contracted public services in or for the city of Bicske are:

6) Fejérvíz Ltd.

It is owned by the settlements' self-governments of Fejér County. It provides the countywide service of water supply and sewage disposal.

7) Bicske Traffic Ltd.

This company is owned 51 % by the town of Bicske. It is responsible for the local public transportation i.e. bus transport. The citizens over 60 may use the bus service free of charge.

8) Bicske Resort Camp Ltd.

It is exclusively owned by the city of Bicske. Its task is to maintain and manage a municipally-owned resort camp in Zánka and to organize there the local children's vacation. It also participates in the business market and provides accommodation for paying guests.

9) Bicske Urban Maintenance Ltd.

It was established in 2000 in order to provide communal services, to manage the municipal real estate property, to maintain public parks and places and to organize garbage collection. It is exclusively owned by the city of Bicske.

10) Bicske Health Care Centre Ltd.

Established only in 2004 and exclusively owned by the city of Bicske. After taking over the operation, maintenance, development and control based on an agreement with the county self-government and following the privatisation of the specialized medical consultation, it will organize basic and special medical treatment for the citizens.

Table 1: Institutions in the city of Bicske

Type of institution	Number of institutions	% of institutions
Own budgetary institutions	10	43,5
Joint budgetary institutions	3	13
Companies	10	43,5
Total	23	100

Table 2: Companies owned by the local self-government of Bicske

	Joint-stock companies (5)	LimitedPublic companies (4)	Purpose Association (1)
Owned by Bicske 100%	-	2	1
Bicske as shareholder	5	2	-
Providing public service in the city	5	3	1
Serving as investment	-	1	-

Service provision through other business organizations and buying services

Another major form of local service delivery is when the settlement government's direct participation is less pronounced: the service is provided by contracting out. A contractual relationship means that the third persons, and not the municipal organs, provide the service. In this kind of service delivery, the most common form is a contract entered with private companies or entrepreneurs. In certain cases the other party in the contractual relationship might be a state company, a company not owned by the municipality. A special form of contractual relationship is concession. This means that local governments can make use of their assets, including the property and the property rights. Concession is possible in the following services: local roads and the corresponding facilities, making use of local public utilities (for example water supply, sewage, electricity, gas, central heating, telecommunications). The problem of the concession concerning the local public utilities is that these systems are part of a larger, regional or national system and as such subject of government concession. That is why in practice the concession granted by the local governments might be possible only in water supply, sewage, local broadcasting. Smaller settlements - such as Bicske - cannot exploit this possibility.

With the asset transfer, Hungarian municipalities found themselves responsible for the operation of a number of companies. In some cases these companies were privatized i.e. the public utility companies transformed into private companies, which has made private capital investment possible. It is not clear whether this type of outsourcing is more cost-efficient, and there have been several cases when the privatization process had to be stopped and the utility company again turned over to the municipality. There have even been some notorious cases when the municipality completely lost control over a utility service company which actually resulted in high losses that had to be covered by the municipality as the owner of the independent firm.

Examples of service provision by contractual relationship in Bicske

1. In order to construct and maintain local public roads and buildings belonging to the city of Bicske, the local self-government made contracts with several local private firms. The management of bridges and roads is also contracted out.
2. Disposal of sewage is also contracted out to local entrepreneurs.
3. Public lighting is provided by the regional electric company (ÉDÁSZ) based on a contractual relationship.
4. Maintenance of public cemetery and burials is provided by the local undertaker company .
5. Veterinary services are partly performed by a local entrepreneur, namely a contract was made with the pound owner. The veterinary service is the responsibility of the state. The local government's responsibility is to maintain an animal burial ground.
6. Catering in some institutions belonging to Bicske, such as kindergartens, schools, and nurseries is also provided on the basis of a contractual relationship with some local entrepreneurs.

Therefore, it is of utmost importance to thoroughly investigate all the circumstances and steps in all forms of privatization and their possible effects.

In addition to privatisation, other forms of public services emerged. The most common form of contracting out - as mentioned above - is when local authorities commission the private sector to provide public services. A special form of contracting out, particularly in the field of services provided for human resources draws other kinds of organisations into the provision of public services. For example, in Hungary of the 1990s pluralism in education was introduced, it became possible to choose between the private and the public health service, etc. Another very important phenomenon has been the emergence of foundations, churches, civil associations and other non-profit organisations providing public services locally, and their expansion within the public sector. These non-profit organisations perform their activities in the field within the framework of the local governments. This means that they perform public services; on the other hand, they might tap into the local financial resources. The final outcome is the

transformation of the relation between the local governments and the non-profit organisations, because the local governments' role will be to financially support the provision of the services and to control the legality and not the quality of the provision.

Service provision by NGOs

In Üllő, a small settlement near Budapest, an NGO operates a job centre for the disabled. The municipality supports the NGO's work by providing the premises. The NGO has initiated an information service point with the Internet access in the same building and through some effective tendering was able to obtain enough resources to employ about 200 people.

In Szolnok, a county seat in Eastern Hungary, the tasks that can be performed by NGOs are announced every year in the form of tenders, which encourages NGOs to compete with each other. In this way, the child care service could be contracted out and the number of civil servants was considerably reduced, which makes the city's management more cost-effective.

In Szentés, a city in South-East Hungary, the Catholic Church has constructed a shelter for 20 homeless families in cooperation with the municipality.

In certain types of services, the privatization or the contracting-out of services is a rather sensitive issue, since several laws define the standards of the provision and of the supervision. As an illustration, let us have a look at the health service privatization in Bicske, showing all the steps from forming the idea of privatization, its background, the actors, the complicated contractual relations ensuing from the legal setup in Hungary, and finally the expectations from this privatization process.

Privatizing health services in Bicske

The organization of medical consultation by specialists in Bicske used to be in the hands of a hospital maintained by the county self-government. Consequently, the outpatient unit in Bicske functioned in practice as an organizational unit of the county hospital. The direction and management of the outpatient unit resulted in the situation in which neither the local citizens nor the municipal officials were satisfied with the service provision. Particularly the

state of the building and the equipment of the outpatient unit was not satisfactory. In addition, there had been no progress or investment for decades. Then the region's administrative environment changed, and Bicske's role became more important in providing many public services such as the organization of basic and advanced health service.

The first step in the process was the preparation of an agreement between the self-governments of the town of Bicske and Fejér County on taking over the responsibility for the maintenance of the outpatient unit in Bicske.

After some negotiations, it became clear that the county self-government did have the intention to transfer the responsibility for the service provision. Before preparing the agreement necessary for the transfer and the takeover of service provision and of the institution, many steps had to be undertaken, including informing and getting all the interested parties involved in the process. The surrounding settlements were some of them. As the settlement self-governments, they were responsible for the provision of the basic health service, but not for the specialist medical services. However, their population lives in the area covered by the outpatient unit of Bicske. The first idea was the establishment of an association with the participation of all eight interested neighbouring settlements, including Bicske.

Although all the settlements agreed to the plan, this solution was ruled out. One of the reasons was that the population of 38.000 lives in the service area of the outpatient unit of Bicske, while another 11.000 live in the town. The other reason was the regional role of the city as the central settlement.

Another solution was to make the town of Bicske solely responsible for the maintenance and management of the outpatient unit of Bicske and for the regional service provision for all the interested settlements. This solution was better and served Bicske's interest because those belonging to the association would have common property with the exclusive responsibility of the town of Bicske. The operational structure of the local governments' association was not acceptable for the city either because each member would have the

same number of votes in decision-making although more than a quarter of the region's population lived in Bicske.

And finally, the interested neighbour settlements and the municipality of Bicske as well as the county self-government agreed that Bicske would transfer the responsibility of this public service provision and would manage and maintain the outpatient unit.

The next step was to inform the citizens about the self-government plans. The acceptance of the project went rather smoothly since the state of the outpatient unit was common knowledge. The Local Self-Government of Bicske had to inform the physicians and other employees working for the outpatient unit. It was important for the district doctors and the specialists to have their consultation-room in the same building, in the outpatient unit. The difference was that the district doctors were on contract with the settlement self-government, while the specialists - the upper level of the health service - with the county hospital. All of them had to be informed about the project and the imminent changes.

The district doctors now have to make a new agreement with the municipal self-government because the environment will be changed. The basis of their contractual relationship is that they will be working as private entrepreneurs. The specialists have to sign a new contract anyway because one of the stipulations of the contractual relationship will be changed, namely the county hospital will not be the contractual party any more. Some of the specialists work in private practice while the others - and this is rather exceptional - are public employees. The doctors' assistants are also employees; the doctors with the private practice employ some of them, the others are employed by the county hospital. The legal status of the doctors and their assistants might seem to be rather chaotic, but as a matter of fact it is not. In the future it will be determined by the organizational form of the outpatient unit.

Since the privatization of health services is made possible by law, the decision of the municipal self-government was to opt for a limited company, instead of a budgetary institution. The company was established by the body of representatives and it is owned exclusively by the town of Bicske. Many possibilities emerged regarding the property sharing. The private doctors and the

neighbour settlements all intended to participate in the project as shareholders. Finally the decision was made on the company being exclusive owned by the municipality. The reason was that health as a public service is not yet highly gainful. After one or two years of experience, the involvement of other parties will be reconsidered.

The task of this company is the management and maintenance of the outpatient unit while the city self-government is still responsible for this public service. The company is called Bicske Health Care Centre Ltd. It will also look after the functioning of the outpatient unit.

Further negotiations had to be held with the county hospital about maintaining the outpatient unit. The agreements had to be made on the transfer of equipment and other belongings, on the professional future relationship with the hospital as well as on the computer system of the outpatient unit connected with the hospital's system. All of these agreements may be signed after the agreement between the city and the county.

At this moment the town of Bicske is in the final stage of the preparatory phase of the project.

Summary and Conclusions

When we want to define the general rules or principles of municipal management, there are aggravating and mitigating factors. One of the main difficulties is the regulation of the local self-government issues, which is part of administrative law. Administrative law is the most national branch of the European legal system because public administration and local self-governments are highly affected by national, historical and cultural traditions. This is the branch of law in which the cross-influences of national legal systems or common European trends are the weakest compared with the other branches.

It is not easy either to determine a comprehensive list of municipal functions for all the countries. Hence there can be no list of these functions without knowing the distinctive circumstances, traditions, economic and social conditions or possibilities of a certain country, because they differ from country to country. Based on the principle of subsidiarity, however, we can compose a brief collection of possible responsibilities of local governments:

- general administration
- education
- social welfare
- health services
- culture, leisure, sports
- public utilities
- transport, traffic
- environment, public sanitation
- urban development, economic development.

Some of these local public services are provided by local self-governments, others are provided by local organs subordinated to the central government.

The trends in local service delivery have been changing in the last decade. The traditional functions of municipalities such as social public services (education, health care, welfare) are expanded. New or different functions demand a different task management. While the traditional communal tasks may be managed by administrative instruments, the management of the new functions such as communal services, requires different methods including those related to the municipalities' ownership to be more in line with market principles. New methods have also appeared in the organizational structure of service delivery. Involving independent organisations in service delivery requires different methods of management. While some direct influence over the municipalities' own institutions may be exerted, the management of services when independent entities are involved allows only some indirect influence. There is a variety of tools for control; hence the latter solution has been widely applied in Hungary.

The organizational principles may be used during the establishment of the internal organizational structure of administrative organs. Different organizational units may be charged with the local government tasks, different from those which are the state's responsibility. A possible principle may be to gather all the decisions and administrative tasks relating to one "topic" in the same unit.

The best practices may be recommended in the area of service provision when choosing the organizational form of service provision. It is necessary to consider the advantages and the disadvantages of each form of service delivery. An aspect of primary importance must be the *quality* of service provision, the *public interest* and the *effectiveness* of

the activity, including the costs covered by the self-government's budget.

And finally, it must be mentioned that municipal management is *for the public* and is financed by the taxpayer. Therefore different forms of control exercised by the public, *transparency*, and in some cases the *participation* of citizens in service provision and in decision-making must be ensured.