

PUBLIC ADMINISTRATION REFORMS IN HUNGARY – AN OVERVIEW

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INTRODUCTION

After the last parliamentary elections in 2010, when the Conservative government coalition gained a two-thirds majority in Parliament, wide-ranging changes began in the Hungarian public sector. These transformations extended to the constitution-making, a whole series of new legislation on public law, and far-reaching reforms in state organisation and local government.

First of all, the old Constitution was replaced by a new Fundamental Law in 2011. Although the system of separation of powers has not been altered radically, that is the institutions from parliamentary government to the unicameral legislature have been preserved, some changes took place in the constitutional status of certain state organs, and in intergovernmental relations. Almost all government branches were affected from the Judiciary to the relationship of the legislative and executive powers. In fact, new laws were adopted on all power institutions.

On the basis of the new constitutional settings, the Government launched a wide ranging public administration reform. The general framework of all related policy objectives was the so-called ‘Good State Development Programme’ which has three branches:

1. Transformation of the Judiciary
2. ‘Magyary Public Administration Development Programme’

3. Local government reform

1. JUDICIAL DEVELOPMENT PROGRAMME

The judicial development programme bears the name of Gyula Moór, a legal philosopher, statesman and scientist in the interwar period in Hungary.

Although the Judiciary is a separate branch of public power working independently from the executive power, the public sector reform in Hungary underlines the meeting points of the two spheres.

Within the framework of this program, the most significant change in the judicial system concerning public administration is that from 2013, public administration and labour courts have existed as separate regional courts within the judicial organisation.

The relevant reforms related also to certain judicial tasks as the companies, foundations and associations. Notably, the legal status of these organisations changed in the last few years. The role of the state and the public administration has become increasingly emphatic in the public policy agenda in the recent times. This could also be the reason of the deep changes in judicial personnel policy, reducing radically the pension age limit for judicial leaders within a year, and the transformation of the legal status of the Supreme Court.

The legal status of the judges and the organisation of the whole judiciary were also reconstructed, as well as many procedural issues aiming at simplifying and shortening the length of the judicial procedures.

2. THE MAGYARY PUBLIC ADMINISTRATION DEVELOPMENT PROGRAMME

The public administration reform was named after Zoltán Magyary, the Hungarian scientist and government commissioner in the interwar period. The first version of the so-called Magyary Programme was adopted in June 2011, while the second (and effective) in August 2012. The programme defined four areas of intervention covering a full range of reforms, as they are the standard systems of every public administration: organisation – task – procedure – staff.

From another point of view, three major stages were determined as necessary for any intervention into the public administration. The first step was to make a comprehensive

structural review and certification (compiling lists of tasks and other records). The next stage was the assessment of deficiencies and excesses and making recommendations for the elimination of them, and, finally, the major task was to find and test new solutions. Exemplifying this logic of rationalisation was to compile a 'national cadastre' of administrative organs in order to get updated information about the existing structures of the state. Then, according to the schedule of the Public Administration Development Programme, the organisational problems and shortcomings had to be discovered and identified. And the final phase of the rationalisation is to find and test new structural solutions or methods.

1.1. Organisation

The most comprehensive transformations were made in the organisational structure of public administration. At central level, standardisation and simplification were the major objectives. For this aim, so-called summit ministries were established in May 2010, concentrating more policy areas into integrated ministries. In this system it was a great challenge to find the balance between sectors that traditionally compete with one another (education, health care, social services, culture, social integration, churches, national minorities and civil society) and have different and rival interests within a single ministry. As a result of this change, 8 ministries were established instead of 15 under the former government. Three summit ministries were set up, integrating public education, culture, health, and social welfare into one ministry (Ministry of Human Resources), merging public finance, national development and economy into the Ministry of National Economy, while the governmental functions in the areas of justice and public administration were concentrated also in a unified ministry (Ministry of Public Administration and Justice).

On the pattern of some West European countries or some EU institutions, independent regulatory agencies were founded. The basic functions of these bodies, like the National Media and Infocommunications Authority, and the Hungarian Financial Supervisory Authority were the oversight and regulation of certain specific areas where institutional independence has a crucial importance (meanwhile, the financial supervisory authority was integrated into the Hungarian National Bank).

In order to provide the necessary additional resources and the coordinated planning, the Government established a centralised structure to receive and allocate the subsidies of the EU funds, diminishing the influence of the sector-specific line ministries.

It is to be noted that at the beginning of the mandate of the new government coalition, one of the major purposes of administrative rationalisation was to counterbalance the negative effects of the world financial crisis. Hungary has a small and open national economy, which is highly vulnerable to international impacts. The world economic depression affected the country badly. In this situation, the Government implemented a robust reduction of administrative costs of 15% and a staff cut of 22% in the first two years of the reform programme.

The institutional transformation extended to the regional tier of government too. The main objective was to reduce the total staff and operating costs by 5-10% after the merger of the functional units at middle-level state administration. Another goal was to simplify also this level of government, integrating the territorial units of the line ministries into unified government offices working at county (regional) level. In theory, this change gives a chance for a better horizontal cooperation of the regional agencies of central government, overcoming the specific sectoral interests. Only some special regional units of state administration have preserved their institutional autonomy, like the law enforcement agencies or tax authorities. Another important measure was to recapture most of the delegated tasks and functions conferred on local authorities in the past assigning them to the newly created district administrative offices. For this aim, 175 provincial district offices were established, and 23 more boards in the capital city of Budapest as external (and subordinate) bodies of the County Government Offices.

1.2. Tasks

As the whole range of administrative organs was mapped in the implementation of the Public Administration Development Programme, a full and detailed list of tasks and functions of state administration was also prepared. The so-called task-cadastre contains the permanent tasks set forth in all legal rules, public organization-regulatory tools and strategic plans. Actually, it is not a simple list of tasks, but a well-structured and updated registry of them, specifying the description of the individual tasks, their types (supervisory, coordination, decision-making), the legal source of the tasks, the responsible person or organisation, the form of coordination, and the way of finance (fiscal allocation). In the course of this activity,

some 8,000 legal rules, strategies and organisational documents were systemised, and the entire list contains some 30,000 tasks.

The major instrument of rationalisation of the system of tasks and functions was the so-called deregulation, ie the review of necessity of the legal acts in effect, filtering out the unnecessary regulations. Basically, it is a twofold review; the technical deregulation means the elimination of those legal acts that actually have no effect, or which have a parallel content. The content deregulation examines whether the regulation provided by a legal act is necessary or not. The task cadastre made it much easier to identify the inconsistencies, irregularities of the legal regulation, or the parallel legal acts.

Another area of development is the extension of the e-government. The development and use of IT emerges in almost every area of public administration. Maybe the greatest challenge in this field is the preservation of the integrity of the whole system of e-government in the jungle of the individual projects and developments. In the last few years, more than 80 development projects and measures have been launched in Hungary. They cover a very wide area concerning, among others, information security, standard document management systems in the ministries and background institutions, the use of electronic signature, the development of registration systems, electronic data exchange, and so on.

The Magyar Programme envisaged the improvement of some specific target-oriented activities, like the reduction of administrative burdens, anti-corruption efforts, national consultation with the citizens, and the strengthening of equal opportunities and equal treatment.

1.3. Procedure

The main goal of this 'intervention area' is to enhance the cost-efficiency and effectiveness of the working processes of public administration. In other words, the strategic objective is in this area to find methods and measures to be taken in the interest of simplification and acceleration of administrative procedures in practice.

The Magyar Programme reflects a considerable change in the philosophy of public administration. While in the 1990s a lot of efforts were made for introducing and adapting the methods of corporate organisational governance to the public sector, the new ideology seems to refuse the instruments and solutions of the New Public Management. The strong

commitment of this programme to the potential of the state does not allow much room for market-like procedures and methodologies in public service delivery. This way of thinking concentrates on the classical administrative procedures and organisational processes, rather than on quality management or customer satisfaction. Thus, the traditional dichotomy of the “professional” and “functional” processes is taken for granted, where the former means the fulfilment of the professional duties delegated to the given organisation’s competence by law (like decision-making, asset management, coordination) while the latter refers to the institutional, functional operation of the given agency (e.g. human resources, finance, internal audit, document management).

Nevertheless, the Programme announced the use of some methods and elements of the BPR and LEAN methodologies, and, moreover, it specifies the performance management, the process organisation, the quality management and knowledge management as the main components of the “traditional” organisational development.

The basic purpose in this field was nonetheless to make the internal operating processes and procedures of administrative units simpler, more transparent and better organised. For this reason, several different pilot projects, modelling some typical internal processes were improved and tested in the Ministry of Justice and Public Administration, like

- recruitment of staff;
- issuance of certified documents;
- conclusion of public procurement contracts; or
- project management.

Another major direction of the modernisation in this area was the reduction of the population’s administrative burdens simplifying the administrative procedures.

The implementation of customer-centred service delivery taking account of the needs and interests of customers through the development of standardised, high-quality services accessible to all was a main objective of the whole program.

As part of the reduction of the administrative burdens of the citizens as well as business organisations, 228 types of individual administrative cases were simplified related to family

and children, employment, taxation, social services, issuance of documents, marital cases and education services. As a result, the citizens may benefit from the positive effects of these measures in their day-to-day lives. The simplification of the daily administration means the reduction of the number of the administrative procedures, the shortening of the deadlines of administrative decision-making or making of electronic administration available in several instances.

The next achievement of the procedural reforms was the development of a new impact analysis form for governmental decisions used uniformly in all ministries prescribing compulsory analysis of the effects of the particular decisions on fiscal stability, competitiveness, reduction of administrative burdens, employment, social inclusion and sustainable development as key priorities. The new factors that must be examined in all cases are the analysis of the EU impacts and the corruption risks.

One of the most highlighted results of the Public Administration Development Programme was the creation of the opening of the 29 government windows. These are client services providing one-stop-shop administration where multiple administrative services are offered to citizens from the issuance of driving licence to the residence registration. In the second stage, the so-called government windows were established at regional level as well, expanding integrated administrative services to new areas too. By this year, more than 300 government windows should be established covering the whole territory of the state and all major administrative areas.

It was seen as a significant step of the reform that a new university was established merging the higher education of civil servants, police and military officers into a uniform institution, creating the National University of Public Services in 2012. This university launched the high-level training of the staff of government window administrators.

1.4. Staff

As for the personnel of public administration, the programme envisaged a streamline of the civil service, and made the relevant legislation more flexible than beforehand. In 2012, Parliament passed a new legislation on public employees, the fundamental law of public service, which provides a new framework for all employees working in public service. The new regulation made easier to dismiss civil servants by their employers strengthening the elements of a spoil system in civil service.

One pillar of the reform initiatives was to establish a scope-based system that offers career paths and a permeable public service system via re-training, provides pay on the basis of the actual value of the particular jobs. Job evaluation is the means for creating such a system serving as a means of classifying scopes on the basis of career paths, ranking them on the basis of fixed criteria and determining their relative value to public administration. Thus each job in the public administration must be associated with specialised performance requirements and the training needs. For the purposes of scope evaluation in public administration the best-known and also most recognised scope evaluation methodology is to be used in public service. The essence of this system is to demonstrate how each job contributes to the attainment of the organisational targets.

As to the recruitment and selection, some new projects were launched in order to provide the aftergrowth of public service selecting young people who are professionally dedicated, speak foreign languages and also have experience in public administration abroad.

The next pillar of the reform of administrative personnel was to improve the performance evaluation of the civil servants. Although the evaluation system has been working since the 1990s, the former mechanism was considered a complicated and formal procedure. According to the new methodology the performance evaluations should be held more frequently and should be kept simple and effective.

It is to be noted that the systems of promotion and remuneration, training and examination of civil servants were also reconsidered and restructured.

1.5. Action plans

In fact, the Public Administration Development Programme is not a rigid and well-specified programme for modernising the existing system, but rather, it provides a broad framework for the continuous development of the various areas and activities of public administration. Thus, the strategic aims are specified by action plans in order to respond to statutory changes and the progress of development programmes continuously. The Programme includes the ongoing monitoring and updating of the results achieved and the conclusions are published regularly.

According to the Magyary Programme, the general features of the implementation should be the strategic planning, the streamlining of the government structure, the involvement of the citizens not only for enhancing the efficiency of public services but also the trust in the

Government. The importance of the link between the strategic planning and the management and reform of the budget as an urgent necessity is also emphasized in order to tackle the negative effects of the world financial crisis.

3. LOCAL GOVERNMENT REFORM

The approval of the Local Government Law in 1990 was an important step in the transitional period in Hungary towards the establishment of the institutional system of the new Hungarian democracy. This legislation replaced the Soviet-type local and county administration of the communist era with a democratic system of local government. In doing so, the lawmakers took account of the principles and values of the European Charter of Local Self-Government. This international treaty, which was created under the auspices of the Council of Europe in 1985, embraces the European standards of local and regional democracy. After more than two decades, reflecting the political ideology of the new government coalition, a new Local Government Law was adopted in 2011.

The new legislation did not change the two-tier system of local government, and the one municipality–one local government principle in the localities. Hungary has a two-level local government system. At the basic level, 3,154 municipalities (towns and communes) exist, while the country is divided into 19 counties, which represent the middle-level of public administration. However, even if the new legislation left the fragmented, small-municipality system unchanged, the role and weight of local governments have been essentially transformed.

First of all, the massive centralisation of tasks and functions can be highlighted; the most costly public services, like public education, a lot of health, social welfare, and cultural services were taken over by the state. The substantial shift of public service delivery from local authorities to the state administration was reasoned by the ‘pressing need for the fiscal consolidation of municipalities’. The role of the county governments fundamentally transformed. Virtually, all public service institutions of the counties were taken over by the state, and the county governments have some functions of regional planning and development.

As a consequence of these changes, while the share of local governments’ expenditure in the GDP was 12% before 2010, it decreased to 8%.

Another important element of the new regulation is that the mandatory duties and powers are to be determined in a differentiated manner, with regard to the different specificities – economic potential, population and territory – of local governments. It means that the law may confer more functions on the greater municipalities having sufficient financial strength and administrative capacity, than on the smaller communities.

In parallel with the significant reduction of the competences of local authorities, the mechanisms of local government finance were modified too. The previous financial system based on resource-management was replaced by the so-called task-based funding, where local authorities receive central grants for specific targets. The financial autonomy of local governments has also been restricted by debt ceiling measures. For example, municipalities cannot plan deficit for current expenditures in their own budget. Moreover, the Law on the Economic Stability of 2012 laid down some rules related to the financial commitments of municipalities declaring that all financial transaction generating debt request the prior consent of the Government. Another law allows the Government to draw the implementation of EU funded development projects within its own competence, if it were jeopardized on account of the financial situation of the respective local government.

Notably, the central government has consolidated the debt portfolio of local authorities in the last two years; this means that the biggest part of the debt was taken over by the central government. The aggregated debt amounted to about HUF 1,245bn, contributed to the deficit of the national budget. The tendency of indebtedness appeared to be unsustainable; its rate doubled between 2006 and 2009.

The legal supervision over local authorities was also strengthened.

4. CONCLUSIONS

As in all cases of the ongoing administrative reforms, it is very difficult to evaluate their achievements in such an early period of the implementation.

It is certain that, in accordance with the new Fundamental Law of 2011, the public administration reforms are permeated by a new value order emphasizing the self-sustenance, the civic duties and the citizens' responsibility for the whole society, on one hand, and for the local community, on the other.

The Hungarian way of renewal of public sector can also be characterised by dynamic centralisation and etatism inspired by the belief in the strong and powerful state. The centralisation trends extend to all public resources at the expense of the civil organisations and NGOs, and the local authorities.

As it was said above, the Public Administration Development Programme does not provide a specialized programme for actions or a road map towards the modernisation of the administrative institutions and procedures. Instead, it is a mixture of various measures and policies different in nature and scope. It comprises all the short-, mid- and long-term plans for development. It combines particular measures (like the establishment of integrated customer service) and broad political actions (eg the “national consultation” on the new constitution sending questionnaires to the voters). It is an intended characteristic of the Magyary Programme that its content will expectably be adjusted to the particular political and administrative needs on a regular basis.

The reform programme is a very ambitious enterprise, as its scope covers the entire public administration, changing the organisational structure, the professional as well as functional procedures and processes, the competences and the personnel as subsystems of public administration.

The program is extremely flexible to absorb all governmental measures. Strictly speaking it is a broad framework for governmental actions improving its own working methods and resource management in any direction they will go whatsoever in future.

The administrative reform has some undisputed results, like the simplification and acceleration of the day-by-day administration or the expansion of e-government, while the effectiveness of a number of actions from the centralisation of some costly local public services to the unprecedented use of certain management techniques raises some questions and concern.

It is also to be noted that the Hungarian constitutional changes on which base the whole public sector reform rests attracted considerable attention, and generated heated debates across Europe, and in the institutions of the European integration. The way of exercising public power, and the constitutional innovations which are, in many ways, unorthodox solutions, and their extension give enough reasons for studying carefully the Hungarian public law reforms of the last few years.