

## Gábor Dobos - Changing Local Relations: Effects of the 2010–2014 Political and Administrative Reforms in Hungary

### Abstract

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

On the one hand, the 2010 local electoral reform resulted in a shift of political relations within sub-national governments, as the new electoral rules enabled the stronger political actors (typically the national parties) to gain dominance over the weaker participants of local politics (typically the civil organizations). On the other hand, the administrative reforms between 2010 and 2014 changed the daily operation of local governments: the Fidesz cabinet modified the system of financing and the tasks to carry out on the local level. Moreover, it strengthened the position of state agencies and administrative institutions, while limiting local and regional governments' activity to their basic services.

The study analyzes the data on the nomination process and the results of the 2010 Hungarian local elections. In evaluating the ongoing reforms, it uses findings of semi-structured interviews with local leaders. It argues that there is a significant shift in the local political system of the post-transition Hungary: local governments are becoming less important actors, while their leadership is gradually more and more captured by national party politics.

### Keywords:

Hungary; local government; reform; electoral system; public administration

### 1. The pre-2010 local government system

In 1990, after decades of centralized local administration under Communism, a decentralized local government system was established in Hungary. The designers of the new political system regarded local governments as a major guarantee of the survival of democracy. By relying on community values and creating a set of self-reproducing interests, local

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governments were expected to counterbalance the central government, limiting the possibility of an authoritarian system. The cornerstone of the reforms was the re-establishment of the fully autonomous elected local governments in the name of the “one municipality – one local government” principle. More than 3,000 local communities (NUTS 5/LAU 2) formed the lower tier and 19 counties plus the capital city formed the second level (NUTS 3). Although decentralization was a great success in the first years (Soós & Kálmán 2002, p. 21), the formation of this framework did not result in truly autonomous and effective functioning.

The first problem was the principle itself. Every municipality had the right to form its local government. Although a small restriction was introduced in 1994, allowing the establishment of new local governments only in communities of more than 300 inhabitants, the ageing society produced many villages with less than 100 inhabitants. The more than 3,000 local governments created a system that was both administratively and financially difficult to manage. Naturally, certain tasks and problems are harder to solve on a small scale (e.g. complex waste and sewage management), and the fragmentation of the units resulted in a costly operation and ineffective decisions. Nevertheless, every time the central state (and the governing forces) tried to rationalize the structure, the opposition argued that this would offend the autonomy of local governments. Therefore, from the late '90s, successive cabinets tried to use financial instruments to force local governments into effective units: local government associations were granted special subsidies to reach their common goals. The European integration also gave some stimulus to the associations, which had easier access to sources of the structural and cohesion funds. These steps eased the problems somewhat but did not transform the fragmented local level.

The second problem was that this fragmented system was established without any differentiation between local governments: in their competences and tasks, hardly any distinction was made between small villages and cities. However, the concerns of a greater municipality are clearly different from the problems of a village. In the Hungarian system, local governments have mandatory and voluntary (or entrepreneurial) tasks: mandatory tasks (like street lighting or waste management) have to be completed in every municipality. In addition, a local government may provide any voluntary services (unless the provision is regulated on the national level). The differentiation of tasks only appears on the middle level: until 2010, the elected county governments were to fulfil the functions of complex area development and ensure the services that it was impossible for each municipality to provide (like operation of hospitals and middle level educational institutes). This institution offered a “backdoor” to the larger cities: cities above 50,000 inhabitants could choose

to be “promoted” to the middle level and could become “cities of county rank”. At present, there are 23 cities in Hungary that can provide services that would normally be the competence of county governments. Beyond that, it only depends on the given local government (and its financial room to *manoeuvre*) to undertake any voluntary tasks. This “wide responsibility” is coupled with “wide irresponsibility” (Pálné, 2008: 155): while the legal framework gives local governments the opportunity to increase their autonomy, declining financial support from the central state (Table 1) forces them to give up their tasks – it has been common in the last two decades for local governments to hand over their services to the county governments because they were unable to finance them.

Table 1. National and local government expenditures

Year	1991	2001	2003
Total value of annual GDP (HUF billions)	2,498	15,825	18,574
Local government share of central budget (%)	33.2	28.3	31.0
Share of central budget that is transferred to local government (%) Central budget =100.0%	24.6	19.0	13.0
Government Financial Status (GFS)-based share of local governments as a percentage of GDP	15.2	12.3	11.9

Source: Vigvári 2006

While local governments enjoy a high level of financial independence (drawing their own income, gaining per capita grants from the central budget, receiving assets, engaging in business activities), they were under constant and increasing fiscal pressure to maintain their functioning, thus most Hungarian local governments have issued bonds or have taken out *credit loans*. The local governments’ debt was constantly growing (Figure 1), and they regularly turned to the national force majeure financial fund for assistance. The situation *went* *was even* worse after the 2008 financial crisis, when local governments (whose debt was typically in foreign exchange) could not ensure their functioning: they had to stop their development plans, compensate their loss from local tax revenues and deal with the falling social status of local communities.

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The final problem is the absence of a strong middle level government system. As noted above, county governments were initially established to coordinate complex development projects and provide services difficult to ensure by local governments. In Hungary, the middle level remained a “missing tier” (Zongor, 1999), because the “central government was not interested in filling out the institutional vacuum at the middle level and local governments were not interested in the establishment of a potential rival in service delivery” (Soós and Kákai, 2010, p. 546). Consequently, county governments could not become the regions’ strategic planners; their role was limited to the daily operation of middle level institutions. This was also a difficult task, because the county governments had a narrow financial room to manoeuvre (e.g. they could not introduce county tax); and were strongly dependent on the support of the national level.

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

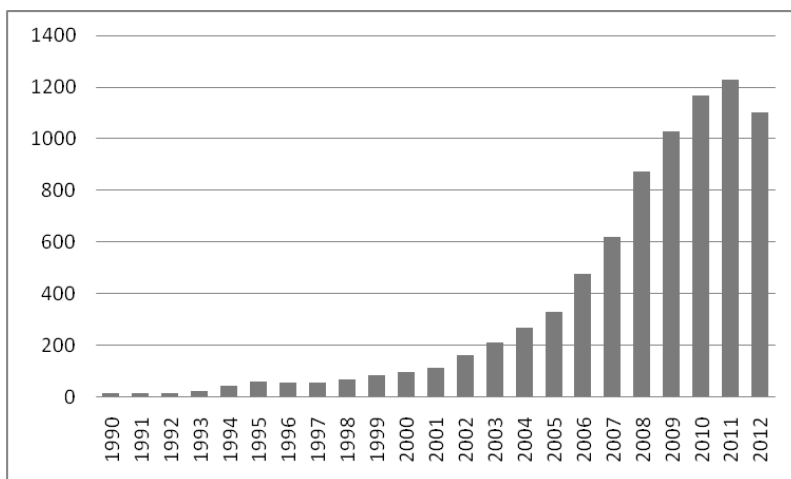


Figure 1. Debt of local government sector in Hungary (thousand million HUF)

Source: Hungarian National Bank

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~~In sum~~ To sum up, the local level’s position is controversial. Seemingly (based on the legal framework), the local governments hold great autonomy in the organization of their activities, but their functioning is considerably dependent on the central state’s financial assistance. As the recalibration of the local government system requires the support of the two-third majority of the national parliament, ~~until 2010~~ financing continued to be the main instrument to control local governments until 2010. By the end of two decades of post-transition history, the Hungarian local government system was ripe for change; and the

legislators of the national parliament had to face both structural and financial difficulties when they initiated reforms of the sub-national levels.

\_\_\_\_\_ In 2010, after its landslide parliamentary victory, the right-wing Fidesz had the tools (the two-third majority) to introduce a number of dramatic changes in the Hungarian political system. One of them was the reform of the local level. While the act<sup>8</sup> on the local electoral system influenced local political relations, the reform of the public administration altered local governments' operations and finance. In the next chapter, I present the modification of the local electoral system and the reform steps of public administration and examine how these changes formed the face of the sub-national level.

## 2. Local politics and the reform of the electoral system

In 1990, the heritage of the past regime (the communist party's control over local communities) led to the question what local politics should be like in Hungary. Should ~~it~~<sup>they</sup> ~~either~~ prevent the appearance of national parties in the local communities and strengthen their locality or let national parties in and surrender local politics to them? Is local politics about local issues or about national politics on the local level?

\_\_\_\_\_ The debate led to a compromise between ~~“bottom-up”~~ and ~~“top-down”~~ politics through the local electoral system: they apply a plurality formula with block vote in the settlements with under 10,000 inhabitants, while there is a mixed formula with compensatory lists in use above this limit. The block vote system helps the selection of individual candidates, and the compensatory lists ~~“let in”~~ national political actors to the local level (Kákai, 2004, ~~p.~~ 122), as the list system forces political actors to establish organizations to compete in elections (Soós, 2015-~~n.d.~~, ~~p.~~ 2). This differentiation was present even on the regional level: until 2010, voters in settlements with under 10,000 inhabitants and the voters of the bigger cities could vote in separate districts for different party lists (Figure 2).

\_\_\_\_\_ The separation of the ~~“locality”~~ and ~~“national party politics”~~ clearly determines the political profiles of local governments (Swianiewicz ~~&~~ Mielczarek, 2005, ~~p.~~ 20): ca. 80 percent of elected representatives and mayors are independent candidates in Hungarian municipalities under the limit, and there are only a few (ca. 8–10 percent) independent candidates in the larger communities (Pálné, 2008, ~~p.~~ 232). The Hungarian local level lacks traditional local parties, although NGOs are running for the mandates of local councils. They

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<sup>8</sup> Act L of 2010.

are *civil* organizations both regarding their legal status and political functioning: they are regulated in the Hungarian law differently than the national parties<sup>9</sup> and their only real political activity is the participation in local/regional electoral competition. On the one hand, it is important to emphasize, that none of these organizations are driven by the aim to participate and get mandates in the national (parliamentary) elections. ~~On the other hand,~~ ~~when~~ a civil organization gains mandate in the local or regional elections, its representatives are forced to play by the political “rules of the game”; they cannot follow their own agenda, and their civic character becomes political (Kákai, 2004, p. 184). In a sense, these NGOs can be considered local parties but with very limited political goals. Their activity is “civil” in every aspect, except the running for local political positions.

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

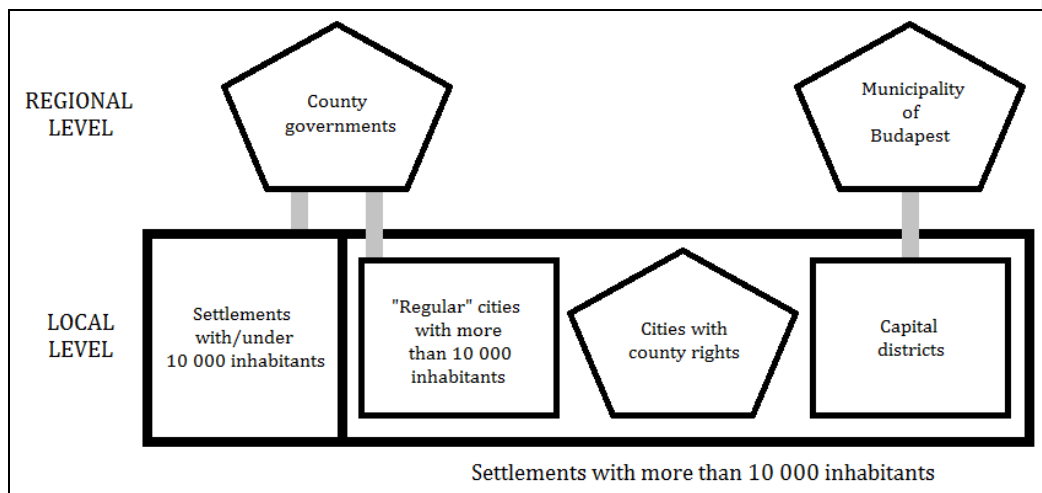


Figure 2. The relation of the local and regional levels in the electoral system

In the local electoral system, settlements are differentiated by population size. ~~The smaller~~ communities use a block vote system, while municipalities with more than 10,000 inhabitants ~~all~~ use the mixed formula (single-member districts + compensatory list) – the only difference is in their relation to the regional level: the districts of the capital elect the Municipality of Budapest, while the cities with county rank do not vote for a county government (in a sense, they are “counties within the counties” by their rights). Representatives of the regional level governments are elected in proportional list systems.

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<sup>9</sup> Even the National Election Office of Hungary keeps a record of whether an organization is a party or a civil organization.

The national parties' increasing dominance can be traced on regional and local levels alike. According to Böhm (2006: 14–15), national politics suppresses local politics by controlling the local issues, it tries to solve the problems from “above” and enforce its own interests. Local governments mirror national party-relations level as they influence local policy positions. The process of the party-system's concentration can be observed on the local level – although, it was somewhat slower than in national politics (Wiener, 2010: 118). At the same time, national parties are not equally strong in every municipality. It is a commonplace in Hungarian local politics that the most dominant factor in the parties' institutionalization is population size (Soós and Kálmán, 2002: 75; Soós, 2015). As noted earlier, the local electoral system itself was created with the expectation to favour local actors in the smaller communities. In fact, because there are far more small municipalities than large communities<sup>10</sup>, it could be argued that local governments in Hungary are dominated by independent representatives. Although most members of local councils are independent representatives (in 2006 their proportion was 64.6 percent – Soós and Kákai, 2010: 540), this does not mean that the national parties are not trying to reach smaller communities: Horváth (1996: 158) pointed out that 1,300 inhabitants is the limit where one can identify the appearance of political parties.

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

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Characteristic		Local level		Regional level	
		Under 10,000 inhabitants	With more than 10,000 inhabitants	County governments	Municipality of Budapest*
Nomination	Number of proposals	No change	No change		
	Conditions for setting up a list		Candidate in the ¼ of the single-member districts → more than ½ of the single-member districts	Proposals from the 0.3% of the voters → 1%	Party list in 6 districts → 13 districts

<sup>10</sup> In 2012, only 167 local governments had more than 10,000 inhabitants, while there were 3,009 municipalities with a smaller population (based on the data of the Hungarian Central Statistical Office).

Election	Number of mandates	Fewer mandates	Fewer single-member districts and fewer mandates in the compensatory list system	Fewer mandates	Fewer mandates
	Number and size of districts		Bigger single-member districts (fewer mandates, same settlement size)	Merged districts (under and over 10,000 inhabitants)	
	Threshold		No threshold → 5%	4% → 5%	4% → 5%
	Method for allocating seats		Modified Sainte-Laguë → Sainte-Laguë	Sainte-Laguë → d'Hondt	Sainte-Laguë → D'Hondt

\* In 2014, the election of Budapest's council members was considerably modified (see below).

Source: Own elaboration.

After its landslide parliamentary victory in April 2010, Fidesz started to rapidly reconstruct the local political system, as the local elections in Hungary take place about six months after the general elections. The electoral reform came into effect with the declared aim of cost saving through decreasing the number of representatives in local governments. They left the basic structure almost completely untouched, although several minor changes were implemented in every aspect of the system. Table 2 shows that every modification<sup>11</sup> meant a step from proportional representation towards a majority system.

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

<sup>11</sup> The only exception is that in the case of settlements with more than 10,000 inhabitants, the modified Sainte-Laguë method is more likely to create a proportional result than the regular Sainte-Laguë method (Lijphart, 1990, p. 484).



The reduction of mandate numbers means that political organizations with more support will get mandates, while the smaller actors may fall short of seats in local or regional councils. The direction of changes becomes even clearer if we compare the pre- and post-reform mandate numbers by electoral formulas (Table 3). In the Hungarian local electoral system, there are majority (block vote, single-member districts) and proportionality (lists) elements. In 2010, there was a reduction in every segment of the system, but while the number of mandates was reduced with only about 25 percent in the majority categories, the number of seats allocated with proportional formulas was halved.

Table 3. Number of mandates before and after the 2010 electoral reform

Sformatowano: Czcionka: Nie Kursywa

Characteristic		Number of mandates with electoral rules before 2010	Number of mandates with electoral rules from 2010	Change (%)
Local governments with 10,000 inhabitants or less	Block vote (majority)	21,569	14,642	-32.1%
Local governments with above 10,000 inhabitants	First past the post (majority)	2,079	1,631	-21.5%
	Compensatory list (proportional)	1,415	641	-54.7%
County governments (list, proportional)		835	391	-53.2%
Capital government (list, proportional)		66	33	-50.0%

The mandates are calculated based on the population of Hungary in 2010, applying the pre-reform and post-reform electoral rules.

Source: Own elaboration.

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

The only structural alteration<sup>12</sup> of the electoral system in 2010 resulted in a dramatic change in regional politics. As they merged the districts that were divided by population size, the number of necessary proposals increased. After the reform, an average organization needs 6.7 times more recommendations to compete in the elections. While the national parties with broad horizontal (organizational) networks could easily adjust to the new system, the locally rooted civil organizations could not compete outside their original district (Table 4). Thus, national parties were able to capture the regional level and to force out the civil organizations.

Table 4. Proportion of party and civil organization lists in regional elections (2002–2010)

Year	2002	2006	2010
Parties	55.0%	55.6%	86.1%
Civil organizations	45.0%	44.4%	13.9%

Source: Calculation based on the data of the National Election Office

Sformatowano: Czcionka: Nie Kursywa

In sum, summing up, with the local electoral reform in 2010 and 2014, the majority elements of the system were emphasized, while the significance of proportional elements diminished, and their accessibility decreased for smaller competitors. The winners of the changes are the major national parties, who can dominate single-member districts and are able to fulfil the conditions to set up party lists. With a fragmented left-wing opposition (since the socialists' collapse in 2010), these characteristics describe Fidesz.

### 3. Public administration reform

<sup>12</sup> There was another structural modification in 2014, when the re-elected Fidesz cabinet changed the method of the election for the Municipality of Budapest: they revoked the direct election of council members and as from 2014, the elected mayors of the capital districts get mandates in the council (with an additional compensatory list, where the losing mayoral candidates can gain ca. 25 percent of the mandates). With the established dominance of the mayors in the council, this alteration was also a step in a majoritarian direction.

### 3.1. The regional level

**Sformatowano:** Czcionka:  
Pogrubienie, Nie Kursywa, Angielski  
(Stany Zjednoczone)

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

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

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

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

### 3.2. The local level

**Sformatowano:** Czcionka: Pogrubienie, Nie Kursywa, Angielski (Stany Zjednoczone)

The recalibration of the local government system began in 2012 and was carried through in the name of cost saving and the separation of local and state tasks. The reform (and the new Act on the Local Governments in Hungary) came into effect in three phases:

- county governments, legal supervision, asset management (from January 2012)
- financing and tasks of local governments (from January 2013)
- incompatibility of political positions (from October 2014).

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

The main principle of the reform (besides cost saving) was that local governments should only deal with local issues and *services*, and anything else could be transferred to central government supervision. To complete this process, the Fidesz cabinet has introduced a new mezzo-level administrative structure, the institution of districts ("járás"). In Hungary, there are 175 districts in the counties, and 23 in the capital. In the European Union's territorial system the districts are the LAU-1 units under the county level (NUTS3). When the boundaries of districts were settled at the end of 2012, opposition parties claimed that Fidesz was trying to manipulate local power relations through the district system (e.g. municipalities with Fidesz leadership became the district ~~centre~~ centers, while in the same areas there were socialist-led cities with larger populations).

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

The reform's aim was to separate these roles; therefore, let the notaries deal with local issues, while government tasks were transferred to district offices. The regulation of the districts<sup>13</sup> opened up the opportunity for the cabinet to extend its political influence: the Secretary of Public Administration and Justice appoints the government representatives to the head of districts; ~~who~~ However, they need to have at least five years<sup>2</sup> of administrative

<sup>13</sup> Act XCIII of 2012.

experience, which ~~this~~ can also be obtained as a Member of Parliament or as a mayor. By contrast, the government representatives' deputies need to have a degree in administration, economics or law. This indicates that the appointment of district heads is based more on loyalty, while for their deputies the main requirement is expertise.

\_\_\_\_\_ As the data above ~~demonstrates~~show, the reformation of local governments' *finance* was a vital point. First, the cabinet tried to moderate financial problems due to a fragmented system by merging the mayor's offices of municipalities with less than 2000 inhabitants. This does not violate the autonomy of the municipalities since they can elect their own representatives, but rationalizes the costs of local administration. Second, the central government changed the method of finance in the local government system —: before the reform, municipalities had been subsidized from the central budget by means of per capita grants. This means that they got a certain amount of money based on their activities – it did not matter if the actual expenditure was higher or lower than the norm. From 2013, local governments' funding is changed to activity-based finance, with the central government granting the municipalities a sum based on the calculated cost of each activity. This provision also serves cost-rationalization. Finally, they have forced local governments' management into a more rigorous framework:

- local governments cannot plan a deficit in their yearly budget
- they can only provide voluntary services if this does not endanger the fulfilment of their mandatory tasks
- voluntary services must be covered from local governments' own revenue (e.g. local taxes, incomes from their own venture)
- conditions of issuing bonds and taking out credit have become stern, as now the process and the quantity of the credit-takings is regulated<sup>14</sup>.

\_\_\_\_\_ These provisions mirror the idea that the operability of local governments is the first priority, and with a narrow elbow-room they can be forced to manage responsibly. The next sub-chapter will present how dramatically these steps have changed local governments' daily operation.

\_\_\_\_\_ The reform series did not leave the *relations of local actors* untouched. First, while before 2010, the deputy mayors had to be elected representatives, now they can be appointed from outside the council. Technically, the mayor can propose the appointment of a deputy mayor from outside only if he/she already has a deputy from the council. The “outsider”

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<sup>14</sup>The local governments have to request permission from the central government to take out credit if it is not for covering EU-related developments, ensure liquidity or settle debts.

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deputy mayor has no right to vote but can participate in and dispute at the council meetings. Because the Hungarian law does not clearly specify a deputy mayor's exact tasks (he/she "substitutes the mayor"), their real power and room for ~~manoeuvre~~maneuver may vary with municipalities based on local circumstances (see Várnagy ~~&~~and Dobos, 2012). With this provision, the Fidesz cabinet managed to add one more potential position to its patronage system.

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

\_\_\_\_ Finally, the reform has strengthened the mayor's position: he/she has veto power over the council's decisions, if he/she considers them against the municipality's interest; if the council cannot make a decision, the mayor may decide; moreover, in certain (urgent) cases the mayor can ~~m~~take a decision without involving the council. Following these provisions, the decision-making and implementation in local governments can be more effective, as the mayor has more tools to control the processes.

### **3.3. First impressions of the reform**

After an overview of the main changes in the Hungarian local government system, this sub-chapter will introduce the first experiences of the reform. Although only a short time passed since the provisions described came into effect (moreover, the incompatibility of the mayoral and MP positions will be introduced only after the local elections in autumn of 2014), this period offers an excellent opportunity to examine how local governments can adopt to the changing institutional environment, and the kind of difficulties they face during the transition<sup>15</sup>.

**Sformatowano:** Czcionka:  
Pogrubienie, Nie Kursywa, Angielski  
(Stany Zjednoczone)

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<sup>15</sup> The interviews took place immediately after the reorganization of local governments' task and financial management, which was the most essential change in the life of the municipalities.

\_\_\_\_\_As part of a larger PhD research project<sup>16</sup> we interviewed ~~with open questions~~ mayors and notaries – we asked them open questions to tell us about what *they* find the most important elements of the reform-series, and how these changes affect their local governments. Between January and April 2013, we ~~made~~ conducted 17 interviews with local political and administrative actors of 10 municipalities (Table 5).

\_\_\_\_\_According to the local actors, the fundamental problem of the reform-series was *uncertainty*: after 2010, when the first news came about the reforms, mayors and especially notaries (whose responsibility is to maintain legality in local government offices) tried to inquire about local governments’ future, but with no success. They heard only rumors in the press about the changes, but could not prepare for the new structure without knowing the exact provisions. While the greatest changes in the local government system came into effect from January 2013, the legal background of the reforms had not been settled before the end of December 2012. The cabinet tried to command the reorganizations at a quick pace, and the institutions could not prepare for the changes. This quick pace affected local governments’ operation: according to one of the notaries interviewed, in 2012, the mayor’s office was responsible for providing information to the central government (and to the newly established district offices) in ca. 40 percent of their working hours. They were overloaded with work to help the development of a new system, while they did not know how it would affect their future operation.

Table 5: *Distribution of interviews in the chosen counties*

County	Mayor	Notary	SUM
Hajdú-Bihar	5	5	10
Veszprém	4	3	7
SUM	9	8	17

Source: author’s collection

\_\_\_\_\_Regarding the *rearrangement of tasks and duties*, local governments faced numerous difficulties. First the central government reduced the maximum number of administrative staff

<sup>16</sup> The aim of the project is to complete the mapping of local elite relations. As part of a case study research design, ~~in two (from social-economic perspective similar) counties~~ we interview mayors, representatives and notaries in two (from social-economic perspective similar) counties about their role in local governments. Our starting-point is the legal-institutional framework and we investigate how the actual patterns of relations diverge from it.

in mayor's offices, then the district offices asked for civil servants to establish their own personnel. The idea behind this was that the mayor's office would perform only duties related to local issues, meaning less work, and the “unnecessary” staff could be transferred to the districts.

Comparing the proportion of the tasks transferred to the proportion of manpower transferred, we find huge differences, especially in the local governments with larger populations. For example, in a municipality with 9,000 inhabitants, there had been 40 employees in the mayor's office before 2013. The city became a district ~~centre~~ center<sup>17</sup>, and the district office was established in the same building as the mayor's office (the local governments had to hand over buildings and/or offices to the districts). The district office got 35 percent% of the personnel and some of their tasks. The administration of the legal guardianship and the Office of Government Issued Documents was entirely handed over<sup>18</sup>, but the so called “authority tasks” (like social services, health care, aid for elderly people etc.) were divided between the local government and the district: the mayor's office handed over six employees with five tasks (one of them is the coordination of graduation exams for one week a year), while only one employee was left for the remaining eight tasks. The interviews show that a few months after the transformation, the district offices have considerable capacity, while the local governments are overloaded. For instance, according to a mayor of a municipality with 4,500 inhabitants, in January 2012, they had 856 issues to deal with, while they faced 800 issues one year later, right after the changes in the task management.

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

However, the real problem is that the government expects local governments to give up their own revenues and use them in the completion of their mandatory tasks. An example: in a municipality with 4,000 residents, the cost of street lightning is 10 million HUF a year.

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<sup>17</sup> On the one hand, the essence of the district reform was to gather decentralized tasks into one ~~centre~~ centre to save money. On the other hand, this drew the services away from the local community. For example, a few notaries mentioned that ~~somebody~~ residents of their municipalities have difficulties in accessing social services, because they cannot afford to travel to the district ~~centre~~ centers for the administration.

<sup>18</sup> It is important to note that these are the easier tasks (from the notaries' viewpoint): before 2013, the social guardianship was supervised by the county government offices, and the work of the Office of Government Issued Documents is an automated “self-propelling” process.



The central government admits this, but they know that this local government has 2.6 million HUF revenue from local business tax. Because of this, they contribute only 7.4 million HUF to street lighting. Based on the central government's calculation, the given local government should give 94 million HUF from its own income to the municipality's maintenance cost, but (according to the mayor) they have only 61 million HUF own revenue, so the local government has a 33 million HUF deficit, which the new provisions do not allow them to have. In this situation, the local governments are unable to meet the two simultaneous requirements of the budget ("sustainability" and "no deficit"). This financing results in the ~~method's result in the~~ local governments having to sacrifice their income in ~~favour~~ favor of operating their municipalities, while their only assets ~~to accomplish for~~ developments and provideing voluntary services are these revenues. If this trend ~~continues goes on~~, the local governments' room to ~~manoeuvre~~ maneuver disappears as they will be unable to provide more than basic services to their communities. As a Fidesz-affiliated mayor summarizes the situation: "We have the same amount of tasks, our budget has been cut in half, we are unable to fill the gap, and the government cynically responds: 'Oh sorry, you are not permitted to calculate with a deficit!'"

## **Conclusions**

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

\_\_\_\_\_ The modification of the electoral system has resulted in significant changes in local political relations. With the exceptions of the smallest communities, the municipalities are conquered by national parties. In the short term (in the current political situation), the winner of the reform is the ruling Fidesz Party, while in the long term, only the losers can be identified: local communities and their representatives. Civil organizations, whose key attribute is their locality, cannot hold on in the electoral competition, where the key to success is having a broad horizontal network.

\_\_\_\_\_ Since the public administration reform, the local governments' room to ~~manoeuvre~~ maneuver has considerably shrank. The Fidesz cabinet re-designed the structures of the tasks and finance, which has resulted in a more rigid framework for the local governments' operation. The local governments have to sacrifice their own incomes to meet basic requirements, thus they are unable to help the local community's development. This

means that local governments become more uniformed, without providing more than the basic mandatory services. Meanwhile, the regulations have opened up numerous opportunities for the government party to place its clients into local offices. The new system has considerably cut the local governments' administrative capacity, and it also prefers politicians to professional administrators (see e.g. the strengthening of mayors).

Following the Fidesz cabinet's reform steps, when the dominance of national politics is coupled with local governments uniformed and restricted operation, we should raise the question if the sub-national level is still an important autonomous element of the Hungarian political system.

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