DECENTRALIZATION AND GOOD GOVERNANCE:

TEN YEARS OF HUNGARIAN EXPERIENCE
SECTION I.

Introduction

The purpose of this paper is to analyze and assess the benefits of decentralization of public administration in Hungary during the past ten years of democratic transition. While many identify democratic local government as a prerequisite to democracy, this is usually taken as “an act of faith.” There is a lack of research done in explaining how and what kind of decentralization actually contributes to democratic development. This research explores the hypothesis that the quality of decentralization is connected to development through improving governance.

The research draws many lessons from earlier findings on public management in various countries ranging from the United States of America to Third World countries and examines to what extent those are applicable to the new wave of development, e.g., post-communist societies of Eastern and Central Europe.

Good governance is essential in all settings, however, for transitional countries it is crucial to sustain democracy. In order to show the role decentralization plays in democratization, first a theoretical discussion of the benefits of the various forms of decentralization such as deconcentration, devolution, and delegation will be presented. The often stated research hypothesis that establishes a positive link between good governance and decentralization is applied to the case of Hungary as is a method of evaluating the degree or quality of decentralization.

The Impact of Decentralization on Good Governance

Decentralization is identified by many as a crucial factor contributing to good governance. The hypothesis by Richard Vengroff and H. Ben Salem claims that the relationship between ‘successful’ decentralization and ‘good’ governance is quite high.\(^1\) Jerry VanSant also identifies decentralization as an important institutional setting to improve governance in developing nations.\(^2\) The hypothetical positive relationship between decentralization and good governance is supported by observations in Africa, where “nations with the ‘best’ long term records of democratic governance also have for extended periods been involved in serious experimentation . . . with the implementation of various forms of decentralization.”\(^3\)

Robert Charlick explains the relationship between governance and decentralization as a way of the state providing multiple centers of participation in decision-making that in turn assures better management, responsiveness, and accountability which are basic features of good governance.\(^4\)

There seems to be an agreement on the crucial role decentralization plays in democracies, nevertheless, almost all of the authors point out that decentralization only works when it is taken seriously by political decision makers. According to VanSant “decentralization itself is no

\(^2\) Jerry VanSant, Governance as Stewardship, (SICA Occasional Paper Series, 1997).
guarantee of good governance nor of access by citizens, especially the poor, to basic services.”
Stewardship, VanSant goes on, “requires decentralization that goes beyond administrative and
financial measures to a dimension of political power sharing that enhances civil society.”5
Vengroff and Ben Salem also point out that “while numerous countries have undertaken so-called
decentralization programmes . . . few have demonstrated the political will necessary for
successful implementation.”6
The literature on development management indicates that the success of decentralization
depends less on the formal rhetoric used by politicians but rather on the real quality of
decentralization, e.g., the degree to which decentralized units take part in actual political decision
making.

Governance

While achieving good governance in less developed countries became a number one
priority for international aid agencies, it is not easy to define what it really is. Pierre Landell-
Mills and Ismall Serageldin note that the concept of good governance is a “highly complex one
and is surrounded by intense controversy.”7 There has been a shift in focus of development
programs in the past years. Foreign aid is more concentrated on the complex issue of governance
than ever before. Traditionally, “development seemed a more easily surmountable—and largely
technical—challenge.”8 New projects address the issue of development from a multifaceted point
of view, aiming at building good governance rather than improving the technical-physical aspects
of state administration.
For the sake of development management, governance can be best defined as the:

impartial, transparent management of public affairs through the generation of a regime
(set of rules) accepted as constituting legitimate authority, for the purpose of promoting
and enhancing societal values that are sought by individuals and groups.9

Building good governance is important everywhere but plays an even more substantial
role in development management because it is ultimately “the use of political authority and
exercise of control . . . for social and economic development.”10 Governance has a political and a
technical dimension. The two are interrelated. Landell-Mills and Serageldin define certain aspects
such as genuine political commitment as the political dimension and efficient public
administration as the technical dimensions of governance. None can exist without the other.
Besides defining this complex concept, measuring it is even more difficult. Richard Vengroff
and H. Ben Salem suggest six factors upon which the quality of governance depends on:
1. Transparency of budgeting;
2. Access to and opportunities for participation;
3. Public initiatives;
4. Government responsiveness to populace and/or elected representatives;

5 Ibid, 2.
6 Vengroff and Ben Salem, 475.
10 P. Landell-Mills and I. Serageldin, Governance and the External Factor (Washington: World Bank
5. Free flow of ideas and information;
6. Regular and open procedure for selecting leaders.\textsuperscript{11}

Measuring governance is necessary to judge democratic development, however, one has to be aware that it is “almost impossible to reduce the complex institutional, social, cultural, political, economic, legal, and other realities of the web interactions that makes up a modern society and polity into a single measurement of good governance.”\textsuperscript{12} Thus, the special features of a given country has to be considered and judgmental approaches are inescapable.

\textit{Decentralization— General Overview}

Many scholars claim that decentralization of political power is one of the most remarkable features of such developed societies as the United States of America.\textsuperscript{13} The power of local forces in politics unknown in Europe was noted by Alexis de Tocqueville, one of the earliest examiners of American democracy. He wrote that “nothing is more striking to a European traveler in the United States than the absence of what we term the government, or the Administration.”\textsuperscript{14} Richard Stillman calls this the “stateless origin” of American government. The decentralization in America is rooted in their early “political culture . . . characterized by strong traditions of loyalty to local interests.”\textsuperscript{15}

Decentralization played a major role in other societies. Recently, Spain has a good experience with decentralization and democratization. Despite having no formal framework, after the 1970s “decentralisation has proven to be the most innovative institutional feature in democratic Spain.”\textsuperscript{16}

The rationale for decentralization is manifold. One type of reasoning uses normative and inherent arguments to defend decentralization, the most important being the idea of citizen participation. In a decentralized political system citizens have more opportunities to participate in political decision-making since the whole process of policy making is broken down to smaller units. Elazar points out that in a federalist system the political distance between the governed and those who govern is relatively small.\textsuperscript{17} A decentralized state apparatus therefore provides more access and control over the bureaucracy for its citizens than a centralized one. Thus, it makes democracy and participation a reality. Another normative-inherent benefit of decentralization in public administration is that it, instead of forcing a unified way of life, it recognizes the autonomy of the grass roots. The grass roots level of politics, that is the view and interest of the local people, is not regarded as a less important factor in decentralized systems. Rather, it is crucial to

\begin{flushright}
\textsuperscript{11} Richard Vengroff and H. Ben Salem, 474.
\textsuperscript{12} The World Bank, \textit{Governance}, 5.
\textsuperscript{17} Rousseau and Zariski, 18.
\end{flushright}
convince them to voluntarily accept central decision and also to incorporate micro-level interests at the macro-level of politics.

In addition to the normative-inherent ideas behind administrative decentralization, there exist an instrumental line of argumentation that concerns the organizational outcome of decentralization. These ideas claim that “decentralization facilitates the performance of specialized functional tasks by utilizing local resources and services (thus relieving the pressure on the central government) and by enlisting the cooperation and support of local authorities.”

Fully centralized administrative systems are prone to system breakdowns. Crozier and Dahl proved that centralized public administration requires the transmission of such an amount of information that no communication system is able to handle. Speed and cost increases while quality of information decreases if decisions must go through the center all the time. In addition to this, a strong system of subnational governments can prevent the abuse of power on behalf of the central government. Thomas Jefferson saw local governments as the bulwark against tyranny and corruption coming from the top.

Figure 1 Arguments in Favor of Decentralization of Political Power

<table>
<thead>
<tr>
<th>NORMATIVE/INHERENT ARGUMENTS</th>
<th>INSTRUMENTAL ARGUMENTS</th>
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<tbody>
<tr>
<td>Increased citizen participation in public affairs</td>
<td>Greater efficiency and effectiveness of the management of public affairs</td>
</tr>
<tr>
<td>Minority rights protection against majority rule</td>
<td>Prevents system overload and breakdowns</td>
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<tr>
<td>Increases the acceptance of grass roots diversity such as local customs and traditions</td>
<td>Prevents abuse of central government, “bulwark against tyranny”</td>
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Decentralization of post-communist governments coincided with decentralization of many unitary democratic governments such as Great Britain, Sweden, or France in Europe. It was understood by many European experts that “decentralization of decision-making and control to units and subunits (with appropriate systems and instruments) is generally seen as an important way of improving the performance of the civil service.” Different sources from Western Europe mention decentralization unanimously as one of the most important structural elements in

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18 Ibid., 22.
designing and redesigning modern public organizations--and this concerns not only post-communist administrations but also their very own unitary systems.\textsuperscript{21}

\textit{The ... basic rule is that organization should be as decentralized as possible. It has been demonstrated that to the satisfaction of most students of management that the effectiveness of large, complex organizations improves when authority is delegated down into the organization along with responsibility.}\textsuperscript{22}

\textbf{Decentralization and Development}

Decentralization played a major role in the democratic development of many Western societies from the United States to Spain. These governments also tend to have a high quality of governance. Achieving a good quality governance in developing nations seems to be the new goal of donor agencies. However, the means of achieving it is a difficult task. As it was discussed earlier, decentralization is identified by many as a crucial factor contributing to good governance. Nevertheless, the role of decentralization in development is complex: it is an agent of change as well as a target of it. As Vengroff notes “underdevelopment is both one of the problems that decentralization is supposed to address and a contributing factor to the difficulties and failures of decentralization programs.”\textsuperscript{23}

Decentralization throughout this paper is defined in accordance with US foreign aid programs as a transfer of responsibility for planning, management, and resource raising and allocation from central government and its agencies to: (a) field units of central government ministries or agencies, (b) subordinate units or levels of government, (c) semi-autonomous public authorities or corporations, (d) area wide, regional or functional authorities, or (e) non-governmental private or voluntary organizations.\textsuperscript{24}

Accordingly, the basic types of decentralization are the following:
1. Deconcentration;
2. Delegation;
3. Devolution;
4. Privatization.

Decentralization has often been a rhetoric and not a reality. Announcing decentralization did not only brought in foreign aid but it also pacified internal opposition. However, action rarely followed rhetoric. Today, one can see that it nearly impossible to judge decentralization solely

\textsuperscript{21} It should be noted, however, that decentralization in itself is not a panacea that cures all organizational malfunctions. Authority must be carefully distributed and not in a haphazard way. Decentralization needs a lot of preparation in advance that includes clear functional, procedural, and monitoring goals to name but a few. It is also often misunderstood that setting policy goals from the top constitutes centralization automatically. “Centralization is not policy direction from the top, hierarchically established goals, and central control procedures. These are the characteristics of all well-managed organizations.” Fred Thompson, “Management Control and the Pentagon: The Organizational Strategy-Structure Mismatch,” \textit{Public Administration Review} 51 (1991): 52-65, 53.


relying on political documents. Stemming from his experience with African decentralization, Vengroff writes:

*Findings on the impact of decentralization in developing countries have been quite mixed. Much of the inconsistency can be attributed to the fact that the correlation between “formally” announced programs of decentralization and a serious and successful effort at its implementation is quite low, or in some cases nonexistent.*

Based on the literature we may easily conclude that there are two major problems with decentralization programs. The first being that while there is a rhetoric of decentralization, what actually happens is centralization. Many countries believed in just the opposite of decentralization, i.e., it is the centralization of power that will achieve political integration and development. Secondly, even when decentralization was implemented, it rarely meant more than deconcentration or delegation. Real decentralization in the forms of devolution and privatization promotes good governance.

Hungary, clearly, does not fall into the first category. After the collapse of communism, there was not only a rhetoric of decentralization but real efforts were made to implement some forms of it. Still, the efforts remained largely at the level of deconcentration and delegation while real devolution of power to the local level only happened half-heartedly, especially with issues concerning finance. Spain, in contrast, implemented a high rate of political and financial decentralization that led to territorial pluralism with an impressive division of power. Quite interestingly—and proving how formal framework and reality often do not match, the actual decentralization was deeper than its constitutional mandate in Spain. The Spanish decentralization is more of a result of real politics than official state rhetoric or constitutional issues.

**SECTION II.**

**The Hypothesis and Method of Measurement**

A major problem with study of decentralization is a technical one. Decentralization and good governance are complex issues. Official programs and accounts do not always fit real achievements. Therefore, “we must first establish criteria in the form of empirically verifiable indicators of the seriousness or quality of decentralization programs.” The research on Hungary is based on the approach proposed by Vengroff and Ben Salem. The two authors suggest that regardless of political propaganda, decentralization should be measured and evaluated on a relatively straightforward scale. In order to do so, I judge the quality of decentralization as a function of three important factors: scope, intensity, and commitment:

\[ D = f (S, I, C) \]

Where:

D: decentralization, S: scope, I: intensity, C: commitment.

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25 Vengroff, 5.
26 See more about the African experience in Vengroff, 5.
28 Vengroff, 23.
**Scope** is measured by geographical coverage (limited or countrywide), population (some groups or the whole population), substantive areas of concern (broadness of subjects decentralized units can address).

**Intensity** is measured by type of decentralization (pure or mixed), personnel coverage (size of civil service under decentralized authority), budgetary implications (what percentage of national budget allocation supports lower level administration).

**Commitment** is the support for decentralization by the central power that is operationalized by: legal structure, endurance, personnel quality, finance, elected officials, official endorsements, participation.

Moreover, the paper relies on a case analysis approach that was suggested by Harris. Decentralization in Hungary is shown in its post-communist democratization context.

**Hypothesis**

The general hypothesis claims that there is a positive relationship between good governance and decentralization. As decentralization grows the quality of governance improves.

My hypothesis is that in Hungary, just like in many other post-communist countries of Central and Eastern Europe, decentralization had been announced as a major political program but due to various constraints there was a lack of central commitment to it. The relative unsuccess of post-communist governance may in fact originate in half-hearted decentralization. Decentralization serves as a special remedy for post-communist societies: if extreme central control of the economy and politics is attributed to the failure of communist governance, decentralization should be the obvious treatment.

The hypothesis in this particular case therefore claims that there is a relationship between real commitment to decentralization and successful governance. As a first step, we need to measure and evaluate real commitment to decentralization. The hypothesized relationship is positive: the higher the real commitment to decentralization is in a country the better governance we expect. Accordingly, the null hypothesis claims that there is no relationship between the quality of decentralization and governance.

**SECTION III.**

**Decentralization, Deconcentration, and Delegation in Post-Communist Hungary--A Case Study**

Decentralization gained a lot of publicity and was part of the political agenda in most transitional countries of the former socialist bloc. It was a way to generate public support for the new regime. The early results in Hungary are very impressive: during the period between 1990 (the Act of Local Self-Government) and 1997 much has been established in terms of administrative transition and Hungary created 1949 new municipalities by 1991. This is a remarkable achievement towards decentralization, during the same time in Poland only 36, in Slovakia 566, and in the Czech Republic 1664 new municipalities were created. (See Figure 4.) Decentralization indicated a political will of departure from the centrally controlled socialist regimes. Nevertheless, making decentralized units work proved to be a more difficult task than it was imagined.

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The Central and Eastern European experience with decentralization fits nicely into both VanSant and Vengrof’s common pitfall theory, e.g., less than necessary political commitment to implementing decentralization, especially to devolution, ruins its positive effects.

One of the active participants of Polish decentralization, Joanna Regulska, Minister of Government in Poland (1985-1991) who was responsible for local government reform in her country, identifies half-hearted decentralization as one of the main problem areas that contemporary East and Central European public administration faces:

*After the initial proclamation of decentralization, it has become apparent that de facto deconcentration rather than decentralization is taking place (the former understood as change only in form, and the latter as actual devolution of power to local level). A power struggle emerged between a central level accustomed to full control (strongly supported by existing legislation and an extensive bureaucracy), and newly elected local government officials equipped only with fragile and incomplete legislation. The signs that deconcentration is taking place have included the creation, by the central level, of new institutions at the regional and local level (i.e. increased tendencies by individual ministries and branches of central government to establish their own branch offices at the lower level, as opposed to building self-government representation from the bottom up); fulfillment of tasks by local government under supervision of the central state; increased fiscal control of resources by the central level; delegation of new responsibilities to local government without allocation of appropriate financial resources to fulfill them; legislative provisions indication that central decisions are of higher order.*

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**The Myth of Deconcentration in Eastern Europe**

Deconcentration, in many cases, can be seen as more of a necessity of governance than a real sharing of the power among the different levels. Historically, deconcentration, the weakest form of decentralization has appeared in many cases and forms. Most of the times, certain forms of weak decentralization worked well in basically centralized systems. Even the socialist government had different levels of government. Although there existed a county level, it was mostly used as a transmission belt between central and local governments carrying out the decisions of the former.

Central governments are always forced to distribute power and authority to subnational tiers of government. Pragmatically, writes Calvert, the power of government needs always to be distributed among a number of individuals if the business of government is to be carried on.\(^\text{32}\) This is not only the feature of modern democracies but seems to be present in early historical times: “even the despot will need to vest authority in others if his position is to be sustained; he cannot personally collect all the taxes, punish all the criminals and, single-handed, wage a foreign war. In all but the very smallest and simplest polities, then, authority needs to be distributed.”\(^\text{33}\) Decentralization is therefore a common feature of most governments.

A necessary feature of all governments often became a rhetoric of democratization of former authoritarian and totalitarian systems. Deconcentration was often identified as

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\(^{33}\) Ibid.
democratization. While it is clearly an aspect of it, decentralization in the form of deconcentration is not a satisfying substitute to real devolution of central authority and good governance.

**Beyond Functions**

Devolution is the creation or strengthening of sub-national units of government where the local units of government are autonomous and independent. In this respect, not even the legally mandated functions of local governments can really determine whether real decentralization have taken place:

*For local government to ‘have’ or ‘fulfil’ a service, or part of it, means little more than that local authorities have formal responsibility for employing people to carry it out. It does not necessarily mean that they can influence the way in which it is carried out because they may have little discretion to do so.*

For example, as Erskine notes, British local authorities may have responsibility for administering income maintenance payments using housing benefits but they have little authority over the distribution of those benefits since those are nationally regulated. While local government responsibilities are widely used as an indicator of the decentralization, Page and Goldsmith claims that “it is clearly inadequate since the ability to make significant decisions affecting a function is not identical with formal responsibility for it.”

Charlick notes that “the mere existence of local governments, or of non-governmental institutions, or the acceptance of right to exist, may be an important first step in sharing government functions, but is hardly a sufficient one. Policy pluralism implies that these publics can participate in defining and managing policy.”

Instead of functions, Page and Goldsmith propose discretion as the main way of deciding over whether local governments play a role or not in governance. Discretion describes the power local actors have in deciding over the type and level of services they deliver. There are four components of discretion:

1. General legal framework in which local governments exist. The Scandinavian model is that local authorities have a general competence to undertake services. In the British model, local governments need to find a specific statutory basis for their actions.
2. Degree of discretion in the number of local services. Some of the services are mandated, others are under the permissive powers of local authorities. This category includes how much constraints localities encounter in the forms of central standards with regard to the services they need to deliver.
3. Non-legal forms of influence: non-authoritative government advice or circulars may have binding power on localities. Non-compliance to central circulars may end up in legal or financial penalties.
4. Financial discretion at the local level is critical. In a system where central government money transfers account for most of the local government income, independence is difficult to achieve. Real decentralization can be measured along local government’s powers in generating independent revenues such as local taxes, service fees, and charges. See Figure 5

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36 Page, 5.
37 Charlick, 16.
38 Page, 5-7.
for the composition of local government income in Hungary after democratic changes took place.

The points made by Page and Goldsmith show that evaluating decentralization goes beyond the formal structures. Real access to decision-making and revenues are the crucial fountains of local governance and true decentralization.

While the central government puts more and more responsibilities in terms of providing services to local governments, the financial subsidies assigned by the Hungarian parliament to local governments are decreasing and fail to cover the costs of maintaining the mandatory public services.\(^{39}\)

The decrease in financial resources of local governments can be explained by three major reasons claims Gábor Demszky, the Mayor of Budapest:

- central subsidy cannot follow economic recession and inflation,
- without expanding financial resources, central government assigns more and more roles to local governments,
- deficit of the central budget forces the government to dump more burden on localities.\(^{40}\)

The central government encourages (and creates an environment that forces) local governments to levy more local taxes and engage in profit seeking economic enterprises to earn money for their own expenses. The general lack of affluence, especially in rural areas, constrains the level of taxes local governments can levy. This compels local authorities to use central government funding even for accomplishing basic public services which, understandably, makes local independence difficult to achieve and maintains the central government's leading role in decision-making. On the other hand, local governments are also suffering from the problems of privatization. Privatizing is a desirable part of the process of democratization but it may negatively affect local governments by draining their property in real estates. It is still unclear which properties belong to the local authorities and what has to be privatized for money or just simply to give back to the previous owners. The money coming from renting buildings owned by local governments has been a major source of income at the local level.

Figure 3. Local Governments and Their Competence According to the Local Self-Government Act of 1990

<table>
<thead>
<tr>
<th>Local Governments Mandatory Tasks are to Provide:</th>
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<tbody>
<tr>
<td>• drinking water</td>
</tr>
<tr>
<td>• primary education</td>
</tr>
<tr>
<td>• basic health services</td>
</tr>
<tr>
<td>• basic social services</td>
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<tr>
<td>• local roads</td>
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<tr>
<td>• public lighting</td>
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<tr>
<td>• public cemeteries</td>
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<tr>
<td>• national and ethnic minorities rights</td>
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</tbody>
</table>

\(^{39}\)Bennett, *Local Government*, 87.

Although even the deconcentration of governmental functions and services has many advantages over centralization because it emphasizes the relative autonomy of the subordinate units by giving them freedom to act within their mandates, it does not fundamentally change the structure of power in decision-making. Deconcentration, eventually, does not solve the problems of centralization.\textsuperscript{41} Administrative decentralization actually consists of four different, although interrelated concepts according to Jong S. Jun and Deil S. Wright: (1) the deconcentration of administrative functions; (2) the devolution of decision-making authority; (3) localized program innovation; and (4) citizen participation in the policy process.\textsuperscript{42}

Judging by this standard, Hungary has mixed results with the different aspects of decentralization. The central government created many deconcentrated units in the country but the domain of power and authority, viz., point (2), of those agencies is still limited. The third critical point is the issue of local program innovation that is very rarely the case in quasi-decentralized systems. Since the grants needed to carry out local projects are awarded by the central government as well as deconcentrated units are closely supervised by the center, local programs (even if they are designed by municipalities) must eventually be approved by the central government. Jun and Wright, along the lines of Vengroff’s commitment-participation measurement, found it important that together with decentralization there is also a need that local citizens should actively participate in the policy process via having seats on advisory boards, participating on public hearings and meetings, and voting in local political elections. There was a relatively low turnout for local elections by the citizens compared to parliamentary elections during the elections in 1990 and 1994 in Hungary. Decentralization of power is practically meaningless if it is not accompanied by more citizen participation. This is clearly the case if we take a look at voter turnouts for the first two democratic elections in Hungary at the parliamentary and local levels. (See Figure 4.)

Figure 4. Participation in Local and Parliamentary Elections, 1990/1994\textsuperscript{43}

\textsuperscript{41} See Brian C. Smith on the same question: “decentralization may be clearly distinguished from the dispersal of headquarters’ branches from the capital city, . . . [and also] from delegation, when superior entrusts a subordinate with some of the former’s responsibilities.” Brian C. Smith, Decentralization: The Territorial Dimension of the State (London: George Allen & Unwin, 1985), 1.


\textsuperscript{43} There was no second round for local elections in 1994.
Figure 5. Local Government Income in Percentage in Hungary after Democratic Changes Took Place \(^{44}\)

**SECTION IV.**

**Third and Second World Development**

Decentralization in Hungary nicely fits into the theoretical framework described by development management literature. While deconcentration and devolution is an achievement in itself compared to centralized public administration, it is hardly enough for good governance. The good thing is that accepting Vengroff’s point that decentralization is an evolutionary rather than a revolutionary process, Hungary is on the right track.\(^{45}\) The process of decentralization has started and there has been major achievements already. Still, deconcentration and devolution will not make up for localized decision-making in the long run. Hungary is on the right track but it needs more depth in decentralization to achieve better governance.

Using the three factor quality indicator of decentralization, Hungary has fairly high score in some respects and some weaknesses in others.

The **scope** of decentralization is very high when measured by covering population and geography of the nation. Local governments were established everywhere after the Local Self-Government Act of 1990 came into power. The Act set no specific limitations on communities to create local government. According to the new Act, self-governance is a collective citizenship right.

Some would even say that Hungary overdid geographical decentralization: after the administrative decentralization of the local governments, 1,508 new local governments were created in addition to the previous 1,584 which adds up to 3,092 municipalities altogether. This may look like a little bit too numerous in a country of 10 million. Most of the newly created local governments belong to very small villages “which often find it difficult to fulfill their mandatory tasks and to make effective use of their scope of discretion.”\(^{46}\) Their autonomy is unreal since they depend on state subsidies as fifty-five per cent of local expenditures comes from the state.

With regard to personnel, most of the public administrators work in the state and central offices combined. They also employ a larger number of staff. These are not too prestigious jobs with serious problems concerning low salaries that fail to attract or keep the best employees. Even at the central level, the best qualified public managers left the public sector for private companies. Thus, a relatively strong private sector in Hungary drives the best workers out of public administration to areas where their talent is better paid. This at least proves that the skills of public administrators in Hungary (especially of those with strong background in economics and law) are good and well needed.

**Intensity:** Hungary tried various types of decentralization. Deconcentrated state organs flourish all over the country. Also, local governments enjoy a high degree of legal autonomy and they grew astronomically after the political changes. Yet, functions and legal autonomy have not been accompanied by necessary means. Moreover, a liberal distribution of tasks accompanied with lack of resources are causing a clash among deconcentrated units, local governments, and the state. At the moment, “it is undecided what is considered to be a local or state issue.”\(^{47}\) In order to clear up functions and roles, there is a need for a more straightforward legal framework.

\(^{45}\) Vengroff, 7.
\(^{46}\) Hesse, *Administrative Transformation*, 85.
This is especially true for the unsettled role of meso-level administration such as county self-governments.

Figure 6. Public Administration Personnel at the Different Levels of Government in Hungary, 1991/1992

Source: Hesse, *Administrative Transformation*, 78
Commitment refers to the level and quality of support for decentralization by political forces. Generally, local governments were identified as important parts of post-communist Hungarian democracy. Still, the priority of the central government has been maintained. This is partly due to the fact that Hungary is a unitary state with no constitutional guarantees of multiple authority of sub-national levels. The other reason is more practical. Imre Verebélyi, the former Administrative State Secretary in the Ministry of Interior of Hungary, claims that the central government continues to be the major actor in public administration due to many, hopefully temporary, reasons:

The reasons include weak self-organizational mechanisms and the need to administer the transfer of a vast amount of state assets; to settle compensation claims; to deal with the flood of refugees into Hungary; to combat an increasing crime rate; and to come to terms with the consequences of a civil war on Hungary's border.  

Clearly, newly established local governments cannot be held responsible to fight such issues as the spillover effect of the civil war in former Yugoslavia or the privatization of the state properties. There is a need for central government activity at the local level in some special cases: poor regions or border communities with Yugoslavia.

While many functions were mandated to the local governments, they can rarely make major decisions. Hungary has a history of regulating public administration mainly through the legislature. Hungarian Parliament still plays a central role in public administration that does not only prevent localities from autonomous decision-making but also puts a heavy burden on the Parliament itself. The national Parliament that has absolute legislative powers in Hungary and it is:

faced with a situation in which it has to pass approximately one hundred new acts annually; this leaves, on average, only six hours to discuss an act, including presentations by committees and ministers. Such haste in legislation no longer really serve the interests of the constitutional state, but devalues its effectiveness by reducing the standard of legislation.  

More authority in decision making power at the local level as well as less state regulations would enhance the work of local governments as well as lessen the burden of the central government.

Financing local governments cannot be done by an increase in local taxation. More local taxing would probably work in the most affluent western regions and in the capital but would definitely decrease resources at the impoverished rural regions of the country. Functionally powerful local governments are often paralyzed by lack of resources and central regulations.

SECTION V.

Conclusion

The analysis of bureaucratic decentralization in post-communist Hungary proves that decentralization is and has been identified as a major component of democratization and good governance. The success in promoting good governance is varied. On the one hand, the quality of governance does not meet the expectation of the people. The post-communist euphoria that

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49 Ibid., 118.
50 Hesse, Administrative Transformation, 77.
Western style governance and quality of life style can be achieved through a few structural changes such as regular elections or multi party system proved to be unfounded. It takes more years and deeper institutional changes to build a high quality governance found in Western democracies.

On the other hand, Hungary did indeed launch an impressive program of administrative change that brought an update in the quality of governance. Local elections are taken seriously and people do participate in local governance. A recent survey carried out by Baldersheim et al. shows that fifty-eight per cent of the respondents in Hungarian villages and forty-eight per cent living in towns believe that they can influence more than before how the municipality is run. The trust in local administrative bodies grew compared to their ex-socialist counterparts. Another poll carried out by a Hungarian polling institution (Marketing Centrum Orszagos Piackutato Intezet) between 11 and 21 of October 1996 gives hope for further changes at the local level. The national survey on local governments had a sample of 8,000 citizens living in Budapest and thirteen towns around the country. The questionnaire measured citizens’ attitudes towards local- and national-level political institutions. According to the survey’s findings, the prestige of local governments and their perceived role in the stabilization of the new Hungarian democracy is higher than those of the central government.

Most of Hungary’s problems with decentralization either stem from the relatively weak general economic performance of post-communist countries, i.e., there is a lack of financial resources both at the central and local level. The other types of problems originate in the heritage of the unitary political system: strong centralization of the policy making in the national parliament and the need for central coordination of such issues as privatization or the rebuilding of public administration.

Accordingly, the recommendations for the country are twofold. Whenever it is feasible, more financial autonomy should be assigned to successful local governments, especially in richer regions where local income through taxes are higher. Strong central involvement in local issues is justified by many, hopefully temporary, reasons in certain cases such as poor regions or transfer of state property. As transformational issues decrease and economic wealth grows, the role of central involvement should be re-evaluated on a regular basis.

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51 Baldersheim, 76-78.
Section VI.

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