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Title: Centralization Revisited: Hungarian Experience with Civic Participation in Public Services in the Midst of the Pandemic

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Abstract

From 2010 onwards, Hungary has been a country of unique tendencies in public administration development. This was considered by certain authors as backsliding in democracy. The current developments amidst the COVID-19 pandemic however, puts the centralization trend into an entirely new context. Disaster management has always been associated with centralized operations of public administration. One could argue that a widespread pandemic could serve as a good pretext for further centralization and/or as a legitimation for centralizations so far. I argue however, that this conclusion totally misses the point in terms of civic participation in public services.

The current analysis picks up the thread of scrutiny from the early 2010s displaying how civic participation has been an essential element of formulating and delivering policies in Hungary despite critical voices from the beginning of the period in question. Approximately 60 thousand civic organizations are active in all walks of life and many of them are strong if not decisive contributors of public services. Certain sectors have varying possibilities and legacies in civic participation though that are displayed in the article. The research contains statistical evidence of the overall figures of civic participation and offers a couple of sectoral analyses whereas civic contribution characteristically forms the given field of public services.

The pandemic and the various government responses to it (from informing the public to announcing partial curfew) offer an extraordinary context to further examine how civic contribution to public services and government to civil society relationship develop. The article contains the result of a qualitative analysis with civil organizations engaged in women support regarding their experience of fighting the pandemic while performing their normal duties.

As a conclusion, the article offers a much more complex framework of understanding the various dimensions of cooperation between government and civil society that was previously analyzed by the corresponding academic literature.

Key words: centralization, civil participation, victim support

1. Introduction

The paper introduces the first practical experiences of a cooperation of a government institution and a civil organization. The example is brought from the field of Hungarian victim support that is a field of civil-government cooperation in many countries such as in the UK. The specificity of the current example introduced in this paper is that the service capacity and service quality development of a state service is carried out by a civil partner in a country that is known of its decade long centralization efforts. Centralization however does not mean that there is no cooperation, furthermore, symbiosis with various associations, foundations and other non-profit institutions.

Centralization is far from new in Hungarian public administration for it is a small, flat and unitary state. As such, centralized public administration has always been dominant despite the ill-fated regionalization attempts briefly discussed in the following. Still, organizational centralization in public administration does not mean that there could be no place for various self-governing social groups, professional chambers (such as the Agricultural Chamber, the Medical Doctor's Chamber, etc.) foundations, associations or other non-profits in providing public services or handling various aspects of governance.

2. Centralization as a response to a previous crisis

Parliamentary elections in April, 2010 radically transformed the country's party system. The conservative Fidesz party received two-third majority at Parliament. The newly emerged monocentric political structure offered a historic chance for the government to make all structural changes to amend institutional and financial settings of the country. The new political leadership had the ambition of correcting the birth defects of the regime change that were definitely numerous. The first necessary aim of the new government was to avoid a

pattern to unfold that would have been similar to what had been taking place in Greece.¹ Part of the reform was to re-arrange the unsustainable nature of the local government – central government cooperation according to the requests of the IMF.² The standard recipes – such as mergers of entities – however, could not have been applied in the case of local governments in Hungary due to the constitutional protection of the right for local governance. It is also understandable that the central budget – under the close control of the IMF – was not in the position to bail out the local government sector without risking financial and policy retaliation. In a paper prepared for an IMF conference on decentralization in Hungary and in Slovakia, Deither (2000) argued that central control on local government budgets should have been enhanced by strict regulations, improved accountability and by the fiduciary responsibility of the central budget. (Deither, 2000. p. 13) In fact, a similar scenario was about to unfold a decade later in Hungary. The government launched a vast public administration reform program (Magyary Plan)³ under Government Decree 1207/2011. (VI. 28.) in 2011. The reform program aimed at increasing overall efficiency of the entire public administration system throughout modernizing its tasks, personnel, processes and structure. It has a certain significance to emphasize that the original motivation was to exploit efficiency gains based on the theory of economies of scale. This might or might not worked for it is difficult to compare operational costs in a dynamic environment. Lessons learned from the COVID 19 response was however, that centralization has been more adequate to crisis management than seeking efficiencies.

These structural reforms can be labelled primarily as centralization, with the ambition of saving costs and having a firm control on policy processes. The reform that took place in 2011-2013 re-concentrated most of the competencies from local government offices to newly created Government Offices. It is important to mention that there has been a consensus for a long time in domestic public administration legal theory that “original competences” of local governments had to be distinguished from “delegated competences”. The most important difference was that “original” competences originated from the constitution – thus could have not been changed – and the democratically elected local assemblies were entitle by them. (Szabó, 2012. p. 30.) “Delegated competences” on the contrary were regulated in lower level legal norms that had addressed the local notaries (municipal notaries are the heads of the local

¹ <http://www.economonitor.com/edwardhugh/2010/01/22/hungary-isnt-another-greecenow-is-it/> retrived: 20. 08. 2017.

² <http://www.imf.org/external/pubs/ft/scr/2009/cr09105.pdf>

³ Named after Zoltán Magyary (1888-1945) an internationally renowned scholar of public administration theory.

public administration apparatus). The “re-concentration” manoeuvre took the short and simple route to increase efficiency and transparency towards international lenders: since formal municipal independence was untouchable, the Parliament decided to remove the delegated competencies from the municipal notaries and concentrated the competencies at the newly established district administrations (townships). Townships became the local branches of the County Government Offices and they became responsible for all public administrative issues that used to be delegated to the local governments. This somewhat hollowed out the local governments administrative role since approximately 75% of their case load consisted of delegated public administrative cases. Additionally, local governments used to have enormous voluntary tasks (maintaining secondary schools, etc.) and they still have significant “own” revenues such as local taxes on industries, real estate and motor vehicles. The government successfully relocated competences and finances from local government sector to locally operating central public administration, as a result, the following structure came to life:

- Township Government Offices on the local level,
- Township Government Offices act as local branches of County Government Offices, the latter serving on territorial level,
- County Government Offices are directly subordinated to Prime Minister’s Office.

As a final move, now being in control of the multitude of local tasks, the central government bailed out municipal local government sector right after being able to fully pay back IMF loans and thus being free from external budgetary scrutiny.

The stages of bailing out local government sector were the following:

- first: all county local governments were bailed out by HUF 190 Billion,
- second, small municipalities having permanent population under 5000 were bailed out for HUF 74 Billion,
- third, all other municipalities were bailed out by 50-70% worth HUF 514.9 Billion.

In retrospect, the entire wave of centralizing local tasks to central public administration organs can be seen as the aftermath of the 2008 crisis whereas the government wanted to clean up financial trouble but in a way to ensure that a similar chain reaction of accumulating indebtedness would not repeat itself.

Since local identity is usually considerably strong in the Hungarian society, these factors should not be excluded from considering the next steps of the reform. As Hajnal and

Csengődi (2014) formulate the local element of the reform: “Local self-governments’ scope of duties and competencies (many important functions in the field of operating secondary education and health-care facilities) were dramatically reduced by transferring them to the newly created District Government Offices (strictly and hierarchically subordinate to County Government Offices). Later on, additional administrative tasks and the related bureaucratic capacity of local government offices were transferred to the District Government Offices, too. Elected and decentralized county-level self-governments, as a result, lost most of their previous – and already quite modest – functions.” Hajnal and Csengődi (2014, p. 49.) argue that the centralization process is a form of politicization. I argue however, that politicization and higher level of control were primary tools of controlling the economic crisis of 2008-2010. Camillus and Deepak (1991) also view the increased level of organizational control as a means by which crises can be managed.

Transferring local tasks to local offices of central government institutions can be observed through the divergence of central and local government budgets’ shares of the GDP as follows. The following diagram shows that in fiscal terms the centralization really took place but its value was relatively modest: from 12.8% of GDP in 2010 to 7.6% of the GDP in 2013 that is a 5.2% correction altogether.



Municipal level and county level public administration of Hungary ⁴	NUTS 2 regions formed by 3 counties each except for Central Hungary ⁵	NUTS 3 small regions (175) ⁶
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1. Layers of public administration map of Hungary after Europanization

As a result of Europanization it can be found that layers of Hungarian domestic public administration and NUTS regions intersected and gave a staggering patchwork of administrative bodies as follows:

1. Municipal level (In Budapest, even district level),
2. NUTS 3 small region level,
3. County level,
4. NUTS 2 regional level,
5. National level that equals NUTS 1 level as well.

The vast regionalization policy in Europe was carried out in line with the Lisbon Strategy but in Hungary NUTS regions were established without installing regional elections or without merging regional competences with traditional municipal, county or national public administration competences, Therefore it was more like a cohabitation of European and domestic institutions than a real fusion of new and old institutions. In the meantime, still in the period of the Lisbon Strategy, a global financial crisis erupted in 2008 that ignited Greece as well as many other European countries. The crisis itself and the aftermath weakened trust in European institutions and in the entire European vision and undermined the EU's moral authority to engage in domestic affairs. The Lisbon Strategy proved to be profoundly erroneous and complacent in projecting "The Union is experiencing its best macro-economic outlook for a generation..."⁷ in year 2000. In terms of Hungary, the 2008 crisis involved that in October, Hungarian public debt became impossible to sell on the international financial market so the country had to enter into a loan agreement with the IMF (the third time) to avoid insolvency. The global crisis and euro-crisis was to a large extent more damaging in Hungary than in other Central and Eastern European countries because of the already existing internal vulnerabilities of the Hungarian economy.

⁴ Source of the map: <http://enfo.agt.bme.hu/drupal/node/4774> retrieved: 19.08.2017.

⁵ Source of the map: https://hu.wikipedia.org/wiki/Magyarorsz%C3%A1g_r%C3%A9gi%C3%B3i retrieved: 19.08.2017.

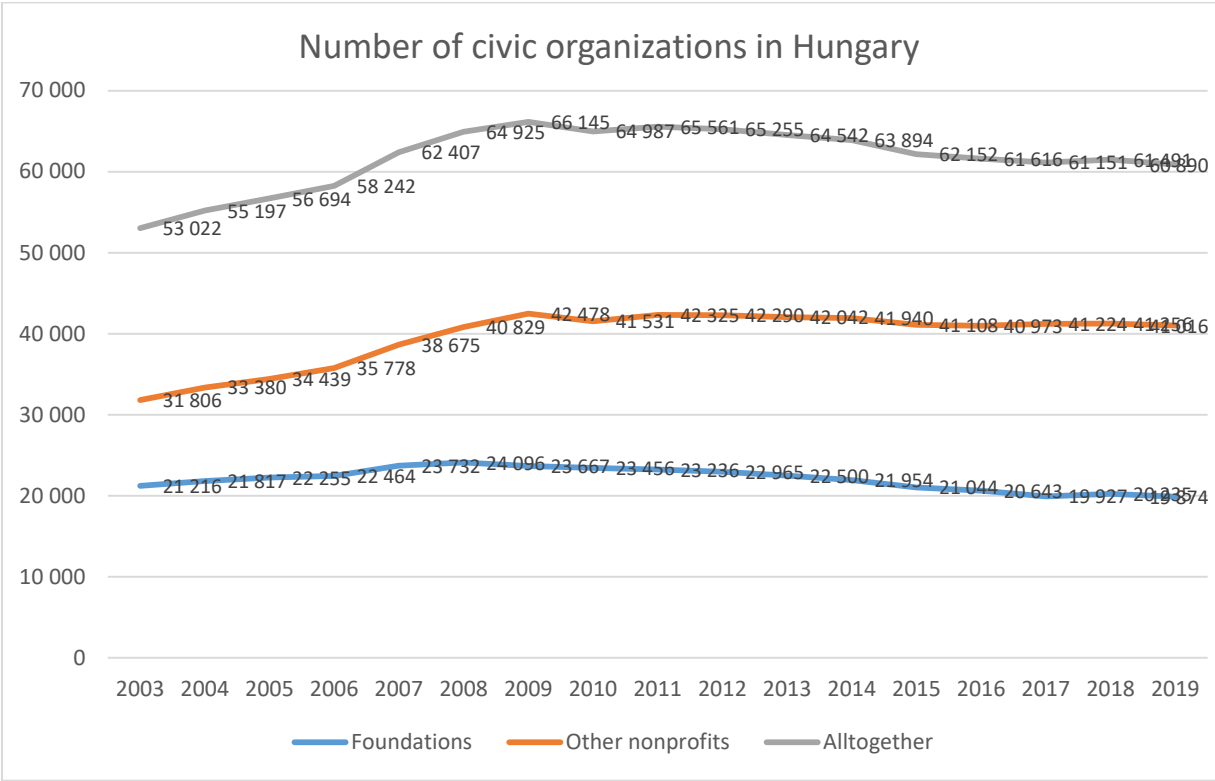
⁶ Source of the map: <http://www.terport.hu/kistersegek/magyarorszag-kistersegei> retrieved: 19.08.2017.

⁷ http://www.europarl.europa.eu/summits/lis1_en.htm paragraph 3. retrieved: 19.08.2017

separate consultations and numerous professional chambers (Agricultural Chamber, Lawyers Chambers, Medical Doctors’ Chamber, Chambers of Commerce and Industry, etc.) were entitled with public duties and rights which was considered corporatist therefore per se antidemocratic by Ágh (2013).

3. Nonprofit sector, statistical analysis

The number of civic organizations in Hungary appears to be relatively stable with a slight consolidation trend after the 2008-2012 economic crisis.



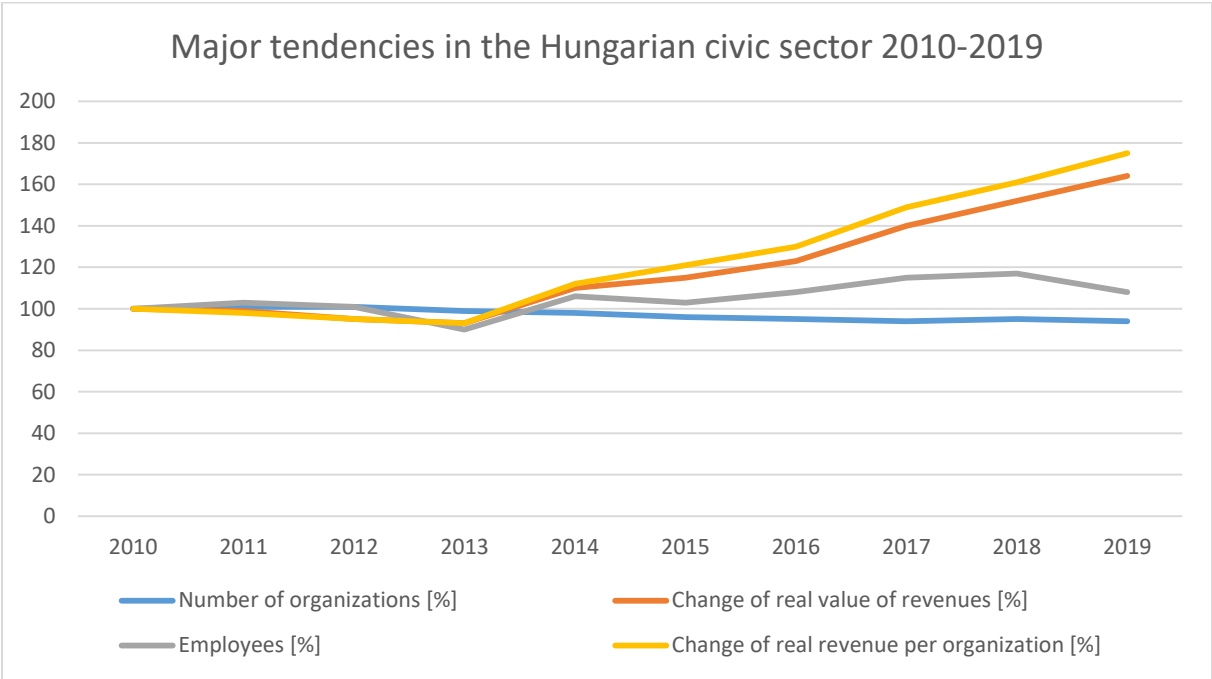
2. Number of civic organizations in Hungary 2003-2019. Source: KSH (Central Statistical Office)

The slight decrease of the number of non-profit entities can be attributed to the effect of the new act on civil entities (No. CLXXV. of 2011). The act determines that the non-submission of the annual financial report entails filing a wind-up procedure against the non-profit entity by the court of registration.

The real value of the revenues of the Hungarian non-profit sector grows steadily after 2014. The biggest growth (nearly 14%) took place in 2017 that mitigated back to 7.9% in 2019. This tendency was due to the structural changes within non-profit companies and partly due to a handful of newly established private foundations.

The number of employees proved to be volatile during the last decade. In 2019 a serious, 7.7% decrease pushed back the number of non-profit employees to the level of 2016.

The revenues to GDP ratio and the average of the number of employees show that the weight of the non-profit sector gradually increased in Hungary between 2015 and 2018 culminating in 4.34% in 2018 and decreasing to 4.25% in 2019. The revenues of the non-profit sector accounted for nearly 5% in 2017 and 2018, slightly passing 5% in 2019 (5.06%) but the number of employees decreased therefore the overall economic weight of the non-profit sector within the domestic economy slightly decreased.

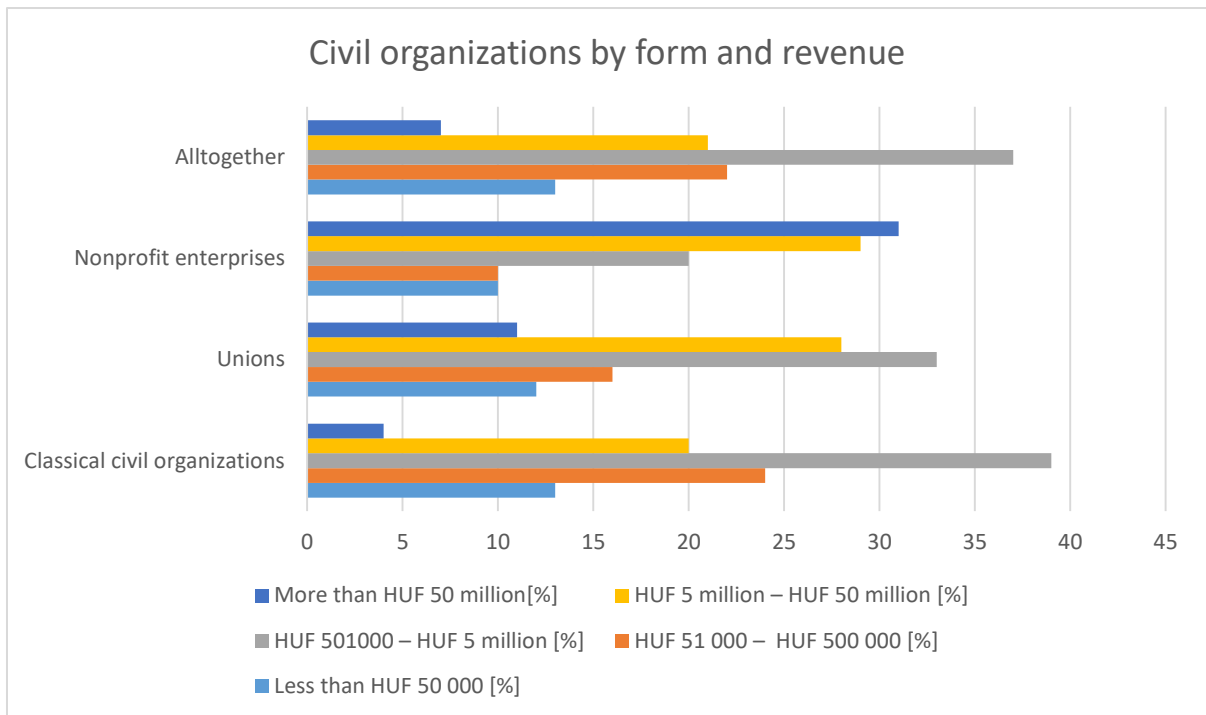


3. Major tendencies in the Hungarian civic sector 2010-2019. Source: KSH

The economic weight of the non-profit sector is relatively stable, accounts for steadily 5% of the GDP.

The internal composition by the field of activities of civic and non-profit organizations is far from surprising but rather telling regarding the overall preferences of the Hungarian society.

Category	Proportion of organizations [%]	Share of revenues [%]
Sport	15,7	12,9
Culture	15,6	14,9
Holiday	14,8	3,4
Education	13,1	8,3
Social support	8,9	9,2
Municipal development	4,9	15,5
Professional representation	4,9	6,3
Health	4,1	3,9
Environment	3,4	9,3
Public security	3,2	0,6
Economic development	2,8	9,2
Religion	2,1	0,6
Research	2,1	3,4
Civic guards	1,5	0,3
International relations	1,1	0,8
Legal protection	0,9	0,7
Distribution of charity	0,5	0,3
Politics	0,4	0,4



4. Civil organizations distribution by form and revenue, 2019. (Source: KSH)

According to the Central Statistical Office (KSH), the percentage of civil revenues from government or municipal transfers increased by 2 basis points from 2018 to 2019. In 2019 45% of all civil revenues came from government or municipal sources that accounted for HUF 171 Billion extra revenue. Apart from this, the proportion of revenues from own activities increased slightly from 41% to 42%. 16 thousand organizations received public funding in application procedures.

105 thousand people were employed full time and 50 thousand part time in the non-profit sector while 366 thousand were volunteers. The latter group's work performance equalled the calculated output of 22.3 thousand full time workers.

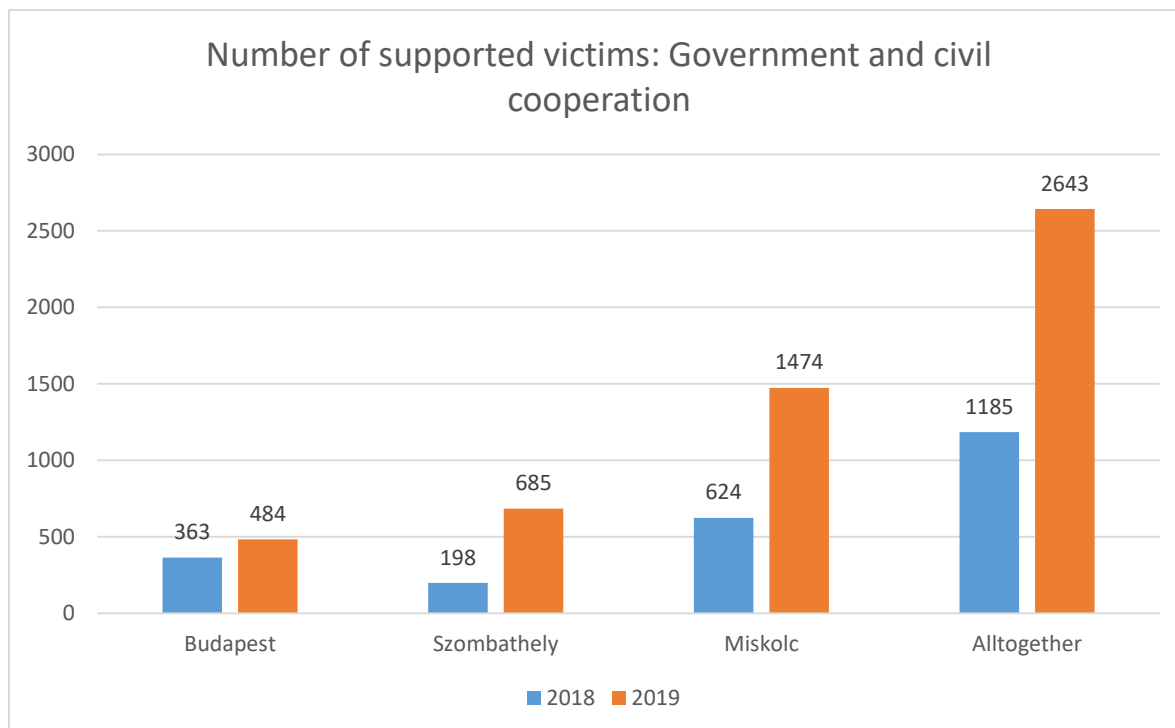
Classical civil organizations (associations and private foundations) accounted for 87% of all nonprofits but had 38% of the revenues of the nonprofit sector. Their overall number was over 53 thousand in 2019 (19 thousand foundations and 34 thousand associations).

Classical civil organizations differ characteristically from other civil organizations: their volunteers provided for the lion's share of the entire civil sector (95%) while their full time workers were 40 thousand and part time workers 14 thousand.

In 2019, classical civil entities accounted for 87% of all nonprofit organizations but they had 38% of all revenues. The gross revenue of classical civil entities can be divided to government and private resources by 2:1. In discrete figures HUF 354 Billion came from government sources and HUF 191 Billion from private resources. State financing decreased by HUF 16 Billion, private funding increased by HUF 9 Billion compared to year 2018. Membership fees of associations added up to HUF 33 Billion, while foundations spent HUF 116 Billion (EUR 331 Million) on supporting institutions or individuals.

4. An example: transitioning victim support services to a civil organization

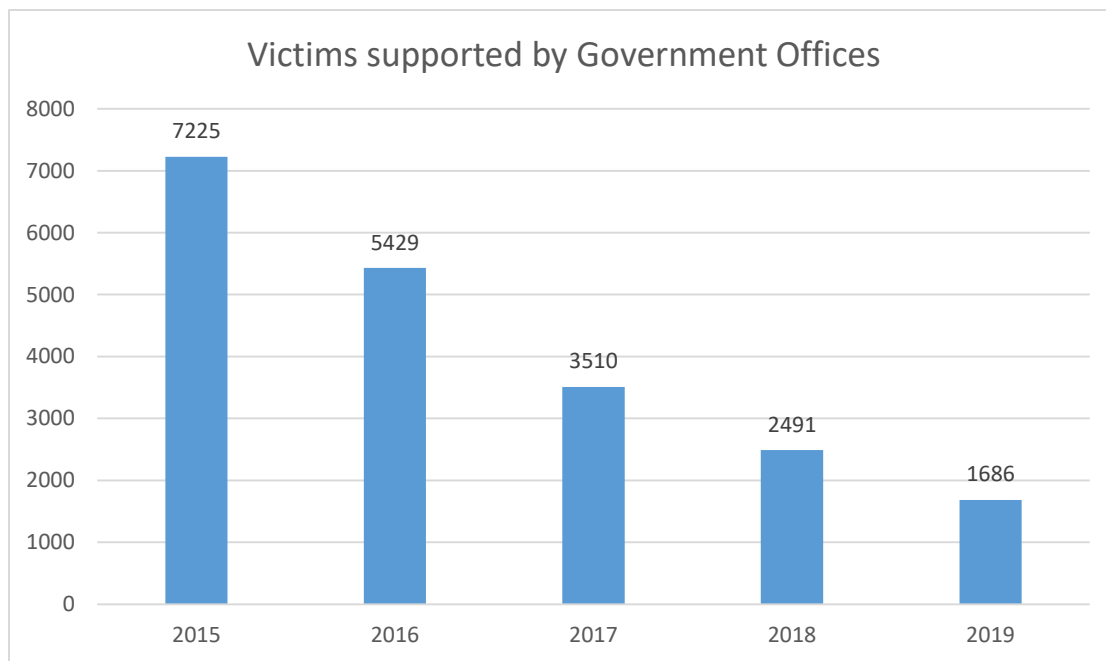
State-run victim support services were solely provided by County and later Township Government Offices until 2017. July that year the first victim support center was opened. The new concept of victim support centers embraced the idea that such public service ought to concentrate on client value instead of officialdom. From 2017 onwards, new victim support centers have been created. One in 2017 (Budapest) and two (Szombathely and Miskolc) in 2018 and run directly by the Ministry of Justice until the end of the year when ERGO European Regional Association was mandated with the operation of the new Victim Support Centers. ERGO had had a remarkable record in women support and were chosen for the task by negotiations. The first period of this Ministry-Association cooperation proved successful as indicated by the following chart.



5. Client numbers of Victim Support Centres in the period of outsourcing (Source: Presentation by the Ministry of Justice at National Police Headquarters on the occasion of International Victim’s Day⁸)

In the meantime, Victim Support Services still operated by County Government Offices tended to decline in performance numbers. Part of this trend can be justified by the overall decreasing crime rate but may also be attributed to many other factors. Prime of these may be the subjective need of a crime victim to call for customized help instead of going to a public administration office where numerous clients are served due to the development efforts made recently to create one-stop-shop client services in the entire Central and Eastern European Region. (Kovács and Hajnal, 2014)

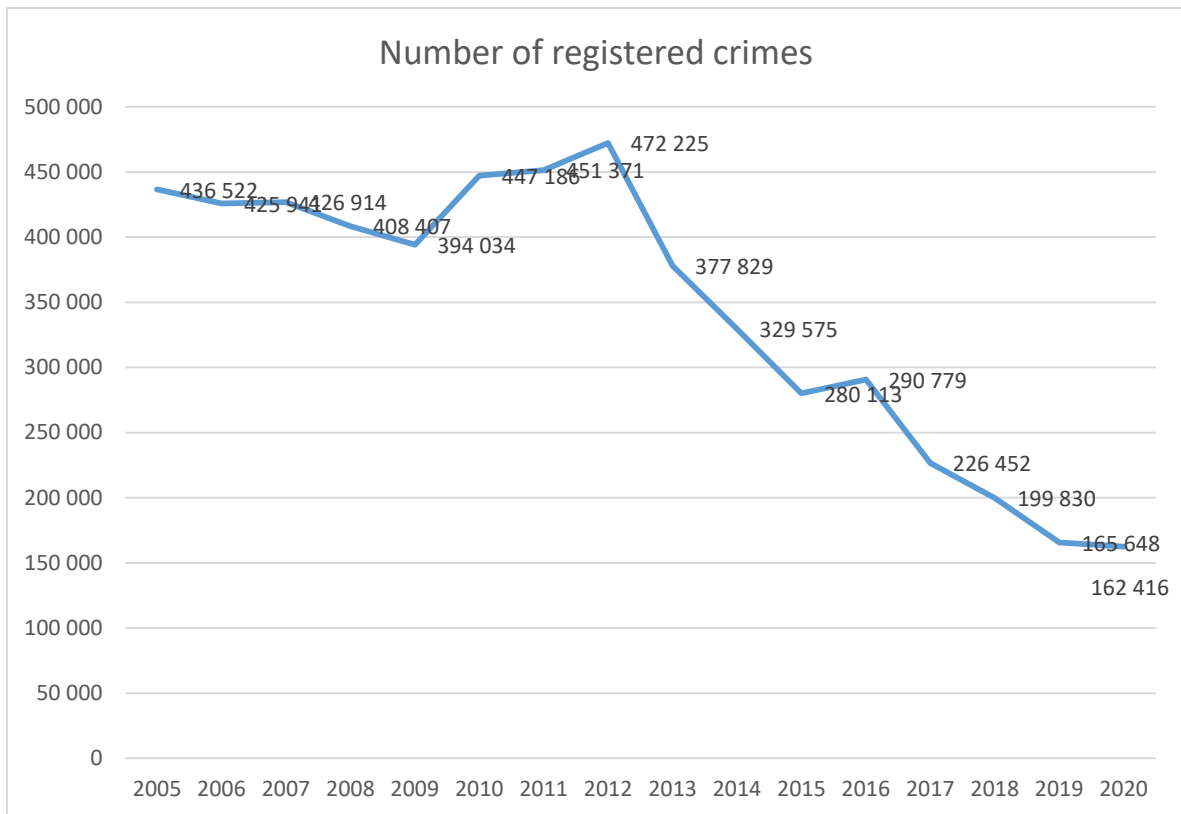
⁸ <http://www.police.hu/hu/hirek-es-informaciok/bunmegelozes/aktualis/buncselekmenyek-aldozatainak-napja> retrived: 21. September, 2021.



6. Victim support performance by County Government Offices. (Source: Presentation by the Ministry of Justice at National Police Headquarters on the occasion of International Victim’s Day⁹)

The beneficial effect of the decrease of overall crime rate partly explains the decline of victim support performance. However, this explanation was not fully acceptable for the Ministry of Justice that decided to focus on increasing client value. The Ministry started its project by launching the Budapest Victim Support Centre in 2017 as a Ministry unit but later the increasing number of Victim Support Centres were outsourced to a civil association. The staff working at the Victim Support Centres were recruited partly from the civil sector but partly from the staff of the Ministry. This government-civil cooperation was naturally not without operational difficulties.

⁹ <http://www.police.hu/hu/hirek-es-informaciok/bunmegelozes/aktualis/buncselekmenyek-aldozatainak-napja> retrieved: 21. September, 2021.

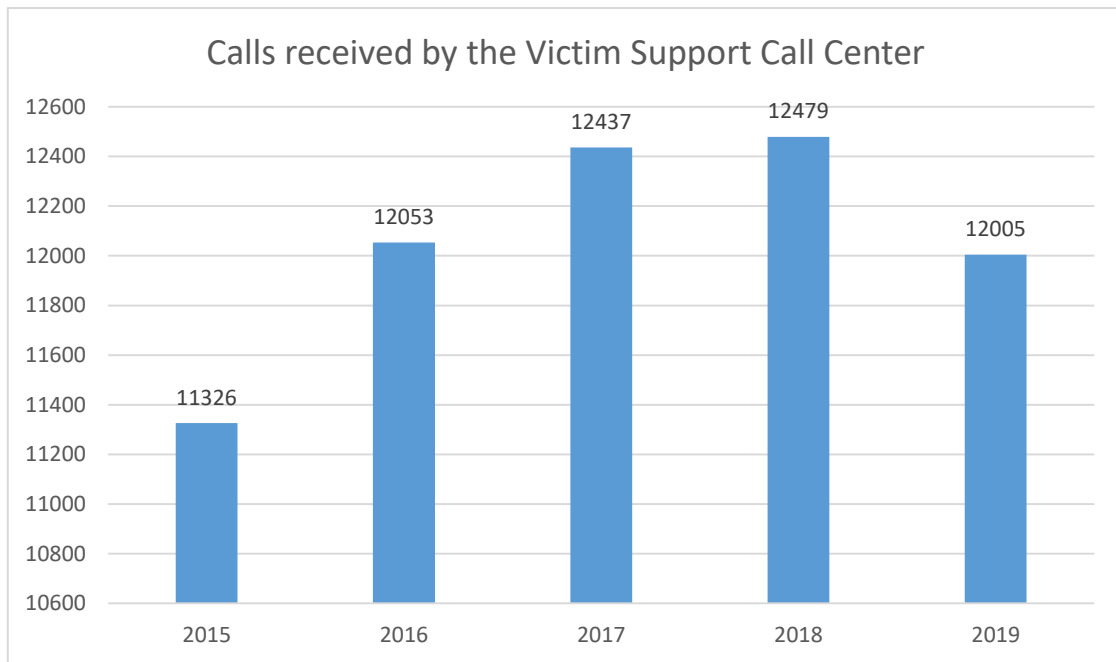


7. Number of registered crimes in Hungary, 2005-2020 (Source: KSH)

The main operational challenges in the new, civil-government cooperation were the following:

- How to modify opening hours in order to meet clients' needs while maintaining at least two staff at every moment. Former civil servants had to adapt to the new opening hours schedule that had to be extended to the evening hours after a short learning period when there was 24/7 service at the Budapest office.
- The second practical challenge was how to ensure that colleagues use the internal electronic filing system for the case files. Victim support demands an intensive presence in a person to person interaction, therefore it proved to be difficult to file the necessary registry in retrospect out of pure memory or using handwritten notes, especially if there had been already another client waiting for the helper on duty.

Later on these difficulties were mitigated, overcome and been adapted to.



8. Number of calls received by the Victim Support Call Center (Source: Presentation by the Ministry of Justice at National Police Headquarters on the occasion of International Victim's Day¹⁰)

5. Conclusions

The example of victim support services – special as it may be – reveals that cooperation, furthermore, mutually beneficial co-delivery may exist in a public administration culture that otherwise may not be characteristic of involving various social groups into performing its ordinary tasks. The example of civic based victim support reflects the culture of the Hungarian victim support community – government or non-government alike – that deeply embraces altruism and the intrinsic drive to help those of any need. Furthermore, the paper reflects that despite a certain rate of consolidation in the numbers of entities, the economic weight of non-profit sector is and has been gradually developing throughout the last couple of years.

The paper provides details for future researches on small or medium sized, culturally relatively homogenous countries' public administration cultures that may be characteristically different than suggested by textbook patterns.

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¹⁰ <http://www.police.hu/hu/hirek-es-informaciok/bunmegelozes/aktualis/buncselekmenyek-aldozatainak-napja> retrieved: 21. September, 2021.

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