

Size of Local Governments,  
Local Democracy and  
Local Service Delivery  
in Hungary

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# Size of Local Governments, Local Democracy and Local Service Delivery in Hungary

Éva G. Fekete, Mihály Lados, Edit Pfeil, Zsolt Szoboszlai

## 1. INTRODUCTION: BACKGROUND ON THE ISSUES REGARDING SIZE OF LOCAL GOVERNMENTS

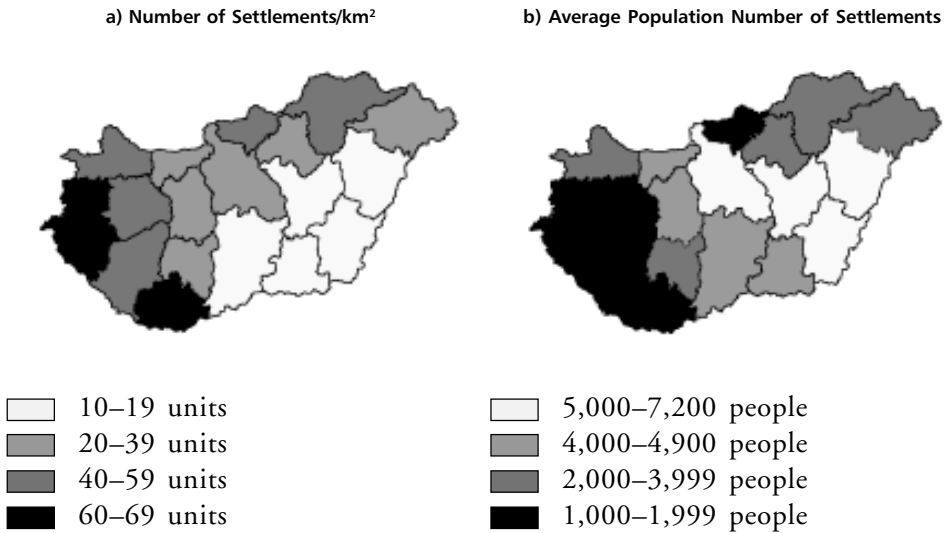
### 1.1 Dual and Fragmented Settlement Systems and Changing Urban-Rural Relationships

The most important factors that influenced the Hungarian settlement network were the following: 1) geographical conditions—landscape, hidrography, collision line of various regions, 2) special geopolitical location of the country, being at the cross point between East and West. *The features of the Hungarian settlement network are in between the western and eastern type models. There is a special mixture of regions characterized by small and large settlements.* The settlement structure for the Hungarian Great Plains is completely different from western style models for settlements because it consists of relatively large settlements, agricultural towns and homesteads. [Tóth J., 1988]

The average size of a settlement (exempting cities) is 1,264 inhabitants. In the Great Plain region, the average size of a settlement is 2,000 inhabitants. The most common size of a settlement, in counties where small villages dominate the settlement pattern, is between 500–700 inhabitants. Statistically, a total of 17.2% of the population (1.7 million people) live in villages under 2,000 inhabitants while villages amount to 75.8% of the total number of settlements. (In 1900 the first rate was 26.6% and in 1970 it had been 19.3%)

*Between 1960 and 1990 a strong concentration process dominated the Hungarian settlement network.* The population in the big cities grew dynamically, while the population and rate of growth in the smaller settlements decreased rapidly. Signs of deconcentration began to appear in 1990, when the population started growing again in the smaller settlements. Further *expansion of small settlements can be seen* between 1990 and 2000. The splitting of many formerly amalgamated settlements has resulted 64 new—and rather small—villages.

*Figure 2.1*  
Differences in the Settlement Structure (2000)



Due to legal decrees resulting in the formation of new townships during the 1990s, the average size of the towns decreased from 26,000 to 20,000 inhabitants.

*Table 2.1*  
Changing Size of Settlements Between 1990–2000

Settlement Types	Settlements					Population				
	1990		1999		Changing [%]	1990		1999		Changing [%]
	Number	[%]	Number	[%]		Number	[%]	Number	[%]	
Under 499	965	31.4	1,032	33.0	6.9	269,458	2.6	283,365	2.8	5.2
500–999	709	23.1	687	21.9	-3.1	517,670	5.0	501,217	5.0	-3.2
1,000–1,999	647	21.1	655	20.9	1.2	927,841	9.0	942,726	9.4	1.6
2,000–4,999	479	15.6	483	15.4	0.8	1,421,419	13.7	1,448,999	14.4	1.9
5,000–9,999	130	4.2	138	4.4	6.2	886,272	8.6	959,069	9.5	8.2
10,000–49,999	120	3.9	115	3.7	-4.2	2,317,883	22.4	2,204,851	22.0	-4.9
50,000–99,999	12	0.4	12	0.4	0.0	785,278	7.6	749,687	7.5	-4.5
Over 100,000	9	0.3	9	0.3	0.0	3,229,021	31.2	2,953,310	29.4	-8.5
Total	3,071	100	3,131	100	2.0	10,354,842	100	10,043,224	100	-3.0

SOURCE: Central Statistical Office. Statistical Yearbooks 1990, 1999.

To date, each settlement with a population above 10,000 has been declared a township. Among settlements with a population under 10,000, a total of 75 of these have also been declared towns.

## 1.2 The Features of Local Governmental Legislation

The legal framework of formation and operation of local governments has been laid down in the Constitution,<sup>1</sup> in the Act on Local Governments<sup>2</sup> and the Act on Associations of Local Governments.<sup>3</sup>

### 1.2.1 Strong Local Autonomy in Relation to Local Communities

According to the law, a community of local citizens has the right to self-governance. The state has given up some of its sovereignty and, today, it is not able to intervene in division of territorial structure suitable to national interests if these interests are in conflict with opinion of the local community in question. Any change in connection with this autonomy (merge or split of settlements, establishing new settlements, etc.) can be implemented only by initiation of local community.

Size was not even an issue when the Constitution and Act No. LXV on Local Governments was accepted in 1990. These had given the right to every local community to establish its own local government representative body. (Besides municipal LGs, the governments of the capital and the counties are also considered local governments.) According to the legislation, the most important challenge for local self-governing is managing local public affairs in an independent and democratic way. The LG—within the framework of Act No. LXV—can regulate and govern local public affairs autonomously. The Court supervises operation of the LGs but only in the case of infraction of the law does it have the right to interfere with its decisions. The fundamental rights for local self-governance are:

- the right to autonomy;
- the right to democratic use of local power;
- the right to legal protection of self-governmental rights.

The formation and operation of their institutions can express the autonomy of LGs. An LG—within the legal framework—can form its own organizational and operational structure, create local governmental symbols, and create local badges of honor.

Because of the political conflicts that emerged from the undemocratic and strongly centralized soviet style council system, the former council units, once covering more

settlements, have broken up. The former “supply district” and “urban surrounding zone” categories also have come to an end. Cooperation between new LGs has been based absolutely on voluntary associations.

*Regulation of the minimal size LGs was missing* in the beginning. Today, the increasing number of split of settlements and growing fragmentation has demanded some *regulations*. Legislation in 1994 changed the preconditions for establishing new LGs. To establish a new LG, the minimum number of inhabitants is 300. In addition, it has to prove its ability to accomplish the obligatory tasks arising from the law.

### 1.2.2 The Unprecedented Large Scale of Local Governmental Competencies

Local communities self-governments were uniquely allotted a lot of authority from the state to manage public tasks. Most of the compulsory tasks are defined in the Act on Local Governments itself and we list some of these in chapter 2.2.1. According to current legislation, the compulsory tasks must be provided by every settlement, irrespective of its size and capabilities. Besides these tasks, other “sector” regulations can also determine compulsory tasks for the LGs, and they usually do just that. The number of compulsory tasks for LGs increases continually, but without the continuous increase of access to resources needed to accomplish these tasks. Due to the increasing “sector” tasks, LG offices engage 70% of their capacities to the completion of central obligatory tasks and only in 30% to deal with local affairs. [Ministry of Interior, 2001]

### 1.2.3 The Lack of Spatial Hierarchy and Differentiated Local Governmental Tasks

The structure of public administration in Hungary has traditionally had three levels branching from the central one. These included the communities, the districts and the counties. District governments were abolished in 1984. After 1990, every LG, even those situated at different territorial levels, gained the same rights within the Hungarian governmental system. Within the former political system, county governments played a central role in unfair redistribution of development resources. This is why such a strong antipathy evolved against them. This is also why county and capital governments have no greater authority than that of small villages and there is no difference in authority between smaller and larger settlements, nor towns and villages. Subordination between LGs is completely missing from the Hungarian governmental system.

LG dominance is expressed through its *no more than assisting role of county governments on the division of competencies*. County governments must carry out all those tasks that are not obligatory for the LGs. Such tasks are public services that cover a part of, or the whole, county. The county in this structure *is not an integrating unit* and its most important character is its on mid-level operation of institutions.

Differentiated delegation of governmental competencies—as prescribed by the Act on Local Governments—means that local authorities may carry out different tasks according to local demands and their capabilities. Yet, the legislative body has the right to delegate more tasks and authority to those LGs with a larger number of inhabitants or more developed capabilities. But the LGs priorities are also expressed: The LG of a smaller community by itself, or by formulating association with other LGs, can undertake tasks which are delegated as obligatory tasks to larger LGs or county governments. (In this case, the LG has the right to receive the same subsidy from the central budget.) However, in practice, while the “sector” authorities give an increasing number of tasks to the LGs, these tasks are rarely differentiated. They do not differentiate between LGs from villages or towns, smaller or larger communities. Furthermore, they do not help county governments become real territorial governments with higher levels of competency.

*Delegation of competencies to district centers* is part of the rationalization behind the first tier of public administration. The architectural authority and the department of child-protection have operated in districts formulated around selected towns since the 1<sup>st</sup> of January 2001. City administration is responsible for these tasks and LG bodies have no power in this regard. These districts have been designated by the central government. Tasks delegated to districts can be fulfilled by voluntary LG administrative associations only in the case of certain architectural affairs. This possibility was chosen only by a limited number of districts. This is not so suitable for LGs compulsory and optional tasks, especially in the case of distributing public services in integrated territorial units, because the state does not have the right to control and intervene with matters under the LGs authority.

#### 1.2.4 Freedom to Form Voluntary LG Associations

According to 44<sup>th</sup> paragraph of the Hungarian Constitution, a local representative body can freely form association with other local representative bodies. The Act on Local Governments declares that LGs, within the frame of the Act, can form voluntary associations with other LGs. The local representative body has the right to decide to form associations. The Act on Local Governments defines the possible legal forms of associations. These are the following: administrative authority, institutional directives and joint representative bodies.<sup>4</sup>

Parliament modified the Act on Local Governments and then, in 1997, passed the Act on Associations and Cooperation of Local Governments. The Act on Associations and Cooperation of Local Governments only accepts those *associations based on agreement* and precisely defines the content of this agreement. This represents an important legal guarantee for the unified operation of the associations. It also specifies that the agreement must be sent to the Public Administration Office, which has the right to make legal reflection. The Public Administration Office then endorses the establishment of the association, if it corresponds to the rules of the Act. The association can begin operation legally only after endorsement. Registration with the court is not obligatory. The Act makes it possible to form *associations with autonomic financial rights and liabilities*. (For example; in the case of common investment, distributing services or operating institutions.) In this case, the association must be *registered with the court as a legal entity*. Such an association can establish institutions, can undertake authority from LGs, and can even impose taxes (but there is no precedent for this yet). For the formation of an association as a legal entity, beside the association agreement, a statute is also needed because the association would become a central budget institution. The County Public Administration Office and the Public Prosecutor's Office supervise the operation of local governmental associations. In regards to financial affairs—in case of the presence of public money—the association would be supervised by the State Audit Office.

### 1.3 Traditionally High Levels of Redistribution

The aim of the Concept for Spatial Development [OTK, 1971] was to provide a more balanced spatial structure in Hungary.<sup>5</sup> For this purpose, OTK constructed a hierarchical settlement structure system for defining the central function(s) of each level. The distribution of resources was strongly correlated to the concentration of capital investments in order to achieve this structure. In large and medium size towns, districts with housing blocks were set up equipped with all required facilities, like public utilities (roads, waterworks, sewage system, central heating, gas works) and human infrastructure (kindergartens, primary and secondary schools, medical services). At the same time, public administration and public services (education, health care) became very centralized. At the village level the number of local councils reduced from around 3,100 to 1,500. According to the rational of the OTK, 2,000 villages became a so-called 'settlements without a role'.

As a result of this policy, 90 percent of state grants for capital investment targeted Budapest and the city network. [Vági, 1982] At the same time, the greater share of the country (60 percent of the population) was left to enjoy only 10 percent of the capital

investment resources. Non-centers had almost no chance to develop. ‘Settlements without a role’ applied to two thirds of Hungarian settlements and 20 percent of the country’s population. However, they received only 3–4 percent of the available financial support for their development [ed. Kusztošné, 1998]. Since the early 1980s, more voices emerged calling for a more equitable distribution of capital expenditure because of the great demographic losses and the growing unbalance in the demographic structure of most villages.

In the late 1980s, the proposals for the reform of local finance focused on the following elements [Pitti–Varga, 1995]:

- switch from expenditure oriented to revenue oriented budgetary planning;<sup>6</sup>
- the revenue system of local councils, including state grants, should be legally defined based on objective measures adopted by Parliament;
- regulations should be promoted to generation of own revenues;
- local councils should get their properties back;
- the financial background of local councils should be based on locally generated revenues and normative distributed state grants;
- local councils located in underdeveloped areas and with weak income generation capacity should get extra state grants (equalization grants) on a normative basis.

Because of the system change, instead of the reformed council system, the local self-government system was born in 1990. The principles listed above were also built into the Local Government Act. Both the distribution of capital investment and state grants support of LGs capital expenditure became more balanced during the Transition. In smaller villages (below 1,000 inhabitants), the distribution of these indicators better reflected the distribution of population.

The share of capital expenditure is a little bit lower. At the same time, the share of state grants supporting capital expenditure is a little bit higher than their population proportion. Budapest’s weight changed drastically over this period. The capital absorbed less than 10 percent of capital expenditure related state grants, about half of its population share.

Under the soviet style council system, the decisions on public investment were made on a central level (CG and ministries). Since 1971, the county level received a greater role in this. Besides the basic priorities of cities and any types of central function, there has been strong competition amongst counties at the central level, and among local councils at the county level, for development funds. Success has depended on the ‘*bargaining position*’ of each council. [Vági, 1982]

*Table 2.2*  
Distribution of Capital Expenditure [%]

Category		Number of				Total		State grants Support	
		Population		LGs		Capital Expenditure			
		1991	2000	1991	2000	1991	2000	1991	2000
Total		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Counties		0.00	0.00	0.62	0.60	15.93	7.95	49.70	18.92
Budapest		18.56	17.18	0.75	0.76	16.23	26.20	13.94	7.88
Cities		42.69	47.01	5.56	7.43	40.26	34.53	23.36	31.09
Cities	Large	19.11	19.69	0.65	0.69	16.93	12.80	7.99	5.97
	Medium size	20.45	21.04	3.40	3.49	20.25	15.79	13.68	17.81
	Small	3.13	6.28	1.50	3.24	3.07	5.93	1.69	7.31
Villages		38.75	35.81	93.07	91.22	27.58	31.33	13.01	42.10
Villages	Above 5,000 inhabitants	8.10	5.11	3.66	2.27	6.03	4.82	2.03	4.73
	Between 1,000–4,999 inhabitants	23.37	23.14	38.53	35.95	15.93	20.23	6.47	27.93
	Between 500–999 inhabitants	4.89	4.89	22.91	21.84	3.53	3.98	2.32	5.74
	Between 200–499 inhabitants	2.08	2.31	20.46	21.78	1.66	2.04	1.58	3.28
	Below 200 inhabitants	0.31	0.36	7.52	9.38	0.43	0.26	0.60	0.43

NOTE: Large cities—cities with county rights; medium size cities—cities above 10,000 inhabitants; small cities—cities below 10,000 inhabitants.

SOURCE: Calculated by Lados, M, based on LG Financial Database of TÁKISZ, 1991 and 2000.

## 1.4 Regional Divisions

The *political electoral districts* were determined during preparation for the first democratic elections in 1990. The main consideration in determining the electoral districts was equal division of the voters. The country was divided into 176 electoral districts, with 45–50 thousand voters and 50–60 thousand citizen in every district. In larger towns there was more than one district and the relationship between the communities was not taken into consideration. In one district, there can be more than one community and, in regions full of small villages, it can be the case that 80 communities form one district. It also can happen that a part of one town forms one district with the nearby villages.

In Hungary today, there is no general principle for organizing public administration or spatial planning that could influence or determine the formation of general public administrative districts.

*The administrative districts established during the de-concentration process of governmental or partially governmental tasks* covered the whole country without overlapping, but the different tasks have different divisions. The districts of police departments, the courts, the ambulances, the fire departments, sanitation, the chambers, the enterprise development agencies, the employment offices, the farmers assistance services and administration offices, the tourist agencies, etc., only rarely totally overlap each other and are supervised and controlled by completely different departments or national authorities. The national organizations, because of the lack of coordination, do not know each other's spatial structure. They operate their own spatial institution independently from each other often consuming a lot of local resources uneconomically.

*The township districts for public administration* have been operating since 2001 as part of a new regional structure. They were created by delegating special administrative tasks (child protection, construction management) from the villages to town governmental offices. Their number is less than the number of towns, so, not every town has public administration district and authority connected to this.

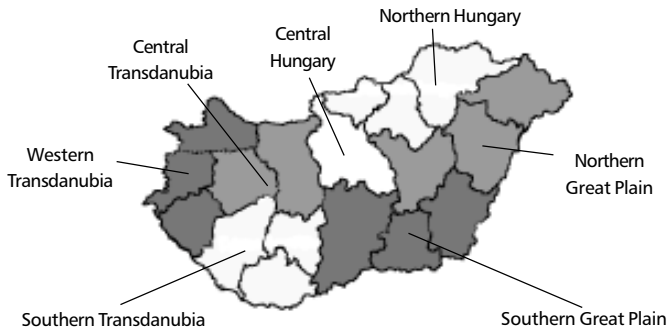
The *statistical districts* were defined in 1996<sup>7</sup> and modified in 1999. The basic requirement was a statistical territorial classification system conforming to the European NUTS system. Beside the 7 NUTS II regions, 138 statistical small regions were determined in 1996 and, due to some adjustments, this number has increased up to 150 now.

*Table 2.3*  
The Hungarian NUTS System

	NUTS Level	Number of Spatial Units	Number of Spatial Units Which Form a Spatial Unit on the Next NUTS Level	
			Average	Min-Max
Larger Regions	NUTS 1	1		
Regions	NUTS 2	7	7	7
Counties	NUTS 3	19	2.4	1-3
Smaller Regions	NUTS 4	150	7.7	5-13
Settlements	NUTS 5	3,135	21	3-85

SOURCE: Central Statistical Office Yearbook, 2000.

*Figure 2.2*  
Development Regions (NUTS II) in Hungary



The division method considered traditional relationships between the settlements but some deviations from this were tolerated because of the endeavor to create proportionality and implement a town-oriented approach. The average size of the smaller regions is 21 settlements and 58,000 citizens (excluding Budapest). But the variation is great. According to the settlement statistics, the smallest small regions are in Hajdu-Bihar County, where 3–4 settlements cover one small region. According to population, the smallest ones are in Vas County where there are a lot of small villages. Small regions, including the county capital, have 5–6 times higher population than the others because of the large cities and their large surrounding-zones formed by 40–80 settlements.

More than a dozen existing regional divisions (that belong to the three major groups mentioned above) have no connections to each other. The political, the administrative and the statistical districts cover each other only by chance.

*Table 2.4*  
Spatial Units (2000)

County	Electoral Districts		Statistical Small Regions						
			Total			The Smallest Districts		The Largest Districts	
	Number	Average Population/Spatial Unit	Number	Average Per One Unit		Number of Settlements	Population	Number of Settlements	Population
			Number of Settlements	Population					
Budapest	32	56,611							
Central Hungary	48	59,255	14	14	201,407	13	12,684	13	1,785,122
Central Transdanubia	19	58,315	23	18	48,721	5	13,198	17	110,982
Western Transdanubia	17	57,843	20	32	50,203	22	7,661	55	207,692

Table 2.4 (continued)  
Spatial Units (2000)

County	Electoral Districts		Statistical Small Regions						
			Total			The Smallest Districts		The Largest Districts	
	Number	Average Population/ Spatial Unit	Number	Average Per One Unit		Number of Settlements	Population	Number of Settlements	Population
Number of Settlements				Population					
Southern Transdanubia	18	54,154	22	30	45,692	10	11,808	75	206,695
Northern Hungary	23	55,180	23	26	57,157	13	12,395	43	287,812
Northern Great Plain	27	56,402	23	17	69,034	6	15,434	22	300,795
Southern Great Plain	24	55,872	22	11	62,978	4	17,409	14	205,612
Total	176	57,064	147	21	57,829	22	7,661	13	1,785,122
Total excl. Budapest	144	58,632			69,759			22	300,795

SOURCE: TSTAR Statistical database, 2000.

## 2. THE CONSEQUENCES OF A FRAGMENTED LOCAL GOVERNMENTAL SYSTEM

### 2.1. Fragmentation of the Local Public Administration System

As a part of the political changes, the former council-system, characterized by joint councils, ceased. The new local government system (introduced in 1990) returned to a community basis and *duplicated the number of local administration units*. Consequently, the average size of village governments is very small, about 1,300 inhabitants. The local identity of local self-governments became very strong with the almost unlimited freedoms. However, it often led to autarchy and did not allow the formation of efficient administration and a territorial provision system based on LGs' cooperation.

*In 1990, one third of the LGs under a population of 1,000 (528) did not participate in joint LG offices.* The purpose of the joint LG office is to do administrative tasks for those LGs that are in association. In the instance of LGs with fewer than 1,000 inhabitants, the law recommends this formation. But a certain sector of LGs refuse to form joint offices. A smaller part of these LGs, not willing to form joint offices, operate in small villages. A larger part of them consists of LGs bigger than 1,000 inhabitants that maintain their independence because of the distance to the next larger settlement or the lack of traditions. [Szigeti, E., 1994].

Because of negative experiences during the soviet style council-system, and the lack of state stimulus for joint LG offices, *the spread of this of form of integration decreased, not increased, during the first half of the 1990s*. A slow disintegration of joint LG offices was experienced during the first 6 years of the new local government system. From 1991—1993, their number decreased by 6% (30), and the number of LGs integrated to joint offices decreased by 8% (129). In 1997, the Ministry of Interior that supervises the LGs decided to make fundamental changes. It formed a new system for centrally financing joint LG offices. This included an extra subsidy, in addition to the former base subsidy, which could be given to every joint office without stipulation. The extra subsidy is allocated monthly to the offices and its amount depends on the number of LGs and total population. The new subsidy system allocates extra money to joint LG offices centered in towns or other large settlements. What is more, the state budget in 2000 put the subsidy system into a normative base. Consequently, in the second part of the 1990's, the atomization of local units of administration in the country had stopped, and *the number joint LG offices increased*.

But the integration process is not evident; the number of LGs in joint offices is 65 less in 2000 than it was in 1991. So, we can see a process of disintegration again. This process results in less efficiency and a less professional local administrative structure.

*Table 2.5*  
The Number of Joint Local Governmental Offices and  
Their Members Between 1991–2000

Year	Number of Joint LG Offices	Member LGs	Rate of the Total Number of LGs [%]	Average Number of LGs
1991	529	1,526	49.6	2.9
1993	499	1,397	45.0	2.8
1997	492	1,298	41.2	2.6
2000	535	1,461	46.6	2.7

SOURCE: Szigeti E. (1994), p.617, *Settlements in the Hungarian Republic*, Budapest, 1997, p.10. Fürcht P. (2000), p.535.

The tendency toward fragmentation of local administration—especially compared to the former council-system—is better expressed by the number of population served. *The total population served is around 1,000–2,000 for half of the general administrative units*. There are very few single or joint LG offices where the population is over 5,000 people, which is the European optimal standard. [Zehetner, E, 1982; Stern, K., 1968; Damskis, H., 1993; Knemeyer, E.L., 1993; Marcou, G., and Verebélyi I. (Ed.), 1993] Most of these administration units maintain a town as their center.

*Table 2.6*  
Regional Differences in Density of Joint Local Governmental Offices (2000)  
and Common Councils (1987)

Region	Rate of Communities Belonging to Common Councils (1987) [%]	Rate of Communities Belonging to Joint LG Offices (2000) [%]	Rate of Joint LG Offices (2000) in Common Councils (1987) [%]	Rate of Communities Belonging to Joint LG Offices (2000) in Communities Belonging to Common Councils (1987) [%]	Average Number of Communities Belonging to One Joint LG Office (2000)
<b>Average for Counties Data</b>					
Central Hungary	47.5	8.7	20.0	45.7	2.3
Central Transdanubia	63.7	38.1	75.4	58.8	2.2
Western Transdanubia	88.6	61.7	85.1	69.5	2.9
Southern Transdanubia	85.1	75.9	106.4	77.6	2.8
Northern Hungary	68.7	36.2	60.8	54.5	2.6
Northern Great Plain	64.4	17.6	30.3	26.6	2.3
Southern Great Plain	26.9	10.6	46.7	59.3	2.0

SOURCE: According to Settlements in the Hungarian Republic 2000, Central Statistical Office Budapest, 2000. pp.137–147, Spatial Statistical Yearbook 1987. CSO Budapest, pp.12–13., E. Pfeil (ed.).

Legislation states that the modification or ceasing of administrative authority associations is an autonomic decision for the LGs. In this case, every LG has the right to leave a joint association without any consideration to the greater interests and without consideration of the interests of any of the other member communities. If LGs are not able to compromise with each other in order to form a joint office, or there is a LG that remains without administrative authority, supervising authorities have the right to oblige the formation of a joint LG office and determine its members. But there are only a few instances of this.

The quality of local administration depends on the fact that LGs with populations under 1,000 are not obliged to take part in a joint LG office, it is enough to employ a chief officer with the necessary qualifications. Legislation does not determine any criteria for establishing a single office. In practice, to employ a chief officer and one or two administrators is enough. However, the Ministry of Interior has worked out a model for LG offices in which the minimum number of employees and their qualifications are determined according to the LGs' size and the type of duties to be performed by the staff. But this model is usually not taken into consideration by the LGs. The ideal size for an office staff would be 5–6 people, but villages often do not want to make sacrifices for a more qualified administration. The National Audit (2000) has

determined that the number of civil servants within LGs is rather low, but the qualification levels are improving.

Examination of 400 LGs by the National Audit Office (2000) has confirmed that joint LG offices operate efficiently and economically. In 1999, the average cost of LGs' administrative services per capita were 10,500 HUF. In the joint offices, this number was 6,500 HUF. In the case of LGs maintaining their own local offices, it was 14,500 HUF. So, the differences are significant. What is more; the greatest differences are in the case of LGs with 500–1,000 citizens. In these communities, the maintenance of common offices was three times cheaper than independent ones.

## 2.2 Local Services

### 2.2.1 Local Service Delivery

The provision of services by the Hungarian LGs is based upon the principle of mandatory and optional tasks defined by the Act on Local Governments. Mandatory tasks are separated into two categories. The first must be provided by/for every community regardless of type or size. This includes supply of drinking water, kindergartens and basic education, basic health and welfare services, public lighting, maintenance of local public roads and cemeteries and the protection of ethnic minorities' rights. The second is determined by legislation and the financial means necessary for such purposes must be allocated from the state budget. [Temesi, 2000]

This second type is regulated by the Act on Local Governments, which says LGs with larger populations and greater capabilities may be assigned more mandatory functions and powers in comparison to other LGs. The requirements for different sized LGs' *personal provision* is an example of such regulation:<sup>8</sup>

- above 2,000 inhabitants, it is mandatory to provide daily social care institutions for elderly people;
- above 10,000 inhabitants, it is mandatory to provide temporary social care institutions for elderly people;
- above 20,000 inhabitants, it is mandatory to provide various daily social care institutions for local residents;
- above 30,000 inhabitants, it is mandatory to provide various temporary social care institutions for local residents.

Services are obviously only for local residents and other provisions are optional. According to this regulation, only these municipalities receive special grants related to those services, not others. That is why other municipalities do not install such services on a voluntary base.

Considering the general rule that LGs have various functions and powers depending on the requirements and capabilities of their territories, each LG may undertake very different tasks. Through the locally elected representative bodies or by decision of a local referendum, LGs may voluntarily transfer any local public affair, not assigned to them by law, to the competence of another organ. LGs may also form special associations to provide local services. Yet, managing voluntary tasks must not endanger the fulfillment of their obligatory functions.

Between municipalities and county LGs, there is no hierarchical relationship.

*Table 2.7*  
LGs' Responsibilities in Hungary

	All LGs	Cities	Counties
<b>I. EDUCATION</b>			
Pre-school (Kindergarten)	M	M	
Primary	M	M	
Secondary		V	M
Technical		V	M
Schools for Handicapped		V	M
<b>II. SOCIAL CARE</b>			
Nurseries	V	V	
Personal Services for Elderly People	M	M	
Welfare Homes for Elderly People	M	M	
Welfare Homes for Handicapped People		V	M
Special Social Services (e.g. Homeless)		V	
Social Housing		V	
<b>III. HEALTH CARE</b>			
Primary Health Care	M	M	
Hospitals		V	M
<b>IV. CULTURE, LEISURE, SPORTS</b>			
Libraries	V	V	M
Cultural Centers	V	V	M
Theaters	V	V	M
Museums	V	V	M
Parks	V	V	
Leisure, Sports	V	V	

*Table 2.7 (Continued)*  
 LGs' Responsibilities in Hungary

	All LGs	Cities	Counties
<b>V. PUBLIC UTILITIES</b>			
Supply of Drinking Water	M	M	
Sewage	M	M	
Central Heating		V	
<b>VI. ENVIRONMENT, PUBLIC SANITATION</b>			
Cemeteries	M	M	
Refuse Collection	M	M	
Refuse Disposal	M	M	
Environmental Protection	V	V	
Street Cleaning	V	V	
<b>VII. TRANSPORT, TRAFFIC</b>			
Road Maintenance	M	M	
Public Lighting	M	M	
Public Transport		V	
<b>VIII. URBAN DEVELOPMENT</b>			
Master Plans (Structural Plans)	V	M	
Local Economic Development (inc. Tourism)	V	V	
Spatial Planning			M
<b>IX. GENERAL ADMINISTRATION</b>			
Protection of Ethnic Minorities' Rights	M	M	
Authoritative Functions (e.g. Licenses)	V	V	
Fire Brigades	V	V	
Civil Defense	V	V	

M—mandatory tasks; V—voluntary tasks.

SOURCE: Edited Lados, M. based on Temesi (1993) pp.382–384.

The Act on Local Government assigns tasks for County LGs that are to be provided throughout the country or for people living in an expansive area covering the area of several municipalities. However, municipalities may provide other services, like hospital or secondary schools (gymnasium) if the elected body decides to deliver the service. They have a right to do so, if more than half of the users, on average, were local residents in the last four years.<sup>9</sup>

### 2.2.2 Efficiency of Local Services

The unit costs of services change according to the size of the LG and/or the provider of the service. Services are cost effective when the increase in the effected population or geographical area of the service does not cause additional costs. Sometimes, however, empirical studies show contradictory results when testing this principle. Average unit costs have a ‘U-shape’, which means that services are most costly for the biggest and smallest municipalities. Decreasing (with increasing size) unit costs characterizes capital-intensive services in places where the implementation of the service depends on the use of technology and the level of specialization. In the case of labor-intensive services, higher management and communication costs increase the average unit costs. [Hermann *et al.*, 1998]

According to a study conducted in European countries, public services are economically efficient for municipalities of around 5,000 inhabitants. However, this size cannot be the optimal size for LGs because each of public service has different optimal size based on population. [ACIR, 1974]

Since the first years after the fragmented system was created, in 1990, some professionals have been arguing that this system is very costly and have called for integration. In their view, based on the old principle about the relationship of size and unit costs cited above, increase in service units will reduce the unit costs. Several research projects tested the principle in Hungary, but the results varied according to variety of services or unit costs measured by the direct beneficiaries of a particular service or total population within the LG. In several cases, at a minimum service unit size, costs became constant (the shape of the unit costs curve goes horizontal) or ‘U-shaped’. [Hermann *et al.*, 1998]

We have to separate local public services into two categories. The first includes public utilities like electricity, gas works, water works, sewage and sewage plants and other public services like public transport and solid waste collection and disposal. These services are provided by larger (covering the area of more counties) or smaller (smaller regions in each county) regional utility and service companies. This is why potential amalgamation would not have an immediate effect on the unit costs of these services. However, there is a proposal to create larger local government units on the basis of the area covered by regional public utility companies. [Hermann *et al.*, 1998] Nowadays, related to these services, the question is rather about the break down of monopolies than optimization size.

The other group of local public services is human services like education, health and social care and public administration. We tried to test those local services that are

- mandatory by the Act on Local Government,
- represent a higher cost to the total local running expenditure of villages, and
- potentially available to most LGs.

Administration, pre-schools and primary schools represent more than 50 percent of local expenditure in villages. Further evaluation is made on these sectors only.

A) *Costs of Administration*

The costs of administration within LGs' running expenditure has significantly changed throughout the 1990s. The average share of these costs has increased from 7.8 to 9.9 percent, affecting LGs of all different sizes. There is a very strong correlation between the size of a LG and increase in the share of administration costs within the total running costs, for both the beginning and the end of the last decade. In 2000, all levels of village administrations absorbed at least one fifth of the total running costs. In the smallest LGs, this figure was above 40 percent.

On a per capita basis, the position of each level also changed. It is most visible in relation to Budapest. Its indicator was 94.7 percent of the country average in 1991 and 128.3 percent in 2000. Budapest's shifting position is caused by two factors. Firstly, costs of administration in Budapest increased much faster over this period than the country average (Budapest: 807%; country average: 610%). Secondly, Budapest experienced an intense population flux. In 2000, Budapest had 9.5% fewer inhabitants compared to 1991. The country's total population has decreased only by 2.2% over the same period. The principle of size and costs relation is indicated among the different size of cities for both years. In villages, per capita costs increased by the decreasing size up to category size 500–999 inhabitants. In the smallest LGs, the indicator became lower than the village average.

The unit costs measured per public employees have a totally different shape. According to the different levels (capital–cities–villages), and the different cities' sizes (including Budapest), unit costs are smaller if the size of the LG is smaller. For villages, the trend is similar. However, the mid-range size groups are becoming rather horizontal in shape with unit costs very close to each other. On one hand, the reason behind these results is the relatively significant proportion of wages within the total administrative costs (45.4%). On the other hand, it is due to the strong hierarchy of wages within the LG size categories. In larger LGs, employees get much higher wages for the same position than those employed in smaller ones. For administrations in Budapest during 2000, the average personnel costs including wages was 141.3 percent of the national average. In contrast, the same figure for small cities and villages was 81.1 and 82.5 percent.

B) *Costs of Pre-schools (Kindergartens)*

Due to the decreasing number of children and the emerging provisions of the private sector, the share of kindergartens costs within the total running expenditure has fallen from 6.3 to 3.7 percent. This figure is much higher in villages for both years, but the

*Table 2.8*  
Costs of Administration

LGs by Size Category		Share in the Total Running Costs		Per Capita Cost		Costs Per Administrative Employee	
		[%]		[Thousand HUF]			
		1991	2000	1991	2000	1991*	2000
Total		7.83	9.94	2,189	14,418	969	3,380
Budapest		5.81	9.74	2,073	18,499	1,675	5,017
Cities		7.59	12.67	2,007	13,171	1,006	3,521
Cities	Large	6.91	11.22	1,736	11,849	1,167	3,938
	Medium size	7.61	12.69	2,129	13,715	960	3,438
	Small	11.64	18.31	2,854	15,491	825	2,977
Villages		16.48	23.47	2,451	14,097	751	2,694
Villages	Above 5,000 inhabitants	13.59	20.64	1,960	11,361	1,054	3,238
	Between 1,000–4,999 inhabitants	15.90	22.07	2,494	13,506	714	2,690
	Between 500–999 inhabitants	20.72	26.55	2,996	17,933	704	2,501
	Between 200–499 inhabitants	27.32	36.81	2,524	16,923	697	2,678
	Below 200 inhabitants	30.14	42.85	2,824	13,171	710	2,085

\* Data from 1994

SOURCE: Edited by Lados, M. based on LG Financial Database of TÁKISZ, 1991 and 2000.

trend is the same (1991: 12.1%; 2000: 9.2%). This is no surprise considering the number of kindergartens has fallen by 12.7 percent over the same period. The most drastic change has taken place in medium size cities, where this figure is above 30 percent.<sup>10</sup> As a result of this process, except in the smaller size villages, the average size of the service—measured by children per kindergarten—has risen slightly. The average size of kindergartens is decreasing with the decreasing size of the LGs.

We have more options related to this service available for measuring unit costs of the service. In both years, unit cost decrease if the size of the LG is smaller in comparison to the LGs' level (Budapest-cities-villages). Among city levels, the cost curves are mostly horizontal or reversed 'U-shape'. In villages,<sup>11</sup> unit costs reflecting the number of children and teachers clearly show the principle of the relationship between an LG's smaller size and higher unit costs. In terms of physical measurement (unit costs by number of kindergartens), the cost of service is lower if the size of LG is smaller at all comparative levels and for both years.

*Table 2.9*  
Unit Costs of Pre-Schools (Kindergartens), 2000

LGs by Size Category		1	2	3	4
Total		3,633	94	163	1,875
Budapest		347	139	189	1,963
Cities		1,112	144	162	1,800
Cities	Large	458	144	160	1,804
	Medium size	498	144	166	1,841
	Small	156	148	155	1,833
Villages		2,174	61	155	1,902
Villages	Above 5,000 inhabitants	126	158	148	1,939
	Between 1,000–4,999 inhabitants	1,190	75	155	1,879
	Between 500–999 inhabitants	626	30	158	1,945
	Between 200–499 inhabitants	226	19	182	2,034
	Below 200 inhabitants	2	38	104	1,581

- 1 Number of kindergartens.
- 2 Average size of kindergarten by number of children (children/kindergarten).
- 3 Unit costs per number of children (thousand HUF/children).
- 4 Unit costs per number of teachers (thousand HUF/teachers).

SOURCE: Calculated by Lados, M. based on LG Financial Database of TÁKISZ, 1991 and 2000.

### *C) Costs of Primary Education*

The process connected to primary schools is very similar to the experiences of the kindergartens. Due to the changing conditions and environment, the share of costs for primary schools within the total running expenditure has fallen from 13.6 to 10.0 percent. In villages, this figure is much higher, but the trend is the same (1991: 26.1%; 2000: 21.0%). In cities, the major change in the number of schools is due to economic efficiency. In villages, the changing number of schools is rather the result of the changing number of LGs in each size category (e.g. in villages with more than 5,000 inhabitants, the number of schools has fallen by 37.5 percent, the number of LGs by 35.7 percent). As a result of this process, except in smaller size villages, the average size of this service—measured by students per schools—has become significantly higher (by 20–60 percent) in cities and slightly higher (by 12–16 percent) in larger villages. The average size of a primary school decreases by the decreasing size of the LG.

*Table 2.10*  
Unit Costs of Primary Schools, 2000

LGs by Size Category		1	2	3	4
Total		3,156	358	132	1,906
Budapest		294	601	151	2,222
Cities		921	671	123	2,081
Cities	Large	365	763	126	2,345
	Medium size	413	627	122	1,957
	Small	143	565	117	1,725
Villages		1,941	172	139	1,565
Villages	Above 5,000 inhabitants	100	508	116	1,583
	Between 1,000–4,999 inhabitants	1,153	207	137	1,568
	Between 500–999 inhabitants	550	74	176	1,537
	Between 200–499 inhabitants	136	31	191	1,520
	Below 200 inhabitants	2	159	142	1,880

- 1 Number of primary schools.
- 2 Average size of primary schools per number of student (student/school).
- 3 Unit costs per number of students (thousand HUF/students).
- 4 Unit costs per number of teachers (thousand HUF/teachers).

SOURCE: Calculated by Lados, M. based on LG Financial Database of TÁKISZ, 1991 and 2000.

The shape of the cost curves is different depending on the LGs' level and has changed over the last decade. In 1991, per capita costs and unit cost per student and teacher, rather, followed the 'larger size, lower unit costs' principle in all major comparison groups. According to the unit costs per physical indicators (classrooms, schools), unit costs usually decrease if the LG and the average size of the school are smaller. The picture has become both more homogenous and contradictory in 2000. Unit costs per teacher, classroom and school are lower if the size of LG is smaller on all comparison levels. Related to per capita costs and unit costs per student, each comparison level has a different feature. On LG levels (Budapest-cities-villages) one has a 'U-shape', the other has a reversed 'U-shape'. In cities, unit costs decrease with the decreasing size of the city and schools. In villages,<sup>12</sup> these curves follow the 'larger size, lower unit costs' principle.

According to the different LG levels (capital-cities-villages) for unit costs per user, the system is slowly moving towards larger size LG's and services with higher unit costs or an 'U-shape' model. The reason partially behind this is the wage hierarchy along

with the hierarchy of LG size. However, looking at the different size categories within cities and villages, the picture is more complicated. Analyzing cities (or villages) alone, we discover that larger local governments usually have lower unit costs. This is very clear especially in the 1991 data, while a similar trend can be traced in 2000 as well. These findings are summarized in Table 2.11.

*Table 2.11*  
The Shape of Unit Costs by LG Size Category

Unit Costs by Services	LG Levels <sup>1</sup>		Cities		Villages	
	1991	2000	1991	2000	1991	2000
Administration – Per Capita Costs	LL	U/LL	LL	LL	H/U	RU
Pre-schools (Kindergartens) – Unit Costs Per Number of Children Attending	LH/H	LH	LL	RU	RU/H	LL
Primary Schools – Unit Costs Per Number of Pupils	U	U	LL	LH	LL	LL

<sup>1</sup> LG levels—Budapest, cities’ total, villages’ total.

NOTE: LL – Larger size of LG and lower unit costs of service.

LH – Larger size of LG and higher unit costs of service.

H – Horizontal.

U – ‘U-shape’.

RU – Reversed ‘U-shape’.

SOURCE: Edited by Lados, M.

Another reason, rather hypothetical than factual, is that larger LGs have higher revenue generating capacities so they can add more resources locally from CG transfers. Some local cases show that local kindergartens and schools in larger LGs have a better chance to accumulate additional resources, for example through local foundations. Our assumption is that a higher per capita revenue position ensures higher expenditure potential. In this respect, higher unit costs partially means higher quality of service with better and more modern equipment, more facilities for users (children, students). Naturally, there are differences among schools and kindergartens within a city (schools in ‘slums’ or tradition style schools). Regarding quality of service in basic public education, however, the majority of inequalities in Hungary are based on the LG hierarchy by the size of population.

With the long-term negative natural growth of the Hungarian population, there is also a trend of declining number of school year children. In cities, there is the

potential to join classrooms or schools together, maintaining the level of service and unit costs. In most larger and medium size cities, this process began in the second half of the 1990s. In villages, if LGs want to keep a service within the community, they can manage it by reducing the level of services. Another possibility is partnership and joint management of the service with another LG. The law on associations ensures this potential form of the partnership. In 1999, around 7 percent of children and students studied in jointly managed kindergartens and schools. The number of kindergarten and school associations fluctuated from between 500 and 550 over the second half of 1990. This fluctuation indicates that the introduced financial incentives for maintaining jointly managed institutional associations have not been effective enough. [Halász, 2000]

## 2.3 Local Democracy, Which is More Powerful in the Case of the Smallest and in the Largest LGs?

The formation of *democratic society* in Hungary began many years before the political transition. However, the formation of its final structure and efficient operation is a much bigger process and is still under way today. According to our interpretation of social and political democracy; social democracy has a wider view and comprises many parts of political democracy. This is especially true on the local level, since local democracy involves the fundamental parts of political democracy, but cannot be stable without the evolution and operation of local social democracy. LGs play a key role in this process due to their position and authority. They are the leaders of local political democracy, and—if not in everyday work, but in the long term—have a crucial role in the formation and evolution of local social democracy.

According to our previous examinations [Szarvak, T. 1997, 2000; Szoboszlai Zs., 1998, 1999, 2000], the viability of local democracy—under the existing legal framework—depends mainly on the *traditions of the community*; its economic-social-cultural circumstances; the family background of the citizenry; the developmental level of the civil society and its publicity; the level of attentiveness and honesty and socialization of the local governmental representatives. Some connections between the size of LGs and the function of local democracy can be seen in the following examples.

### 2.3.1 The Various Intensities of Political Activity

At national, as well as local levels, the institutions of *political democracy* have been in operation since 1989. The institutions of political democracy stabilized, thanks to the

national and local governmental elections in 1990 and the legislation of the new democratic parliament and the further elections in 1994 and 1998.

Regarding the number of political parties and the preference of parties among the citizens, there are differences among LGs of various sizes. The function of political organizations is concentrated in towns. Only the Hungarian Socialist Party and the Independent Smallholders' and Civic Party have organizations in the villages, but in decreasing numbers. Since 1998, there has been an increasing number of FIDESZ-Hungarian Civic Party organizations in the countryside. In smaller villages, citizens' party preferences come up only at election time. While the formation of party organization is mainly a typical city feature, party preference among the citizenry does not depend on the type or size of the settlement. Along with age, level of education and sex, the political preference of a person also depends on the developmental level of his or her dwelling place and its geographical location. According to a regional survey during the last election, political preferences are more stable in the western part of the country than to the east or south.

Also, national "large" politics and the local politics are increasingly separated. In smaller LGs (regarding the small towns also), citizens are less interested in "large" politics than in the capital or in the county capitals, but local politics has a stronger emphasis in the smaller ones. Citizens of the capital and the county capitals are interested similarly in "large" and local politics. The strongest influences of the "large" politics reflect life in the largest cities, and the marks of political division are most visible here. Participation in local elections seems to refute this statement. In small villages, the higher rate of participation was explained by the stronger personal relationships among the citizenry and not by the activities of the political groups. [Andorka, R. 1997]

*Table 2.12*  
Rate of Participation in Local Elections by LGs' Size

Size of LGs	1990	1994	1998
0-499	59.68	71.60	70.64
500- 999	56.62	64.09	63.04
1,000-1,999	53.69	58.18	56.83
2,000-4,999	50.15	51.55	50.62
5,000-9,999	44.09	44.52	43.50
10,000-49,999		38.41	41.58
50,000-99,999		36.44	39.91
100,000-		33.44	40.17

SOURCE: Central Election Office of Ministry of Interior, 2002.

### 2.3.2 The Various Intensity of Civic Organizations

Civic initiatives are an important prerequisite for the formation of social democracy. Formed in the mid-1980's, they had experienced significant development in the second half of the decade, becoming the base of political party organizations at a local level. On one hand, the democratic political institutions swallowed up most of the activists from civic associations. Yet, on the other hand, new relationships and political conflicts began to take shape between the new political elite and civic associations. The opposing interests and their intervening (economic, political) power became more express between the two active poles of local democracy, the LGs with their powerful parties and civic organizations. These opposing interests still exist today.

Civic associations of the 1980's formed in the cities; some of them functioned as "protoparties" but, after the formation of the political parties, they lost their civic character and most of their active members too.

The social legitimacy of local and regional associations creates the base for development of civil society. Activities in which differences are articulated make the social base of associations stronger. This can make associations more attractive for those who have never experienced the beauty of community work in an autonomous association. Space and willingness and capability for cooperation are both necessary for these activities.

About 70% of civic organizations are located in communities larger than 10,000 inhabitants, mostly towns. Besides the multi-color characteristic of larger towns, it seems that direct connection between the inhabitants is also important. This can be seen in the appearance of non-profit organizations. The net of non-profit organizations is thickest in communities with more than 50,000 inhabitants and in communities less than 2,000 inhabitants.

*Table 2.13*  
Appearance of Non-Profit Organizations According to LG Size

Population	Number of LGs	Number of Civil Organizations	Rate of Civil Organizations [%]	Number of Population/Civil Organizations
0-499	997	1,516	2	182
500-999	691	2,959	5	170
1,000-1,999	656	4,975	8	189
2,000-4,999	507	6,335	10	243
5,000-9,999	141	4,372	7	223
10,000-49,999	122	13,512	21	174
50,000-99,999	12	6,509	10	118
Over 100,000	8	9,253	14	127

*Table 2.13 (Continued)*  
 Appearance of Non-Profit Organizations According to LG Size

Population	Number of LGs	Number of Civil Organizations	Rate of Civil Organizations [%]	Number of Population/ Civil Organizations
Budapest	1	16,003	24	109
Total	3,135	65,334	100	146

SOURCE: TSTAR database, 1999.

### 2.3.3 Participation in Local Public Affairs, Trust, Expectations and Satisfaction With Local Governments Depending on the Level of Socio-Economic Development

We consider *Public affairs* those local matters and activities of the citizenry or/and their groups, that are connected with the provision, development, etc. of the given community and have an effect on more of the local citizenry. Those activities, not obligatory to everyday work activities, we must consider *participation in public affairs*. Our empirical experience shows that participation in public affairs is differentiated according to the LG size. Especially in larger towns, and in county capitals as well, participation in public affairs and the intensity of its direction are diverse in various sections of town. According to a survey of Szolnok city, the citizens in the city center are less satisfied and more active, while the citizens of the suburban region are active, satisfied and patient.<sup>13</sup> The citizens in the industrial zone are less interested in the public affairs, membership in civic associations is low, and their opinions rarely surface. The reason for these tendencies is that qualified citizens with high status live in specific parts of town.

*Trust in local governments*, in our opinion, also depends on the development level of the settlement, the employment situation, the level of services, and the position of the individual citizen. Party preference only fall into these two categories: Citizens living in average or above average conditions and whose basic needs are fulfilled, therefore, they are more satisfied and citizens with higher criterion, young people and men are less satisfied and more critical.

The results of research into 9 Hungarian counties (6 in the East and 3 in the South) have verified this statement. Where the number of inhabitants is less than 10,000, the respect of the mayor is higher (it scored 82 points of 100) than in settlements with more than 10,000 inhabitants (it scored 72 points). The respect for the governing body of the local authority is also higher in the smaller settlements (less than 10,000—71 point; more than 10,000 inhabitants—66 point), than in the bigger ones.

According to appreciation of leaders roles, there is a significant difference between small and large LGs. Citizens in smaller villages highly esteem the mayor and yet they do not consider the other local representatives and the local governmental bodies.

Surveys conducted in several villages show that village dwellers *are more aware of* the work of the LG and *trust in* it more than town dwellers.<sup>14</sup> Smaller LGs have a deeper participation in the citizens' everyday lives. So, citizens' expectations and satisfaction are stronger, more visible and based on reality. Due to the more laminated and complicated economic and social structure within the cities, the active participation of LG (e.g. in solving of employment problems) is less possible and less required. So, expectations are focused on local infrastructure, services and culture. Yet, trust and acceptance do not necessarily go hand in hand with satisfaction or reduced expectations toward the LGs. Political trust or distrust can only be perceived before elections, especially in big cities.

*Table 2.14*

Evaluation of the Role of the Local Mayor and the Representative Body  
in the Life of a Community (On a Scale of 100 Grades\*)

	Northern Hungary		Southern Great Plain	
	Role of the Mayor	Role of the LG Body	Role of the Mayor	Role of the LG Body
0–499	93	56	73	67
500–999	80	76	83	74
1,000–1,999	79	70	78	76
2,000–4,999	77	64	78	71
5,000–9,999	80	68	88	80
10,000–49,999	64	58	81	71
50,000–99,999	67	65	68	63
100,000–	77	66	75	74
Total	73	64	77	71

\* On the 100 grade scale, the score below 50 has a negative meaning (opposition, dissatisfaction) and the score above 50 has a positive meaning (sympathy, satisfaction).

SOURCES: Surveys conducted on patterns of 3,200 people (N=2,000 in Northern Hungary, N=1,200 in the Southern Great Plain region) by the Social Research Group (in Szolnok) of Center for Regional Studies in 1998 and 1999.

### 2.3.4 The Diverse Tools of Local Publicity and the Various Levels of Informality

*Local publicity* and regular local communication are essential elements for the operation of civil society and LGs. Local publicity is a social space where the information transfers and reconciliation of interests takes place permanently. [J. Marelyin Kiss–A.

DÉNES, 2000). Publicity is a medium of communication between the citizens, organizations and other players in society. It is important to realize, however, that solving communication problems is not enough to create a social base. It alone is not able to solve the problem of legitimacy, on the other hand, a developed social background will, at the same time, produce a high level of publicity as well.

Local newspapers, radio and television are the most important bases of *local identity* and *community development*. These instruments are under formation and it seems that technical development, the content of publicity, as well as the creation of legal, financial, technical and social backgrounds for its operation, still need more time. All the same, we have to take into consideration the emerging effects of development on the *information society* during the next decade.

The role of local publicity and local media has received less attention than it deserved in the last decade. Politicians focused on influencing national mediums. However, we can see a huge development process in local publicity also. Since 1988, hundreds of *local newspapers* have not only appeared in big cities, but in smaller communities, too. During the 1990's, only a small number of *local television* stations operated (especially in the capital and in some county capitals) and we do not know of any local radio stations of the time. In 2001, according to KÖRMÉDIA statistics, there were 49 circulating TV stations, 156 local cable TV stations and 109 local radio stations.

Local print and electronic media became essential participants in the local and regional news market.

There are some contradictions between LGs' size and the role of local publicity. The smaller the LG, the less the possibility of operating local publicity as a for-profit business. In this situation, the operation of local media needs a subsidy from the LG. But, if they are financially reliant on local public money, how can independence and objectivity be ensured? And, if the subsidy of the LG is exhausted, how will operation of the local TV, radio or newspaper continue? These are significant sources of problems. Even in the case of the most correct and fair LGs; these are also serious ethical and political traps. In most places, it seems that the head of the LG forgot about the communicational principle, that both *giving information and receiving of information are necessary*.

In contrast, there are more possibilities to solve grievances, to handle cases of injustice efficiently, as well as to build up and operate informal channels to the civil society in smaller LGs. The traditional public forums, legally required of LGs by law, do not provide ample opportunity to articulate and expose community intentions [Horváth and Péteri, 1997, Central Budget Policy, p.21.], however, new structures have not yet formed.

## 2.4 Changing the Intensity of Local Developmental Activity

In the first four years of the local governmental system, LGs endeavored to concentrate on themselves. Even the smallest LG wanted to be self-sufficient. Moreover, every LG wanted to achieve developments exploiting the most favorable financial possibilities between 1990 and 1994. They strongly believed that they now had a chance to dictate their own future. The new system of resource allocation, described above, promoted this idea. This was one of the main reasons, why all localities decide to form their own LG instead of joint LGs.

LGs' initiatives then became significant to development of the basic infrastructure. The result is very visible. Villages have reduced the gap, reflecting the basic infrastructure, like provision of drinking water and gas works over the 1990s. These utilities are not the privilege of cities anymore. Closing the gap related to sewage management takes more time because, according to EU accession, settlements above 2,000 inhabitants are the focus. Smaller villages have started to form 'Sewage associations' to get the effected population to set up the required sewage systems and sewage plants. The local road system has also become more balanced across the size hierarchy of LGs.

*Table 2.15*

Level of Basic Infrastructure, 1990 and 2000 (At the End of The Year) [%]

### *Dwellings and Their Facilities*

Category		Number of Dwellings		Share of Dwellings With					
				Water Works		Sewage		Gas Works	
		1990	2000	1990	2000	1990	2000	1990	2000
Total		3,859,250	4,102,362	82.7	92.6	43.0	50.2	37.4	66.7
Budapest		799,908	829,712	98.3	99.3	92.2	84.9	52.9	78.8
Cities		1,618,024	1,885,232	88.9	93.5	54.1	59.5	52.8	71.7
Cities	Large	737,211	811,037	96.0	96.5	72.3	77.5	72.4	79.9
	Medium size	765,939	828,410	83.7	91.3	41.1	48.7	41.9	66.0
	Small	114,874	245,785	77.9	90.8	24.9	36.7	29.5	63.8
Villages		1,441,318	1,387,418	67.3	87.5	3.3	16.7	11.6	52.8
Villages	Above 5,000 inhabitants	297,337	190,039	72.8	90.2	4.2	25.5	23.0	70.1
	Between 1,000–4,999 inhab.	863,270	886,002	68.4	87.6	3.8	17.7	10.3	55.5
	Between 500–999 inhabitants	184,851	194,986	61.3	85.9	0.9	10.3	4.1	40.0
	Between 200–499 inhabitants	81,617	97,684	52.5	85.4	0.2	5.9	1.9	27.3
	Below 200 inhabitants	14,243	18,707	44.9	82.9	0.0	4.3	0.0	15.8

Table 2.15 (Continued)

Level of Basic Infrastructure, 1990 and 2000 (At the End of The Year) [%]

*Road Infrastructure*

Category		Total Length of Local Roads [km]		From This: Length of Paved Roads [km]		Share of Paved Roads in Total Length of Road [%]	
		1990	2000	1990	2000	1990	2000
Total		52,717	57,772	33,208	41,103	63.0	71.1
Budapest		6,390	8,346	4,808	6,448	75.2	77.3
Cities		15,959	20,012	9,898	14,420	62.0	72.1
Cities	Large	5,345	5,962	3,730	4,719	69.8	79.1
	Medium size	8,710	9,823	5,029	9,690	57.7	68.1
	Small	1,904	4,226	1,139	3,011	59.8	71.2
Villages		30,368	29,415	18,502	20,235	60.9	68.8
Villages	Above 5,000 inhabitants	4,898	3,238	1,998	1,694	40.8	52.3
	Between 1,000–4,999 inhab.	16,908	18,101	10,271	12,582	60.7	69.5
	Between 500–999 inhabitants	6,039	4,908	4,458	3,566	73.8	72.7
	Between 200–499 inhabitants	2,072	2,557	1,449	1,922	69.9	75.2
	Below 200 inhabitants	451	611	326	472	72.3	77.2

SOURCE: Edited by Lados, M. based on LG Financial Database of TÁKISZ, 1991 and 2000.

During the last decade, all the utility investments in villages have been made in small region scale. Villages formed special utility associations related to each type of investment. Usually, one LG has a leading role in coordinating the process: planning, application for funds, and providing financial management including the collection of the LGs, local citizens and firms contributions.<sup>15</sup>

Central governmental resources, LGs' own resources, and contributions of citizens make such improvements possible. Larger development was implemented in the smaller settlements, so a strong equalization occurred. Still, it was not enough to offset deficiencies originating from the former 40 years. In contrast, some wantonly large schools, community houses with a capacity to accommodate hundreds of people, and some new local governmental offices were built in settlements of 200–300 inhabitants and below. This illustrates some of the mistakes made during this period.

The largest part of local governmental investments is utilized for local infrastructure development. However, the increased local autonomy has resulted in more energetic local economic development as well as LG enterprises. The tasks of job creation, tele-

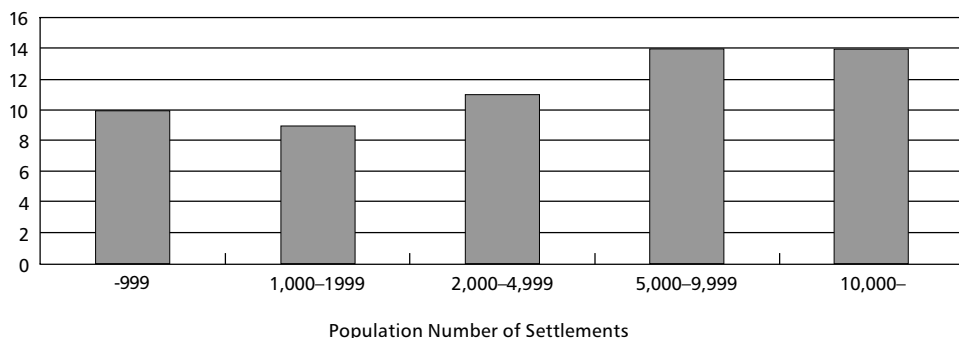
phone services development and local business development received higher priority over the provision of basic public services in 1993.

LGs' business activities—based on a survey conducted in Borsod-Abaúj-Zemplén County—was most energetic in small communities with populations under 1,000 and in the larger towns with populations over 30,000. In the former case, they had only a few entrepreneurs with very weak economic output. Due to this, they were forced to create the local businesses themselves in order to keep the basic functions of the settlements running. In the latter case, the motivation of businesses run by LGs was the larger financial autonomy and utilizable properties.<sup>16</sup>

Local governmental investment far exceeds their own capability and they need support from the central government. The average level of investment is 9–14% of the total amount of total local expenditures. In case of smaller LGs, this rate is 9–10%. In LGs with populations over 5 thousand, the share is much closer to 14% [I. Barati, 2001]. Based on the principle of additionally, the strategy used by LGs to finance their investments, especially large scale investments, is to obtain as many central investment grants as possible. Due to their larger own revenue capacity, the bigger LGs can absorb more investment grants and other national developmental supports.

*Figure 2.3*

The Average Share of Investments in Total Local Government Spending

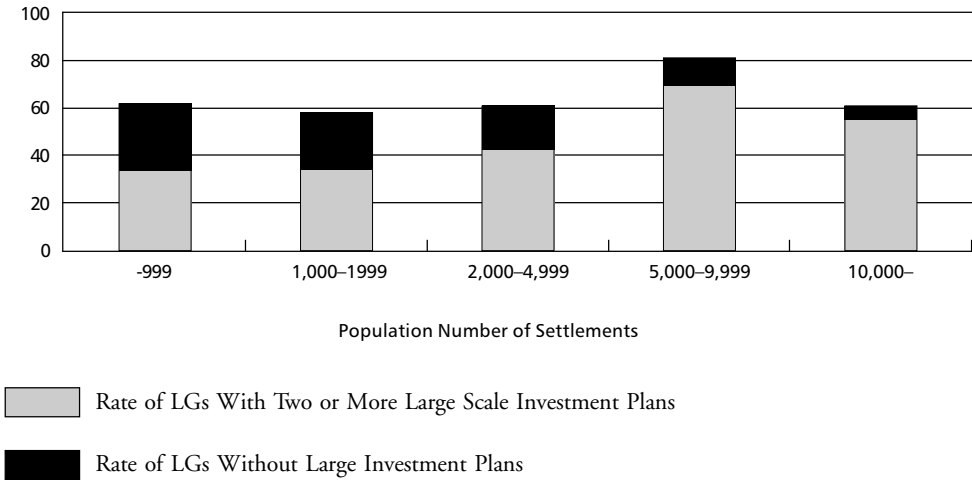


SOURCE: Barati, I., 2001.

According to a survey conducted by I. Barati, every third LG has two or more large scale investment plans for the mid-term period. These are mostly projects for modernization of water works, the establishment and construction of sewage collection and cleaning, waste collection and the modernization of central heating systems. In the instance of LGs with populations between 5–10 thousand, this rate is the highest, about 70% and shows a larger demand for state contributions. Among LGs under one

thousand inhabitants, only 29% plan development projects of this scale and 33% definitely do not plan such investments. Figure 2.4 clearly shows that the percentage of municipalities without large scale investment plans declines with growing population size and the share of municipalities with two or more large scale investments increases with growth in the population size.

Figure 2.4  
Demand for “Large” Investment According to LG Size



SOURCE: I. Barati, 2001

In the mid-1990s, the central government began to realize that operation of the public administration system was rather expensive. They also realized that certain settlements had accomplished infrastructure investments that could supply a whole small region. The central government, using *economic and legal means*, began to refresh LGs on the *necessity of association and cooperation*. Parallel to this process, the LGs recognized that it was not enough to accomplish the investment task. They also needed to sustain operation, which resulted in a considerable burden to the budget. *LGs were increasingly looking for cooperation possibilities with other LGs.*

In the last half of the decade, the extra subsidy (10–15%) from the central government took effect. Opposing the formerly isolated investments, joint developments via LGs’ cooperation came to the forefront. Development associations, and later the local governmental associations, became the organizational background for co-operative local development.

### 3. FORMS OF LOCAL GOVERNMENTAL INTEGRATION

#### 3.1 Unpleasant Memories of Former Integration Practices and Contradictory Preconditions Stemming from the Former Public Administrative System

As the existing fragmented local governmental system seems to be untenable, and there was a more integrated system before, the reasons and experiences from the former structures must be understood. This is important because many barriers in the new amalgamation process originated from the past.

##### 3.1.1 Transformation of the Regional Structure of Public Administration During the 1970s

Centralization was controlled by the central government and managed by administrative tools. Then there was the introduction of an administration model, territorially based on urban surroundings. This situation and experience were the two most important initiatives that brought optimization to the size of local administrative and service units during the 1970s.

The soviet style council-system was established in 1950 and local, district and county councils were formed. The aim of this top down process was to provide a state presence in every community as close to the citizens as possible. But fragmentation of local administration units hindered the proper quality of their function and development was hampered by the de-concentration of financial resources. The forced merger of agricultural cooperatives had removed economic and political resources from many communities, which also meant the withdrawal of local functions and that could be the ideological base to amalgamate local councils too. The legal basis for amalgamating local councils had existed since 1950. However, these activities only accelerated during the mid-60s and then ended by the early 1980s.

Even though Hungary was then a member of the communist block, the rationalization process of the regional structure of public administration had many similarities with the spatial reforms of western countries. The most drastic method, namely the total merger of communities, was ignored by the Hungarian government. On one hand, the policy considered the fragmented and professionally weak local administration. On the other hand, the quality and quantity of the series of tasks waiting to be efficiently solved. It preferred professionalism to local community values and had produced artificially integrated administration units. Besides the arguments for an optimal administration unit that also should also be appropriate for specialization, more eco-

conomic local services and development were considered in case of determining a concentrated regional structure for public administration.

The common councils formed administrative districts, which did not necessarily mean economic or public service attraction zones. There was always a kind of internal conflict in the institution of common councils. Common councils integrated both the center and the satellite communities but the satellite communities retained their legal status. In the statistical registers, they appeared as independent communities and the election laws guaranteed them representation in the common council, proportionate to their population. The law stated that every satellite community had to elect at least three representatives to the common council. Council members from the satellite communities became members of local leadership and they formed a quasi-partial government, according to a 1983 modification of the law. This meant that there was no hierarchy between the center and the other communities. Only one council body, one executive body and one administrative department fulfilled the tasks. As a consequence of the amalgamation, the settlement network and the network of councils had been separated. This was performed in various ways by the counties, according to the features of the settlement network. In counties with many small communities, the councils were common ones. While in the Great Plain, there were much fewer common councils and the communities were left alone.

*Table 2.16*  
The Relationship Between Communities, Local Councils and  
Local Governments

Year	Communities	Communities With Their Own Council	Communities With a Common Council	Number of Councils or Local Governments
1950	3,229	2,862	361	3,032
1970	3,244	1,784	1,440	2,294
1980	3,122	811	2,311	1,525

SOURCE: Yearbooks of the Central Statistical Office

The next step was the decentralization of competencies. This prepared for a reduction of public administration to two levels. The target groups of this process were the amalgamated political and administrative units and, further formation of a level between localities and counties.

The council-system only accepted one form of institutional cooperation by the councils and this was to carry out state-administrative tasks on a joint basis. *By the mid-1980s, an expanded network of administrative associations operated, especially in counties*

*full of small villages and they drew out a new level of public administration. In some counties, they covered the whole territory.* In the instance of local public services, the law did not accept these kinds of associative institutions. The council headquarter was responsible for local public service distribution for all its own citizens and those from the satellite community.

A governmental decision founded in 1968 ordered the merge of annual budgets and development resources from those communities in a common councils in order to accomplish the council's investments in the central settlements. In the satellite settlements, only the basic institutions and infrastructure were allowed to develop. The basic public service institutions (schools, health care, nursery schools, homes for the elderly, culture centers) were concentrated in the council center and were difficult to reach because of bad transportation conditions.

The negative effects of this centralized development policy were further enhanced by the redistribution of development resources designated by county councils.<sup>17</sup> The redistribution of economic resources in the county was not proportional and rational, but based on despotic approach and service of certain clientele.

### 3.1.2 Abolition of Districts and Institutionalization of Surrounding Urban Areas During the 1980's

The concept of public administration by urban surroundings appeared fairly early in 1969. At that time it had become possible to put certain villages under urban guidance. In 1971, the third Law on Councils had introduced the notion of "the village in urban surroundings" and determined the *criteria for urban surrounding communities*. The criteria were as follows: strong geographical, social, economic, employment and transport connections between the town and the nearby village and specific reasons for their coordinated development. *The real aim of the institutionalization of urban surroundings was the gradual change toward a two level administration structure.* The urban surrounding, as a form of public administration, evolved into a type of development, which nobody had thought of before. After the abolishment of districts in 1984, urban surroundings became more administration-oriented. In reality, the relationships between the towns and the villages had become much more complex. The urban surrounding administration covered three kinds of activities [Kara, P., Kilényi, G., Kökényesi, J. and Verebélyi, I., 1983]:

- the towns provided services for the surrounding villages under an horizontal relationship,
- the towns, taking part in county administration, controlled the surrounding villages' councils,

- the towns and the larger villages became the second level of authority over the surrounding villages and it made a hierarchy between the communities with a strong dependency building up between the town and the villages.

The mixture of these functions was accepted, only because it was seen as a transitional situation. The urban surrounding administration finished only after the political change in 1990, when the local government was established. The urban surrounding administration system created 139 administration districts, of which 105 were towns surrounding districts and 34 were larger villages surrounding districts.

## 3.2 The Need and Willingness of Local Governments to Cooperate

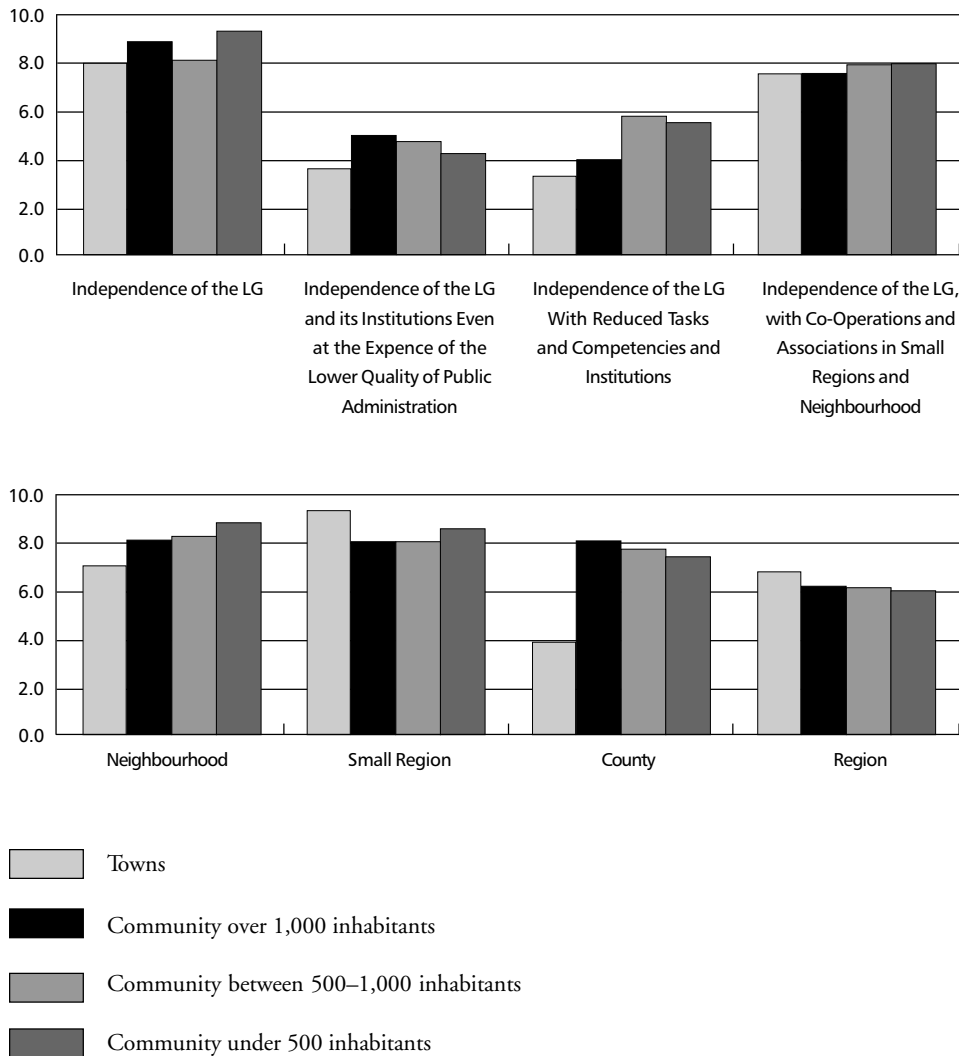
### 3.2.1 The Notion of Local Autonomy and Co-Operation with LGs in the Minds of Local Leaders

The integration process that took place in the 1970s had its affect. Ongoing conflicts which have flared between communities belonging to a common council, the center and the other communities, towns and villages, the local and the county councils, all rooted in the past, can only be destroyed within decades. These conflicts also shaped citizens attitudes towards cooperation with other communities and inspired them to insist on the autonomy of the LGs.

Results of a survey conducted *in Somogy county in 2000* show LGs attitudes toward cooperation. Mayors and local representatives from various sizes of LGs were questioned. According to their opinions, LGs protect their autonomy but are willing to cooperate, mainly with their neighboring LGs. Insistence on autonomy is fairly strong, especially in case of LGs under 500 inhabitants, but they came out in support of forming associations.

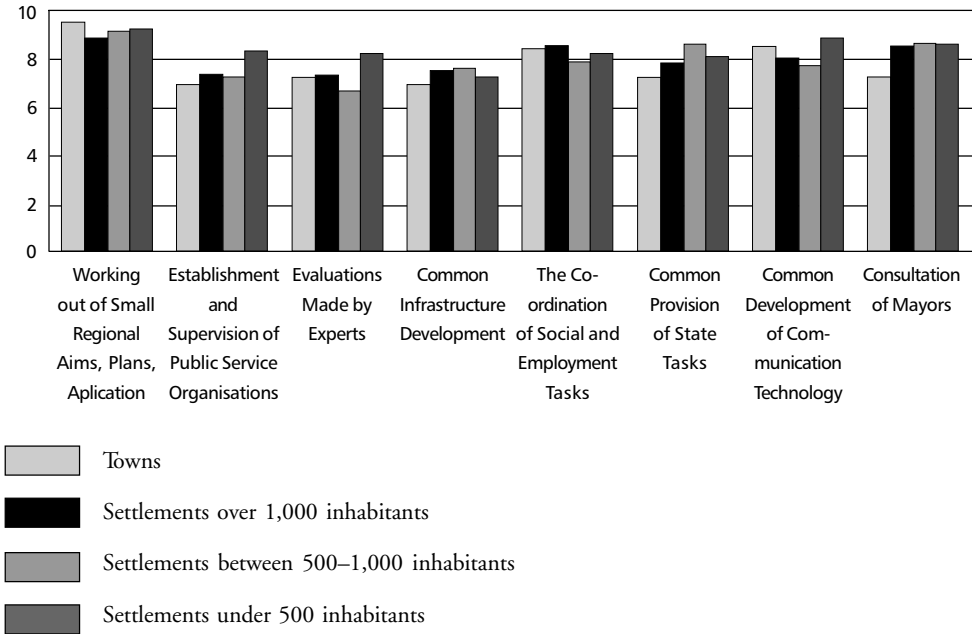
Village governments focused on building relationships with neighboring villages, while towns emphasized small regional connections as their most important mission. In all LG size categories, they expected to develop small regional strategies, common projects and fundraising activities through cooperation on a small regional level. These interests are also common and strong for establishment and operation of a common information infrastructure. The towns have less interest in distribution of public services and implementation of central tasks in cooperation. Consultation between mayors is also not so necessary for villages. The smallest LGs show less interest in common infrastructure development and co-ordination of employment and social care.

*Figure 2.5*  
 Which Public Administration Purposes are Important in the Future?  
 (Opinions Ranked on 10-Grade Scale)



SOURCE: Németh, J., 2001. pp.14-15.

*Figure 2.6*  
 What Do You Expect From Small Regional Cooperation?  
 (Opinions Ranked on a 10-Grade Scale)



SOURCE: Németh, J., 2001. pp. 4–15.

### 3.2.2 The Relationship Between LGs Which Were Formerly One Administrative District

The relationship between LGs, which had shared a common council in the previous council-system, can be examined through the existence and intensity of joint LG offices and LG associations. As far as we know, there is no survey dealing with this topic. Still, we have data from empirical research conducted in Baranya County, a typical small village region. This survey illustrates the network and institutional framework of 300 LGs with average populations of around 550 people.

In the case of Baranya County, the *LGs set up their joint offices with the same structure as the common councils*. The LGs were not able to change the relationships built up in the former regional administrative structure because of some objective factors. The council administration districts had become an integral part of the citizens’ everyday

lives: the regional transport system, distribution of services, and location of economic units determined the formation of any new structures. It turned out, that it was not possible to revitalize the organic system of centers and their surroundings as they existed before 1949. *But it is a fact that, in this county, the number of LGs maintaining their own office increased to 23 in 1991. While, during the council-system, the number of common councils had only been 9.* Among these LGs, only two have a population near to 1,000, the suggested limit (according to the law) for hiring a chief executive. In five cases, former common council centers split from the associated LGs and set up their own independent office.

Through the formation of LGs, 64 LGs have changed administrative districts, 21.4% of the total number of LGs. The regional structure of local public administration system remained unchanged for least 60%.

Table 2.17

The Changing Numbers of Joint LG Offices and Common Councils As Well As Their Member Communities in Baranya County Between 1989–2000

Year	Number of Common Councils or Joint LG Offices	Number of Members	Average Number of Members	Share of Local Governments in All Joint Local Governmental Offices [%]
1987	66	290	4.4	94.8
1991	74	269	3.6	90.3
1997	78	255	3.3	84.7
2001	81	259	3.3	85.1

SOURCE: Statistical Yearbook of County Baranya 1987, Settlements in the Hungarian Republic 1991, 1997, edited by E. Pfeil according to the data of the Central Public Administration Office in Baranya county.

### 3.3 Small Regional Associations and Their Characteristics

#### 3.3.1 Administrative Authority Associations and Associations of Institutional Control<sup>18</sup>

The complex examination of local governmental associations (which were formed to supply firstly administrative, then later other types of tasks) are hampered by the situation—in contrast with the system of joint local governmental offices—that there is no uniform registration system. Although all of the association agreements have had

to be sent to the Public Administration Office since 1998, the processing of data has not happened by this time.

According to data collected nationwide, the differences between the counties regarding the willingness of LGs to form associations are rather significant. In some counties, (Somogy, Komárom-Esztergom, Borsod-Abaúj-Zemplén, Vas) the density of cooperation is great and it influences the LGs work greatly. But we have to be careful, as the systematic processing of association data is absent, we do not know the extent of the overlapping.

*Table 2.18*

The Situation of Associations in Hungary as of 31 December 1999

Name of the Region	Number of Associations	Number of LGs	Average Population of LGs	The Number of LGs Joining Associations	Rate of LGs Joining Associations [%]
Central Hungary	50	185	15,374	84	51
Central Transdanubia	220	407	2,734	345	85
Western Transdanubia	270	646	2,105	538	83
Southern Transdanubia	409	653	1,451	574	88
Northern Hungary	282	603	2,105	496	82
Northern Great Plain	106	388	3,933	237	61
Southern Great Plain	93	253	5,283	155	61
Total	1,430	3,135	3,204	2,439	78

SOURCE: Ministry of Interior.

By the first of January of 2001, the number of associations has increased to 128 in *Baranya County*. If we add the number of joint local governmental offices to this number, there are 210 integrated institutions of LGs in the county. These 210 organizations have a total number of 932 members (local governments). This number shows that in Baranya County, on average, every LG is a member of 3.1 associations. This results in a dense organizational network among the LGs, which denies the statement that LGs are not willing to form associations. Consequently, the new legislation about LG cooperation had a positive effect on LGs within the county that are full of small villages, where cooperation is an evident necessity to the LG structure. Comparing different parts of the country, the settlement structure dominated by large villages on the Great Plain necessitates less associations than in Trans-Danubia and Northern-Hungary. Among 82 LGs in Hajdú-Bihar County, all examined under the same conditions, [Papp, Zs., 2000] there were 17 associations. They averaged 40 member LGs each. Furthermore, there were five joint local governmental offices, with

13 member LGs. Comparing the two counties, it turns out that for a county in the Great Plain region a LG is, on average, a member of 0.66 associations. Can we draw the conclusion that the variance in the organizational form between two parts of the country for supplying local service goods has got a decent explanation? Perhaps this amount of discrepancy is not evident because the average population of LGs in H-B County is only about 2,000?

Another form of LGs association is an 'association of institutional control', a common operation of institutions, mainly for primary schools (in 1996 there were 489 such associations). There is only few number of waste management, public infrastructure associations (51), even though these can operate in small regional level more efficiently. Further, there are 283 associations which cannot be ranked into any of the categories. [Fürcht, 1998]

*Multipurpose cooperation* amongst the same LGs is very rare. Though it frequently happens that LGs in the same administration district will make a second or a third agreement of association for supplying public services or operating institutions together. Joint local government offices only represent a common office for the LGs. Legally, it is not appropriate for supplying public services to fulfill local governmental tasks because it does not have its own representative body. *Consequently, the associations operate in a regional structure full of overlapping and dispersion. This means that the economy of size required for efficient supply of tasks is out of the question.* A great part of the associations are nourished by compulsion, which means that during communism the institutions were established in the center settlement and were the joint property of the member communities. So, these institutions can be maintained only jointly. The formation of larger and multi purpose associations, especially in regions full of small villages, would create an arranged situation. For this to happen, the inducement of central support is necessary.

Despite this, the Act on Association and Cooperation of Local Governments and the introduction of new types of associations have helped the upswing of local governmental cooperation in Hungary. At the same time, because of the deficiencies in the regulations, it is not able to handle the problem of diversity. Some of the questions still pending are:

- There is no way of introducing an obligatory set up for cooperation in Hungary because the new Constitution has not been accepted yet.
- The legislator has not dealt with the question of the institutionalization of urban surroundings.
- The participation of private persons is not possible in any type of these association.
- The responsibility of performing duties can not be passed to any kind of association. If the institution is not able to perform its tasks, members LGs have direct responsibility.

- Most of the associations cannot be subject to financing from the national budget. So, the LGs can require subsidies from the central budget as the member of an association and not from the association itself.

(A new type of association, introduced by the modification of Act on Local Government, has been the only exception since 1997. An association with a legal personality can take over competencies from its members and get subsidies from the state.)

### 3.3.2 Regional Development Associations<sup>19</sup>

The first village associations were formed in 1989–1990, in the most underdeveloped part of the country. Four processes influenced the formation of bottom-up associations:

- improvement of the public administration system;
- regional policy and its realization;
- other sector policies;
- organization of civic associations.

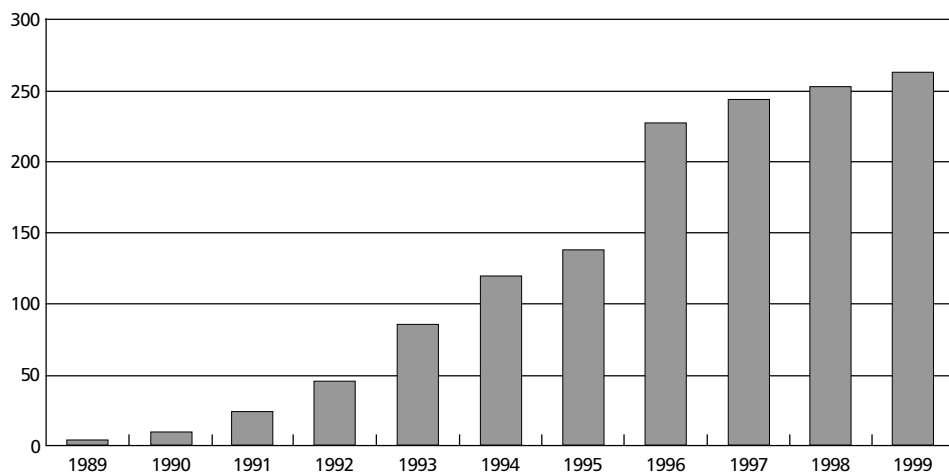
Between 1994–1999, the number of *small regional associations* doubled. Two measures inspired the formation of the new associations. In 1993–94 a PHARE Pilot Program and, in 1996, the Act on Spatial Development both gave an impetus. The formation of associations was rapid in counties full of small villages but, thanks to the Act, the associations covered more than 90% of the communities in each county.

The first associations were a mixture of local governmental, business and civic members. They formed in a real bottom-up process but without any legal registration or with legal status of social organization. After the 1996 Act, only associations with LG members were considered by the state and many former associations had to change their legal form and membership. They have become purely local governmental organizations.

*Among the different possible legal forms for small regional development organizations, local governmental associations dominate—2/3 of organizations belong to this type. In the eastern part of the country, this number is larger as is the rate of small regional development associations working as civic associations (the rate is 1/3). Here, the formation of small regional associations occurred a bit earlier and was closer to being a movement. Among organizations set up after 1996, the rate of civic associations is only 8% and the form of public corporation is much higher.*

*The size of small regional associations, in regards to the population and number of LGs is very different. More than 3/4 of associations contain less than 20 LGs. Only in regions full of small villages do associations have a greater number of LGs.*

Figure 2.7  
Increasing Number of Small Regional Development Associations



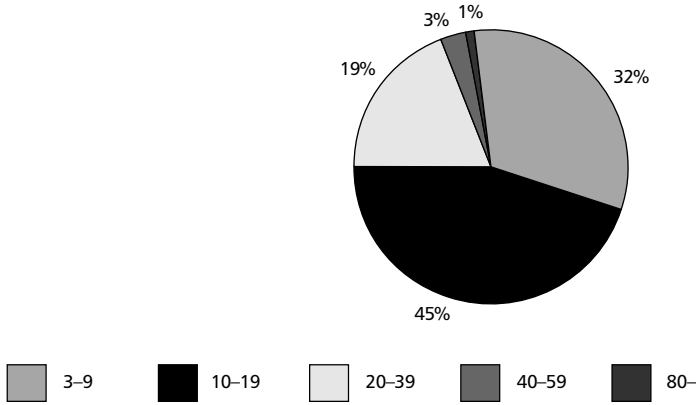
SOURCE: Fekete, É.G., 2001.

The average population for small regional development associations is 34 thousand people. The most common are the ones with populations between 15–40 thousand. The rate for small regions full of small villages, where the population is under 10 thousand people, is 20%. In areas with large villages, the average size of an association is over 40 thousand.

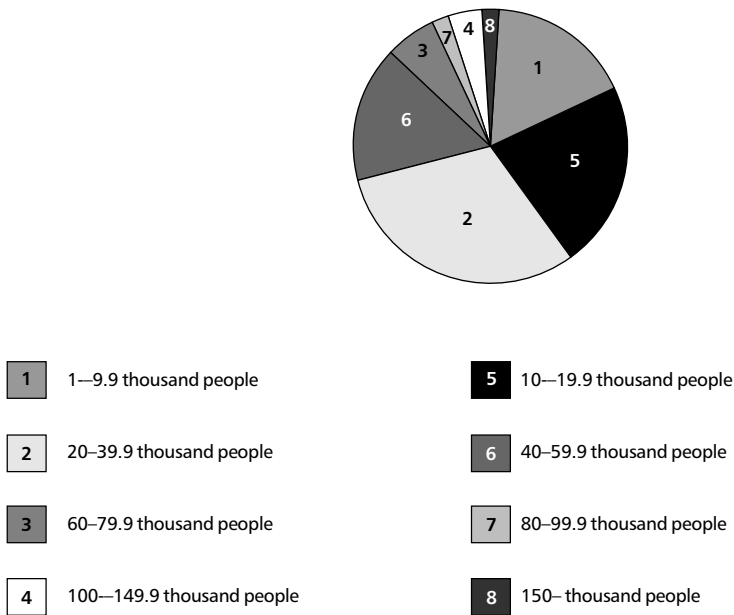
*The regional pattern for small regional development associations and connection to the NUTS IV regions are crucial questions for the future. Developing strategies for small regions is the task of small regional development local governmental associations. The basic unit for planning, according to EU legislation, is the level of NUTS IV, which includes the statistically smaller regions. Among 184 small regional development associations, 34 (18%) cover the area of their statistical districts, 37% operate in a smaller areas and 11% in larger areas. Around 29% of the organizations cover areas larger than the statistical district. To solve the problem of the total overlapping of small regional associations and statistical districts it is not necessary. However, it is a requirement that smaller regions comprise a statistical planning district.*

*Figure 2.8*  
 The Division of Small Regional Associations According to the Number  
 of the LGs and Population

a) Number of LGs



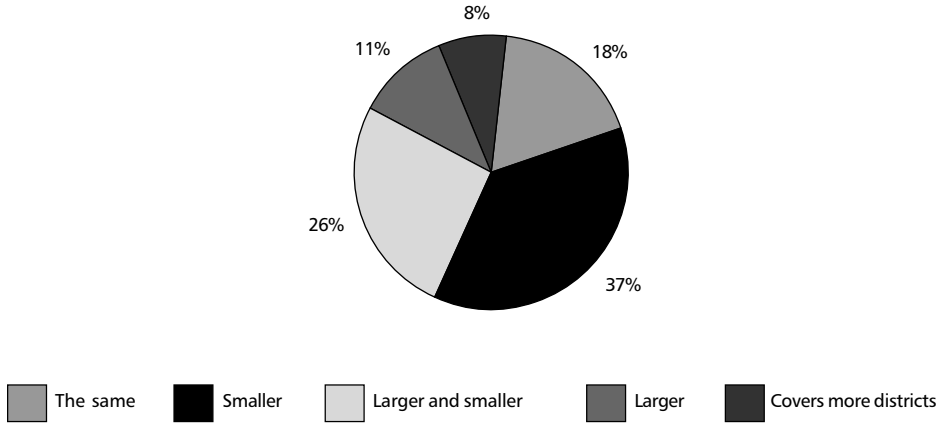
b) Number of Population



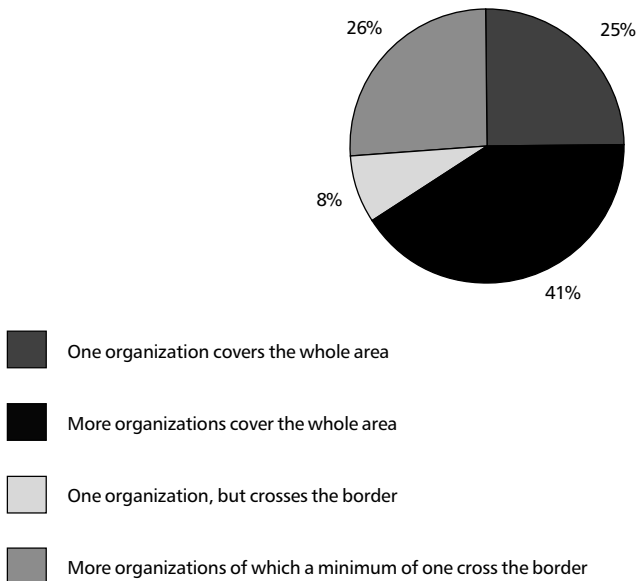
SOURCE: Fekete, É.G., 2001.

*Figure 2.9*  
 Spatial Pattern of Small Regional Associations and Related NUTS IV Regions

a) Territory of Small Regional Associations Compared to Territory of Statistical Districts



b) Territory of Statistical Districts Compared to Territory of Small Regional Associations



SOURCE: Fekete, É.G., 2001.

The rate of small regional associations, which are larger than one statistical district and belong to two statistical districts, is 68%. This is 18% for those who belong to three statistical districts. Those organizations belonging to more than four statistical districts are umbrella organizations.

Approaching this from another angle, we can state that in every statistical district there is a small regional organization. Of the statistical districts, 25% are completely “all right”, a further 41% contain more than one association, but do not extend past the district border. In 34% of statistical districts, the spontaneously organized associations cross the border of the statistical districts.

Between 1996 and 1999, most of the projects fulfilled by smaller regional development association were the planning and creation of development strategies. While an increasing number of associations were established on a territorial basis from the NUTS IV, indirect development activities received priority to direct ones. Infrastructure and tourism development projects greatly stand out among the investment type projects while other economic projects have less popularity.

*Table 2.19*  
Sector Patterns for Small Regional Projects and Their Tendencies

	Number of Finished or Ongoing Projects	Number of Projects with Prepared Feasibility Studies or Planned in the Future	Future Project/ Present Project
Forestry	23	70	3.04
Quality Control	54	161	2.98
Food Processing	53	139	2.62
Handcrafts	40	94	2.35
Village Renewal	139	325	2.34
Innovation, R+D	21	48	2.29
Exploitation of Thermal Water	58	97	1.67
Agriculture	240	398	1.66
Environmental Protection	109	151	1.39
Job-Creation	236	265	1.12
Information Technology	195	203	1.04
Other	52	54	1.04
Industrial Park, Business Zones	94	97	1.03
Education, Training	142	145	1.02
Infrastructure	411	400	0.97

*Table 2.19 (continued)*  
Sector Patterns for Small Regional Projects and Their Tendencies

	Number of Finished or Ongoing Projects	Number of Projects with Prepared Feasibility Studies or Planned in the Future	Future Project/ Present Project
Tourism	281	258	0.92
Marketing	114	102	0.89
Protection of Cultural Heritage	112	100	0.89
Business Advice	127	102	0.80
Community Development	155	111	0.72
Youth Programs	224	134	0.60
Social Services	123	73	0.59
Total	3,003	3,527	1.17

SOURCE: Fekete, É.G., 2002.

According to surveys conducted by the North Hungarian Department of the Center for Regional Studies, *the most successful associations* were those that:

- covered a territory that they were able to handle (it was not too big) and where regional identity is still perceptible (it was not too small),
- worked in an integrated manner,
- had an appropriate development strategy and more feasibility studies for their projects,
- were able to produce results at every stage which helped keep alive their trust in the cooperative actions,
- were able to get support from both inside and outside,
- involved elected leaders who knew the concept of local development and were able to adopt innovations and mobilize the local people,
- had experts who worked as members of the association, making it possible to continuously provide information and advice to local staff and for a relatively cheap price,
- were able to adjust to the requirements of the governmental level.

The size of LGs influences their success only in that, the smaller the community the larger the necessity for cooperation. Results are much more influenced by the size of the region. Firstly, it must be sufficiently large to have considerable quantity and quality of local resources. Secondly, it must be small enough to make the process, happening within the region, understandable and make daily communication among local actors possible.

### 3.4 The Ability and Means of the Central Government to Handle Diversity in Local Administration

The policy of the central government to induce formation of associations is hampered by two factors. For one, there is no precise information about the intensity and structure of associations, especially in the case of public services. Yet, since 1994 there has been a regulation in the Act on Local Governments that stipulates associations can be endeavored by financial means. Still, a comprehensive governmental subsidy system is impeded by the idea that legislation for the different sectors must point out those activities that are practical for associations to apply and only after this may these activities be subsidized.

According to this, education and social sectors use more financial subsidies to motivate cooperation between LGs. In the case of elementary schools and child care, extra financial support is available if they are operated by associations, but they must only work in forms determined by the law. Consequently, in last few years, new associations were formed only in these two sectors. *Unfortunately, the preferences of state policy are confused. Subsidies for LGs with small populations and without association compete with the above mentioned extra subsidies given to associations.* For example, in the education sector within Baranya County during 2000, LGs received 2.8 times more supplementary subsidies because of size rather than because of their operating in association. There is no professional or efficiency criterion that should be necessary for receiving financial support.

One of the basic requirements for cooperation and joint running of public institutions is *accessibility*. *School buses* may increase better commute to joint schools. The CG promoted buying school buses during the mid-1990s. Utilizing this incentive, municipalities bought 128 school buses in 1996. This amount provides services for one quarter of the joint school associations and effected 304 LGs. However, the grant was only offered for investment. Municipalities have experienced a lot of difficulty in maintaining the service. They needed support for the running expenditure of the school buses too. Instead of extension of support, the CG stopped this kind of incentive. [Halász, 2000]

Delegation of competencies to district centers is a tool for the state, but it can increase the efficiency only of public administration. The district centers obtain supplementary subsidies also. We mention here again the differentiated subsidy system for joint LG offices.

In Hungary, there is a kind of financial support handling the issue of LGs that, through no fault of their own, get into a critical financial situation. One of the key selection criteria for applicant LGs is their use of the potential capacity of local public facilities (such as kindergartens or schools). The regulation gives different requirements for municipalities above and below 3,000 inhabitants. For the former, the rate of use

should exceed 70%. The threshold for smaller municipalities (in 2001 and 2002) was 50%. Another criterion is related to the compulsory existence of joint offices or membership in associations by municipalities below 500 citizens.

Since 1997, the state introduced an indexing system for the average level of costs of the institutions differentiating according to the size of the LGs. This is the basis for judgement of the applications. Year after year, less divergence from the average level is accepted. So, the greater the difference from the average, the smaller the state subsidy a LG can receive. If the expenditures are higher than 110% of the LGs average expenditure, support is decreased. If the expenditures are lower than 90% of the national average, support is increased.

The first problem with this legislation is that it came too late. The second problem is that the limit of compulsory formation of association (500 inhabitants) is too low. Moreover, it opposes with the paragraph stipulation stating, in the case of LGs with populations under 1,000 it is recommended they form joint offices. Larger LGs are preferred for this kind of subsidy.

*Table 2.20*  
Support for LGs in Handling Financial Problems Caused Through  
No Fault of Their Own

Categories	Supported Applications		Amount of Subsidies	
	Number	Rate [%]	[Million HUF]	Rate [%]
Below 1,000 Inhabitants	779	57	3,066	25
1,000–5,000 Inhabitants	454	33	3,736	31
Above 5,000 Inhabitants	21	2	330	3
Villages	1,254	92	7,132	59
Towns	103	7	4,158	34
Towns with the Rights of Counties	1	0	180	1
Counties	13	1	726	6
Total	1,371	100	12,196	100

SOURCE: Puskás, I., 2000. p.124

While 7% of applications come from towns, they received 34% of this subsidy type in 1999. The preference for towns is explained by their more differentiated tasks. They will need extra subsidy until the delegation of competencies becomes less concentrated. [Puskás, I., 2000]

## 4. SUMMARY OF THE DEBATES AND SUGGESTIONS REGARDING THE SIZE OF LOCAL GOVERNMENTS AND THE CONFLICTS THAT EMERGED FROM FRAGMENTATION

### 4.1 Suggestions for Slowing Down Fragmentation and Creating an Optimal Pattern for LGs in Regards to Their Size

Suggestions for the criteria for establishing a new LG are based on the legal philosophy stating that, during the second decade of the new local governmental system in Hungary, the reference to the forced amalgamation of communities during the communist era provides no reason to split up any more LGs. Establishment of a new LG must meet serious requirements in order to hamper further fragmentation of the local governmental system.

A dialogue on the issue, prepared by the Ministry of the Interior (2001), summarizes the possible ways to develop LGs. The opinions represented in this paper's debate deal with this question. According to the paper: The precise content for the right to establish LGs must be determined by the Constitution. The rights that entitle every voter in every local community are the following:

- the right to directly elect their representative body and mayor;
- the right for referendum;
- the right to own property, their own budget, state subsidies and local taxes;
- the right to decide on and regulate local public affairs.

Despite these, the tasks and authorities of LGs must be differentiated and determined according to their potential.

Nevertheless, it is necessary to decrease the fragmentation of LGs. For instance, small areas where located businesses with huge incomes are not allowed to separate from their town and form a new LG. The solution for the LGs with declining populations and weak self-governing potential is to join another LG. There is a belief that the formation of a common representative body should only be induced in areas with a fulltime mayor with a population limit of 1,000, this later became 1,500 inhabitants.

The opinions connecting to the official opinion further strengthen the suggestions. [Debate About the Local..., 2001] The right to establish an LG is considered a significant achievement but, again, the opinion is that those under a certain population size should not be able to establish an independent LG, only a joint representative body. The paper prepared by the Ministry of the Interior, suggests the minimum limit should be 1,000 inhabitants but others consider this too high, suggesting the minimum be 500 inhabitants. In order to strengthen local identity, the category of joint LGs would be extended to some districts of towns that possess their own identity.

Others emphasize the necessity of differentiated provision of tasks and authorities according to the size of LG. For example, it would be possible to differentiate between villages with a population between 500–1,000, over 1,000, small towns and large towns.

The compulsory formation of joint offices above 1,000 or 1,500 inhabitants was also followed by debate. However, more opinions were in favor of it rather than against it. Besides the minimum population limit, it was necessary to define the maximum number of LGs that can join offices. According to experience, the administration of 3–4—according to others, 7—LGs can be performed collectively. [Debate About the Local..., 2001]

Besides population size, further criteria were drawn up. According to a decision by the Constitutional Court, the availability of the financial assets necessary to operate an LG cannot be criteria of establishment of a new LG. According to E. Pfeil (2001), the new LG should prove the possession of its own institutional background for performing basic and obligatory tasks. So, it should be determined that the LG, that wants to split, will be able to perform its future obligatory tasks—accomplished commonly before—in to proper degree or will perform them in an other way (i.e. involving the economic or social sphere). The other criterion, according to the suggestion, is the verification of the existence of a local society through the presence and strength of civic organizations in the given communities. Finally, there remains the existing criteria for the method of property sharing and calculating a budget for the new LG.

## 4.2 Amalgamation, Political Integration and Functional Cooperation

No one in Hungary considers amalgamation of LGs as a political alternative. One reason for this is that the strained rigidity of the formation of districts is still living in the memories of the people. In spite of this, the opinion that larger local governmental units should be created annually reappears. This is especially in the case of providing physical public services (like transportation, water supply, waste handling) and representing territorial interests on higher levels. The opinions against it emphasize that the different services have different optimal spatial units and the amount of money saved—as these are the smallest LGs is not significant. [Hermann Z., Horváth, M.T., Péteri G., and Ungvári G., 1998] The strongest barrier for amalgamations, which entails disappearance of settlement names, is increasing local identity. This is why, in the present reform of the public administration, value is placed on local communities staying in the center of the LGs system and this value must be preserved.

For the formation of a common representative body, this means political integration,<sup>20</sup> the situation has also not matured. Only in special cases are LG's willing to give up their autonomy. Although legislation made the formation of common representa-

tive body possible, there are rarely any examples of it. Despite this, the integration concepts are formed during the conception of the public administration reform.

The most realistic type of integration is to strengthen LGs functional associations. In Hungary today, there are more than 200 small regional spatial development associations and thousands of other local governmental (administrative) associations operating at a small regional level. The situation is more confusing if we consider that the role of small regions in the vertical system is unclear and relationships at the community level and within the regions are not regulated. This confusing situation is the result of a permanent adjustment to small regional organizations according to the actual redistribution policy. The most chaotic characteristics of the system: 1. the mixture of functions and authorities at both the vertical and horizontal level, 2. spatial patterns that do not match each other. Consequently, these two problems must be solved in order to strengthen functional integration between LGs.

There is a suggestion to form the state policies that will introduce and expand on the models of multipurpose associations. These multipurpose associations could guarantee transmission of a more integrated local development policy and efficient operation of public services, organized over a bigger territorial base and achieving higher quality than currently. The supported model of associations should fulfil criteria such as the following:

- established by a minimum of 3 and a maximum of 10 LGs;
- population size within their territory should be higher than 2,000;
- they are engaged in basic education, social care, maintaining local roads, handling waste materials, settlement development and zoning.

Subsidies for distribution of services should be based upon a cost-benefit analysis determined according to the action plan for development of the public administration.

According to some, local governmental competencies should be reorganized into separated organizations (local governmental associations), each with the same authority as authorized to the LGs themselves for the given task. Others think that this is an infringement on governmental autonomy and do not agree with this solution. The law has closed this dispute. Since 1997, the modified Act on Local Governments now provides the opportunity for local governments to delegate competencies to their associations and the Act on Association of LGs makes it possible to form associations with the inclusion of a legal personality. This legal person may have properties and undertake any obligation in order to implement its tasks and provide services to its member communities. Its decision maker body is the associative council. [Fürcht, P., 1998]

### 4.3 Voluntary and Forced Formation of Associations

The idea of obligatory formation of associations emerged in regards to joint LG offices. During the former parliamentary cycle (1994–98), a proposal on alterations of the Constitution was prepared. This was ultimately refused by Parliament. This proposal included creation of an institution of obligatory joint offices. For their introduction, a modification of the Constitution is necessary. According to the paper, produced by the Ministry of the Interior in 2001, the formation of joint offices would be compulsory, firstly under 1,000 inhabitants, later under 1,500 inhabitants and the possibility to employ a full time mayor would be connected to the joint offices. Beside this, the compulsory formation of association was considered possible in case of certain obligatory tasks financed by central budget.

There is agreement on the necessity of LG stimulation to form larger supplied areas but indirect means are preferred. Such indirect stimulation can be as follows:

- normative subsidies according to village population in relation to the town or according to the number of inhabitants supplied;
- more significant and complex subsidization of multipurpose associations.

The principles of voluntary versus obligatory formation of associations are not totally exclusive. The voluntary principle can be considered the main rule but the obligatory principle, requiring a two-third majority decision, within the legislation can be applied in a few cases too. [Fürcht, P., 1998]

### 4.4 One and Multicolor Patterns of Association

There is a debate about the question of whether simplification of local governmental integration, by creating one organization responsible for all common tasks, is an achievable and correct solution. This type of organization would improve the comprehensible arrangement for a spatial system of task provisions. Still, it is recognized that different tasks have different spatial divisions. What is more, these change over time. Moreover, besides LGs, other actors are emerging both in local services and in local development. Public-private partnerships require small regional institutions, more than public administration. It is clear, that local governmental associations, or de-concentrated state organizations, are not able to undertake tasks organized by small regional development associations in a bottom-up process and based on wide social participation. Nor can they integrate economic and civic actors in order to mobilize local resources for local development. They are not able to manage integrated local development, in the first instance, due to their purely local governmental membership and, in the

second instance, because of the waning interest of the state and its bureaucratic manner. State governmental, self-governmental integrated associations and development action groups are also necessary for effective development. A flexible system involving more types of organizations is needed. They might form a multicolor pattern of associations, which means more types of associations with several purposes, more types of LGs and those including, not only LGs, but private persons and businesses as well.

There is an interesting pilot project managed by the local governmental development association for the town of Siklos and its surrounding communities. Within this project, a complex small regional public-service system is under formation. They set up an organizational and operational framework for collective performance of regional development, economic development and public administration tasks as well as making a pioneer attempt to unify administrative and regional development associations working in the same small region. [Csefkó F., 2001]

It is an important element lacking in the present legislation that no form of association has been made suitable to receive members of the private sphere, such as representatives of civic organizations or businesses. This critique is made especially in regards to associations with a legal entity being financed by the central budget. The situation of local development associations acting outside the Act of Local Governments is rather problematic, since the principle of partnership should be determinant in their operation. It can be useful to consider the admission of social and economic players into local governmental associations based on public law, since getting under social and state control would become suitable for functions not exploited before. The limited admission of chambers, economic associations and civic organizations into certain types of associations should happen while maintaining the dominance of the public sphere. In this regard, it is a frequently attempted method in Western Europe to allow private actors or representatives to possess a maximum two-fifth of the votes.

## 4.5 Differential Delegation of Competencies and Financing

Every function allotted to local governments has a geographical attractive zone, i.e. the zone influenced by the settlement as a “central place” for the area. Presently in Hungary, these zones have been reduced to the level of local communities or counties.

Revision of the issuing of tasks and authority is a general requirement for experts dealing with this topic. Beyond raising the questions about task sharing between the state and the LGs [Csefkó, 2000; Kara, 1999], there is a central question on task sharing amongst LGs: Differentiation of delegation of competencies and financing would be possible according to the Act on Local Governments, but it is rarely used in

practice. The concept of differentiation of competency delegation and financing offers, to form a more sophisticated system where different functions have different geographical attractive zones based on size. Bigger units get the power and tools (from the state) to provide services for smaller ones. In this case, LGs in the service centers are responsible for the smaller units, too. Of course, we speak only about obligatory tasks. In the case of optional tasks, the local government should decide to maintain its own institute or create association with others. (In this instance, inhabitants living in smaller units may miss those services.)

P. Fürcht (2000) suggests differentiating between LGs in towns and villages when their competencies and public tasks are delegated. According to him, village government must provide the public services that are necessary for living there (roads, healthy drinking water, public light, electricity, gas works, and local administration for daily life, etc.) For other services sector models should be worked out. According to this, there can be three types of task-delegation:

- local provision of tasks, where population and capacity make it possible;
- provision of tasks through LG associations (voluntary or, if the Constitution makes it possible, in the case of certain obligatory public services, compulsory ones);
- through towns, in case the town supplies services for the surrounding communities according to the sector model. (In this case, towns would get financial resources directly from the central budget or the villages would contribute to funds under a contract that guarantees accountability. Both individual LGs and their association could be the contracting partner of the town.)

By allotting public services to the towns, 65% of the whole population obtains the services locally and an additional 35% living in nearby villages. [Fürcht, P., 2000. p.536]

J. Németh (1999) considers the role of the cooperation of neighboring villages (these can be define as micro-regions) very important. Z. Kéki (2000) differentiates three types of task and authorities:

- 1) sham tasks and authorities: These are in the Act of Local Governments, but never supplied because of lack of demand, financial resources, or other possibilities based on the size of the LG. (For example: provision of new flats, public transport, fire protection, public security, financing scientific public social, art and sport activities);
- 2) tasks and authorities without means: These are provided, but not by the LG itself, rather by other actors; (for example: nursery schools, primary schools and health care)
- 3) wandering tasks and authorities: These can be transferred to the county government; (for example: secondary schools, hospitals)

According to these types, the following suggestion was drawn up for the designation of tasks and authorities:

*Table 2.21*  
 Suggestion for Differentiated Delegation of Competencies  
 (According to the Opinion of Chief Executives in County Capitals)

Level of Administration	Title of the Tasks and Authorities
1.1 County Governments	
	<ul style="list-style-type: none"> <li>• The maintenance of institutions operating on the local level exempting districts and county centers</li> <li>• The maintenance of museum centers and National Archives</li> <li>• Homes for the elderly</li> <li>• Children’s homes</li> <li>• Youth houses</li> <li>• The maintenance of other institutions supplying special tasks</li> <li>• Co-ordination of regional development</li> <li>• Passing zoning plans for the county</li> </ul> <p>What are still questioned:</p> <ul style="list-style-type: none"> <li>• Maintenance of resources centers</li> <li>• Offices of dues (Tax Office)</li> <li>• Civil defense (State Agency)</li> <li>• National defense (State Agency)</li> </ul>
1.2 Local Governments for Communities	
1.2.1 County’s Central Towns	<ul style="list-style-type: none"> <li>• The maintenance of resources centers</li> <li>• The maintenance of institutions supplying regional tasks</li> <li>• Optional tasks designated by the county government</li> <li>• Regional co-ordination</li> <li>• Maintenance of social institutions (home for the elderly, youth houses)</li> <li>• Supporting artistic activities</li> <li>• Supporting scientific activities</li> </ul>

*Table 21*  
**Suggestion for Differentiated Delegation of Competencies**  
 (According to the Opinion of Chief Executives in County Capitals)

Level of Administration	Title of the Tasks and Authorities
1.2.2 Local Governments for Towns	<p><i>Small Regional Centruns</i></p> <ul style="list-style-type: none"> <li>• The maintenance of educational institutions supplying small regional tasks (secondary schools, hostels)</li> <li>• Small regional co-ordination</li> <li>• Civil defense in small regions</li> <li>• National defense in small regions</li> <li>• Fire protection and rescue operations in small regions</li> <li>• Tourist tasks in small regions</li> <li>• Local public transport</li> <li>• The maintenance of certain institutions (homeless shelters, child protection, nurseries, day-care, family services)</li> <li>• The operation of sewage cleaning plants</li> <li>• Co-ordination of economic development</li> </ul> <p><i>Towns</i></p> <ul style="list-style-type: none"> <li>• Housing</li> <li>• The operation of a foster-parents network</li> </ul>
1.2.3 Villages	<p><i>With populations between 1,500–2,000</i></p> <ul style="list-style-type: none"> <li>• Participation in public security</li> <li>• Maintenance of primary schools</li> <li>• Supporting general education and sport</li> <li>• Maintenance of nursery school</li> <li>• Maintenance of space for life long learning</li> <li>• Mayoral office or joint LG office</li> <li>• Building up sewage system</li> </ul> <p><i>With populations below 1,500</i></p> <ul style="list-style-type: none"> <li>• Primary schools</li> <li>• Nursery schools</li> <li>• Healthy drinking water</li> <li>• Social aid</li> <li>• Public lighting</li> </ul>

*Table 2.21 (Continued)*  
 Suggestion for Differentiated Delegation of Competencies  
 (According to the Opinion of Chief Executives in County Capitals)

Level of Administration	Title of the Tasks and Authorities
	<ul style="list-style-type: none"> <li>• Public roads</li> <li>• Public cemeteries</li> <li>• The enforcement of national and ethnical minorities rights</li> <li>• Settlement physical planning, settlement development</li> <li>• Environmental protection</li> <li>• Drain pipes</li> <li>• Maintenance of public spaces</li> <li>• Basic health care</li> <li>• Basic social care (meals provision or helping system at home—in association, through enterprises or by their own institutions)</li> </ul>

NOTE: The tasks of the higher level contain the task of the lower levels, of course.

SOURCE: Kéki, Z., 2000. pp.161–162.

## 5. CONCLUSIONS

Within the framework of a highly fragmented Hungarian local governmental system, the following connections can be made between the size of the LGs and local administration, the distribution of public services, local democracy and local development:

- In local public administration:  
 The competence and efficiency of public administration is in direct ratio to the size of the LG. That's why, in the case of LGs with populations under 1,000, legislation stimulates formation of joint offices and the idea of compulsory formation of joint LG offices was taken seriously. However, due to the unprecedented autonomy of Hungarian LGs, a two-thirds Parliamentary majority is required to modify the legislation necessary to change this situation.
- In operation of local democracy:  
 According to the local media and activity during political elections, communities with a population above fifty thousand and below two thousand show the liveliest local society. In the latter case, the most likely reason for this is the strength of the informal structures. While in the former case, it is likely the provision of the spiritual and technical resources necessary for operation of local publicity and public life.

- In the provision of local public services:  
The principle of economy of size prevails in the case of public services. Due to the enormously high rate of wage-cost for services, the efficiency of the services depends on the number of people supplied and it changes in direct ratio to that.
- In local development:  
The factor influencing local development, rather than the size of the LG, is the location and distance from the core of regional development and the level of regional development. Directly after the political changes, development activity in the smaller LGs was stronger than in larger ones. This can be explained by the “compensation” of the infrastructure developments which formerly had not occurred.

Today, it is widely accepted that the fragmentation of the local development system has hampered the taking of further steps. Demands for public services remain unsatisfied in certain areas while, in other areas, solutions leading to the waste of resources were carried out. But the formation of common LGs, for political reasons, cannot be the solution. Attention has turned toward associations. For these, there are reasons for both the obligatory as well as the voluntary associations. Besides the stimulation of associations and, in certain cases, the enforcement of them, the most important future duties are creating more strict legislation for formation of new LGs, the differentiated delegation of local governmental competencies and the geographical harmonization of public administrative spatial units. Suggestions summarized in section IV are related to the following propositions for these problems:

- 1) Give up the strong attachment to locality and settlement boundaries in order to find an optimal territorial framework for local services, local society and local development. In many terms, small regions function as a locality.
- 2) Harmonize the spatial division of top-down districts and bottom-up associations based on regional identity, but it should not mean unification. Territories of several organizations and the statistical districts should fit but not necessarily be equal to one another.
- 3) Because of the extremely large size of statistical smaller regions with big cities (especially county capitals), there is a need for typology which should be the basis for programming and redistribution of financial resources.
- 4) Create criteria for establishing new LGs connected to population size (more than the presently required 300 inhabitants) and some additional indicators (capacities, civic organizations ...). However, it should be kept in mind that even the authors of this proposal do not agree on the extension of these criteria to existing LGs.
- 5) Compulsory formation of joint offices and provision of a full time mayor only to populations above 1,000 or 1,500 inhabitants and as would be necessary. This is included in the national plan for developing public administration.

- 6) Strengthen the functional associations of LGs: clear functions and authorities on both vertical and horizontal levels, spatial patterns that fit to each other.
- 7) Form a state policy to introduce and extend the models of multipurpose associations.
- 8) Create normative subsidies for provision of small regional services. For example, according to village population in relation to its town or according to the number of inhabitants supplied
- 9) State governmental, integrated self-governmental associations and development action groups should all be taken into consideration and develop a flexible system for them.
- 10) Involve the representatives of local, social, and economic spheres in small regional associations in order to encourage partnership development.
- 11) Delegate different competencies and functions to different sized communities
- 12) The Local Government Act defines cities with county rights as a type of local government. Instead of a separate entity for such municipalities, there is a need to formulate rules for cooperation between bigger cities and their surroundings. Legislation should deal with this issue.
- 13) In some areas, such as regional development, legislation should accept a wider concept of cooperation between localities. Beside municipalities, local citizens, civil organizations and enterprises should be allowed to join relevant local associations.

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## NOTES

- <sup>1</sup> Constitution of Hungarian Republic.
- <sup>2</sup> Act on Local Governments.
- <sup>3</sup> Act CXXXV of 1997 on Associations and Co-operation among Local Governments.
- <sup>4</sup> See a detailed explanation in chapter III.
- <sup>5</sup> Regional policy wanted to create a stronger city network, which would be able to absorb migration from the villages and stop the inadequate growth of Budapest.
- <sup>6</sup> Expenditure oriented budgetary planning: The base for planning is the accepted level of expenditure. Local councils had own revenues. Central government ensured the difference of expenditure and own revenues by state grants.

- Revenue oriented budgetary planning:* LGs have own revenues, shared revenues, state transfers allocated on normative base and transfers from other LGs and/or NGOs. LGs have access to credit too. Each LG's expenditure cannot exceed its total revenue.
- 7 "a" point of the 5th paragraph of the Act of XXI on Regional Development.
  - 8 Act No. III. in 1993 on Social Provision. (Note: Higher categories include all mandatory functions of lower categories.)
  - 9 Act on Local Government 69. §. Paragraphs 1–2.
  - 10 In villages with more than 5,000 inhabitants the number of kindergartens has fallen by 40 percent. The real decline is much lower because a major change in this category has occurred from the changed position of 40 villages (one third of villages in this size category), who received city status during the 1990s.
  - 11 Figures from the smallest villages are not relevant for comparison because of the 298 villages in this category, only 2 have kindergartens.
  - 12 Figures of the smallest villages are not relevant for comparison because of the 298 villages in this category, only 2 have primary schools.
  - 13 According to surveys conducted by MTA RKK in Szolnok, Kisújszállás, Gyomaendrőd, Kalocsa, Mátészalka.
  - 14 Households and firms directly contribute to utility investments through utility associations. The share of their contribution is usually around one third of the total investment budget.
  - 15 Bódi Ferenc, 1992: The enterprise supporting policy of the local governments in Borsod Abaúj Zemplén County. Spatial research in County BAZ. MTA RKK ÉMO.
  - 16 The counties in the middle of the regional hierarchy were, on one hand, the stretched arms of the state which transferred the central decisions to the towns and villages. On the other hand, they represented the interests of the communities to the State. The county council controlled the local councils in two ways. The county council was the second-grade authority in public administration affairs and, what is more, it was the county council that reallocated the development resources taken from taxes.
  - 17 According to the Act CXXXV of 1997 on Associations and Cooperation among Local Governments.
  - 18 According to the Act XXI of 1996 on Regional Development.
  - 19 Representatives are elected from separate lists set up by communities, but they form a common body.