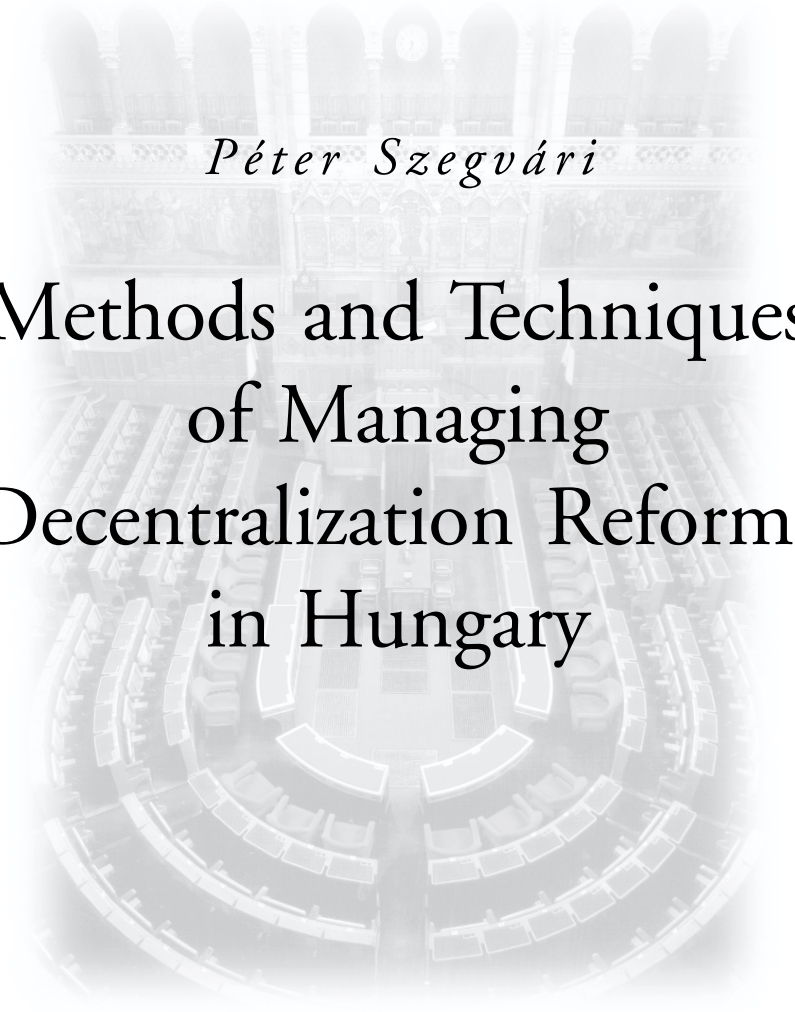


COUNTRY STUDIES



*Péter Szegvári*

Methods and Techniques  
of Managing  
Decentralization Reforms  
in Hungary

MASTERING DECENTRALIZATION  
AND PUBLIC ADMINISTRATION REFORMS  
IN CENTRAL AND EASTERN EUROPE



# Methods and Techniques of Managing Decentralization Reforms in Hungary

*Péter Szegvári*

## PREFACE

Hungary is one of the candidate countries for the accession to the EU, and since 1996 member country of the OECD, therefore the *Country Study* wants to reflect to the comparing experiences in CEE candidate and OECD member countries,<sup>1</sup> Reflecting to the requirements of the EU for the accession and recommendations of the OECD for the development of the public sector administrative capacity the *Country Study* shows the new challenges arising from the decentralization matching the principles of 'good governance,' 'efficiency and effectiveness,' 'policy coherency.'<sup>2</sup>

In the case of Hungary could be analyzed how the European and a worldwide international relationship would be 'driving force' for the domestic public management reform. Hence the Country Study, as a pattern of 'new approach' on the decentralization, could share information and experience about the 'regional policy,' which try to integrate the several policies on the national level and to identify the right measures of public management reform, especially in the decentralization process, comparing the 'European Regional Policy' and bench-marking the OECD 'best practices.'

The Country Study could give an answer for the relevant question whether the shifting of the political structure and regulatory system from a state-led growth to a market-led growth supports or hinders the process of decentralization. Regarding to the economic autonomy of local self-governments could be very important to emphasize the opportunities and threatens of local self-governments to access the global and local capital and credit markets, including the right measures and level of effective and efficient decentralization process (reflecting to the new-type regional policy objectives).<sup>3</sup>

Regarding to the primary target group of this project the Country Study try to conclude the consequences of the last ten years reform process in Hungary and to give some recommendation for the policy makers in Croatia to pave the way to administration and government reforms.

## COMPONENTS AND PROCEDURES OF DECENTRALIZATION

### Typical Reform Trajectories

The reform of public administration could not be analyzed without considering systemic transformation as a whole political, legal and social-economical structure. *Decentralization* is an essential part of the transformation of the political systems. In the last transition period the shifting of the former 'soviet-system' to a 'local self-government-system,' as well as a condition of market-oriented economic development, was a basic element of political democratization and pluralism in Hungary. The local reform was an important part of the general systematic transformation of political structure; hence most of the necessary elements of change have been realized since the late 1980s.<sup>4</sup>

Regarding the systematic transformation and the three functions of local governments,<sup>5</sup> the reform process of the Hungarian system of decentralization has been continuous in the 1990s and has occurred in two main stages. At the first stage, the reform mainly was focusing on the democratic and autonomous functions of local government, when the 'changes of former status quo' emerged as the basic goal and value. At the second phase of the decentralization process, the main objective is to ensure the capability of local governments, when the 'stabilization of local government' is the basic value.

At the first stage of 'transition period' the regulatory and institutional reform were the critical elements of the public administration reform. Between 1989 and 1995, Hungary put in place most elements of the legal and institutional framework for a market economy and a democratic local governance. The transition was as well as deregulatory and re-regulatory task, and a conceptual as well as technical transformation of the whole system of public administration. Since 1989, successive governments eliminated large swathes of laws and other regulations that changed the former

centrally planned economy and state administered local affairs in accordance with the principles of centralization and hierarchy through a system of councils ('system of soviets') on the local level. At the same time, the Parliament passed the main legislation creating a constitutional and legal basis for the market-led growth and local democracy. Together, structural and governance reforms and macro-economic stabilization have generated significant economic (and social) benefits.<sup>6</sup>

The new legislation has been consisted of:

- constitutional changes (crucial modification of the previous one);
- acts on local self-governments (including municipality and county level) focusing on the new structure and operational rules;
- acts on free local elections, defining the different electoral system and process at several level of local governments;
- acts on civil servants and public employees;
- acts on the scope and duties (mandatory and voluntary tasks) of public administration at each level;
- acts on property transportation from the state to the local governments;
- financial regulation of local governments;
- legal supervision and parallel the juridical protection of decision-making of local governments;
- special status and rights of the capital city.

A new system of local democracy was established based upon two pillars: the principles of Hungarian traditions displayed in the former century before the communist regime and the European Charter of Local Self-governments of the Council of Europe. The Constitution and the Act on Local Self-governments recognized those rights of local communities, including the smallest of settlements (more than 54% of them less of 1000 habitants), to self-government in managing local affairs. (Hence the number of local units increased from 1500 to 3,149, all of which elected their own representatives in the local legislative body and executive organs (mayors).

The principles and basic rights of local government are stipulated by the Constitution. Eligible voters of communities, cities, the capital and its districts, counties have the right to local self-government, which means the autonomous and democratic management of and decision making on local public affairs in the interest of an elected body of representatives and by local referendum. The rights and duties of local authorities are determined by parliamentary acts (certain required 2/3 majority in the Parlia-

ment to pass or amendment) and are afforded legal protection by the court system and the Constitutional Court too.

The general territorial division of Hungary is fixed by the Constitution. It is partitioned into counties (at regional level) and (at local level) cities, villages as communities and the capital, which is distributed into districts; administratively, local self-governments are constituted in each of these units. Local state administrative units as well as other organs of the state, such as the court system, are organized on the basis of such territorial division depending on the characteristics of their particular tasks. Since 1990, Hungarian public administration consists on two main frameworks: bureaucratic and democratic institutions. The first includes central government bodies and their organs at local and territorial level (de-concentrated institutions) that are subordinate to the state administration. The second type of structure is the system of local self-governments (decentralized institutions), based on principles of autonomy and subsidiary. 'The functions of public administration are shared by these two frameworks, creating competition for the fulfillment of functions at the local level by their respective organs. This is the essence of the conflict of interest between local self-governments and territorial organs of the state administration.'<sup>7</sup>

Local Self-governments system in Hungary exists at two tiers: local and regional level. There are no hierarchical relations between the two types of local self-governments, as declares by the Constitution, the fundamental rights of all local entities are equal. The difference between the two lies in the administrative tasks delegated to each. Municipalities have had broad responsibilities in service provision. They provide local public services to their settlements, counties have a subsidiary role in that they provide public services which settlements are not capable of performing, as well as that have regional character. Local self-government tasks are differentiated as mandatory and voluntary based. Obligatory functions and responsibilities of local self-governments could be determined by Parliament, simultaneously ensuring the financial means necessary for the fulfillment of such tasks and decision power. However the local self-governments can undertake any local public issue not prohibited by law that does not endanger the fulfillment of obligatory functions and local service delivery.

Legislation on civil service is also a key element for the transformation of public administration. Law was passed in 1992, establishing a civil service system based on professional criteria that broke the former style of politics. It

also ensured a clear division of functions and roles of politicians and administrators to guarantee the political neutrality of staff and at the same time to defend professionals from political pressures and influences. Apart from civil servants, the responsibilities of public employees (administrators in the several institutions owned by the local governments as like as schools, hospitals, social houses) also have been determined. The regulation guaranteed security to them and clarified their accountability in order to ensure the effectiveness of local service delivery.

The timing of financial regulation was crucial to the extent of transformation. Later than the structural and institutional regulation, under the process of public administration and financial reform the local self-governments have got the most of local properties and other financial sources that guaranteed the real power of local self-governments for economic autonomy and liability coupled with their opportunities for the independent decision making above their own sources.

By the end of 1996 the *regulatory and institutional reform process have been guaranteed the Political, legal-administrative and economic autonomy of local self-governments in Hungary*, created new legal and constitutional basis for implementation and protection of fundamental rights of local self-governments. The principle of 'checks and balances' could be recognized in that reform process and because of existing of fundamental rights and institutions of local self-governments created constitutionally have been effected for a long time. These elements were very important to the preservation of the democratic political institutional changes achieved by the public administrative reform at the first stage of 'transition period.'

*In the course of the systemic change Hungary faced a historic challenges to establish a new type of local and central public administration and to form a government based on the results of democratic elections. On the whole, the new central and local government system adequately promoted the rapid establishment of the foundations for the independent democratic legal state and market economy. However, experience with the half-decade operation of the government, central and local public administration revealed a number of deficiencies, both old and new, which must be solved in the short or long term. Therefore since 1996, in the second stage of public administration reform, Hungary has been addressing longer-term difficult issues, such as policy implementation, as well as problems arising from the transition itself, such as too rapid decentralization in the early days of reform process. By the end of 1999, the*

*transitional challenges of building up basic legal and policy frameworks consistent with market democracy had been largely met. After ten years of determined reform, Hungary has entered the mainstream of OECD countries with respect to the challenges it faces in establishing quality public administrative regimes supporting good governance and long-term economic growth.*<sup>8</sup>

As one of the major deficiencies of the first stage of public administrative reform, the basic framework for the new system has in many respects been designed inaccurately or controversially due to the absence of experience and the shortage of time available for preparation. The full range of central and local government responsibilities were not reviewed within the new framework. The competence and operation of the government in coordinating and orchestrating the line-segmented public administration and in preparing and implementing the decisions of Parliament, which controls central and local public administration, is inadequate. The *simplification and efficiency* increase of administration has not been given enough attention; struggle against bureaucratic procedures was not in the foreground. Controlling functions have been weakened to a disapproval extent. The *quality of administrative work* has not improved; in fact, it has declined in a number of areas, partly because qualified professionals have left public administration in large numbers, while little attention has been paid to the training and continuous retraining of the remaining civil servants and new recruits. In order to eliminate these deficiencies and to prepare for the new challenges of the next millennium, in 1996 the government has designed a comprehensive, long-term reform program setting long-term objectives and within those, short term goals.

The long-term reform tasks, organized into 21 major topics, extend beyond a single central or local government term, but they make changes predictable in the perspective if the various political powers reach a consensus. In accordance with the objectives of the current comprehensive reform, the public administration bodies, streamlined and rationalized in a differentiated manner, must be strengthened, their effectiveness and the quality of their professional work must be improved so that they can effectively perform their public duties in the social and economic spheres. Considerations of effectiveness require that public administration does not act wantonly but produce the expected result with the least expenditure possible. Public administration in itself cannot be improved on the central or local level; therefore the comprehensive reform of public administration was closely interrelated with the transfor-

mation of the systemic environment of central and local governments. The private sector must be more closely involved in the performance of public responsibilities; closer *cooperation* must be established *between the public and private sectors*. Successful techniques employed by the private sector have been used in administration as appropriate.

In the first phase of the reform, the ongoing streamlining and differentiated scaling down of public administration must be completed, in line with the changing public responsibilities. Differentiated scaling down means a general tendency to reduce the responsibilities, organization and work force of public administration, while not precluding the necessary growth in justified cases and areas. The processes of *organizational integration and coordination* have been expanded. Legitimate government and public administration roles have been strengthened, controlling in particular. *Better organized training of civil servants* and their regular preparation for crisis management and European integration have been commenced. *In this second stage of the public administrative reform administrative mechanisms and procedures needed to be developed of public administration, to strengthen the ability of public administration bodies to adapt to continuous change and to reduce bureaucracy in public administration.* Therefore we could recognize that since 1999, government has been concerning on the terms of references of further development of public administration, especially the ‘fine-tuning’ of public management in all level of administration.

In this second stage of public administrative reform process the regulation on the local government affairs has been dealing with the upgrading of local self-government system and territorial public administrative structure. The new regulation consisted of:

- financial activity regulation (audit);
- acts on debt and bankruptcy of local self-governments;
- amendments of system of state subsidies;
- act on the association and cooperation of local self-governments;
- act on supervision of local self-government decision-making;
- amendments of acts on civil servants and other public employees;
- act on regional development and land use planning.

In the second stage of public administrative reform followed up the former tendencies using the principle of *decentralization avoiding artificial fusion of municipalities, the maintenance of a settlement oriented self-governing system* (that is adjusted to the natural borderlines of viable settlements)

*have been ensured.* Independent local self-governments, however, implemented a justified part of their local public service and administration tasks as a more effective professional and cost efficient way via the growing number of their associations.

## Management of the Reform Process

The Country Study wants to draw the *different role of policy makers* in the reform process, to identify *which kind of regulation and techniques would assure the consistency of public management reform.*

### *Adjustment to Political Changes, Election Cycles*

Elections by elections the Hungarian Central Governments’ *several methods were able to ensure the coherent policy making process* in the programming and implementing decade of the reform process between 1990–2001. These were building the relationship between the Parliament (Political Parties) and the Central Government (Public Administration) at national level, including the *tools of horizontal coordination*, furthermore the *methods of vertical coordination* between the Central Government and Local Self-governments (regarding to the role of National Associations of Local Self-governments)

In the case of *horizontal coordination between legislative and executive power* on public administrative reform or development, the Governmental Policy Program has a key role accepted by the Parliament together election of the Prime Minister. The Parliamentary control mechanism on the podium of assembly or several committees could involve the MBPS to take care with the public administrative development program implementation.

Regarding to the *horizontal coordination between line ministries* in the central level and their *territorial organs* in local or regional level, the Minister of PMO’s has a main task and responsibility to ensure the policy coherence at managerial level too. Facing those implementing challenges, the *government has recognized that mechanisms to promote reform inside the administration are needed to maintain policy coherence and keep reform on schedule.* In 1998, the new structure of PMO’s wants to compare this requirement, because the Referatura System and the certain Coordination Meeting of Permanent State Secretaries was created for these purposes. The Referatura, modeled on a German example, is composed of experts who shadow each ministry.

This arrangement seems to function more as an information source than an independent oversight of proposals. It enhances the coordination of policy implementation and does challenge the ministries when they violate quality standards or goals of governmental political program. The Referatura system helps the Forum of Permanent State Secretaries and accounts to the Parliamentary State Secretariat, which is in charge of the strategic and policy aspects of development of public administration.<sup>9</sup> These administrative instruments, as well as the monthly meeting of head of the territorial organs of ministries led by the Governmental Official (ordering by PMO's Parliamentary State Secretariats), ensure the effective and efficient policy implementation and compliance.

The policy implementation mainly belongs to the several entities that to plan and organize their activities to achieve the goals given by the TOR of Public Administrative Development Program, and every public administration body should make an own yearly program and action plan, which fulfill their tasks in that field and controlled and coordinated by the PMO.

In the case of *vertical coordination* in the PMO has been existing a Local Self-government Forum, where the all National Association of Local Self-governments and the representatives of chief executives meet each others and the experts of line ministries to discuss about the preparation and implementation of Governmental Program on public administrative development. Many of National Association have made a written agreement with the PMO to contribute in the compliance of the parliamentary or governmental regulation.

Reflecting to the new role of PMO in the cabinet and the portfolios of minister a relatively new Unit for a Public Administration and Regional Policy was established instead of the former Governmental Commissioner, led by a Parliamentary State Secretary (included 28 civil servants in the staff), to ensure the policy coherence in that field. This Unit responsible for the programming and monitoring of the TOR of Government on public management reform program and administrative development plan.

According to the *continuous public administrative reform process*, the newest further development public administration program was compiled on the basis of three sources:

- Specific points of Government Resolution No. 1052/1999. (V. 21.) Korm. whose implementation has still not been completed and which contain tasks that are still considered necessary,

- The experiences of implementation of the task plan formulated in the above government resolution, with special regard to the reports of the ministries, which were prepared and submitted at the end of 1999 and at the end of 2000,
- The general and specific ideas and proposals of the ministries, which were collected together in two steps—in the summer of 2000 and at the end of 2000.

The structure of the new task plan is different from the previous one. While the previous plan mainly grouped the tasks according to the various levels of public administration, the plan of the new government resolution places the specific tasks in chapters relating to legislation on public administration and to institutional development, and presents in a separate chapter the strategic objectives and regulatory guidelines of public administration whose implementation has already begun but whose full completion cannot be expected in the near future.

The goal of the new two-year task plan is:

- on the basis of the experiences of the process of public administration modernization that has run over various government terms, and the priorities formulated in the government program;
- Further, with regard to the proposals of Agenda 2000 concerning the conditions and tasks of accession to the EU and the conclusions of the Country Report of the European Commission of November 2000, to determine the main courses of development and place the tasks of development of the various branches in a uniform framework.

The fulfillment of *objectives concerning the continued development of public administration*, as well as the definition of new goals and courses of development, may contribute significantly to the harmonization and approximation of state and self-government administration, and may serve the expectations and general societal interests that are linked to the world's developed systems of public administration, to the realization of a public service of a higher standard and of service-type, and to the proper use of the opportunities granted by information technology.

### *Domestic and International Professional Capacity to Prepare Reforms*

The Hungarian Study *shows the internal and external driving forces* of public management reform, especially in the decentralization process. Internally it's very important how

the Central Government have been using the *principle of partnership* in the programming and complying of public sector reform initiatives, including the contribution with the representatives of local self-governments, NGO's, and universities or research institutions. Externally it would be very interesting whether the *international relationship* how could help the domestic reform policy implementation, as in the Hungarian Case the *multinational agreement* with the European Union, or OECD, as like as the *bilateral contribution of several international institution* (e.g. World Bank SNDP or British Know How Fund Program between 1998–2001).<sup>10</sup>

The tasks listed in the two-year governmental task plan for the continued development of public administration *affect primarily and directly the public administrations sphere*. Implementation of these tasks will promote the operation of central, regional, and local state administration, improve the efficiency of the tasks of regional development, and above all the development of the public administration information flow; the acceleration of the EU accession process; the development of a staff of civil servants who work more effectively and are paid on the basis of performance; the closing of loopholes in current regulations.

Still, the level of development of public administration, the organization of community services, and the level of a citizen-friendly administration, influence significantly *the opinions of citizens and organizations about the government*.

Attending to the *domestic driving forces*, besides the vertical coordination forum mentioned above, there are many formal contribution with the several Egos (as Rural Parliament, Forum of Roma Minorities and Civil Association of Women, Assembly of Intelligent Municipalities and Regions etc.) and universities or scientific research institute to evaluate the implementation of public administrative program and to prepare the next one.<sup>11</sup>

The objectives of the plan of governmental tasks are in harmony with *international practice* and with the requirements and points to be applied in the process of accession to the EU; indeed, they are aimed at establishing the conditions for an acceleration of the process of accession. And while there is no EU directive for public administration in general, it should be pointed out that the country reports on countries seeking accession to the Union regularly evaluate the level of development of public administration of a given state.<sup>12</sup> From the perspective of Hungary's accession to the EU, a basic task stemming from the Copen-

hagen Criteria is, in addition to appropriate legal regulation, the application of law, a condition of which is the guaranteeing of the quality operation of the public administration organizations in line with capacities. Recently, this aspect has received greater emphasis in the annual evaluation reports of the EU, given also the Community's own experiences. In many sub-areas of legal regulation, the *acquis communautaire* states at sub-sectional depth the expectations on the institutional structure. The National Program for the Application of Community Achievements expands upon these tasks of institutional development in detail, and in this sense it is the guiding principle for the task plan concerning public administration development for the next period.

Regarding to the other external driving force, since 1996 the *OECD membership* is a very important element of international contributions. Especially the OECD PUMA activity give Hungary an opportunity to use the '*best practice*' in the *decentralization and modernization* of public administration correlation with the requirements of regulatory reform led by OECD.<sup>13</sup> In the both two years TOR explained that Hungary wants to use the recommendations of OECD and follow up the regulatory and public management development program looking at the international experiences. In that field Hungary has a relevant connection with the non-member countries which are involved to join the 'modernization and decentralization movements' of CEE countries, hence the Hungarian experiences could use for the know how transfer from the OECD via 'outreach policy.'

In the row of 'external driving forces' for the public administration program, as well as for the further decentralization, could be mentioned the *contribution with The World Bank*. The PMO has a letter of intent assigned by The World Bank to support the implementation of governmental public administrative development program to finance the research in that themes and to give technical assistance to achieve the written aims in the TOR of Governments. It is very fruitful to assess the contribution of The World Bank experts and institutions to help the local self-government to access the regional and global capital and credit market and to strength they're financial capacities and creditworthiness.

There were coordinated *activities of Canadian Urban Institute* with Hungarian local self-governments to help them to build their capacity in the fiscal issues. The CIDA program has been used as a driving force supported the Government Public Management and Fiscal Reform Programs

and helped the preparation of local taxation reform regulation. This program will be following in the Visegrad Region, where Hungary could use the experiences of other CEE countries to implement a 'new type of decentralization' ('a common regional policy'), concerning on the challenges of accession to the EU.

Hungary has many *bilateral contribution with other Central Governments of member countries* in the EU, as like as United Kingdom, France, Italy, relating to the public administration reform, especially to the decentralization. All governmental activities were concentrated the regionalism an decentralization, however in the British Know How Program and The French Regional Program both central administration have involved the Association of Local Governments to take part in that programs.<sup>14</sup> These external sources could be used as a good experiences for the partnership and common sense of the 'Common European Administrative Space,' where the decentralization is a very important value.

### *Economic Conditions*

The Country Study could give a certain answer for the relevant question *whether the shifting of the political structure and regulatory system from a state-led growth to a market-led growth* support or hinder the process of decentralization. In the transition period the value of decentralization accompanying market liberalization supported the consistent regulatory and governance reform process over several years.<sup>15</sup> Regarding to the *economic autonomy of local self-governments* could be very important to emphasize the *opportunities and threatens of local self-governments to access the global and local capital and credit markets*, including the right measures and level of effective and efficient decentralization process (reflecting to the new-type regional policy objectives).

The public administration development objectives are integrally linked to many other priorities of the Government's program, that is to the establishment and strengthening of an efficient state that serves the needs of citizens, of a system of regional development to equal out chances, of a staff of civil servants who are respected and fair, and to the support of citizens' initiatives. However, when the macroeconomic performance through 1993 was poor, resulting in high social costs, led to political and social pressures to slow the pace of reform. At the same time, implementation of policies actually adopted was often partial or incomplete because of weakness in administ-

rative capacity at national and municipal levels, unresolved political conflicts about policy goals, and competing institutional interests within the government. The failure of deficits to respond to recovery in 1994/95 signaled the need for correction of macroeconomic imbalances. In response, the government adopted a macroeconomic stabilization program complemented by renewed commitment to vigorous structural reforms, especially accelerated privatization.<sup>16</sup> In that program *the stabilization and privatization combined with the devolution more tasks and responsibilities to the local level, mainly in the social and communal sector.*

The further decentralization of responsibility to local government have been resulted a relative success in the solving problem because of the higher social capital in municipal than in central level—it was supported the decentralization process. However it created real and potential problems of regulatory duplication, overlapping and inefficiencies because of the no precise definitions of the mandatory functions and content of level of the services to be provided by municipalities, or the lack of separation of ownership and regulatory functions of municipalities. Therefore in these stage of reform process, *the regulation was focused on the standardization of local services, and the fine-tuning of control and accountability mechanism over local governments*, including the financial audit, limitation of debt measure and bankruptcy of local governments—it was evaluated as a 're-centralization' of responsibility of the local government. Nevertheless these events did not mean the stopping of systematic decentralization, mostly remaining the basic principles of local government, but *shifting the public administration reform from the political aspects to the technical approach*, where not the political autonomy and democratization are the question, however the capability, effectiveness, transparency and accountability of local governments what the regulators were looking for.

Acceptance of the proposal does not result in *additional budgetary expenditure*, because the implementation of the task plan must be provided for primarily out of the budgets of the ministries (a sum determined with due consideration of these tasks). The chapters in question do not receive a source for additional spending, but this must be established by reviewing and prioritizing present tasks.

The *effects of the financial and human resources* spent on the continued development of public administration may be felt only on the macro level and in the long term. But with this aim in mind, the new public administration task

plan contains many efficiency improvement tasks. In the medium term, the objectives listed here shall promote the development of a system of institutions that are smaller, have fewer of the tasks of the state, and are capable of providing more efficiently, and thus facilitate the targeted reduction of state budgetary expenditure and the extent of redistribution by the state. Such means could be the review of the support institutions of the ministries, cost/benefit analysis, performance evaluation, and an increase in the role of central public administration, a full review of tasks and competencies from top to bottom of the system of public administration, a strengthening of the control of the implementation of the tasks of state administration (supervisory control, system of financial auditing), and the strengthening of the role of district administration.

### *Administrative Capacity to Manage the Reform*

The Country Study wants to draw *the role and function of the several central bodies* near the Central Government (as the Government's Commissioner in the former time and nowadays the Unit for Public Management and Regional Policy in the Prime Minister's Office) to ensure a high-level managerial capacity for the public administration reform. The two Case Study on the TOR of Public Administration Development Program between 1999–2000, and 2001–2002 cover the *new approach of capacity building* which is able to ensure the capacity for the compliance of reform program at national and regional/local level too.

*Since 1989 till 1995, the decentralization process was turbulent and not always coherent*, because of mainly the lack of central or governmental coordination of regulatory and administrative reform. The characteristic domestic driving force was inside the government the Ministry of Interior, but it was not enough to achieve a coordinated and coherent activity on behalf of the line ministries and Ministry of Finance.

*At the second stage of public administration transition process*, the Central Government amalgamated his administrative capacity near the Prime Minister. Since 1996, a *Governmental Commissioner* was responsible for the coordination of public administration reform inside the central government, but this institution could achieve some consistency of several policies in the preparation of the public administrative reform program, but could not afford to him to coordinate the compliance and implementation of the governmental program, mainly because of the lack of

political support by the head of PMO, who was a senior civil servant.

*Since 1998, the new Cabinet have strengthened the role of PMO* (headed by minister, who is deputy of Prime Minister in the Cabinet), and hence have built a stronger administrative capacity in the PMO to access a better cohesion between the several policies. Therefore inside the PMO a new Parliamentary Secretariat is responsible for the coordination and coherent implementation of the public management governmental development program, to achieve a higher efficiency and effectiveness in the compliance of public management reform and regional policy. Beside the new structure of central government the new Unit has a responsibility (given by a Governmental Resolution)<sup>17</sup> to coordinate the other ministries activities in this program and to order the County Governmental Officials' activities on the coordination of this program in the territorial level. These tools ensured more capabilities in the PMO to implement efficiently the public administration and regional policy programs of Government.

*The coherent and efficient policy implementation needed the capacity building of civil servants at all level of public administration.* With regard to the *further training and management training of civil servants*, hence the Government Resolution determined various tasks. In its report, the Ministry of the Interior stated the following: on the basis of the government program, and with a view to applying the aspects of Union integration and to developing public service quality. Furthermore other training of civil servants and public administration management training has been adopted, as has also the government medium-term plan for the period 1999–2002 and concerning the further training of civil servants and public administration management training.<sup>18</sup> As a result of the above developments, after ten years of absence, finally a worthy and organized system of further training is operating in public administration. In the long term, the legal regulations and other norms adopted by the Government—in addition to ensuring the requirements of quality assurance and tender—shall enable the efficient integration of higher educational and academic workshops, as well as trained market actors, into the operation of a system coordinated by the state.

The aim of the medium-term government further education plan is that the Government should determine the general principles and objectives of further training for the planned term and the government requirements relating to management training. Moreover it should state the main

directions of further training nationally, further education affecting all branches and the civil servants of self-governments, the main tasks of management training, and other tasks closely linked to further training which improve the operation and efficiency of the system and the standards of further training.

The strategic goal of the further training of Hungary's civil servants and public administration management training is—building upon the continuous demand for self-education and the requirements of the profession, paying attention to the obligations of employers, and using central budgetary and other financial resources—that the nation should be served by trained *public administration staff who are capable of administering the affairs of citizens and other tasks of public administration at the level of the administrative systems of OECD and EU member states, efficiently, successfully, professionally, and ethically*. The Ministry of the Interior has assisted continuously in the compilation of the annual public administration further training plans for the years 1999 and 2000, which the ministries also satisfied. Within the framework of the public service career program, a budgetary allocation has been made for the further training of civil servants and management training, and this allocation shall increase significantly in the 2000-2001 budgetary year.

On the basis of Government Decree No. 199/1998. (XII. 4.) Korm. On the further training of civil servants and public administration management training, the Public Administration College of Further Training has been established as a *consultative and professional organ* of the Minister of the Interior *for further training and management training*. The College comprises experts delegated by the ministries, the county (and capital city) offices of public administration, and both the self-government side and the interest representation side of the Civil Servants' Conciliation Forum. One of the tasks of the College is to decide—using experts—on the acceptance of further training programs that are submitted in response to its calls for tender. By the end of 2002, the College had accepted 237 further training programs, whose major data may be viewed on the website of the Ministry of the Interior. The other major task of the College is to submit proposals to the Minister of the Interior concerning the division of the target allocation for further training adopted in the budgetary legislation, which in 2000 amounted to HUF 200 million.

Out of the target allocation for further training, a significant amount of support could be given to programs that

fitted in with the general guidelines formulated as a *priority in the four year further education plan* and incorporated into the plans by organs required to prepare annual reports (e.g. preparation for accession to the Union, ECDL training, foreign language learning). In programs supported by the further training target allocation, the only instructors permitted are those who met the conditions of the board of directors of the National Public Administration Examination Committee.

The Educational and Methodological Directorate of the Hungarian Public Administration Institute, which functions as a *center of methodology for the system of public administration further training*, received funds from the above indicated target allocations, which it used to finance the publication of much methodological material and other further training auxiliary material, which assists the functioning of the further training system.

In its report, the Hungarian Public Administration Institute indicated that 3700 civil servants had taken part in its *EU training program* by the end of 2000. The program was supported by PHARE between January and December 2000 in Hungary on the basis of an international tender. The Union program was organized by the Union's institute in Maastricht, the *European Institute of Public Administration*, and it was *participated in by German and Finnish organizations*, too. At the request of the Union, the Hungarian Public Administration Institute undertook the professional supervision of the program in Hungary. The success of the program is indicated by the fact that the *EU is to recommend the modules applied in Hungary to other candidate countries*. The participation ratio in the modules was over 80% and a similar proportion of participants considered the training sessions to have been worthwhile. 720 people took part in the training sessions on central public administration in the course of 180 days of instruction; 3014 civil servants received training in the local or regional administration sessions in the course of 519 days of instruction. *Regional training sessions were carried out in regional centers, covering all the counties*.

The report emphasized that, *uniquely in the Central European region, every Hungarian civil servant entering the system of public administration must demonstrate knowledge of the European Union when taking the basic examination*. About 12,000 senior civil servants working in management positions at local and central organs took overall successful professional examinations, an obligatory part of which is knowledge of the European Union. Hungarian public administration personnel and their managers thus finished

their basic training in European affairs by taking examinations in front of independent examination boards. No other candidate country can demonstrate such an achievement. Finally, the report also indicated that training courses for specific sectors had begun, and that the *special EU training course for senior managers was continuing under the direction of the Prime Minister's Office*.

Finally, the Government Resolution prescribed *the elaboration of a code of ethics for civil servants as well as factors of evaluation pertaining to the work of civil servants*. The tasks have been implemented; the regulations will find a place in the legal system with their integration into a comprehensive amendment to the law on the legal status of civil servants.

## AREAS OF REFORM POLICIES

Regarding to the main objectives of this project lead by OSI/LGI the Country Study wants to draw an example of decentralization under the umbrella of *regional policy* between 1996–2001. It could be used by the other CEE countries as an experience to achieve a more effective and competitive decentralized system implementing the principles of European Regional Policy (subsidiary, decentralization, partnership, solidarity, coordination and policy integration) as like as the challenges of *modernization of public administration* by the principle of 'good governance.'<sup>19</sup>

The *issue has two fundamental dimensions*: one of these is the *type* (self-government and/or public administration) and *size* (county and/or regional) *of the middle level in modern Hungary* in view of the terms of EU accession; the other is the social-political backing of modernization plans, in particular the geographical bases of the local and parliamentary election systems.

In the *European Union regional level units have a dual function*: to help alleviate regional level differences, the development of backwards regions and improvement of their competitive position, and to mediate between central and local (i.e., municipal) public administration tasks, organize regional services and reduce differences between local geographical units.

The reduction of local differences is set out as an objective in the Treaty of Rome of 1987; these fundamental principles were reiterated in the European Union Treaty concluded in Maastricht in 1991, setting forth recommendations for the organization of a new regional fund for the development of transport infrastructure promoting

the cohesion of the EU and for addressing environmental problems. In line with this, the EU has designed a uniform regional statistical classification system, which is the most appropriate tool for the assessment of the regional problems and regional economic capacities of the EC. The system designed by EUROSTAT sets up three regional (NUTS 1–3) and two local (NUTS 4–5) levels; though there is no direct legal basis for this, the EU Council Regulation No. 1260/1999. EC on the responsibilities of Structural Funds employs these for the identification of target areas, and these also provide the basis for regional socio-economic analyses and statistical data collection and analyses. (Pursuant to the EC Council regulation, the NUTS 2 level is used for the assessment of the socio-economic position and development of the EU regions.)

In *Hungary Act No. XXI of 1996 on regional development and county planning and the Parliamentary Resolution No. 35/1998. (III.20.) OGY set up the planning-statistical units corresponding to the NUTS system, which was approved by EUROSTAT, based on the report of the Central Statistical Office (CSO)*. Accordingly, on the local level there are 3131 municipalities (NUTS 5) and 150 micro-regions (NUTS 4), and on the regional level there are the 19 counties and the capital (NUTS 3), as well as the 7 planning-statistical regions (NUTS 2) and the 1 national level (NUTS 1).

Thus the *county and the region are regional planning-statistical units in Hungary, and they will also become fund-raising categories as targets for subsidies after the EU accession* (and to some extent even before accession through the PHARE and ISPA programs). (It should be noted that regional grants, which represented approximately 73% of structural funds in 1999, take into consideration the NUTS 2 level areas, while in the case of special regions such as industrial restructuring regions and rural regions, both geographical units (NUTS 2 and 3) can be considered for targets up to approximately 8% of the funds.) In its country program for 1999 the PHARE supported regional development and regional programs in 4 (NUTS 2 level) pilot regions, and this can be continued. In other words, the EU has already accepted regions as fund raising categories, just as in the 1995 programs, where it supported the development of Borsod-Abaúj-Zemplén county as an industrial restructuring area (NUTS 3 level).

As a result, in future it is justified to prioritize the regional (NUTS 2) level as the fundamental unit of the middle level planning/statistical system, while also retaining the county (NUTS 3) level as a statistical/planning unit. Furthermore, the design and implementation of the micro-

regional level (NUTS 4) is also important, because they can also be interpreted as important fundraising planning/statistical geographical units. (In this respect the Parliament decision on planning/statistical regions and the delimitation of micro-regions by the CSO provide a good basis.)

However, the issue is still *whether the planning/statistical system has, or should have, an equivalent in public administration and/or the self-government system?*

In the current Hungarian constitutional system only the municipal (NUTS 5) and the county (NUTS 3) levels are self-governmental/governmental and public administration units. (In this sense counties have justification in requiring participation in the Assembly of European Regions (AER) based on their regional status; incidentally, each Hungarian county is a member there.) We should notice that even in the EU governmental/public administration units have not been formed on each planning/statistical (NUTS) level. (However, it is also true that in the case of Portugal and Greece, notable for us because acquiring a large amount of subsidies, have public administration units as well on each level, while the NUTS 3 level has public administration units with elected self-governments in each country, with the exception of Belgium.)

However, the *NUTS 2 level macro-regions are not only fundraising categories but often also the fields of implementation of the state responsibilities in local economic development, innovation, employment policy, infrastructure development and environmental protection and tools for improving regional competitiveness.* This does not necessarily require the transformation of planning/statistical regions into self-government/public administration type regions (examples for this include Germany and the United Kingdom), but this is a desirable step (as it will be done in Sweden last autumn in a pilot project covering one region for the election of the assemblies of three counties at the local elections, then gradually targeting the other geographical units as well.) Because of this, *Hungary will not necessarily have to establish self government type assemblies in the regions* to be set up either, but this can be one objective in the process of constitutional amendment, and the present regional development institutional system may provide the regional basis for programming and the allocation of government funds (or potentially international funds). *Regions, however, must certainly be established as public administration units.* The establishment of the monitoring system also demanded by the EU as well as the decentralization and reasonable administrative organization of state tasks necessitates this. (Public administration tasks may be reviewed, under the

auspices of modern public administration, with an eye to reallocating some of the ministerial tasks currently executed on the county level (the tasks that are suitable for this) to the county self-governments, and organizing the rest on the regional level. In accordance with the contents of the Government Decree No. 193/1998. (XI.11.), these could be coordinated on the regional level by the public administration offices operating under the supervision of the Prime Minister's Office; the tasks of these offices already include regional coordination of issues crossing the boundaries of counties or the capital. In other words, for the regional establishment of the geographical competence of de-concentrated public administration bodies and the organization of administrative regions, Government level regulation in the form of Government decrees is adequate; Parliament need not be involved.)

Accordingly, until the *formation of self-governed regions defined in the Constitution, which presumes a greater degree of political and social consensus,* the county may retain its self-government function; some tasks may even be delegated to it from the governmental de-concentrated bodies, while it can also perform its function of regional equalization and regional self-governance, in a reasonable division of labor with the administrative and regional development region.

However, for the self-government function the county would need own resources (such as local taxes it can dispose of), as well as the identification of mandatory regional self-government tasks, accompanied by normative state subsidies. (This could be prepared in the framework of the so-called public administration and public finance reform, started but not yet completed with the coordination of the PMO in conjunction with the further development of the tasks and financing of the public sector; the decision of the Government would be adequate for this, and the alliances of municipalities as well as international agencies as sponsors could also be involved, such as the World Bank, USAID, Know How Fund.)<sup>20</sup>

In regional policy an appropriate division of labor can be designed between the county and the region, which can be the basis for the government's subsidy policy as well. In the long term the county could perform the function of equalization between settlements and micro-regions (this is what the regional equalization funds and the targeted decentralized fund are assigned to; the county regional development council disposes over this, which is chaired by the chair of the county assembly, but its members also include the representatives of cities with county rights and the self-governments of micro-regions), and of supporting local small

and medium sized enterprises and the promotion of local economic development and employment (this is what the county regional development fund is designed for, which is also under the control of the regional development councils.)

The state functions of larger-scale economic development subsidies, major employment, economic development, infrastructure or environmental protection projects as well as interregional relations could be delegated to the regional level, this can be accompanied, through the regional development institutional system (in which the counties participate, together with government agencies and economic chambers on the basis of partnership), by some of the state subsidies to be decentralized as well as international funds (naturally, to this end in the 7 planning-statistical regions approved in the National Regional Development Conception regional development councils and their work organizations must be established mandatory, and on the basis of government offices a regional monitoring system must be implemented to assess and control their activities and the use of the funds made available to them.)

In the context of the functional links of the county, micro-regions, in addition to the regional level, warrant special attention. *Micro-regions on the one hand may offer excellent terrain for the differentiated use of regional policy instruments* (88 of the 150 statistical-planning micro-regions are targets for regional policy one way or the other, in accordance with EU standards), and for performing the county equalization functions, the reasonable (concentrated and coordinated) allocation of state subsidies, and they can also be the arena of provision of local government tasks in associations and the more rational, effective and cheaper provision of district-type public services and local public administration tasks (this corresponds, in one of its elements, to the modern version of the “town-county” concept, which can be embraced on the political plane.)

In this context a reasonable division of functions and tasks can be designed between regional units; the financing, state subsidy system and public administration structure can be adjusted to this under the control of the Government.

Modern public administration increasingly needs more rational financing of micro-regional (city center) administration alongside (or potentially gradually instead of) the county, and of the performance of municipal tasks in associations, government incentives to this, as well as the formation of administrative regions (and then gradually self-government type regions), which requires a political basis on the local level and in Parliament as well. For this, it may

be desirable to review the elements of the election system in future.

## LESSONS AND RECOMMENDATIONS

Regarding to the Hungarian Case Study try to *conclude the consequences of the last ten years reform process* and *to give some recommendation* for the policy makers in Croatia to pave the way to administration and government reforms.

The *last ten years period history of decentralization* of former state-owned political, economical and administrative power has been joining *the democratization* of the political structure and civil society in Hungary. There were many *problems arising from the transition itself*, including the *too rapid decentralization*, like the lack of the knowledge and skills for the new managerial requirements and the weakness of civil society to use a ‘civic culture,’ as like as the disparities of local governments and the gap between their responsibilities and capabilities.

The Central Government try to response to this problems using the ‘*regional policy issue*’ as a pattern both of the further *decentralization and devolution of power* from the central level and the *instead of the amalgamation of local governments* using legal and financial *incentives to involve the local governments for the associations* to deliver services in a better quality and to develop their settlements together.

In the last ten years the consistency of public management reform process has been *assured* by the clarifying *the different role of policy makers* in the reform process and using *efficient regulation and managerial techniques*. In the case of Hungary it would be a good lessons to understand better *how should reach* that the ‘decentralization value’ would be the guarantee of the *consistent reform process over several years* and *how could achieve the consistency of governance reform accompanying the market liberalization* (however the macro-economic structural changes couldn’t support always the coherent decentralization reform process.)<sup>21</sup>

## ANNEX

## 1057/2001. (VI. 21.) Government Resolution

*On the Plan of Governmental Tasks Concerning the Continued Development of the Public Administration System in 2001 and 2002**I. The Review of the Tasks and Spheres of Competence of the System of Public Administration and Their Regulatory Guidelines**In the Field of the System of Central Public Administration*

a) The review of the tasks and spheres of competence performed by the ministries should be continued. With regard to the tasks of the ministries that remain necessary, the objective is that only those tasks concerning branch strategy, regulation, analysis, and control should remain at ministerial level. Among the tasks of operation, tasks concerning public administration services and information, as well as individual powers of authority, should be entrusted to central offices with autonomous competence and separate from the organization of ministries, regional government offices, regional or local state administration organs directed by ministries, organs and chambers of self-government public administration, and organizations in the civilian domain. In all cases, the 'detachment' of tasks of ministries should be accompanied by reductions in staff numbers and financial allocations, or the transfer of the task to an organization fulfilling an individual sphere of legal competence and authority.

b) In line with the examination of the tasks of ministries, the review of the structure of background institutions assisting in the work of ministries should be continued. As a result of the examination, a proposal should be made concerning the maintenance or abolition of the status of background institutions as organs funded by the central budget, or the transfer of the tasks performed by the organ to central or regional organs. The maintenance of background institutions that are considered necessary should be supported by cost-benefit analysis.

*Responsible:*

- for points a–b): ministers concerned
- for coordination: Minister Heading the Prime Minister's Office

*Deadline:*

- for points a–b): on-going

c) The examination and reform of the organs of central public administration that are not functioning in the form of ministries must be continued.

*Responsible:*

- in accordance with Government Resolution No. 2396/1997. (XII. 8.) Korm. As amended by Government Resolution No. 2013/1999. (II. 10.) Korm.

*Deadline:*

- in accordance with Government Resolution No. 2396/1997. (XII. 8.) Korm. As amended by Government Resolution No. 2013/1999. (II. 10.) Korm.

*In the Field of Local and Regional State Administration*

a) The examination of the tasks and spheres of competence of the regional and local (settlement-level) organs of state administration, and of their organization and operation, must be continued. In the course of the examination, it should be reviewed:

- where the intervention of the state is unnecessary or where the intervention of the state can be provided for through other, non-public means of administration,
- where the state administration status of these may be abolished,
- in the case of state administration tasks that remain necessary, an attempt should be made to place these tasks at a level nearest to customers—transferring them to regional or local organs of state administration or to the clerks of local self-governments.

*Responsible:*

- ministers concerned
- for coordination: Minister Heading the Prime Minister's Office

*Deadline:*

on-going

- b) The taking into consideration of organs fulfilling tasks of local (settlement-level and regional) public administration should be realized and these organs should be officially recorded.

*Responsible:* ministers concerned

- with respect to the district notaries and self-government associations: Minister of the Interior
- for coordination and records: Minister Heading the Prime Minister's Office in cooperation with the county and Budapest offices of administration

*Deadline:* 31 December 2001

- c) Based on the official records, there should be a review of the legal status, organizational structure, and functions of local organs fulfilling state administration tasks and spheres of competence.

In the course of the review, an attempt should be made to ensure that

- matters of state administration determined in Act IV of 1957 on the general regulations of state administration procedure should be performed only by organs of public administration falling under the provisions of Act XXIII of 1992 on the legal status of civil servants,
- non-public administration organs should be able to administer the affairs of state administration only exceptionally and where justified for reasons of expediency or expertise,
- During the review, organs of public administration that do not perform matters of state administration according to Procedure of State Administration (Áe.) but do fall under the authority of the law on civil servants should be removed from falling under the law on civil servants and, where their maintenance is necessary, should be given a different legal status that is appropriate to their range of tasks,
- Where ministries manage several organs of local state administration, the possibility of their merger or the joint provision of the tasks provided should be examined.

*Responsible:* ministers concerned

- for coordination: Minister Heading the Prime Minister's Office

*Deadline:* on-going

- d) The examination of the possibility of placing (territorial) regional state administration on regional bases should be continued. In the course of this examination, the aim should be to ensure that:

- After the clerks of local self-governments based on districts, which are the authorities of first instance, organs of state administration organized regionally and at a higher level than the counties should be the authorities of second instance,
- In the case of organs that do not possess authorities of first instance at local level, an attempt should be made to bring the legal spheres of competence at first instance to a level that is closer to customers (the clerks of self-governments in district centers), while organs of second instance should be established at regional level on the basis of the former county organs,
- In the case of organs that are currently functioning at regional level (or which have territorial competence stretching beyond the county framework) an attempt should be made to harmonize territorial competence in line with the framework of the seven regions for planning, statistics, and regional development,
- Of the county (capital city) offices of public administration, a priority task of the heads of these offices in the seven regions for planning, statistics, and regional development should be to coordinate the work of devolved organs functioning at regional level and their control according to the provisions of a separate law.

*Responsible:* ministers concerned

- for coordination: Minister Heading the Prime Minister's Office

*Deadline:* on-going

- e) New tasks of regional state administration should primarily be entrusted to existing regional organs of state administration, or, where these are lacking, to the administrative offices functioning as government offices. The addressee of the branch state administration tasks and spheres of competence placed with the offices of public administration should be:

- in affairs that rarely arise or represent a small administrative turnover, the head of the office of public administration,
- in affairs with a high administrative turnover or requiring special professional expertise, the internal units with their own tasks and spheres of competence of the offices of public administration.

- Responsible:* ministers concerned
- for coordination: Minister Heading the Prime Minister's Office
- Deadline:* on-going

#### *With Regard to the Local Self-governments*

The review of the tasks and spheres of competence of the local self-governments should be continued. In the course of the review, an attempt should be made to ensure that:

- in accordance with the provisions of the self-government law, self-governments of localities with larger populations and capacities should receive a greater number of compulsory tasks while the smaller ones should be relieved of compulsory tasks that exceed their capacities,
- a review is made of the professional regulations and system of conditions of the provision of compulsory tasks by self-governments,
- concerning re-regulation, a proposal should be made concerning the level of self-government at which the tasks reviewed should be carried out from the perspective of effectiveness and efficiency,
- Where justified, a proposal should be made concerning the provision of tasks within associations and the incentives for the development of such associations.

- Responsible:* ministers concerned  
Minister of the Interior
- Deadline:* on-going

## II. Other Tasks

- a) The competence and efficiency of the provision of tasks of public administration by the public corporations should be examined.

- Responsible:* Government Control Office
- Deadline:* 31 March 2002

#### *Tasks Concerning the Institutional Development of the System of Public Administration*

- *Tasks Concerning Organizational Modernization*

II/1.

The possibility and expediency of establishing a monitoring system serving to monitor the comprehensive governmental tasks, coordination, and communication concerning the Roma problem and to be operated with the involvement of a wide range of those affected should be examined.

- Responsible:* Minister of Justice
- Deadline:* 31 October 2001

II/2.

With regard to the integration of tasks concerning foreign trade into the Ministry of Foreign Affairs, proposals concerning the development of a system of foreign representations that is more integrated than the present one, should be elaborated within the framework of the continued modernization of the institutional system concerning foreign markets.

- Responsible:* Minister of Foreign Affairs
- Deadline:* 31 December 2001

II/3.

The development of a new organizational structure for the treasury system should be continued.

- Responsible:* according to Government Resolution No. 2064/2000. (III. 29.) Korm.

- Deadline:* according to Government Resolution No. 2064/2000. (III. 29.) Korm.

II/4.

By providing continuous methodological assistance, the modernization of the regulations concerning the organization and operation of the ministries and organs of central public administration should be continued, ensuring the application of uniform and general governmental regulatory reform guidelines.

- Responsible:* according to Point 3 of Government Resolution No. 2396/1997. (XII. 8.) Korm.

- Deadline:* according to Point 3 of Government Resolution No. 2396/1997. (XII. 8.) Korm.

II/5.

With regard to the tasks concerning the introduction of a public service career structure, the review of the organizational purview of the law on the legal status of civil servants should be continued, and, subsequently, a program of proposals should be prepared concerning the reform of organs that are to be removed from the purview of the law as a result of the review.

- Responsible:* Minister of the Interior  
Minister Heading the Prime Minister's Office  
in cooperation with the ministers concerned

- Deadline:*
- for the review: 30 September 2001
  - for the preparation of proposals: 31 December 2001

II/6.

With regard to EU accession, the real powers of decision of the regional development councils should be expanded in the field of state subsidies for development, initially by transferring a certain proportion of the target allocations for regional development into regional spheres of competence.

*Responsible:* Minister of Agriculture and Regional Development  
*Deadline:* in accordance with the Budget for 2001–2002

II/7.

A proposal should be prepared concerning the development of the legislation records of the Ministry of Justice, as the official keeper of records of Hungarian legislation, with a view to the management of European Union legislation and legal information.

*Responsible:* Minister of Justice  
*Deadline:* 31 March 2002

II/8.

The ministries should provide for the compilation and continuous up-dating of a list of those organs operating under their own management or supervision as well as of their own tasks and spheres of competence, and for the regular publication of the above in electronic form or on paper.

*Responsible:* ministers concerned  
 • for coordination: Minister Heading the Prime Minister's Office

*Deadline:*  
 • compilation of the lists: 31 December 2001  
 • other: on-going

II/9.

The ministries should prepare action programs for the development of their contacts with the civil sector. Within this framework, they should provide for the involvement of professional and interest representations organs as well as research establishments with a view to substantiating professionally the tasks outlined in the present Government Resolution and their implementation.

*Responsible:* ministers concerned  
 • for coordination: Minister Heading the Prime Minister's Office

*Deadline:* on-going

- *Tasks Concerning Human Resources*

II/10.

Tasks related to the introduction of a public service career structure:

- a) The heads of the ministries and organs of central public administration should elaborate annual priorities comprising the basis of the performance requirements to be applied within a system of personal performance evaluation.

*Responsible:* ministers concerned and the heads of the organs of central public administration  
*Deadline:* annually

- first deadline: 1 October 2001

- b) For the fulfillment of tasks concerning the personal performance evaluation, methodological assistance should be provided for the (coordinated) harmonized determining of the annual priorities for each sector.

*Responsible:* Minister of Justice  
*Deadline:* 1 September 2001, and then 1 June 2002

- c) Within the framework of the financial management system applying to the budgetary organs, the introduction of a more flexible system of staff and salary management should be established and proposals should be prepared concerning the possible directions of regulatory reform.

*Responsible:* Minister Heading the Prime Minister's Office, with regard to the central budgetary organs within the cognizance of the Government  
 Minister of Finance  
 Minister of the Interior

*Deadline:* 31 March 2002

- d) The medium term program for 2001 and 2002 concerning European Union public administration training should be elaborated.

*Responsible:* Minister of the Interior  
 Minister Heading the Prime Minister's Office

*Deadline:* 31 December 2001

- e) An advanced training strategy for senior civil servants should be elaborated, as well as a specific advanced training program necessary for implementation.

*Responsible:* Minister Heading the Prime Minister's Office  
 Minister of the Interior  
 Ministers concerned

*Deadline:* 31 December 2001

II/11.

By virtue of Point 2.2 of the agreement between the Government and the cooperation Forum of the Trade Unions, a report on the situation of employees in the public sector should be prepared. Within this framework, an evaluation of the level of training necessary for EU accession should be made.

*Responsible:* Minister Heading the Prime Minister's Office  
Minister of the Interior  
with the involvement of ministers concerned

*Deadline:* annually

- first deadline: 31 December 2001

- *Other Tasks Concerning an Improvement in the Operating Efficiency of the System of Public Administration*

II/12.

Methodological assistance should be provided for the sake of the continued development of cost-benefit analysis and organizational performance evaluation and their wider application.

Within this framework:

- the methodological coordination of activities begun by the ministries and their organs of central public administration should be ensured,
- the methods of cost-benefit analysis applicable to decision-making in non-economic areas should be elaborated,
- the possibilities of employing modern methods of administration should be examined, methodological instructions should be prepared on the basis of the findings and results,
- the legal foundation determining which organs and institutions are required to perform cost-benefit analyses and under what conditions and circumstances they are to do so, as well as the instances in which a given organ may determine this issue for itself, should be elaborated,
- the current opportunities for applying cost-benefit analysis must be examined, as well as the factors preventing this, in addition to the current state of information, human resources, and access to an appropriate data base,
- An examination should determine which areas need to be developed in order to eradicate the factors preventing progress that were outlined in the previous point (as well as financial and other consequences),
- A schedule for the realization of developments mentioned in the previous point should be elaborated.

*Responsible:*

Minister Heading the Prime Minister's Office  
through the Hungarian Public Administration Institute

*Deadline:*

on-going

II/13.

A survey of the application of procedural stamp duties and administrative charges payable for official procedures should be performed, and their use and efficiency determined.

*Responsible:*

Minister of Finance  
Cooperating with the ministers concerned

*Deadline:*

31 March 2002

II/14.

Employing a cost-benefit analysis, the use of amounts flowing in on the basis of the law on support for professional training should be examined.

*Responsible:*

Minister of Education

*Deadline:*

31 March 2002

II/15.

Concerning the development of information technology:

- a) A comprehensive information technology development program for the system of public administration should be drawn up. Within this framework, special attention should be paid to the early introduction of electronic government and to spatial aspects of information.

*Responsible:*

Government  
Commissioner for  
Information Technology

*Deadline:*

31 December 2001

- b) Within the framework of the information technology development program, an exact schedule should be elaborated for the establishment of the data-wealth records of public administration, which was ordered in Government Resolution No. 1113/2000. (XII. 27.) Korm.

*Responsible:*

Government  
Commissioner for  
Information Technology

*Deadline:*

31 December 2001

- c) Methodological assistance should be provided in order to increase the role of information technology within the system of public administration: introduction and development of electronic group work, the establishment of "paper-free" offices, electronic task management, management of separate data, electronic scheduling,

deadline reminders, increased knowledge of information technology among clerks.

*Responsible:* Government  
Commissioner for  
Information Technology

*Deadline:* on-going

- d) The implementation of the documentation project begun by the Prime Minister's Office in 1999 should be continued. Based on the newly developed Government Documentation System, uniform standards of documentation should be elaborated.

*Responsible:* Government  
Commissioner for  
Information Technology

*Deadline:*

- for project completion: 30 September 2001
- for the elaboration of standards: 31 March 2002

- e) An examination should be made concerning which information technology and data protection systems are available within the whole of the national budget, and how these may be used to gain access to data and to establish an extensive data base, a base forming the basis of, and necessary for, cost-benefit analysis; and the first steps towards the elaboration of a data base should be taken.

*Responsible:* Government  
Commissioner for  
Information Technology

*Deadline:* on-going

II/16.

An examination should be made of the possibility of establishing computer records and checking systems between the organizations of public administration, and of the possibility of establishing a uniform national system for the distribution of grants and assistance, with a view to strengthening controls on the use of European Union financial resources.

*Responsible:*

- for the technical establishment of grant records and control systems: Government  
Commissioner for  
Information Technology
- for the tasks concerning the content and operation of the system: Minister of Finance

*Deadline:* 31 December 2001

II/17.

With a view to establishing a system of public administration that meets the requirements of disabled people, the ministries should examine and make proposals concerning:

- An increase in the number of disabled experts employed in public administration  
The possibility of establishing an administration that is free of obstacles from an architectural and communicational perspective.

*Responsible:* ministers concerned

*Deadline:* on-going

II/18.

Methodological assistance should be provided for the support of the wider application within public administration of modern quality assurance systems, and a national program for the introduction of quality assurance systems into organs of state administration should be elaborated. Within this framework:

- A survey should be performed of the initiatives of organs of state administration and self-government in this area,
- With a view to the introduction of a uniform system of quality assurance and development, which may be applied throughout the system of public administration, a domestic adaptation of the system applied in the European Union (the Common Assessment Framework) should be elaborated, and its implementation should be commenced according to a schedule established in the national program.

*Responsible:* Minister Heading the  
Prime Minister's Office  
Through the Hungarian  
Public Administration  
Institute

- for measuring the initiatives of the municipalities: Minister of the Interior

*Deadline:* on-going

*III. Legislative Tasks Affecting the Development of the System of Public Administration*

III/1.

With regard to the review of the law on the general regulations of state administration procedure, and the renewed regulation of this subject area:

- a) The draft of a new uniform law on public administration procedure should be elaborated. This should include a definition of the legal term of organ of public administration and its types.

*Responsible:* Minister of the Interior  
Minister of Justice  
Minister Heading the  
Prime Minister's Office  
*Deadline:* the bill should be submitted to the Government by March 31, 2002

- b) In connection with the elaboration of the new law on public administration procedure, the detailed regulations concerning the new system of supervision for the organs of state administration should be drawn up.

*Responsible:* Minister of the Interior  
*Deadline:* in line with the above deadline

- c) Following the adoption of the new law on public administration procedure, the ministries should provide for the amendment of the legal regulations affected by the reform of the general procedure. With a view to a rapid settlement, the ministries should begin a review of the special procedural regulations within their own sectors once the regulatory strategy/draft of the new law has been adopted.

*Responsible:* ministers concerned  
*Deadline:* on-going

### III/2.

With regard to regulatory reform:

- a) The amendment to the law on legislation, which is necessary owing to Hungary's accession to the European Union, should be elaborated.

*Responsible:* according to Government Resolution No. 2319/2000. (XII. 21.) Korm.

*Deadline:*

- for the submission of the regulatory strategy to the Government: according to Government Resolution No. 2319/2000. (XII. 21.) Korm.
- for the submission of the draft bill to the Government: 28 February 2002

- b) An action plan should be drawn up processing the recommendations made by the OECD concerning regulatory reform in its country report on Hungary, as well as the annual reports of the

European Commission. An inter-departmental committee should be established for this purpose.

*Responsible:* Minister Heading the  
Prime Minister's Office  
Minister of Justice  
Heads of ministries affected

*Deadline:* 1 July 2001

- c) The main regulations of the organizational and procedural rules relating to the continuous deregulatory examination of laws should be elaborated.

*Responsible:* Ministry of Justice

*Deadline:* 31 December 2001

- d) The methodology of examining the preliminary and subsequent effects of laws and their drafts should be prepared, and methodological assistance should be provided with a view to supporting its introduction and propagation.

*Responsible:* Minister of Justice

*Deadline:* on-going

- elaboration of the methodology: 31 March 2002

- e) The Minister of Justice should prepare a report annually on the results of technical and essential, and continuous and specific instances of deregulation.

*Responsible:* Minister of Justice

*Deadline:*

- first deadline: 31 December 2001

### III/3.

Concerning the constitutional amendment that is mentioned in Point 2/a. of Government Resolution No. 2319/2000. (XII. 21.) Korm. And is necessary owing to the accession of Hungary to the European Union, the following should be elaborated:

- a) Legislation concerning the signing of international treaties;

- b) Legislation concerning foreign relations.

*Responsible:*

- for point a): Minister of Justice  
Minister of Foreign Affairs
- for point b): Minister of Foreign Affairs  
Minister of Justice

*Deadline:*

- submission of the regulatory strategies to the Government: 31 August 2001
- submission of draft legislation to the Government: 28 February 2002

III/4.

With regard to the regulatory guidelines of chapter I of the Government Resolution, the regulatory strategy for a comprehensive amendment to the law on local self-governments should be prepared. Within this framework, special attention should be paid to the following issues:

- The scope, system, and legal and professional conditions of tasks of state administration fulfilled at the local self-governments,
- Possibilities of establishing systems of administration for areas surrounding cities (small regions),
- Modernization of the system of administration of the capital city and the surrounding area,
- Possible solutions for a reform of the level of regional self-government, and its effect on the electoral system,
- Reform of the system of financing,
- Extension of the legal monitoring system of self-governments.

In areas of special attention, various strategies and regulatory plans of equal professional value should be elaborated, analyzing the advantages and disadvantages of the various solutions.

*Responsible:* Minister of the Interior  
 Minister of Justice  
 Minister Heading the Prime Minister's Office  
 Minister of Finance

- with regard to reform of the system of financing: Minister of Finance

*Deadline:* 31 December 2001

III/5.

Regulations should be drafted concerning the preliminary control of the use and auditing of local self-government assistance stemming from the central budget and from other sub-systems of the state budget.

*Responsible:* Minister of Finance

*Deadline:* 31 August 2001

III/6.

With regard to the tasks concerning the introduction of a public service career structure:

- a) A proposal should be made concerning the drafting of detailed regulations relating to the priority senior civil servants and the central civil servants.

*Responsible:* Minister Heading the Prime Minister's Office  
 Minister of the Interior

*Deadline:* 1 July 2001

- b) The draft of a government decree containing detailed regulations on the introduction of a wealth declaration and control system should be elaborated.

*Responsible:* Minister of the Interior

*Deadline:* 1 July 2001

- c) After the amendment to the law on the legal status of civil servants, any necessary amendments to the executive decrees of the law must be prepared, with respect to qualifications, public service records, the public service legal status of civil servants employed permanently abroad, the placing of staff in reserve, and regulations concerning the temporary posting abroad of civil servants.

*Responsible:* Minister of the Interior  
 Minister of Foreign Affairs

*Deadline:* 31 December 2001

- d) In connection with the comprehensive review of the law on the legal status of civil servants, the government decrees on professional examinations in the public administration sphere and on the further training of civil servants and public administration management training should be amended.

*Responsible:* Minister of the Interior  
 Minister Heading the Prime Minister's Office

*Deadline:* 31 December 2001

- e) Ministry agreements concerning the ministries' civil servants employed permanently abroad should be elaborated and the deregulation of related current internal provisions should be implemented.

*Responsible:* Minister of Foreign Affairs in agreement with the ministers concerned

*Deadline:* 31 December 2001

III/7.

With a view to the uniform and district-centered provision of the tasks of state administration:

- a) The harmonization of the territorial competence of the four types of local administrative districts should be concluded.

*Responsible:* according to Government Resolution No. 2341/2000. (XII. 27.) Korm.

- for coordination: Minister Heading the Prime Minister's Office

*Deadline:* according to Government Resolution No. 2341/2000. (XII. 27.) Korm.

- b) A proposal should be made concerning the transfer to district level of other tasks of state

administration provided at local or regional level and an examination should be made of the possibility of harmonizing the territorial competence of organs providing public administration tasks and functioning at district level. On the basis of the result of the examination, a strategy should be elaborated concerning the general administrative category of the small region of public administration, and, within this framework, the main provisions concerning its tasks, organization, management, territories of territorial competence, and financing should be elaborated.

*Responsible:* ministers concerned  
 • for the coordination: Minister Heading the Prime Minister's Office  
*Deadline:* on-going

### III/8.

With regard to regional development:

- a) The detailed regulations relating to the operation of the county area development councils, territorial development councils, and regional development councils as well as their legal supervision should be elaborated.

*Responsible:* according to Government Resolution No. 2313/2000. (XII. 20.) Korm.

*Deadline:* according to Government Resolution No. 2313/2000. (XII. 20.) Korm.

- b) A proposal should be drafted concerning the elaboration of uniform organizational and operational regulations and procedural rules for the monitoring committees.

*Responsible:* according to Government Resolution No. 2134/1999. (VI. 11.) Korm.

*Deadline:* according to Government Resolution No. 2134/1999. (VI. 11.) Korm.

## IV. Final Provisions

### IV/1.

The ministries should report annually on the implementation of their tasks outlined in the development plan, and should send their reports to the Minister Heading the Prime Minister's Office.

*Responsible:* ministers concerned  
 • for the summary and processing of the reports: the Minister Heading the Prime Minister's Office

*Deadline:* 31 December 2001 and 31 December 2002

### IV/2.

This Resolution shall enter into force on the day of its publication, at which time the following shall be repealed simultaneously:

- Government Resolution No. 1052/1999. (V. 21.) Korm. containing the plan of governmental tasks concerning the continued development of the public administration system in 1999–2000,
- Government Resolution No. 1027/1996. (IV. 3.) Korm. on the completion of the first stage of the reform of organs of territorial state administration and tasks to be carried out in the future,
- Government Resolution No. 1106/1995. (XI. 9.) Korm. on the continued development of the coordination of information technology in the system of central public administration,
- Government Resolution No. 1033/1995. (IV. 28.) Korm. on the creation of harmony between the tasks and staff numbers of the various ministries and organs of national authority and of their organs of regional state administration, and on their possibilities of expenditure and staff reductions,
- Government Resolution No. 2128/1997. (V. 22.) Korm. on the abrogation of various laws and other tasks connected with deregulation,
- Government Resolution No. 2171/1996. (VII. 10.) Korm. on the implementation of the reform of organs of regional state administration, and the planned relationship between the offices of public administration and other organs of regional state administration in the future,
- Government Resolution No. 2316/1995. (X. 18.) Korm. on the tasks connected with the abrogation of various laws,
- Government Resolution No. 2118/1995. (IV. 27.) Korm. on the various tasks of the continued development of public administration records,
- Points 2-10 of Government Resolution No. 1004/1995. (I. 20.) Korm. on the review of laws according to the requirements of deregulation,
- Points 3.1.3. 3.1.4. And 3.6.3. Of Government Resolution No. 1023/1995. (III. 22.) Korm. on the corrective measures of 1995 serving economic stabilization,
- Tasks relating to Chapter IX of Annex No. 2 of Government Resolution No. 1062/1996. (VI. 4.) Korm. on preparations for budgetary reform,
- Points III/E/2. And III/H/3. Of Government Resolution No. 1067/1996. (VI. 19.) Korm. on

the work program arising out of the document entitled “Hároméves megállapodás a közalkalmazotti szférában” [‘Three-year agreement in the public employee sector’],

- Government Resolution No. 2003/1995. (I. 20.) Korm. determining the 1995 operative plan of the government commissioner for the modernization of the public administration system.

## NOTES

- <sup>1</sup> For the comparative analysis the Hungarian Study uses the ‘*Synthesis Paper 2000*’ written by EC on the preparation of the candidate countries for the accession to the EU and the OECD country reports assessing the Hungarian experiences comparing the best practices, see: ‘*OECD Reviews of Regulatory Reform: Regulatory Reform in Hungary*’, Paris, 2000. And ‘*OECD Territorial Reviews: Hungary*’ Paris, 2001.
- <sup>2</sup> The Hungarian Study uses as a pattern the ‘*TOR of 1999-2000, and 2001–2002 for Public Administration Development Program*’ accepting by the Central Government in 1999 and 2001. To show the response of the Hungarian Central Government to these challenges. (See: *Resolutions of Central Government of Hungary 1052/1999(V.22.) and 1057/2001. (VI.13.) Korm. Sz.r.*)
- <sup>3</sup> The Country Study based on the next main studies: *Development of EU-Conform Regions in Hungary*, or *Financial System of the Hungarian Local (Self) governments*, *World Bank- PMO’s of Hungary Common Published Studies*, (*Public Administration Development Studies Series 4th and 5th Columns*), Budapest, 2001.
- <sup>4</sup> *Tamás M. Horváth: Directions and Differences of Local Changes. In.: Decentralization: Experiments and Reforms. OSII LGI, 2000. p. 27.*
- <sup>5</sup> The main three purposes and/or functions of the local governments are ‘Liberty’/ ‘Autonomy’, and ‘Participation’/ ‘Democracy’ and ‘Effectiveness’/ ‘Capability’. See: *L.J. Sharpe: Theories and Values of Local Government*. Political Studies.1993. /2. (153-174.pp.), *J.Stewart-R.Greenwood: The Purpose and Character of Local Government*, INLOGOV, and University of Birmingham.1995.
- <sup>6</sup> *OECD Report on Regulatory Reform in Hungary*. Paris, 2000. pp. 15–37.
- <sup>7</sup> *István Temesi: Local Government in Hungary. In. Decentralization: Experiments and Reforms. OSII/LGI.2000. (348.p.)*
- <sup>8</sup> OECD, 2000. p. 11.
- <sup>9</sup> In every ministry there are divided the role of two secretariats: a Permanent State Secretariats for administrative function, leaded by the highest ranking senior civil servant, who is considered politically neutral; and for the political function, a Parliamentary State Secretariat, which has a political leader (mostly one of the MPs), who represents the minister in Parliament and other interministerial committees, and is the political counselor or deputy of the minister in the ministries. *Hungary Country Profile*. SIGMA, 1999. p. 10.
- <sup>10</sup> The Hungarian Study used the main studies in that field which are the following: *Hungary-Subnational Modernization, Policy Note (An Integrated Effort for Modernizing the Subnational Government System in Hungary)*, *World Bank-PMO’s of Hungary Common Published Study*, (*Public Administration Development Studies Series 1st Column*, Budapest. 1999, or *Davey, K.–Horváth, M., T.–Péteri, G.: Local Autonomy and Responsibility (Development of government actions in a plural public service system) British Know How Fund-PMO’s of Hungary Common Published Study*,(*Public Administration Studies Series 2nd Column*), Budapest, 2000.
- <sup>11</sup> *Resolution of Government on TOR of Public Administration Development 1999–2000. V. Chapter*. And the *Series of Research Studies on Public Administration Reform and Regional Policy*. Published by PMO 1999–2001. (1-5. Column.)
- <sup>12</sup> The European Commission, in its annual country report for 2000, the latter institution offered a favourable judgement of the development of public administration, according to which “*Hungary is achieving stable development in every area in the establishment of the administrative capacity with a view to the application of the Community Achievements. In the continued implementation of the 1999 development programme, further progress may be seen in the modernisation of the system of public administration.*”
- <sup>13</sup> The last OECD Report on Regulatory Reform evaluated the whole transition process, included the decentralization too, and stated the followings: ‘*after ten years of determined reform... Hungary has entered the mainstream of OECD countries with respect to the challenges it faces in establishing quality regulatory regimes supporting good government and long-term economic growth.*’
- <sup>14</sup> The British Know How program helped, besides other issues, the training of senior civil servants and preparing the new amendment of act on Civil Servants to match the new regulation the British practice. For instance the PMO

has supported the regional contribution of French INFH and Association of Hungarian Municipalities to train the local leaders and experts for the regional and rural programming.

<sup>15</sup> OECD, 2000. p. 11.

<sup>16</sup> OECD, 2000, p. 22.

<sup>17</sup> *Resolution of Government 183/1988(XI.11.) Korm.sz.r. On The tasks and responsibilities of the Parliamentary Secretariat in the PMO for the Public Administration and Regional Policy.*

<sup>18</sup> The medium-term program was adopted in *Government Decree No. 1035/1999. (IV. 21.)*.

<sup>19</sup> The Country Study based on the next main studies: *Development of EU-Conform Regions in Hungary, or Financial System of the Hungarian Local (Self-G, World Bank-PMO's of Hungary Common Published Studies, (Public Administration Development Studies Series 4th and 5th Columns)*, Budapest, 2001.

<sup>20</sup> The Country Study based on the next main studies: *Development of EU-Conform Regions in Hungary, or Financial System of the Hungarian Local (Self) governments, World Bank- PMO's of Hungary Common Published Studies, (Public Administration Development Studies Series 4th and 5th Columns)*, Budapest, 2001. And Davey, K-Horváth, M., T Péteri, G.: *Local Autonomy and Responsibility (Development of government actions in a plural public service system) British Know How Fund-PMO's of Hungary Common Published Study, (Public Administration Studies Series 2nd Column)*, Budapest, 2000.

<sup>21</sup> *OECD Reviews of Regulatory Reform: Regulatory Reform in Hungary*, Paris, 2000. p. 11.