

Municipal splits and hidden amalgamations in Hungary

Abstract

In 1990, a decentralized local government system was introduced in Hungary. One of the main issues of the system was fragmentation at local level. This paper examines the attempts made by the central government to deal with this issue in the last thirty years. First, the study analyses the municipal splits and maps the dynamics, the reasons, and the environmental and political factors affecting these secessions. Second, it examines the government's attempts at reform to reduce the effects of fragmentation.

The paper argues that the Fidesz-KDNP electoral victory in 2010 was a milestone in the handling of territorial issues: municipal splits became virtually impossible with the new regulation of the secession process, and *de facto* territorial consolidation reform was carried out through alteration of the local electoral system and functional rescaling and merging of the mayors' offices.

Keywords

Local government • municipal split • local reform • Hungary

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Introduction

Although signs of local autonomy can be traced back to the medieval period in the case of free royal cities and counties, there is not a strong tradition of decentralization in Hungary; while larger cities gained privileges, villages and towns did not have functioning local government authorities (Pálné Kovács 2008). Centralization became even more intense in the Communist period. Between 1950 and 1989, local and county councils functioned under hierarchical territorial instructions. In the soviet-type council system, local communities formally elected their councils, but the politically delegated executive committees held effective decision-making powers (Pálné Kovács 2008). To make the system more effective, amalgamation reforms began to be forced through in the 1960s, and were carried out in several waves. The aim of these amalgamations was to stimulate urbanization and to establish more hierarchical administration by merging local councils.

Formally, the number of settlements was decreased by only five percent between 1950 and 1990, the number of local councils was halved in this period (Table 1), and about two thirds of them were joint councils of different settlements. Moreover, these local councils were marginal actors in the hierarchical system, as the country-level councils were the key elements of sub-national coordination: they enforced the directives of the Communist party locally, dispensed the central subsidies among the local councils, and had legal, functional and fiscal control over them (Pálné Kovács 2008).

The democratic transition in 1989–90 brought with it the promise of a new era in decentralization, with significant changes to the Hungarian sub-national levels. The soviet-type

Table 1. Territorial reforms in the Communist regime (1950–1990)

Year	Number of settlements	Number of councils
1950	3,229	3,032
1960	3,273	3,087
1970	3,244	2,294
1975	3,183	1,711
1980	3,122	1,525
1985	3,064	1,486
1990	3,070	1,586

Source: Bekényi & Pajor (2002)

council system was abolished, as the settlements became local units of the new sub-national territorial system, instead of local councils (often merged by force). In this new system, every settlement earned the right to form a local government authority, and thus in 1990 more than 3,000 fully autonomous municipalities were established in Hungary. The design of the new sub-national institutional framework can be considered as a response to the highly centralized structure of the Communist era. The legislators of the first parliament regarded local

government authorities as an important element of the political system, vital to prevent the revival of an authoritarian regime and as a counterbalance to the central government. In line with the 'one settlement – one local government authority' principle, 3,089 local government authorities were established as the lower (NUTS 5) tier of the sub-national territorial system, with nineteen counties and the capital city (Budapest) in the second/middle (NUTS 3) tier. The newly-formed institutional framework was asymmetric in a different way than the one in the Communist regime: local government authorities gained broad autonomy in service providing, with moderate room to manoeuvre regarding their tasks and fiscal autonomy, while the middle level became a 'missing tier' (Zongor 1999) with a limited range of tasks and without their own revenues.¹

A review of the thirty years over which the Hungarian local government system functioned reveals that most of the problems in the Hungarian local government system were coded into the 1990 establishment of the institutional framework. One of the main issues was the fragmentation at local level. This principle produced more than 3,000 local government authorities, with many villages with less than 500 inhabitants among them (Figure 1).

Also, this fragmented system was established with no differentiation² between local government authorities: hardly any distinction was made between small villages and cities, with regard to their powers or their duties. In the Hungarian system, local government authorities have a broad range of responsibilities, as they can fulfil any voluntary (or entrepreneurial) task that is not fulfilled by other state organs.

Based on the first experiences of how local government authorities function, scholars and practitioners came to a consensus about the main issues of the local system early (Pálné Kovács 2016a): in relation to the wide scope of their functions, local government authorities were under-financed, while the fragmentation at local level had an adverse effect on quality and costs of local services. The municipalities were overwhelmed by the task of providing local services that could probably be provided more cost-effectively and more efficiently on a larger scale (Gajdushek 2012).

Although the problems of the local government system became apparent by 1994, successive governments had difficulties reducing the effects of fragmentation (and lack of differentiation of tasks), since they had to find ways of doing this without violating the municipalities' formal autonomy. Direct territorial reforms (e.g. top-down initiated amalgamations) were off the table because of the lack of consensus among political parties and the history of forced amalgamations in the Communist era. Therefore, from the late 1990s, governments tried to use indirect approaches (primarily government subsidies) to encourage the different forms of municipal co-operation (development councils, joint administrative offices, local government associations, etc.). These steps eased the problems somewhat but did not transform the fragmented local level. As the recalibration of the local government system required the support of a two-thirds majority of the national parliament, carrying out a comprehensive reform proved to be difficult until 2010.

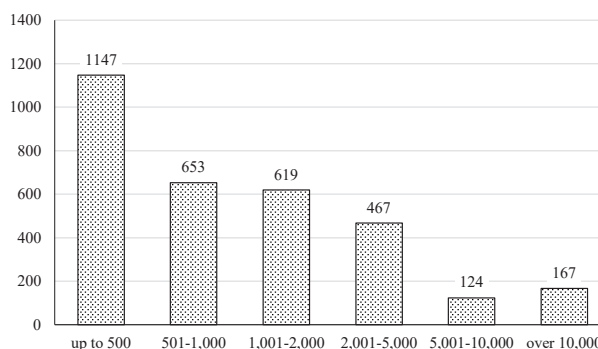


Figure 1. Number of Hungarian local government authorities by population (2019)

Source: Hungarian Central Statistical Office (n.d. a)

While local government amalgamations never happened in the thirty-year history of the modern democracy, from the beginning, territorial changes took a different direction: between 1990 and 2019, nearly 100 municipal splits occurred in Hungary. Most of them were carried out in the early years, when local communities of formerly merged settlements wished to regain their autonomy. In the Communist era, these local communities were forced to merge with other settlements, i.e. they were not only merged into a joint local council, but also lost their settlement status. During the transition, these joined settlements were maintained and transformed into local government authorities accordingly. Thus, as they were not separate settlements, these local communities were not given the right to establish separate local government authorities. To achieve independence, they initiated splits after the transition.

Although most separations were carried out in the first four years after the democratic transition, municipal splits were not uncommon even in the 2000s. Until 2013, neither attitudes taken by governments, nor legal regulations (for establishing a new municipality) were hostile towards municipal splits.

The following is an analysis of the local territorial changes, namely the municipal splits in the last three decades in Hungary, to map the dynamics, reasons for, and factors affecting secessions. This is followed by a brief description of the reforms and attempts at reform made by the central government to alter the operation of the fragmented system in the last twenty-five years. I argue that the Fidesz-KDNP national electoral victory (and its two-thirds majority in the parliament) in 2010 was a milestone in the handling of territorial issues: while municipal splits became virtually impossible with the new regulation of the split process, *de facto* territorial consolidation reform was carried out through the changes to the local electoral system, and functional rescaling and the merging of the mayors' offices (while formally the autonomy of local government authorities was left intact).

Municipal splits 1990–2019

Characteristics of municipal splits

As in many cases in Central and Eastern Europe, the fragmentation at Hungarian local level can be considered as a response to the earlier territorial consolidations introduced by the Communist government (Swianiewicz 2002). The legislators of the first parliament preferred the democratic aspects of local governance over effective functioning (Bekényi & Pajor 2002), thus the regulation was formed in a way that did not hinder the establishment of new municipalities. Therefore, the early

¹The elected county government authorities were initially established to provide services that were difficult for local government authorities to provide and to coordinate complex development projects. Since neither the central government nor the local government authorities were interested in filling the institutional vacuum at the middle level (Soós & Kákai 2011), county governments could not become the regions' strategic planners.

²The differentiation between tasks only appeared at the middle level: until 2010, the elected county government authorities were to fulfil the functions of complex area development and ensure the services that it was impossible for each municipality to provide (e.g. maintaining hospitals and middle-level educational institutions).

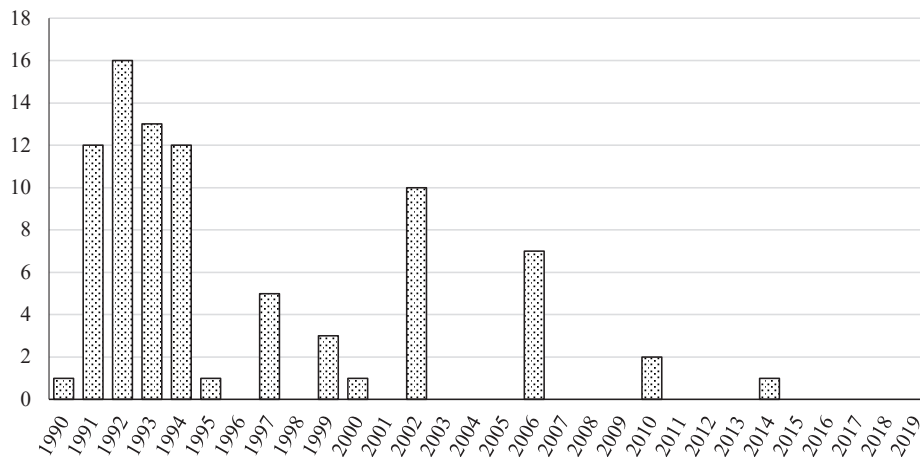


Figure 2. Municipal splits in Hungary (1990-2019)

Source: own calculation based on National Election Office data (n.d. b)

fragmentation of the new system was followed by several splits in the first half of the 1990s as municipalities that were merged in the Communist era expressed a wish to regain their autonomy as distinct local government authorities (Figure 2). Almost two-thirds (64 percent) of the Hungarian municipal splits occurred in the first electoral cycle (between 1990 and 1994). Another indicator of the post-Communist realignment is that in eleven cases during the first periods of the municipal splits, the 'mother' (old) municipality ceased to exist and split into two distinct municipalities (for example: Mázaszászvár split into Máza and Szászvár in 1991). These old municipalities were the products of the amalgamation processes of the Communist era in every case.

After the initial period, there was a decline in municipal splits. As, formally, new municipalities have been established during local elections since 2002, the splits were concentrated in the election years (2002, 2006, 2010 and 2014). Nevertheless, the decline is obvious. In the last five years, there have been no municipal splits in Hungary (although there was a local election in 2019). One reason for this could be that the local communities are now content with their positions and do not want to separate from the original municipalities, however, as I argue in the following section, the absence of municipal splits might be the result of an amendment to this regulation in 2013.

No clear regional patterns can be identified with regard to splits, although fifty-four percent of them occurred in the Northern Great Plain Region (thirty-one percent) and in the Central Transdanubia Region (twenty-three percent).³ The reason for this might be that these regions were heavily influenced by the industrialization and urbanization efforts of the Communist era, and the splits could be the result of a realignment after the transition.

Most of the newly established municipalities are small villages with less than 1,000 inhabitants. Only 8 of the 97 newly established local government regions have more than 5,000 inhabitants. To map the differences in size in settlements that were affected by the splits, I compared the population of the 'new' municipalities (the ones that initiated the splits) to the population of the 'old' (abandoned) municipalities following the split (Figure 3). This shows that in most cases the separation was not an even split. In almost ninety percent of cases, the population of the newly established municipalities was less than fifty percent of the population of the 'old' municipalities, and in forty-three percent

of cases the municipalities that initiated the splits were ten times smaller than the 'mother' municipalities. Even in the two cases in which the population of the 'new' municipalities exceeded the population of the abandoned municipalities, small communities were formed. Thus, not only did the Hungarian municipal splits increase fragmentation at local level, they raised the ratio of the small municipalities to the total number of municipalities within the local government system.

Reasons for and factors of municipal splits

Swianiewicz (2021) makes a distinction between the factors causing municipal splits according to two issues, namely which circumstances are an incentive to initiate a split (environmental factors) and which factors influence the likelihood of a successful split (political factors). Based on this distinction, he identifies types of secessions in the Central and Eastern European region. Below I examine the factors causing the Hungarian municipal splits according to this typology.

To map the environmental and political factors affecting the splits, one option would be to analyse official records, since in every case the initiators of the splits had to create a proposal describing how territory/tasks/properties would be assigned. However, these documents contain only partial information about some environmental factors, and rarely give the real motives of the initiators. Therefore, I conducted a review of national, regional and local media sources to gather information about the motives and examine the circumstances of the separations. According to my analysis, Hungarian municipal splits are examples for almost all the potential motives/factors of Swianiewicz's classification.

By examining the environmental circumstances, both economic and cultural (or identity-based) factors can be identified. In most separation processes, the initiators of the splits expressed a wish to have public services provided autonomously, as they felt that the 'mother' municipality *treated them unfairly*. In at least ten cases, the immediate reason that triggered the separation was that the 'mother' municipality shut down a public service on the territory of the 'new' municipality – typically a day-care centre or elementary school (for instance 1999: Farkaslyuk; 2002: Szorgalmatos; 2010: Tekeny). The citizens of these areas felt neglected and wished to have their public services operated autonomously. In most cases, the initiators of the splits claimed that the part of the municipality that wanted the separation had less resources than was fair based on its population share, and

³There are seven NUTS 2 regions in Hungary.

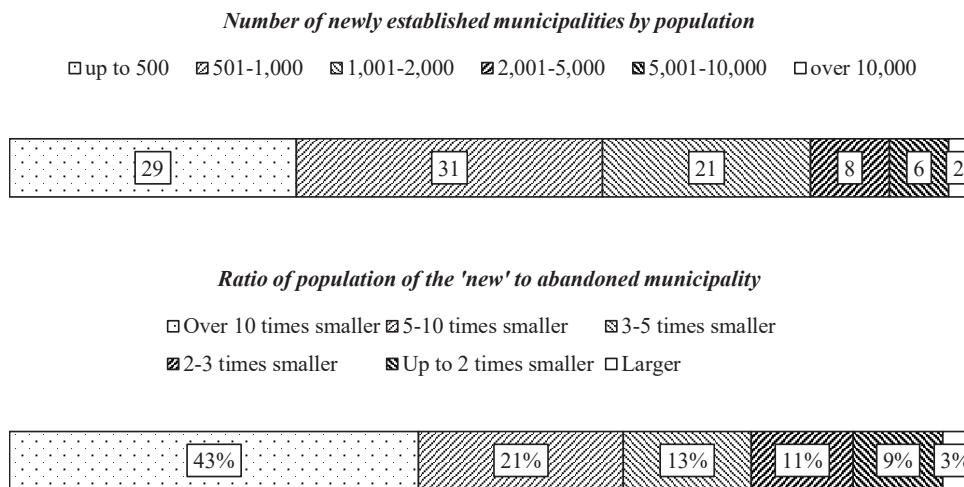


Figure 3. Population characteristics of Hungarian municipal splits (1990-2019)

Source: own calculation based on Hungarian Central Statistical Office data (n.d. b)

that part of the municipality fell behind the 'mother' municipality in terms of development. In some cases, the initiators claimed that the 'new' municipality would have a better chance of obtaining government subsidies or EU funds alone (e.g. 2002: Szarvaskő; 2014: Balatonakarattya). Another economy-based type is the *secession of the rich*. I found five cases in media sources in which the issue of local corporate tax revenues came into the picture explicitly. In these separations, the initiators' motive for separation was that most of the local enterprises (or the most powerful ones) were located within the part of the municipality that initiated the split, and thus the 'new' municipality gained most of the local corporate tax revenues of the 'mother' municipality following the separation. The most famous case was the separation of Berente from Kazincbarcika in 1999. In this split, Berente (with 1,056 inhabitants) took one of the most profitable Hungarian companies (Borsodchem, with a revenue of approximately EUR 1,700 million in 2018) from Kazincbarcika (population following the split 32,429) and became the wealthiest village in Hungary. Based on the local corporate tax revenues of the municipalities involved in the divorces, the municipalities that initiated the split became much wealthier due to the secession: in almost every case, the per capita local corporate revenues of the 'new' municipalities are significantly higher than the per capita revenues of the 'old' municipalities (the initiators get 1.5–7.5 times more local corporate tax revenues per capita than the 'mother' municipalities).⁴

Regarding the cultural factors, local identity is a key element of municipal splits in Hungary. The majority of the local government authorities involved in the separations were *autonomous before the Communist era* and were forced to merge with other municipalities during the public administration reforms carried out by the Communist regime. Although most of the splits driven by the motive of regaining local autonomy were carried out early during the post-Communist period in Hungary, local identity was part of the initiators' argument in many cases later on as well. Out of the twenty-one successful splits carried out since 1999, settlements were amalgamated in twelve cases in the Communist era. In some cases, however, the new municipalities had not been autonomous in the past. Their population changed over time and

developed a local identity. Typically, these new municipalities are former recreational areas with weekend houses that gradually became permanent homes of the citizens (e.g. 2002: Csörög and Remeteszőlős; 2006: Monorierdő).

To summarise, financial reasons, a wish for services to be provided autonomously, and local identity are all adequate answers to the question of why these splits of municipalities take place. Obviously, these motives are connected: a strong local identity creates a wish to have an autonomous infrastructure to provide services, and citizens without local services often feel that they are marginalized and think that they could put the resources of the municipality to more beneficial use for their community.

Among the political factors identified by Swianiewicz (2021), local factors are not relevant in Hungary. Central factors heavily influence the local separations, as the dynamics of Hungarian local splits clearly mirror the *changes in the legal framework*. Until 2013, municipal splits were relatively easy to carry out, as regulations on the establishment of a new municipality were quite liberal. From 1990, the only strict requirement for dividing two parts of a local government authority was that they had to be geographically distinct units. After the post-Communist transition, there were no regulations regarding the size (population) of the new municipalities (Act LXV of 1990 52–53. §), and even from 1994 onwards, a new municipality only had to have 300 inhabitants to establish a new local government authority. Functional requirements were not rigorous either. Between 1990 and 1994, the new municipalities had to maintain an elementary school and a general practitioner's surgery, and provide basic public services. From December 1994, the only functional requirement was that both the 'new' local government and the 'mother' municipality had to be able to provide their own public services with no change to quality, and maintain their own financial stability.

In the first two decades after the democratic transition, the process of splitting municipal authorities was regulated in a manner favourable to the local communities that wanted to leave the original municipalities and form new local government authorities; basically they could decide to leave, while the original municipality could not influence effectively the outcome of the process, and the higher tiers of the political system could only decide on the legality of the split process. To start the process, the municipality established a committee (with at least three members) to create a proposal for the split. This plan included

⁴Since local budget data are not available for the years of the secessions, I used the 2019-2020 budget data of the municipalities to calculate the per capita local tax revenues, assuming that a local government authority that is more affluent nowadays was also more affluent when the secession took place.

Local referendum on split	Validitiy of the referendum	Outcome of the referendum	Outcome of the de-amalgamation process
Local referenda: 39 cases	Invalid: 6 cases	No split: 7 cases	Rejected by a higher tier: 5 cases
	Valid: 33 cases		
		Successful de-amalgamation: 21 cases	

Figure 4. Secession processes in Hungary (1999–2019)

Source: own elaboration

a proposal regarding the territory and the name of the new local government authority, and described how the properties, rights, tasks and the cost of the split should be shared between the 'new' municipality and the 'mother' local government authority (Act XLI of 1999 8–13. §). The local government authority then held a local referendum on the split. Between 1990 and 2012, only those citizens who lived in the proposed new part of the municipality could vote in the referendum. If the referendum was successful (more than fifty percent of the population participated and more than fifty percent of the voters had the same opinion), the local government authority had to initiate the split at the ministry responsible for local government authorities (usually the Ministry of Interior). The minister decided whether to approve the split (by examining whether the proposal met every legal requirement). If the minister rejected the proposal, the local government authority could seek to have the minister's decision overturned in court. If the minister approved the proposal, they sent it to the head of state, who then decided to establish a new local authority.

During the 2010–14 local reform, the Fidesz cabinet implemented serious restrictions on the regulation of splits (Act CLXXXIX of 2011 98–99. §). Although since 2013 there have been no explicit population requirements for a new municipality, now every citizen of the original municipality can decide whether they are in favour of the separation, and thus the 'mother' municipality can significantly influence the outcome of the split and hinder the separation of the 'new' municipality. Furthermore, additional requirements came into effect as of 2013: the 'new' municipality is required to show an increasing population during the ten years before the split, its infrastructural conditions are expected to exceed the national average, and the costs of operation (of providing public services) are expected to be below the national average. Obviously, this new regulation created serious obstacles for future splits, as the newly established municipalities have to be constantly growing in population, function more effectively, and be more developed than the average municipality in Hungary. As Figure 2 shows, only one successful split (2014: Balatonakaratya) occurred after the change in the regulations, however in this case the separation was initiated before the reform was introduced, and the local referendum about the split

was held in 2012. This means that only citizens of the 'new' municipality could vote on the split.

To explore the *central government's attitude towards splits*, one has to look at the separation processes. The first (visible) point of the process is the local referendum. Since 1999⁵, there have been thirty-nine attempts at separation (Figure 4). Thirty-three of these attempts were valid, which is quite a high ratio (eighty-five percent). Pálné Kovács (2008), points out that the mobilization of local communities is usually less successful in the case of local referenda (around fifty percent – including referenda on splits), but as the data show, citizens are more concerned with the separation of their municipality. While in six cases the local citizens expressed their wish to stay with the 'mother' municipality, twenty-six attempts at separation were successful in local referenda.

On the one hand, the statistics suggest that the central government's attitude towards splits was not hostile, as higher tiers of the political system prevented the split in only five cases after referenda were held. One of the proposals was rejected by the head of state: the President of the Republic prevented the separation in the case of Magdolnavölgy (in 2007), because it was presumably prompted by business interests and was initiated in connection with a property development project. The four proposals that were rejected by the central government (the minister) were dismissed based on legal regulations. In one case (2009: Miskolctapolca), the separation process was carried out unlawfully, while in two cases (Mátrafüred in 2007 and Mözs in 2008) the parts of the municipalities that initiated the splits were always part of their 'mother' municipalities and they were not distinct units from a geographical standpoint. Finally, in the case of Bokros (in 2009), the Minister of Local Government dismissed the proposal based on the functional requirements of the regulation introduced in 1994: he argued that the standard of public services would drop significantly in the new municipality after the split.

On the other hand, the central government's intention to prevent further fragmentation is manifested clearly in the law that regulates splits (Act CLXXXIX of 2011) and in the effect of that law. Until Fidesz's local government reform, successive governments

⁵The Hungarian National Election Office has no data on local referenda before 1999, therefore in this section, I examine splits between 1999 and 2019.

introduced only mild requirements to prevent splits in extreme cases: only very small communities with underdeveloped infrastructure and services were unable to meet these prerequisites. Since 2013, a part of a municipality that wishes to separate from its 'mother' municipality has to show a better financial performance and provision of services, and greater demographical tendencies than the average Hungarian local government authority. Also, in practice, it has to obtain permission to leave from the other part of the community from which it wishes to secede.⁶ As a result, no successful splits were carried out under the new regulation (the separation of Balatonakaratya in 2014 followed a referendum that was held under the former rules in 2012). These new rules could also affect the inclination to initiate a separation process, as no new separations have been commenced (based on the media sources) and no local referenda have been held on municipal splits since 2013.

The analysis shows that municipal splits can be divided into three periods based on the environmental circumstances and political factors. The first period, between 1990 and 1994, can be characterized as realignment after the Communist era. The splits in this period were driven by the local identity and the memory of having local government in the past. The legal framework was clearly favourable for the initiators of the separations. In the second period (1995–2013), local communities had various reasons (local identity, finance, autonomous provision of services) to initiate a split from their 'mother' municipality, and they had the freedom to carry it out. Finally, from 2013, political factors changed: municipal splits became virtually impossible following the Fidesz government's new regulation, which substantially obstructed the separation process.

Consolidation of the fragmented local government system

Amalgamations

Amalgamation of municipalities has been possible and well regulated in Hungary since the post-Communist transition (Act LXV of 1990 54. § and Act CLXXXIX of 2011 100. §). Based on the rules, the initiation of the amalgamation process is in the hands of the local community. First, the municipalities that wish to merge hold local referenda on the amalgamation and collectively propose a name for the new municipality. This means that the amalgamation must be a voluntary act of every participant. After a successful referendum, the minister responsible for local government (currently the head of the Ministry of Interior) decides whether to advocate the amalgamation. The minister can reject⁷ amalgamations only in two cases: if the two municipalities are not merged territorially, or if a formal mistake was made during the amalgamation process. After the review, the minister proposes the amalgamation to the President of the Republic, who formally decides whether the amalgamation will go ahead.

In practice, amalgamation of local government authorities was never considered a political alternative in Hungary, because the forceful amalgamations of municipalities in the Communist era are still present in the memories of the people (Fekete et al. 2002). Local identity seems to be a decisive factor: since 1990⁸, there have only been three attempted amalgamations that reached the referendum phase of the process (2002 and 2005: Kölesd and Kistormás; 2008: Pethőhenye and Zalaegerszeg). Although these amalgamations were initiated by the local councils, all of them were refused by the local citizens.

⁶Under Fidesz's regulation, only three percent of the 1990–2019 municipal splits could be carried out, if the citizens of the 'mother' municipality voted against the split uniformly (see Figure 3).

⁷In this case, the municipalities can ask for review at the Budapest-Capital Regional Court.

⁸The National Election Office has no data on local referenda before 1999.

As the autonomy of local communities proved to be untouchable, no governments tried to carry out amalgamations by force. On the one hand, no political actors had the ability to change the rules until 2010⁹, and on the other hand, no political actors had the courage to openly suggest eliminating the autonomy of some local communities. Thus, instead of territorial consolidation, the governments attempted to streamline the operation of the system by making functional corrections.

Functional corrections as attempts at reform (1994–2010)

Since the recalibration of the local government system required a two-thirds majority in the national parliament, governments had little room to manoeuvre to ease the effects of a fragmented local government system: as (forced) amalgamations were off the table, and even explicit functional rescaling required a two-thirds majority, the tools of financing continued to be the main instruments for controlling local government authorities until 2010.

Firstly, they established the system of development councils at county level (Act XXI of 1996), which forced local government authorities to create common, consistent development plans and cooperate. To obtain resources, the local government authorities organized themselves into associations. Secondly, governments supported the establishment of joint offices in smaller municipalities with special subsidies. This meant that the autonomy of small settlements remained unaffected (they had their own elected local councils) but the administration of the local government authorities could be organized into larger units. Thirdly, they encouraged the establishment of another form of inter-municipal cooperation (Act CXXXV of 1997): municipalities could get central subsidies to form local government associations ("társulás") and fulfil any local government tasks and provide public services jointly. This can be considered as a successful tool for organizing local government authorities into more manageable units, as ninety percent of the local government authorities were members of associations by 1998 (Winkler 2001). Fourthly, European integration also stimulated formation of associations in the late 1990s: access to EU funds was an incentive to cooperate in development policy for local government authorities, as they were motivated to organize themselves into small regional associations ("kistérségi társulás"). Finally, the government regulated the system of small regional associations (Act CVII of 2004), and used it to rationalize operation of the local public services (Pálné Kovács 2016b).

To summarise, as successive governments had no political capability to carry out extensive reforms, they used the tools of finance to incite local government authorities to cooperate to achieve common development goals and provide public services more efficiently. These measures could ease the problems of fragmentation somewhat but they were not able to set the local government system on a new course.

Local reform after 2010

In 2010, after its landslide parliamentary victory, the right-wing Fidesz had the means (a two-thirds majority) to make a number of drastic changes to the Hungarian political system. One of them was reform at a local level. The preamble of the new law on local government is clear about the new direction in local politics: while the basic principle during the establishment of the local government system in 1990 was the broad autonomy of the local communities, this resulted in ineffective and uneconomical functioning. Therefore, the new rules will establish a cost-efficient,

⁹The only exception could be the Horn cabinet, which had the necessary two-thirds majority in the parliament to change the rules between 1994 and 1998, but the members of the governing coalition could not agree on the direction of the local government reform (Pálné Kovács 2016b).

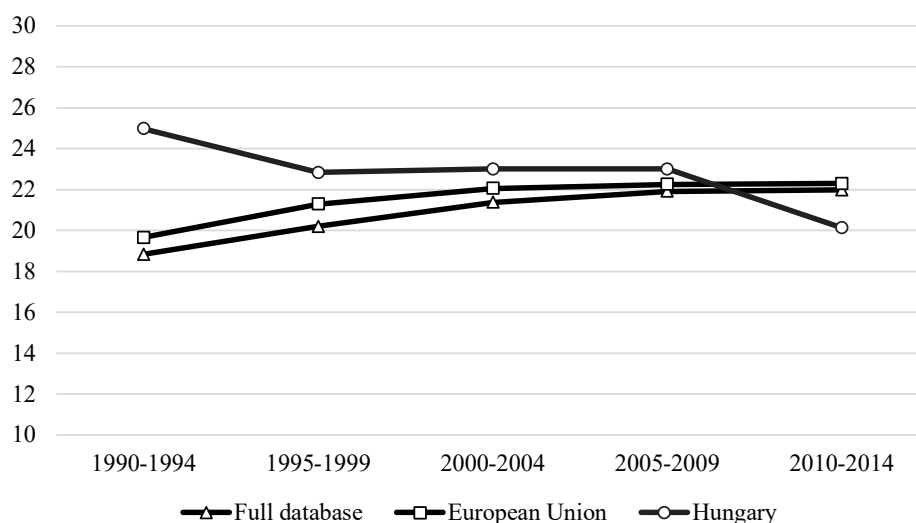


Figure 5. Autonomy of Hungarian local government authorities in international comparison (1990-2014)

Source: own elaboration based on Ladner et al. (2019)

task-oriented system, in which local autonomy has to be imposed in a more rigorous framework (Act CLXXXIX of 2011).

Firstly, as local elections took place about six months after the general elections, Fidesz quickly started to restructure the local political system after its parliamentary victory in 2010. The declared aim of the electoral reform (Act L of 2010) was to cut costs by decreasing the number of councillors by one third.¹⁰ They left the basic structure almost completely untouched, although several minor changes were implemented in every aspect of the system (see Dobos 2011). The reduction in the number of seats means that political organizations (usually national parties) with more support will gain seats, while the smaller actors might not win seats in local or regional councils.

Secondly, the recalibration of the local government system started in 2012 and was conducted in the name of cutting costs and the separation of local and state duties. The main principle of the reform was that local government authorities should deal only with local issues and services, and anything else could be transferred to the central government. To deal with the transferred duties, the Fidesz government established a new meso-level administrative structure with 175 districts ("járás") in the counties, and 23 in the capital (Act XCIII of 2012). These are administrative units whose task is to represent the central administration at local level. In this reform, many tasks that were formally assigned to local government authorities were transferred to district offices (e.g. social services, healthcare, aid for elderly people). The transfer clearly affected the administrative capacities of the local government authorities: in the name of saving money, the government reduced the maximum number of staff in the local government administrative offices (called the "mayors' offices" – "polgármesteri hivatalok"), and then the district offices asked for civil servants to establish their own personnel. The idea behind this was that the mayors' offices' workload would decrease due to transfer of tasks, and therefore the 'unnecessary' staff could be transferred to the districts. However, comparing the proportion of the tasks transferred to the proportion of manpower transferred, there are huge differences, as considerably more administrative staff were transferred than tasks – especially in the municipalities with larger populations (see Dobos 2016).

¹⁰According to the calculation based on the municipal population data of 2018 and the old and new electoral rules, the difference between numbers of local seats is 7,730 (-31.5 percent).

The restructuring of local government authority finance was a vital point. Firstly, to decrease the costs of administration, the government merged the mayors' offices of municipalities with less than 2,000 inhabitants. This mandatory merging is in contrast to the earlier approach, when governments used incentives to encourage local co-operation (i.e. the establishment of joint mayors' offices was only a recommendation for the small municipalities). Formally, this reform step did not violate the autonomy of the municipalities since they could elect their own representatives, but in practice, it put an end to the citizens' access to local administration in many settlements. Following the imposed merger of the mayors' offices of municipalities with less than 2,000 inhabitants, eighty-three percent of the municipalities now operate in a joint office system, and sixty percent of the settlements do not have their own mayor's office; forty-five percent of local government authorities do not even have a part-time branch office.

Secondly, in the name of cost-cutting, the central government changed the method of finance in the local government system from per capita grants to activity-based finance in 2013, granting the municipalities a sum based on the calculated cost of each activity. Then, they forced local government management into a more rigorous framework of operation.¹¹ The problem with this new way of financing is that the central government expects local government authorities to give up their own revenues and use them in fulfilment of their mandatory tasks. This means that local government authorities have to sacrifice their income in favour of operating their municipalities, while their only assets to accomplish developments and provide voluntary services are these revenues. Therefore, local government authorities are left with no room to manoeuvre, as they will be unable to provide more than basic services to their communities.

To summarise, the provisions concerning the new local government system mirror the idea that the operability of local government is the first priority, and they can be forced into more responsible management by being given little elbow-room. Formally, there has been no change to autonomy of local government authorities, as the central government only

¹¹For example: local government authorities cannot plan a deficit in their yearly budget; they can only provide voluntary services if this does not endanger the fulfilment of their mandatory tasks; voluntary services must be covered from local government authorities' own revenue (e.g. local taxes, incomes from their own projects).

streamlined the system and took over tasks that can be fulfilled more effectively by the state. However, a different picture emerges if one differentiates between the formal and practical operations of local government authorities. To examine their effective autonomy, I use the Local Autonomy Index (LAI), which is a composite index developed to measure the different aspects of local autonomy, such as institutional settings, the range of tasks for which local government authorities are effectively responsible, fiscal autonomy financial transfers, taxation, etc. (see Ladner et al. 2019).¹² According to the LAI, a significant change occurred between 2011 and 2013 as a result of the drop in many indicator values. The reform affected local government's formal and effective room for manoeuvre in numerous policy areas (healthcare, education, social aid), its fiscal capacity (with activity-based financing and new, more rigorous conditions for issuing bonds and taking out credit), and its decision-making freedom (through effective legal control by the central government). As a result of these changes, the extent of local autonomy decreased from 23 to 17.3 in the last period (Figure 5). The data shows that at the time of the transition Hungarian local government authorities had a fairly high level of autonomy compared to other countries. Since then, the changes in Hungarian local autonomy have been following a completely different path compared to the international trends. While in other countries local autonomy has gradually grown over the last 20–25 years, it has decreased in Hungary. Recently, the level of Hungarian local autonomy has fallen below the international average, and only thirteen countries have less local autonomy.¹³ If we review the course taken by Hungarian local autonomy from 1990 to 2014, this reveals the greatest fall among the countries covered by the LAI research project.

To summarise, while the local government system established after the Communist era faced problems of fragmentation and of no differentiation in allocation of tasks from the beginning, successive governments were unable to resolve these issues effectively until 2010. In 2010–2014, the Fidesz government significantly altered the local government system. Although specific territorial consolidation reforms and amalgamations never happened, a centralization process was carried out by reshaping local functions and fiscal conditions.

Conclusion

In 1990, a new local government system was established in which the main principle was the extensive autonomy of local

¹²The extent of autonomy of local government authorities was examined in research in thirty-nine countries between 1990 and 2014.

¹³Most of these countries are not EU member states (for instance Albania, Georgia, Moldova, Turkey).

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communities. This framework resulted in a highly fragmented local government system which was operationally deficient in several ways. As local autonomy seemed to be untouchable, political actors made no direct attempts to decrease this fragmentation with territorial consolidation (amalgamation). Regulations on establishing new municipalities (by municipal splits) remained quite liberal until 2013, as attempts at reform concentrated on functional rescaling instead of amalgamation. However, with the local reform conducted by the Fidesz government in 2010–2014, several important changes were made.

Firstly, the government effectively prevented further fragmentation of the system by changing the way in which municipal splits were regulated. Since 2013, no secession processes have been initiated as the new municipalities would have to fulfil requirements that are hardly fulfillable by any local communities. Secondly, although the formal autonomy of local government authorities remained the same (as every local community has the right to elect their representatives and they can independently regulate and administrate the affairs of their local government authority), there was a drastic decrease in the level of effective local autonomy. Thirdly, an overview of the local reforms in Hungary shows that although specific amalgamations never happened, governments found ways to decrease the fragmentation of the system. Until 2010, the main tools for achieving this were financial incentives, after which the Fidesz government took more drastic action and made changes to provision of services and representative and administrative conditions at local level. The decreasing number of local representatives (–31.5 percent) means that there are less elected officers responsible for representing local interests, while the transfer of tasks and resources to district level (making them the responsibility of the state) decreases the effective autonomy of local government authorities. Finally, the case of the joint mayors' offices is the most evident sign of the *de facto* amalgamation process.

A series of reforms that decreases local autonomy and results in a local government system which has considerably less duties, less elected officers to represent local interests, and less administrative capacities in fewer offices, can be considered as a *de facto* territorial consolidation process.

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