



Public administration characteristics and performance in EU28: Hungary

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Hungary

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1. SIZE OF GOVERNMENT

There are two broadly used indicators measuring the size of government: (i) the share of public expenditures (including central and subnational government as well as the social security subsystem) relative to GDP and the share of public employment within overall employment. Hungary's government is above the OECD average in both respects. This reflects the prolonged and parallel existence and influence of two historically emerged state models, one being the Germanic, decentralized system and the other one being the (post)Communist, centralized state administration.

The figure below indicates that the expenditure structure of the public sector did not change significantly following the 2008-2009 economic and fiscal crisis.

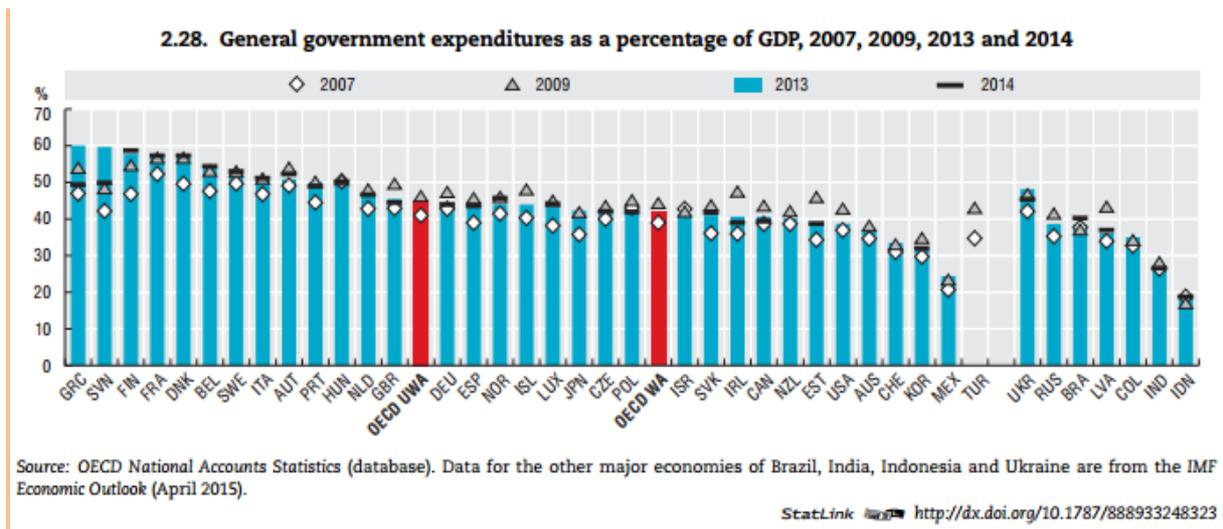


Table1: General government budget data

HUNGARY	2010	EU 28 Rank	2015	EU 28 Rank	Δ Value	Δ Rank
Total expenditures (in % GDP)	49.49	11	50.03	9	+0.54	+2
Central government share (%)	67.34	14	68.96	12	+1.62	+2
State government share (%)						
Local government share (%)	25.37		15.79			
Public investment (in % GDP)	3.68	17	6.61	1	+2.93	+16
Debt in % GDP	80.48	16	74.71	20	-5.77	-4
Deficit in % GDP	-4.5	8	-1.6	8	+2.9	0

Sources: AMECO, Eurostat

There are two key elements in the above budget figures comparing 2010 and 2015 data. Both reflect the sharp and landslide institutional and policy changes introduced by the second Orbán government (2010-2014) and further pursued by the current, third Orbán government (2014).

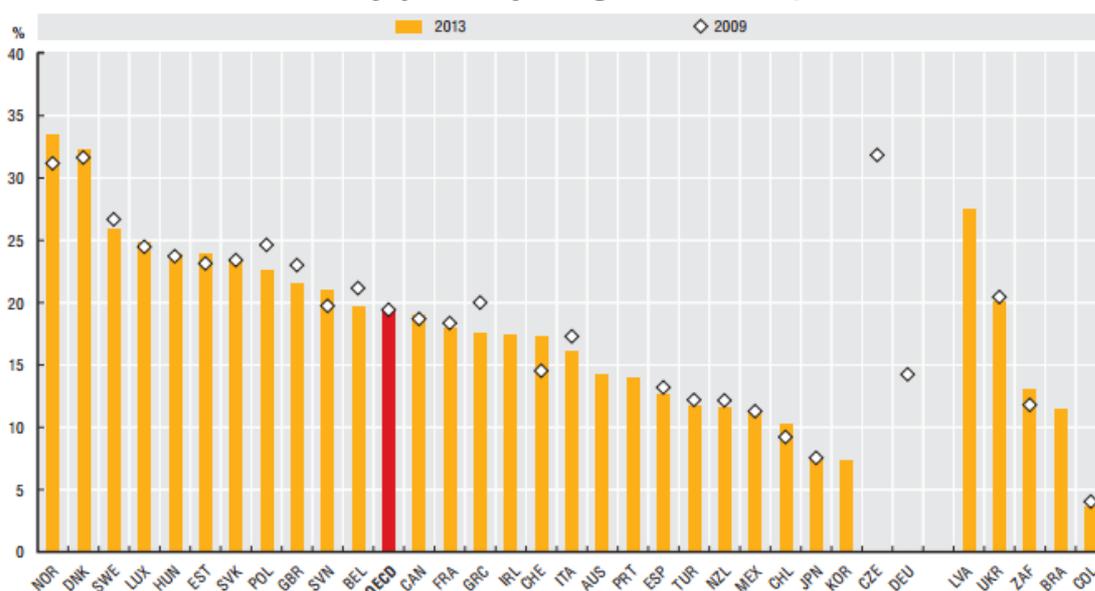
- While the central government share remained stable, the share of local governments diminished dramatically. As a result of the sweeping and consecutive post-2010 waves of centralization not only the budgets of local

governments were cut by about one third, but their institutional and policy capacity was dramatically downscaled too; this included the central take-over of entire service areas such as schooling, culture and secondary health care services as well as a broad range of administrative services.

- Another important trend is indicated by the sharply improving deficit and debt figures. The second Orbán government managed, by employing a broad range of “unorthodox” fiscal policy measures including several sector-specific taxes and reliance on market based deficit funding instead of funding through International Financial Institutions (IFIs), to get rid of the IMF loan scheme and the related oversight mechanisms. Despite severe initial criticisms and the downgrading of Hungary’s sovereign debt rating from around 2013-2014 the risk premiums started to significantly decrease and the international ratings started to improve, **signalling** the success of the macro stabilization effort.

As a general methodological remark we emphasize that in my view the employment share indicator is less valid for making international comparison than the expenditure based one, the main reason being that the employment based indicator disregards the multitude – and strongly varying importance and scope – of public functions served by organizations formally outside the realm of public sector employment (these include contracted out services, organizations operating in special legal statuses, and – possibly – enterprises owned or controlled, to some extent and in varying forms, by public organizations. These and other conceptual and empirical problems – illustrated, for example, by the fact that the employment figures shown below for Hungary with and without state owned enterprises are identical – therefore strongly limit the validity of employment based indicators.

3.2. Public sector employment as a percentage of the labour force, 2009 and 2013



Source: International Labour Organization (ILO), ILOSTAT (database). Data for Italy are from the National Statistical Institute and the Ministry of Finance. Data for Portugal are from the Ministry of Finance. Data for Korea were provided by national authorities.

StatLink <http://dx.doi.org/10.1787/888933248615>

Public sector employment*

HUNGARY	2005	OECD EU18 rank	2011	OECD EU12 rank	Δ Value
Total public sector employment in % of total labour force	20.80	11			
	2005	OECD EU21 rank	2011	OECD EU19 rank	Δ Value
General government employment in % of total labour force	20.80	5	20.10	4	-0.70
			2011	OECD EU17 rank	
Central government share of general government employment			30.18	10	

Sources: OECD- *Government at a glance*

*According to the OECD, public sector employment includes public corporations, while general government employment excludes public corporations.

The employment figures in the above table are not particularly useful for judging the current situation, for several reasons. Apart from the general methodological critique of their validity exposed earlier these include the following:

- Firstly, the 2011 figure for central government employment does not reflect the drastic centralization wave, as a result of which, for example, the newly created central agency in charge of schooling (and having taken over the employment of school teachers from local governments) became one of Europe's largest employers employing around 130 thousand staff. In addition to, and apart from this, roughly half of the staff employed by local self-governments were taken over by the newly created district offices.
- Secondly, more generally, the data are quite outdated and do not reflect other possible drastic reform measures that have happened since 2010 either.
- Finally, the lack of intertemporal comparative data does not allow for making meaningful assessments of long term trends.

HUNGARY	2015
(1) General government employment*	873.000 ¹
thereby share of central government (%)	n.a.
thereby share of state/regional government (%)	n.a.
thereby share of local government (%)	n.a.
(2) Public employment in social security functions	n.a.
(3) Public employment in the army	37.000 ²

¹ Source: Central Statistical Office, National Statistics Data Collection Programme, http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli006.html

² Including civilian employees. Source: Budgetary appropriation <http://www.parlament.hu/irom40/04730/adatok/fejezetek/13.pdf>

(4) Public employment in police	36.000 ³
(5) Public employment in employment services	n.a.
(6) Public employment in schools	193.000 ⁴
(7) Public employment in universities	33.000 ⁵
(8) Public employment in hospitals	317.000 ⁶
(9) Public employment in core public administration	115.000*
(10) Core public administration employment in % of general government employment (10)/(1)	13,2%

Sources: National statistics

*According to the OECD, general government employment excludes public corporations.

* This figure is not calculated based on the numbers above but calculated on the basis of CSO data: http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli006.html

2. SCOPE AND STRUCTURE OF GOVERNMENT

2.1 State system and multi-level governance

Hungary is a unitary parliamentary republic. The Hungarian legal system is based on the Germanic (*Rechtsstaat*) tradition. The main sources of law are the EU law, the constitution, acts of parliament, Cabinet and ministerial decrees, and – with a scope restricted to the local area – local government councils' decrees. The justice system is comprised of the following courts: The supreme court (*Kúria*), the regional courts of appeal (*Ítéltábla*), the regional courts (operating in each of the 19 counties and in the capital), the district courts (operating in 111 towns) and the administrative and labour courts (operating in each county and in the capital). Although the new Hungarian constitution (*Alaptörvény*) – adopted in 2011, notably, without a popular referendum – stipulates the existence of a system of checks and balances the *de facto* power of such institutions were significantly constrained in comparison with the *status quo ante*.

In Hungary different elements of democracy types (Kuhlmann-Wollmann 2014) interact simultaneously, constituting a hybrid model exhibiting elements of both competitive and consensus democracy. Since the late 1990s there has been a clear move towards a presidential system (“presidentialization”; Körösiényi 2001; see also Körösiényi 2003, Sárközy 2003), the process having significantly accelerated in the recent years. The most important elements of this process were as follows:

- The role of the Prime Minister within the Cabinet strengthened; the structural features of the government changed so as to strengthen the position of the Prime Minister Office (PMO).

³http://www.parlament.hu/documents/10181/595001/Infojegyzet_2016_50_rendvedelmi_szervek_3.pdf/cbccc439-1671-4df0-b75c-58f960ec39ed Note that this category does not equal all armed internal security forces as the latter one is significantly broader, in overall employing 59 thousand servicemen

⁴ All education, except higher education. Source: CSO, [http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli006.html

⁵https://www.oktatas.hu/felsooktatas/felsooktatasi_statisztikak/!DARI_FelsooktStat/oh.php?id=fir_int_stat&fir_stat_ev=2016 ; Source: Educational Authority

⁶ Includes social care. Source: CSO; http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli006.html

- The role of neo-corporatist structures (trade unions, consultative bodies) weakened and the role of the government strengthened; the room for manoeuvre for economic policy increased.
- The Cabinet and the executive branch strengthened vis-a-vis the legislative branch.
- The importance of Cabinet meetings decreased.
- The organizational and economic *Hintergrund* for the governing party of the day gained increasing – possibly overwhelming – strength.
- Parliamentary fractions are politically controlled with increasing stringency.

According to many observers (Sárközy 2012) this definite strive to centralize and extend political control and, in particular, the dominance of the Prime Minister can be seen as a reaction to the structures and modes of operation characterizing the preceding. But one should take into account the limitation of government by other institutions – those that enhance the consensual nature of Hungarian democracy. There is the Constitutional Court with the primary function of ensuring and controlling the constitutionality of legal measures. Another actor relevant for controlling the government's fiscal policy is the State Audit Office of Hungary. The institution of ombudsman protects the fundamental rights.

These 'checks and balances' institutions significantly weakened from 2010 onwards through formal as well as informal mechanisms. One example for this is the successive weakening of the Constitutional Court's powers in response to the Court's unfavourable decisions regarding specific government measures. Amending the competence of Constitutional Court requires two-thirds majority in parliament which was provided for the government after 2010.

Major changes on the composition of the Constitutional Court were made in three different ways:

- Previously, according to the rules of appointment, the governing majority could appoint constitutional judges only together with the opposition. However, this rule was amended in 2010 to allow the majority to appoint new members on its own.
- In 2011, the number of judges on the court was increased from 11 to 15 (the newly appointed judges had clear-cut or informal latent bounds to the Governing party they tend to vote in support of the government and ruling cases in favor of the government's interests.)
- In 2012 and 2013, the term of the Judges of Constitutional Court Constitutional Judges was increased from 9 to 12 years, followed by the elimination of the age limit (70 years). That enables long-term stabilization and cementing of the (pro-government) status quo.

As a consequence of all this, 11 of the 15 judges were elected by the Fidesz-KDNP (Christian Democratic People's Party) governing majority without any negotiations with the opposition parties.

In addition there was also a direct restriction limiting the jurisdiction of the Constitutional Court launched in 2011. The Hungarian Parliament passed a bill that eliminates the court's ability to examine the state budget and taxation matters including the recent "crisis taxes" (sectoral taxes) imposed on banks, energy companies, foreign retail and telecommunication firms. The restriction was introduced after the Constitutional Court annulled government's decision on introducing a 98% special tax on public severance payments made by the preceding government.

The new legislation modified significantly the room of manoeuvre of the Constitutional Court. In particular, Court action against governmental / legislative decisions was restricted:

- The institution of *actio popularis* jurisdiction and a German-style constitutional complaint was seriously restricted;
- The scope of *ex post* constitutional control by Constitutional Court was significantly reduced as such a procedure can be initiated only by the Government, the ombudsman or 25% of the MPs.

Another major change in checks and balances is narrowing and weakening the power of the Ombudsmen (for more details see chapter "Transparency and accountability"). Instead of four ombudsmen the new constitution stipulated only one; the tasks of the other ombudsmen were transferred to newly established central independent agencies (the real independence of which however questionable; cf. Csink 2014).

A pivotal "consensus element" of the Hungarian state system is the high proportion and great relevance of laws requiring qualified (two-thirds) majority. This element enhanced, throughout the post-transition decades the likelihood and the necessity of seeking consensus with the opposition – even in years with a 2/3 majority coalition (1994-1998).

However since 2010 the tensions arising from the interplay between these two different modes/types of democratic operation have increased. There seems to be an increasing effort from the government to cut back the power of actors supporting the consensual nature of democratic operation.

The Hungarian government structure comprises three levels (or tiers): the central, the territorial (county) and the local level.

The central government subsystem is divided into ministries - the number of which ranged between 8 and 18 between 1990 and 2017; currently numbering eight – and a number of agencies, i.e. public organizations with nation-wide competence and supervised by a ministry or the Cabinet. Many of these agencies have field offices on county or even lower (local) administrative levels employing a significant share of civil servants.

At the territorial level an overall structural reform was initiated in 2011. This structural reform consists in the establishment of County Government Offices in every county. This newly created office – tightly controlled, both politically and administratively, from the governmental centre – absorbed the territorial branches of central agencies that had operated separately (services merged into the new entities include health and social insurance services, unemployment services, welfare services, property register offices, documentary office, epidemiology and public health services, environmental protection, trade authority). Besides this new organizational structure there are elected county level self-governments – comprising the higher tier of the two-tier local government system – operating with a very narrow scope of tasks and competences on the NUTS3 level (in the 19 counties and the capital city Budapest). They have mainly coordination role on inter-municipal issues (e.g. the coordination of regional development).

At the lower tier of territorial governance one finds two kinds of organizations. Firstly, the local government system consists of 3200 municipalities governed by elected councils and administered by local government offices, the latter managed by a locally and directly elected mayor and a chief administrative officer employed by the local council. Local governments are responsible for a variety of compulsory and "elective" public service provision tasks, including child care, health, and local physical infrastructure services. In addition – until 2013 – local chief administrative officers exercised a broad variety of administrative tasks delegated to them by the central government. The municipalities are responsible for delivering public services in different manners based on their economic capacities and the number of local inhabitants.

Although the county self-governments and local governments have constitutional autonomy, they are still required to comply with the – increasingly stringent and restrictive – laws on their scope of authorities and responsibilities and the mode of service delivery. The second kind of administrative organizations at the local level are District Administrative Offices created in the newly established 168 (LAU-1 level) districts (“járás”) in 2013. District Administrative Offices took over most of the centrally defined administrative tasks previously delegated to the chief administrative officers of local government offices.

In terms of the distribution of tasks between the central and the local levels the system created in 1990 is a fused (or administratively integrated) model, in which offices of elected self-governments fulfil central (national) as well as local administrative tasks. However in 2013 this fused nature was overwhelmingly eliminated: the above-mentioned District Administrative Offices took over national / central level administrative tasks from local self-government offices and their CEOs. The post-2013 reforms significantly decreased the task portfolio of local self-governments (the largest cut being schools and central administrative tasks delegated to the local state offices under the central government supervision). However this severe cutback of the tasks and related organizational capacities should be viewed in the context of the preceding two decades' constantly increasing tension between broad task portfolios on the one hand, and insufficient funding (low degree of local fiscal autonomy and low share of own taxes).

In terms of the structure and viability of local government the Hungarian local government system is of the Southern European type with small units and fragmentation (one local government for each settlement principle). Albeit the government put in place strong financial incentives promoting collaboration between local self-government units, such collaboration was and to some extent still is mostly voluntary (except the failed attempt in 2005 to introduce compulsory local collaboration schemes / *kistérségi társulások*). Notwithstanding this long-term pattern the newly adopted local governmental framework forces local self-governments below 2000 inhabitants to operate joint offices; in contrast to earlier similar efforts this time the overwhelming power imbalance favouring central over local government ensured that the measure was fully implemented. In terms of its political profile and the structure of local democracy the Hungarian system was and continues to be characterized by a strong mayor position and a dualist model (that is, both the local council and the mayor can have their own legal competences). Since 2014 the previously strong central-local interweaving was abolished since mayors can no longer serve as Members of Parliament. As a result – and given the lack of a second chamber in the national parliament – the local level lost its capacity to exert a direct influence on national politics.

Gov. level:	Sectors	Legislation	Regulation	Funding	Provision
Central government	Defence	Parliament	Minister of defence	Minister of defence	Minister of defence
	External affairs	Parliament	Foreign Minister	Foreign Minister	National Trading House The Hungarian Investment Promotion Agency , consulates
	Internal affairs (incl. police)	Parliament	Interior Minister	Interior Minister	<ul style="list-style-type: none"> • 1. Police • 2. Counter Terrorism Centre • 3. National Protective Service • 4. National Security Service
	Justice	Parliament	Minister of Justice	Separate budget section in the budget law	The court system (see subsection 2.1)
	finance/tax, economic affairs,	Parliament	Minister for National Economy	Minister for National Economy	A set of agencies such as the National Tax and Customs Administration, Hungarian Office for Energy, Hungarian Mining Agency
	environmental protection, public utilities	Parliament	Environmental issues: Minister for Agriculture and Minister for National Development Public Utilities: Hungarian Energy and Public Utility Regulatory Agency (<i>Magyar Energetikai és Közműszabályozási Hivatal</i>) under the Ministry of National Development.	The same ministries	The Hungarian government established a state – owned company - First National Utility Services Ltd.- by taking over the biggest utility service companies (gas and electricity). The National Environmental Protection Inspectorate (<i>Országos Környezetvédelmi és Természetvédelmi</i>

			The General Directorate of Water Management: water supply, flood defence		<i>Főfelügyelőség</i>) was recently abolished
	education	Parliament	Education Authority (<i>Oktatási Hivatal</i>), Minister for Human Capacity	Ministry of Human Capacities	vocational schools (operated by the Ministry of Economy)
	science and research (incl. universities),	Parliament	Minister for Human Capacities	Ministry of Human Capacities	Public and private universities and research institutions
	social welfare, health	Parliament	Minister for Human Capacities	Minister for Human Capacities	Health care and social care organizations of national scope (National Institute for Oncology, National Institute for Physical Rehabilitation etc.)
State/regional government	Internal affairs (incl. police)				County Police Offices in the 19 counties and in the capital under a central control of national police HQ. County committees of disaster recovery; county branches of National Directorate of Disaster Management
	Justice (incl. courts and prisons)				There are 20 regional courts in Hungary in the 19 country of Hungary and in Budapest. Beside them there are 20 administrative and labour courts located in the seat of regional courts.
	Education			Klebelsberg Centre (KK) was established in 2013 with the aim of replacing local government responsibility to operate and control schools.	Primary and secondary schools (operated by KK's middle tier branches)

				The middle-tier units of KK (<i>tankerületi központok</i>) cover areas smaller than counties; there are approximately 60 of them.	
	social welfare, health			Health care providers are funded through the county offices of the National Insurance Fund (<i>OEP</i>)	Secondary health care providers
	environmental protection, public utilities				Environment- and Nature Protection Department of County Government Office; territorial branches of the General Directorate of Water Management
Local government	Justice				There are 111 district courts in Hungary located in major cities. The district courts proceed only in first instance
	Defence			Ministry of the Interior	Municipal Disaster Recovery program coordinated by the mayors when natural disaster or attack hit the municipality.
	Internal affairs (incl. police)	Local decrees for protecting public safety and public order		Local governmental budget	Municipal / local police forces with very limited jurisdictions (<i>Közterületfelügyelet, Mezőőrség, Vadőrség, Halőrség</i>)
	finance/tax, economic affairs	Municipal council: Local taxes can be levied on industries,		Local governmental budget	Mayor's office conducts the tax administration at the local level.

		enterprises and properties by the local government in decree			
	environmental protection, public utilities	The local waste management and the local public utility services regulated by the local government	Should be grey here?	Services funded by municipalities in exchange for the taxes and user fees which residents pay.	Municipalities provide public utility services for their residents usually by municipal corporation. These services include solid waste collection disposal, recycling, water supply, district heating, public transport.
	social welfare, health	Rule-making competence of the local councils were recently significantly eliminated		Health care: funded by the National Health Insurance Fund, Social care: funded by the Ministry of Human Capacities	The provision of basic local social and basic health services (GPs) is the responsibility of the local government by the municipal law.

State structure (federal - unitary) (coordinated - fragmented)	Executive government (consensus - intermediate majoritarian)	Minister-mandarin relations (separate - shared) (politicized - depoliticized)	Implementation (centralized - decentralized)
Unitary state Policy formulation is mostly happening at the central level, the policy autonomy of lower tiers of government is little and is strongly coordinated / oriented / constrained by central government	The core executive government (Cabinet) is dominated by the Prime Minister who has overwhelming control over the Cabinet as well as the parliamentary fraction of the governing party formation.	Formally separate (both in terms of career paths and legal status), but in practice fundamentally politicized mandarin positions	Most of the implementation capacities (institutional and financial) are controlled by the central government. Implementation at lower tiers of government is strongly oriented / constrained by the central government too.

2.2 Structure of executive government (central government level)

The central government level consists of two different types of organizations: the ministries and executive agencies. The current landscape of the central government system and the structure of these types of organizations is the result of broad-scope transformations having taken place between 2010 and 2017. Structural changes can be clustered into two major groups.

- The first cluster of structural reforms aimed at improving the coordination between, and control over, the key governmental players and policy sectors. Measures included standardizing the inner structure and operation of ministries, re-introducing the policy coordination arrangement of Permanent State Secretaries and the Committee comprised of them, and delegating more power to the Prime Minister and Prime Minister Office.
- The second cluster of structural changes focused on the reduction of the number of organizations. This, predominantly on the agency level, happened through mergers or delegate tasks and responsibilities to the upper (ministerial) level or lower (county state administration) level.

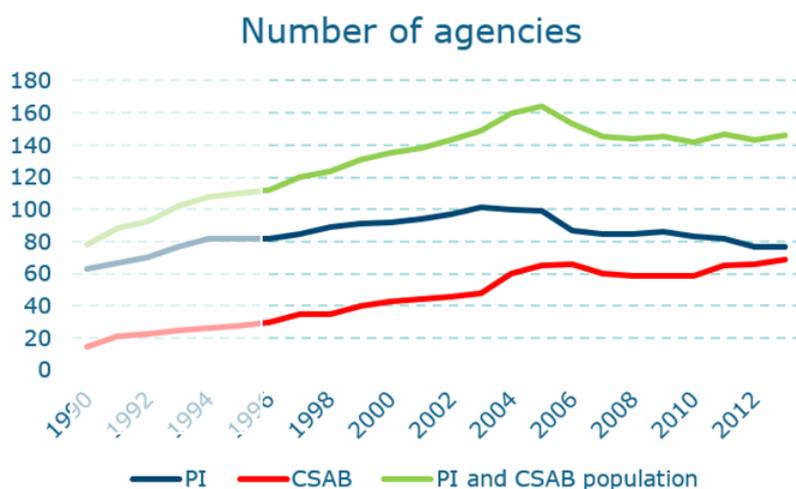
2.2.1 Ministerial machinery

The ministerial structure resulting from the above post-2010 reforms currently consists of 8 ministries with sector specific tasks, the Prime Minister's Office (PMO) and the Cabinet Office of the Prime Minister (*Miniszterelnöki Kabinetiroda*). This latter entity came into existence as a result of an amendment on ministerial structure initiated in 2015. The Cabinet Office of the Prime Minister became separated from the PMO and started to operate as tenth ministry of the third Orbán government. The Cabinet Office assists the Prime Minister in his work, is responsible for the political coordination within government and for government communication, and oversees the so-called national consultations (government-administered quasi opinion polls aimed at demonstrating popular support for government policy). Although the Cabinet Office is, technically, one of the ministries employing civil servants its strong political position (vis-a-vis other entities within the central government) is reflected by the fact that it is led by a political figurehead of the governing party, the former head of the Fidesz parliamentary fraction.

2.2.2 Agency structure

The number of central state agencies in Hungary has grown significantly over the post-transition decades (Hajnal 2011, Hajnal and Vida 2017). The agency population had developed – one could possibly say mushroomed in an ad hoc way- until 2006, and had given rise to sub-optimal governance structures in some sectors. The central executive had little leverage to enforce its will over the diverse set of sectorial and ministerial interests and to harmonize the diverse intentions emerging out of this organizational field. To address this problem, after the first wave of similar but less ambitious reforms in 2006-2007, the 2011 Government Reform Plan set out the agenda to Red Tape Reduction (*Bürokráciacsökkentés*). In a next wave of reforms in 2016 the government announced the rationalization of the central government bodies. The aim was to significantly reduce the number of public organizations (mostly central agencies) by abolishing or merging them into the ministries or by delegating their tasks to the lower, county level tier of governance. As of the time of writing the government is considering terminating some 72-73 agencies amounting to a definite majority of the agency population. From 1 January 2017, in the first implementation phase of the agency reform 25 central agencies were terminated.

Table: Long-term trends of the Hungarian agency population⁷



Source: Hajnal – Vida 2017.

From 2010 on, with the inauguration of the second Orbán Cabinet a strong quest to enhance the central control and coordination over administrative apparatuses emerged. Therefore, a broad and overwhelming state reform was initiated. The continuing and very intensive strive to maximize top-down control over the politico-administrative sphere in the broad sense (and even in the wider societal realms such as the economy and culture) involved and continues to involve, at the time of writing, a range of elements partly extending even beyond the executive branch such as the fundamental re-design of the national and local governmental election system, and basic institutions such as the court system or the constitutional court [for more details see Hajnal et al

⁷ The figures should be regarded as estimations based on best available data. PI: Public Institutions are more or less equivalent with the „Type III” agencies of the van Thiel – Oliver (2011) typology; CSAB / Central State Administrative Bodies correspond to „Type II” of the same typology). In the early phase of the post transition period data are very unreliable; this is indicated by the dimmed segment of the figure. The overall population size of agencies might be different, depending on the exact operationalization of the concept.

2013; Dobos –Soós 2013; Hajnal – Kovács 2014, 2013]. From 2012 the most remarkable coordination role within the central government machinery is exerted by the PMO. The PMO has been rapidly growing since then; not only the organization but the task portfolio expanded significantly too so as to include the most salient political and economic issues such as controlling of the distribution of EU funds or the overall responsibility for public administration development and reform. Most of the governmental efforts at improving coordination centred on the PMO and the state secretaries' committee. Coordination was hoped to be improved by shifting power distribution towards the central government (the PM and his political executive apparatus) away from the ministries and "their" sectors.

In the resulting system the key coordination instruments operated by the PMO are the following:

- Organizing and coordinating the operation of the Committee of Permanent State Secretaries (CPSS). PSS's were, from 1990 onwards, the highest ranking administrative officials in ministries. The CPSS met once a week and discussed all and any items on the agenda of the next Cabinet Meeting and thereby served as the key arena of administrative consultation with the core of the government.
- Controlling the agenda of Cabinet meetings;
- Coordinating and monitoring the implementation of government decisions

Soon after its 2010 inauguration the new government announced its reform ambition and government program in different strategic documents:

- The New Széchenyi Plan (*Új Széchenyi Terv*) launched on 14 January 2011 covers the economic development programme of the Hungarian government and responds to the social and economic challenges. This document served as the National Strategic Reference Framework Document. Through the coordination of the – mainly e-government and digitization related - EU funded development projects, it is the PMO again, which dominates the ground.
- The Magyar Program (*Magyar Terv*) was the basic document for public administration reform. The former Ministry of Public Administration and Justice (MPAJ) (from 2014 one of its successor organizations, the PMO) was responsible for designing, implementing and monitoring of the reform program formulated in this strategic document. The Magyar Program addresses four specific reform areas within public administration that need to be developed: (i) structural reform within the core government, (ii) structural reform and redesign of the division of tasks within public administration (both on different government levels and on organizational levels), (iii) reforming the administrative rules of procedure and (iv) the developing and training of human resources in public administration. Remarkable transformations were initiated in these areas. These included the reorganization of middle-tier of the administrative system, the agency structure reform, an extensive revision and modification of the rules of administrative procedure including cutting red tape and reducing administrative fees, and a new institutional and procedural framework for the training and further training of civil servants.
- The Széll Kálmán Plan (*SKP – Széll Kálmán Terv*) contained an overarching set of top priority austerity measures taken by the government in order to decrease budget deficit and thus improve the fiscal balance of Hungary's public budget.

In addition, the yearly National Reform Programmes of Hungary contain certain elements related to public administration reform too.

Currently, the key responsibilities over administrative reforms are vested in the Prime Minister's Office. Unlike however the former period of 2010-14 no explicit strategic document has been adopted for setting the guidelines. A quite remarkable element of public administration reforms is that, on the one hand, no policy document or similar blueprint whatsoever exist in relation to public administration reforms; on the other hand the public administration reform agenda is practically solely dominated by PMO Minister Lázár, who from time to time announces some – frequently drastic and unprecedented – measures. A key example for this is the announcement in which he informed the public about the government's plan to abolish executive agencies. In addition to the formal ministerial coordination, a consultative body consisting of 5 ministers and some additional administrative scholars (State Reform Committee, *Államreform Bizottság*) was set up to support the administrative reform programme of the Government.

3. KEY FEATURES OF THE CIVIL SERVICE SYSTEM

3.1 Status and categories of public employees

In the broadest sense of the term the public employment in Hungary is the sum of two clusters of employees:

- Those employed in the public service; in other words those employed by public budget organizations. This includes employees of the legislative branch (elected members of local councils and the national parliament as well as mayors) as well as those employed by the judiciary. In addition, it includes organizations of the executive branch such as members of the armed forces, the so-called public servants employed in organizations providing (typically) human public services such as schools and hospitals, and civil servants – i.e., employees of the civilian public administration.⁸
- Those employed by government owned enterprises (including central and local government owned, and directly as well as indirectly – through holding type structures – owned enterprises).

Another way to define the scope of public employment is to focus on legal employment statuses of (groups of) employees rather than on the type of the employing organization. According to this typology within the executive branch there are separate legal statuses for employees of the army, for those of the armed and security forces, for attorneys, for public servants, for members of the Cabinet (including state secretaries), and for civil servants. For employees of government owned enterprises the general labour code is applied.

Civil servants (*közszolgálati tisztviselő*) are officials executing or directing statutory functions in public administration organizations. Currently there are three clusters of civil servants:

- a) government officials (*kormánytisztviselő*) work in centrally subordinated public administration organizations (i.e., those supervised by the government),
- b) state officials (*állami tisztviselő*) are employed in the territorial offices of the above mentioned centrally subordinated public administration organizations, and

⁸ Public service organisations can and, to a limited extent, do employ staff under employment regime different from their own, standard one (for example, civil service organizations may employ a limited number of staff under general labour code).

- c) 'public officials' (*köztisztviselő*⁹) work in public administration organizations supervised by entities other than the government such as the so-called autonomous public administration organizations (regulatory bodies etc.) and local self-governments' offices.

With regards to the basic character of the civil service system (the term, unless otherwise indicated, hereinafter used to refer to all three of the above subgroups) is somewhat ambiguous. On the one hand there are – frequently somewhat symbolic – elements of a career type framework present in the system, such as the strict legal separation between general (labour) and civil service employment, the principle of seniority (fixed promotion scheme) and unilateral appointment, fixed remuneration, stricter rules (in comparison with general labour code rules) on conflict of interests. However these are rhetorical and symbolic rather than well-elaborated and practically significant elements of the regulatory framework. On the other hand, however, the features pointing towards a more open, position based civil service are much more characteristic and have more practical significance. These include the lack of compulsory competitive recruitment and promotion processes, the (almost complete) lack of protection against arbitrary dismissal, and the complete lack of protection against terminating managerial appointments, the increasing share of posts with unique salary arrangements, and so on. Horizontal mobility between the public and the private sectors – predominantly from the latter to the former – is principally supported by the official HRM policy but the practical presence of such mobility is uncertain as there are no data on this.

An important trend in the remuneration policy is indicated by the recent, 2016 change (Law LII/2016) whereby the salary increase of officials working in the territorial offices of central administration was implemented not through a general increase of the base component of the salary table but by the introduction a new employment status within the broad category of civil servants: 'state officials' (*állami tisztviselők*). This category enjoys a more flexible remuneration regime than the (pre-existing) category of government officials. This trend can be foreseen to continue – stipulated by the Law - in 2017 and 2018 to reach most or all of civil servant working in the central administration¹⁰.

3.2 Civil service regulation at central government level

Hungary in 1992 was the first among the post-communist countries to create an overarching legal framework establishing career type civil service. This civil service system formally included all major components / subsystem of a career type arrangement, including competitive hiring, principles of professionalism and seniority, fixed remuneration, strong protection against arbitrary dismissal, and a strict separation of political and administrative elements. However these elements were, even at the outset, deficient to some extent so that in practice they created, especially in the higher managerial layers of central administration, opportunity for politicization and spoils type developments, and there had always been room for managers to 'individualise' selection and remuneration schemes. One key element illustrating the politicized nature of the civil service is the fact that the appointment to, and discharge from, managerial positions in all administrative branches has since 1990 always been subject to the

⁹ Actually, literally translated, this is 'civil servant' but in order to lessen the terminological confusion to be found in Hungarian legislation we avoid using this term. It is worth mentioning that the terminological chaos significantly increased over the recent period; for example the term 'public service' (*közszolgálat*) is used, even in different legal measures, in broadly varying senses (e.g. referring to both the entirety of employees of public budget organizations and to civil servants in a much narrower sense).

¹⁰ See the official justification attached to the Law LI/2016

superior's discretionary decision. This system retained its fundamental character until 2010 (when it was eradicated), however the significance and scope of these non-career type components kept on slightly increasing over time.

The first element of the sweeping transformation of the field in 2010 was the regulation on civil service in the central government. Law LVIII/2010 and its subsequent modifications greatly changed the employment conditions of civil servants. These changes were so extensive in relation to labour protection that employers could, according to the first version of the new law, dismiss civil servants practically without any justification. That is, the extended labour protection of civil servants which had characterized the previous twenty years of Hungarian civil-service regulations practically ceased. Although this provision was later invalidated by the Constitutional Court, it remained in effect long enough to enable political executives to make profound personnel changes in the civil service to a legally unlimited extent. The subsequent new regulation (Law CXCIX/2011) continues to assess loyalty – a rather vague and very broad obligation – as a requirement for employment for every civil servant, the lack of which constitutes legal grounds for dismissal from civil service. In addition, the – legally undefined – condition of a civil servant's "non-conformance with the supervisor's value standards" became a ground, on which (s)he can be dismissed, without further justification.

This civil service legislation placed recruitment and hiring under strict vertical (administrative and political) control. Recruitment of heads of units/departments is strictly regulated by the core ministry (the PMO or its equivalent). This is considered a right of veto, enabling its holder to enforce political considerations over administrative/technical ones. This vertical coordination measure has been unknown in governmental practice earlier (Müller 2011, 135).

Control and surveillance instruments were broadened and strengthened to a (possibly by international standards) unprecedented degree. For example, active anti-corruption measures (such as approaching officials with fabricated bribe attempts made by undercover agents) were institutionalized in the police and tax services.

As already indicated in the previous sub-section the new regulatory framework having emerged since 2010 transformed the scope and the basic categories of civil service / civil servants too, leading to a somewhat chaotic proliferation of ever-newer, frequently illogical terms and legal typologies denoting different, newly created legal categories. The – previously uniform and overarching – category of 'civil servants' (*köztisztviselők*) was first split into two categories ('government officials' / *kormánytisztviselők* and 'public officials' / *köztisztviselők*). More recently (in 2016) the category of 'government officials' got split into two by creating a new and constantly expanding category of 'state officials' (*állami tisztviselő*).

Currently, the largest employment category within the realm of public budget organizations is public servants (*közalkalmazott*) amounting to 57,5% of the overall staff, while the second largest is civil servants (*közszolgálati tisztviselők*) working in local and central organizations of civilian public administration, amounting to 14% of the staff.

Yet another significant element of post-2010 civil service policy both on the level of rhetoric and that of actual decisions is increasing the integration of, and horizontal mobility between the so-called 'public service careers' (*közszolgálati életpályák*). The term refers to the three large branches of government employees directly exerting state power: civilian administrators, the military, and the police and security forces. This objective constantly keeps on re-appearing in top level policy communications. However, beyond the – indeed very significant – creation of the new, giant governmental university monopoly (National University of Public Service established in 2011; see Hajnal 2016 for more details) integrating the previously separate public administration, military and police academies and the parallel abolishment of classic public

administration education in all other Hungarian universities – this effort has not led to practical effects so far, and is unlikely to do so in the future either.

An evidence based, quantitative analysis of developments within the Hungarian civil service is significantly encumbered by the fact that since 2006 the overarching civil service registry, having been in operation since the mid-1990s, has ceased to operate, and therefore there are no consistent time series data available. Observing this difficulty the following, overarching claims on the post-2010 developments of the civil service seem to be justified:

- The constantly high rate of organizational and legal changes as well as the frequently (re)appearing elements of official rhetoric indicating an intention to strengthen political control and politicization. The loyalty and commitment of civil servants keeps on eroding and the resulting turnover rate is high. (Because of the absence of a single civil service HR database there are no official data available. Actual figures may vary according to the levels of government; some experts estimate that more than 25% of staff has been replaced recently.)
- The fundamental restructuring of territorial (deconcentrated) administration and the creation of the system of Government Offices abolished numerous managerial positions and layers and resulted in the elimination of advantages attached to them. Despite subsequent steps to ameliorate this problem (most of all by introducing the more flexible pay scheme attached to the newly introduced state official status) this further increased fluctuation.

3.3 Key characteristics of the central government HR System

Since 2016 the responsibilities for the formulation of the central governmental HR policy between the Ministry of Interior and the PMO has been shared rather vaguely. Viewed from the aspect of formal distribution of competences these two actors have significantly overlapping tasks in terms of civil service systems design and operation.

The former central agency in charge of HRM in civil service (Office of Public Administration and Justice; KIH) was terminated and its responsibilities were transferred to the Ministry of Interior (MoI). However these newly acquired roles were not fully functioning for various reasons. These included organizational inertia and the difficulty of adapting to new requirements, high turnover caused by sudden changes and the resulting lack of seasoned administrators, and the ending of EU-funded public administration development projects (such as task based competence mapping, performance assessment) which in part actually served not only purposes of development but also those of continuous operation. More recently, the actual capacity of the MoI to coordinate HRM is developing but a real, government-wide HRM policy is still not in operation.

According to the legislation and under the policy directions of the MoI and PMO, subordinated organisations enjoy a certain degree of flexibility in HRM, in particular in the selection of new staff (there is no central public body for recruitment and no obligatory scheme for selection). Moreover they enjoy some freedom in deciding about a significant share of training activities. However, the HRM units of ministries increasingly take over HRM tasks from the internal HRM units of subordinated agencies. This fits into a more general tendency of “de-agencification” (that is, merging previously autonomous agencies back into their parent ministry): the take-over of HRM function happens as part of „insourcing” support and horizontal functions from those agencies that (still) exist to their parent ministry.

The possibly sole success story of centralizing tendencies in civil service HRM – not necessarily in terms its outcomes but at least in terms of process – is the creation of the National University of Public Service (NUPS). NUPS, in addition to being the legally monopolized provider of classical PA degree programs, is the central provider of training

programmes for civil service and operates as the centralised management system of the civil service training system.

The NUPS is responsible for the regular compulsory training of all civil servants, providing hundreds of courses, mostly via e-learning platforms. Each civil servant is obliged to earn 120 credits according to his/her individual development plan for a 4-year term, which equals to cca. 2-3 courses per year. Besides, to a limited extent employers can enroll civil servants in training programmes of their own choice.

Currently, the Hungarian civil service recruitment system is more position based than it is typically the case in OECD countries. Entry into the civil service is gained through direct application and interview for a specific post, whereby the process is launched and implemented by the employer organization. There is no requirement for openings to be published, but all posts might be open to external applicants (specific, though optional / voluntary website for advertising vacant job positions). In practice, those sectors that are short of labour (e.g. education, health) publish their job vacancies.

Employment in the two main clusters of civil servants (clerical and administrative) is tied to secondary and higher education diploma, respectively. The most important general-scope compulsory in-service training measure is the Specialized Public Administration Examination (*közigazgatási szakvizsga*), which is to be taken by all public service officials within three years from his/her entry to the civil service (without passing the exam the employee cannot be promoted to the higher class of the employment scheme). Graduates of certain higher education programs (such as MLAs or MAs in Public Administration) are exempted though. Assessment is used for almost all employees and takes the form of a meeting with the immediate supervisor.

Senior civil servants (SCSs) are not defined legally or institutionally as a separate cluster. Correspondingly, there are neither centrally defined skills profiles for senior management nor policies to identify potential senior managers early in their careers. Currently, there is no targeted SCS training scheme either. There is, however, more emphasis on managing their performance and avoiding conflicts of interest.

As already argued earlier the role of social dialogue and trade unions has since 2010 generally diminished, in many areas to a level close to zero. In the public service social dialogue takes place at the National Interest Reconciliation Council of the Public Service (*Országos Közszolgálati Érdekegyeztető Tanács*) where public employees – civil servants, public servants and members of the armed and security forces – are represented. Issues subject to social dialogue include working conditions and monetary and fringe benefits of employees and human resource management practices. It is organised on two levels.

On the national level the National Interest Reconciliation Council of the Public Service provides the key forum for bipartite negotiations on issues such as salary levels and the organisation of the work. The state is represented by senior civil servants of the various Ministries concerned while the employee side of the Council is populated by representatives of delegates of major public service unions. In addition, still on a national level, there is a Public Service Interest Reconciliation Forum (*Közszolgálati Érdekegyeztető Fórum*). This extends to issues related to civil servants only and it includes representatives of civil service trade unions, the central government, and the local governmental sector.

At ministry level, sector-based agreements are concluded between the government and trade unions (note that 25-40% of public employees are members of a trade union). They have the right to strike, according to CSO statistics, between 2011 and 2015 1-3 strikes took place yearly involving only a few thousands of employees (compared to 2006 and 2007 with 16 strikes of 26.000 employees and 13 strikes with 64.000 employees, respectively). Some explain the decrease with the restriction of striking rules' legislation.

In parallel with the above, traditional structures of interest reconciliation, an entirely new, state-led corporatist structure was created too. The Hungarian Government Officials' Corps (*Kormánytisztviselői Kar*) was created in 2011. It is based on compulsory membership of the government officials (working in the central public administration; see the above typology). Although it has a declared role in interest representation its role is – like that of the other, above-mentioned bodies – basically restricted to communicating governmental decisions towards those affected by them rather than genuine negotiation and interest representation. An important indicator of the (lack of) effectiveness of social dialogue is that the public service salary base has been, for the past 10 year, stagnating.

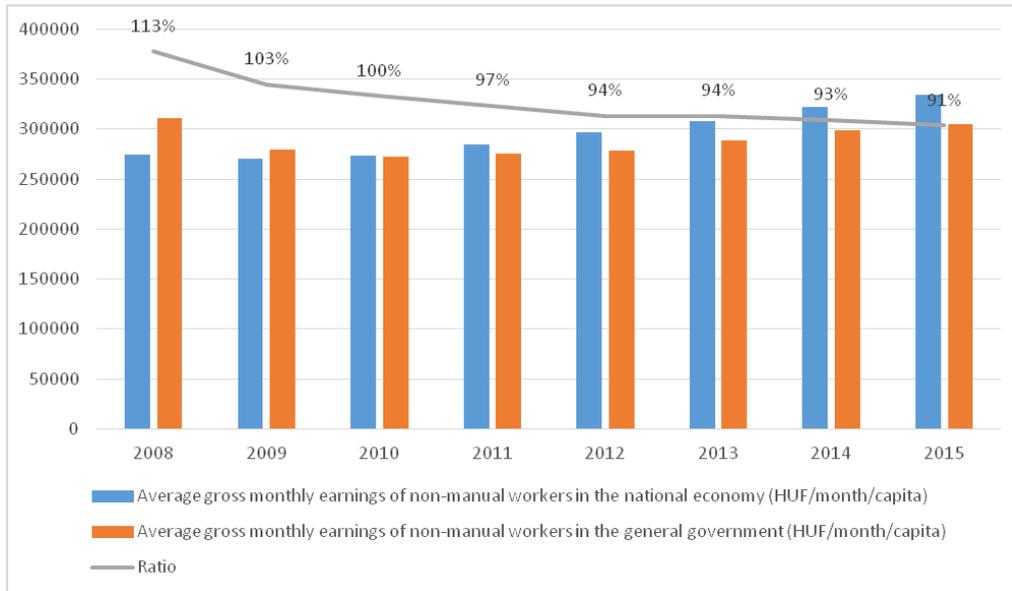
With regards to patterns and trends of politicization and political patronage – as already noted – both the formal-legal instruments and the actual (partly informal) practices point towards a steep strengthening (note that the process started, in 2010, from a – with international standards – quite high base level). The following elements deserve attention in this regard:

- As already noted one of the first measures of the second Orbán government in 2010 was to entirely abolish civil servants' protection against arbitrary dismissal. Although the harshest measure was later annulled by the Constitutional Court the time between the two events as well as the remaining legal instruments enabling dismissal create strong instruments for political control.
- Department and Section Heads' (*osztályvezetők, főosztályvezetők*) appointment is subject to approval / veto by the state secretary of the PMO.
- County Government Offices are led by 'prefects' (*kormány megbízott*), who are – in contrast to the former decades' practices where such positions were subject to civil service regulations and competitive recruitment – are openly political appointees (former MPs and senior party figureheads). They are appointed by the Prime Minister.
- The size of elected representative bodies (the national parliament and local self-government councils) was significantly reduced (Since 2014 the number of MPs have been decreased from 386 to 199, while the local councils consist around 1/3 less councillors than the pre-2014 structures according to the Laws adopted in 2010). Former deputies, as a kind of 'compensation', frequently acquired administrative positions such as deputy state secretaries and government commissioners (*kormánybiztos*), further increasing politicization.

The prime minister is also involved in the appointment/dismissal of permanent state secretaries (highest level), who in turn contribute to the appointment/dismissal of other management levels. All permanent and deputy state secretaries, as well as many advisors and heads of department, are removed following a change in government.

According to formal regulatory framework the remuneration of civil servants is, to an overwhelming extent, based on a fixed scheme (employees' salaries, including the built-in gradual increase by seniority, are stipulated by the Law). However in practice the increasing tension between the private and the public sector – whereby the mean salary in the public sector increasingly lags behind that of the private sector – triggered efforts to loosen this rigidity. Consequently there seem to be an increasing presence of individually set salaries (for example in the form of salary supplements based on the supervisor's discretionary decision). This leads to a situation – especially in the central organization – that different civil servants in identical positions receive different salaries.

The below table show the increasing gap between public and private sector salaries; note that because of the significant extent of grey/black salaries in the private sector the real gap is presumably significantly larger than the one below, calculated on the basis of official statistics.



HR system (Career vs. position based)	Employment status (civil servant as standard; dual; employee as standard)	Differences between civil servants and public employees (high, medium, low)	Turnover (high, medium, low)
position based	civil servant as standard	medium	high

Coherence among different government levels (high, medium, low)	compensation level vs. private sector (much higher, higher, same, lower, much lower)	Formal politicization through appointments (high, medium, low)	Functional politicization (high, medium, low)
low	lower	medium to high	low

4. POLITICAL ADMINISTRATIVE SYSTEM AND POLITICAL ECONOMY

4.1 Policy-making, coordination and implementation

It should be noted at the outset that systematic and published evidence based research on the rapidly changing nature of Hungarian policy making is rare. On the basis of available evidence – usually limited and possibly biased – as well as personal judgment it seems that since 2010 the fundamental patterns of politics-business relations, societal interests’ role in the policy process and the outcomes of policies vis-a-vis those interests shifted greatly:

- The “despotic power” (Mann 1984) of the state increased immensely. Internally this was enabled/ triggered by (i) the landslide, two-thirds election victory of the governing party formation – enabling it to unilaterally modify any laws –, (ii) the fundamental lack of any organized political opposition and (iii) the minimal resilience of state institutions supposed to act as checks and balances vis-a-vis the incumbent political formation. In addition, (iv) the Orbán government made huge – and largely successful – efforts to loosen the mechanisms of control exerted by IFIs (such as the IMF and the World Bank).

- This enabled the government to instantly redesign all basic legal and institutional features of the state, eventually the constitution too, and to adjust them through consecutive modifications to the political needs of the day. The formal re-design of basic state institutions involved (but was not limited to) such measures – some of which we have already discussed in earlier sections – as the elimination of the career type features of civil service, the outright, open politicization of administrative positions in central state administration, the centralization of power over decentralized as well as deconcentrated organizational structures, the creation of a tight control regime over the judiciary, the radical elimination of the scope of authority of the Constitutional Court, the Parliamentary Ombudsmen (see for more details chapter 2) , popular referenda, and other “balancing” entities, limiting the scope of Freedom of Information legislation and civil society actors, and the radical redesign of the election system favoring the incumbent party formation (individual electoral districts are now based on one-round instead of two round election; etc.).
- These formal institutional changes were supplemented with a number of informal control mechanisms such as the increasing practice of nominating prominent party figureheads to “independent” positions, and using special legislative procedures (individual member’s bills, urgent procedures etc.) to bypass administrative, political or societal consultations with regards to significant bills and other legislative initiatives.
- Similar patterns of change can be observed in the processes and institutions of interest formation, representation and policy formation. Long-standing forums of sectoral and societal consultations – such as the National Council of Interest Reconciliation (*OÉT*), and similar tripartite structures involving trade unions and operating at various sectoral levels – were abolished or their role annulled. Likewise, in the public service bipartite agreements the autonomous chamber and sectoral trade unions practically ceased to operate. Informal consultations with / involvement of interest and advocacy groups, civil society organizations and similar entities became minimal too. Professional chambers’ roles were either eliminated or “nationalized” and put under tight personal and political control.

These and other similar, related changes in the politico-administrative realm enabled the government to radically change existing resource allocation patterns in the economy so as to favour “government friendly” business circles and groupings vis-a-vis “unpatriotic” and/or “multinational” actors (this element regularly appeared in official rhetoric too). Entire economic sectors – such as tobacco retail and then wholesale, energy, public utilities, to mention but a few – were taken over by “government-friendly” business operators or operators directly and formally controlled by the government itself. In other cases new, lucrative business sectors – such as the “residency for investment” program of the government – were established in order to funnel public funds to private hands. These processes were significantly boosted by the funnelling of EU development funds to “friendly” businesses operated or owned by, directly or indirectly, entities belonging to or controlled by the power centre. The centralization of (formal and informal) power in the politico-administrative world and the creation and strengthening of “government-friendly”, closely allied economic groupings created a positive feedback loop and continue to strengthen each other mutually.

As a result of these parallel processes the spectrum of key policy actors is extremely narrow, and the set of policies or decisions in need of some sort of (even if informal) approval or initiative by the power centre became extremely broad. The role of expertise (whether industry, academic or civil society expertise), citizen participation, and transparency and civil society oversight – already at a relatively modest level in 2010 – decreased significantly.

Distribution of powers	Coordination quality	Fragmentation
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(shared/separate)	(high, medium, low)	(high, medium, low)
Separated between central and local governments and shared between central organizations and their territorial deconcentrated bodies and the power divided between the legislative, executive, and judicial branches of government	low	low

Political economy (liberal – coordinated)	Interest intermediation (corporatist – pluralistic)	Citizen participation (strong – weak)	Policy style
difficult to tell, further research on this would be needed; may be coordinated, with a strong role of formal and informal negotiations	from a formal-legal point of view, increasingly/strongly corporatist; however real interest intermediation is weak	Citizen participation is minimal (consciously weakened by limiting FoI and civil society organizations), however the role of religious organizations is increasing	Top- down, minimal political as well as administrative consultations.

Sources of policy advice (mandarins, cabinets, external experts)	Administrative autonomy (high – medium – low)	Patronage & politicization (formal, functional (merit – patronage) (high – medium – low)	Public Service Bargains (Agency – Trustee)	Stability (high – low – no turnover after elections)
External expertise is dominant; as far as it can be judged a very narrow circle of (mostly) informal sources of policy advice dominates the fields; mandarins and cabinets have minimal role	There is a fundamental lack of administrative autonomy of (almost) any sort	The formal politicization is medium. The influence of civil servants on policy formulation is minimal; de facto politicization / patronage and political control over bureaucracy is overwhelming (the role of merit is little).	Agency	The turnover after elections (if the incumbent party changes) is very large (practically 100% at the top two levels in ministries).

4.2 Administrative tradition and culture

A surprisingly stable feature of Hungarian administrative ethos and practice is the loose and controversial relationship between policy making on the one hand, and scientific evidence, knowledge and expertise, on the other. As the speaker of the government put it recently in response to accusations that the government had not performed any ex ante analysis of one of its major policy initiatives: "It is not the task of the government

to make calculations¹¹". This is not a Freudian slip; rather it embodies a complex web of beliefs, attitudes and – mostly tacit – elements of knowledge and practice wisdom regarding the above mentioned relationship between policy making and knowledge.

Key elements of this world view include the assumption that both policy problems and their solutions are basically a matter of political choice, a question of values; and that therefore expertise or analysis of any sort is pointless in the process of formulating policies. The robustness of this world view is tightly intertwined with the centuries-old, fundamentally legalist tradition and culture of public administration embodied and reinforced not only by the existing mode of professional socialization of civil servants but also by the formal and informal rules, norms and institutions of their education, training and socialization (Hajnal and Jenei 2008; Hajnal 2016).

From our current point of view, a central feature of this tradition is its core belief that the world of government is composed of two, functionally, institutionally and culturally strictly separable and separated realms:

- a) The realm of "politics" (*a politika* or "law-making", *jogalkotás*) is the sphere in which the fundamental policy decisions – including not only the identification and interpretation of problems but the choice of means and instruments of solving them too – takes place.
- b) The realm of "the profession" (*a szakma*, or "execution of laws", *jogalkalmazás*) is the sphere in which the highly technical, detail oriented, instrumental and value free implementation of legal norms takes place.

In the legalist tradition – serving as a normative model too – these ideal types are construed as distinctly separated and different in terms of their key actors as well as these actors' skills, abilities and roles: politicians have unique insight into recognizing policy problems and their solutions, while those executing the legal norms possess the expertise necessary to implement these decisions in a professional, controlled and disciplined way. Information between the two realms flow only uni-directionally, and through the channel of legal texts.

This dense set of beliefs and values, in our view, deteriorates the quality of policy formation even in cases where they are driven not by particularistic personal, organizational interests or rent seeking groupings but by the public interest.

Administrative culture Rechtsstaat, Public Interest	Welfare state (liberal, conservative, social-democratic)	Public Sector openness (open, medium, closed)
Elements of a Rechtsstaat tradition (most of all, legalistic, red-tape obsessed and procedure oriented mind-set and standard operating procedures) are mixed with the (Communist) "tradition" of bypassing centrally set policies and norms and building "(administrative) Potemkin villages"	None of the categories seem clearly applicable (cf. Wollmann- Kulhman 2014)	medium

¹¹http://index.hu/gazdasag/ado_es_koltsegvetes/2014/12/09/kovacs_nem_a_kormany_feladata_hogy_szamitasokat_vegezzen/ (accessed 16 Nov. 2017)

Key PA Values	Managerial vs Procedural (Managerial, Mixed, Procedural)	Red Tape (regulatory density) (very high to very low)	Discretion/autonomy (high, low, medium)
	Procedural	Very high	Autonomy vis-a-vis political centre is minimal at all levels Autonomy vis-a-vis the socio-economic actors is stronger at the lower levels of administration and (possibly) weak at the higher levels of administration

The societal values add to, and corroborate, the practical effects of the above-described features of public administration. In terms of the Hofstede values two dimensions deserve attention, on which Hungary features an extreme position in European comparison. Hungary takes an extreme position on both the Individualism and the Masculinity index. In the practice of government this boils down to low levels of inter- and intra-agency cooperation and high levels of rivalry and chronically low levels of trust (between citizens, between citizens and the state, and between state organizations alike). These features are present in, and explain many dysfunctions of, post-transition Hungary's public administration. The low value of self-restraint frequently appears in (some segments of) Hungarian political and public discourse as the strong and continued presence of the mindset, attitudes and values of the late Socialism characterized by a materialist value orientation and an instinctive reliance on assistance "from above" (i.e., by the state) as opposed to self-initiative, to realize that orientation.

Hofstede national culture dimensions		
Dimension	Value	Average EU28
Power Distance	46	52
Individualism/Collectivism	80	57
Masculinity/Feminity	88	44
Uncertainty Avoidance	82	70
Long-term Orientation	58	57
Indulgence/Self-restraint	31	44

Sources: Geert Hofstede's national culture dimensions, <https://geert-hofstede.com/national-culture.html>.¹²

¹² Interpretation: power distance (high value = higher acceptance of hierarchy and unequal distribution of power); individualism (high value = stronger individualist culture); masculinity (high value = higher masculinity of society); long-term orientation (high value = stronger long-term orientation); indulgence (high value = indulgence)

5. GOVERNMENT CAPACITY AND PERFORMANCE

5.1 Transparency and accountability

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Access to government information (1-10)	6.00	23	4.00	26	-2.00	-3
	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Transparency of government (0-100)	23.43	25	27.29	26	+3.86	-1
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Voice and accountability (-2.5,+2.5)	0.90	21	0.52	25	-0.38	-4
Control of corruption (-2.5,+2.5)	0.25	21	0.10	24	-0.15	-3
TI perception of corruption (0-100)	47.00	20	51.00	22	+4.00	-2
	Value 2010	EU28 rank	Value 2014	EU28 rank	Δ Value	Δ Rank
Gallup perception of corruption (%)	93.00	27	68.00	15	-25.00	+12

Sources: Bertelsmann Stiftung, European Commission, Worldbank, Transparency International, Gallup World Poll.

Note: The ranking of the Gallup perception of corruption is based on 27 countries, and on the 2009 values for Estonia and Latvia.

The legislation underlying the accountability and transparency of government system openly and sharply changed after 2010. The government instituted a series of changes constraining the freedom of information, weakening accountability mechanisms, and eliminating most of the pre-existing checks and balances. Many of these measures stretch far beyond what one could consider public administration reform as they happened through a fundamental re-design of basic state institutions. (as we discussed above in chapter no. 2 and for more de.4.)

The 2011 constitutional changes involved a basic re-design of the Freedom of Information (FoI) institutional framework too. The system of four ombudsmen was eliminated. The result was one general ombudsman and the creation of a National Authority for Data Protection and Freedom of Information (NAIH). Lacking in systematic and broad-scope evidence it can only be hypothesized on the basis of expert judgment that as a result the effectiveness of the protection of fundamental rights has weakened. Access to information of public interest has significantly decreased through subsequent modifications of the FoI legislation (in 2011 and in 2015), whereby (i) data and information related to preparing policy decisions became non-public thus outside the scope of FoI; (ii) applications for data of public interest became subject to haphazard but significant (or even prohibitive) fees payable by the applicant; and (iii) access to data was constrained in other respects too. Freedom of information has severely been constrained by the practices of the National Media and Telecommunications Agency (*Nemzeti Média és Hírközlési Hatóság*) systematically favouring close-to-government TV and radio channels in the process of allocating frequencies, letting or extending concession contracts etc. An illustrative incidence is that on 6 December 2016 the Government of Hungary decided to leave a Europe-wide, high-profile FoI program, the Open Government Partnership (Government Resolution 1716/2016).

The picture revealed by the above indicators – which put Hungary among the worst ones in Europe in the examined respects – can be attributed to these and other, related measures.

According to Transparency International's report the increasing risk of corruption is a result of the bias of the authorities, the non-transparent use of government money of different foundations [e.g. the National Bank of Hungary gave nearly HUF 267 billion to its different foundations.] and the opaque nature of government investment with very ad hoc provision of information. (Transparency International 2016)

On the other hand anti-corruption measures targeting mainly the lower levels of the government apparatus became more heavy-handed and effective. As a result, 'street-level' corruption has presumably decreased (or has been at least contained), possibly explaining the difference between the TI (expert judgment based) and the Gallup (citizen perception based) measures of corruption perception.

5.2 Civil service system and HRM

Indicator	Value 2012	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Impartiality (1-7)	4.01	25	4.23	25	+0.22	0
	Value 2012	EU26 rank	Value 2015	EU26 rank	Δ Value	Δ Rank
Professionalism (1-7)	3.67	22	3.12	25	-0.55	-3
Closedness (1-7)	5.09	16	4.30	17	-0.79	-1

Sources: *Quality of Government Institute Gothenburg.*

In terms of the impartiality of its civil servants Hungary ranks among the worst performers in the EU. This may be related to the numerous, highly visible and materially and/or symbolically salient cases, in which covert or in a number of cases even overt political pressures and interests played a central role in triggering unprofessional, damaging or even unlawful administrative actions (these high-profile cases include regulatory changes and large chunks of public tenders alike). On the lower, 'street' level of administration however the extent of impartiality is, in my view, more satisfactory.

In terms of its professionalism the indicators show a slight decline from an already quite poor position. Indeed, the constantly very high rate of – frequently very poorly thought-out, sudden and rude – structural and regulatory changes might have led to a burnout as well as to high turnover among staff. Although relatively significant resources are devoted to training and staff development the quality of these measures frequently falls prey to the same problem – that is, sudden, unplanned, voluntarist and unprofessional decisions by key political decision makers.

The closedness of the civil service is stable and in the lower third of the EU country ranking. As noted earlier this is a result of the definite shift towards openness having taken place since 2010. This shift is unfortunately not shown by the indicators as they are not available for the pre-2010 years.

5.3 Service delivery and digitalization

Over the past few years the largest service delivery and digitalization projects included

- The "Government Windows" one-stop administrative shops now available in each administrative district;
- The "cutting red tape" program (simplification of administrative procedures);
- Government back-bone (so-called super-fast internet program) connecting each public administration body to one another by the end of 2018;
- The launch of the e-ID card project;
- Interoperability framework for governmental electronic data bases.

Indicator	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
E-government users (%)	17.65	17	23.98	17	+6.33	0
Pre-filled forms (%)	51.50	14	19.00	25	-32.50	-11
Online service completion (%)	44.71	27	54.71	26	+10.00	+1
	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Online services (0-1)	0.50	9	0.63	21	+0.13	-12
	Value 2013	EU27 rank				
Barriers to public sector innovation (%)	13.87	24				
			Value 2015	EU28 rank		
Services to businesses (%)			37.00	18		
	Value 2011	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Ease of Doing business (0-100)	66.94	21	73.07	21	+6.13	0

Sources: European Commission Digital Economy and Society Index UN e-government Index, EU Scoreboard Public innovation, Eurobarometer num.417, World Bank Ease of Doing Business.

Most of the indicators show a somewhat controversial but generally unfavourable situation in most respects (note however that for a two-year period such as the 2013-2015 rank order changes do not seem to be valid and reliable measures so WE will not use them here). Three overarching claims might help to interpret the above figures on e-government demand and supply:

- Most e-government development projects and efforts fell into the 'nice-to-have' category rather than into the 'must-have' one. This means that the citizens may – but, because of the low digital literacy and the associated high “learning costs” of using e-government services – actually frequently do not choose the e-gov services instead of the traditional ones. Voluntary uptake is thus limited in many segments of public administration clients. On the other hand in the business sector where uptake in some functional areas is compulsory an overall progress is likely to have occurred.
- This points towards a second, more general issue: the limited character of digital literacy among citizens. According to EUROSTAT data among the digitally literate e-government service uptake is close to the EU average; therefore a key (and so far missing) precondition of further development is developing access and digital literacy.
- Finally, fall-backs in EU rankings might not be the result of actual (absolute) deterioration but, rather, a relative one only (i.e., other countries develop faster). For example the number of registered users of the central e-government portal increases year by year, albeit at a modest pace.

5.4 Organization and management of government

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Strategic planning capacity (1-10)	3.00	24	3.00	24	0.00	0
Interministerial coordination (1-10)	8.33	5	7.67	9	-0.66	-4
SIG Implementation capacity (1-10)	6.14	17	6.14	18	0.00	-1
	Value 2012	EU26 rank	Value 2015	EU27 rank	Δ Value	Δ Rank
QOG Implementation capacity (1-7)	4.79	16	5.20	14	+0.41	+2

Sources: Bertelsmann Stiftung, Quality of Government Institute Gothenburg.

The poor ranking in the strategic planning capacity dimension can be traced back to reasons outlined in the next sub-section in relation to evidence based policy making and regulatory / law making quality. On the other hand, the relatively strong position in terms of inter-ministerial coordination can be attributed to the strongly centralized,

hierarchical nature of coordination arrangements and the limited number and politically strictly controlled character of ministries.

Although the two “implementation capacity” scores are similar, WE feel some reservations with regards to this assessment. Intuitively speaking, my assessment of the government’s implementation capacity would be definitely better than this. Especially so when it comes to large-scale, highly visible and politically salient issues (such as for example the building of a fence system on Hungary’s southern border).

5.5 Policy-making, coordination and regulation

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Societal consultation (1-10)	2.00	27	2.00	28	0.00	-1
Use of evidence based instruments (1-10)	2.67	24	2.67	26	0.00	-2
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Regulatory quality (-2.5,+2.5)	1.02	17	0.77	22	-0.25	-5
Rule of law (-2.5,+2.5)	0.75	21	0.40	23	-0.35	-2

Sources: Bertelsmann Stiftung, World Bank.

The most important central policy making coordination instrument is the permanent state secretaries’ coordination meetings (CPSS) between sectoral ministries. According to key informants¹³, the operation of this structural institution is successful and effective. The most intense period of work of the CPSS was in 2013, when most bills were drafted. “The CPSS accomplished its desired task, relieving government meetings from debates” [Bíró 2014]. Other – possibly much more important though to some extent informal – coordination instruments penetrating the entire central government. These include a tight and largely centralized “clan control” based network of personal and/or political loyalties within as well as among organizations, Therefore, albeit not indicated by the above indicators, coordination is presumable a relatively well-performing function of central government.

The other indicators however were either already among the worst in Europe in 2014 or declined to that level between 2014 and 2016 (note, again, that rank order changes over such a short period of time cannot, in my view, be interpreted in a fully valid manner). In particular:

- The elimination of consultative mechanisms and practices were already detailed in the relevant section; the assessment on societal consultation (28th out of 28) is probably close to the reality;
- The (non-)utilization of evidence based policy making instruments is a perennial feature of Hungarian public administration stemming from a simultaneous lack of capacity/expertise and demand. Some deterioration (especially – though only hypothetically – in comparison with earlier years) is likely, although the exceptionally high rate of law-making and the never-ending series of disruptive, unexpected policy / legal changes initiated from the top make planning and analysis impossible anyway.¹⁴

¹³ former permanent state secretary responsible for operation of CPSS

¹⁴ Between 2011 and 2014 only a marginal proportion of Regulatory Impact Assessment document were available from government website (258 document packages compared to the number of accepted and published laws 5381) [Corruption Research Centre 2015] Real, more than symbolic analyses rarely occur even in these few documents. The number of (self-declared) working days spent on preparing impact assessment sheets was 2.8 days/impact assessment on average. “There are almost 120 sheets that were prepared in only one working day [sic!] (50%), and 35 sheets (15%) that were prepared in less than one working day according to the data.” This tendency pointed downward in the examined period. [Corruption Research Centre Budapest, 2015]

- The quality of laws falls prey not only to the above two features – lack of consultations (and therefore lack of relevant knowledge, expertise and information) and lack of evidence based policy making practices – but also to the frequent priority of political ends, political communication and political fight over public interest concerns.
- The assessment regarding the rule of law seems well-founded too. Retroactive pieces of legislation, laws intended to solve particular (even personal) issues, the prevailing of 'tailor-made' laws transforming entire economic or societal sectors within a matter of days and causing great or even fatal damage to broad clusters of (economic) actors are everyday reality in Hungary.

5.6 Overall government performance

Indicator	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Trust in government (%)	40.00	10	30.00	14	-10.00	-4
	Value 2011	EU27 rank				
Improvement of PA over last 5 years (%)	9.00	10				
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Public sector performance (1-7)	3.65	23	3.56	22	-0.09	+1
Government effectiveness (-2.5,+2.5)	0.67	22	0.49	24	-0.18	-2

Sources: Eurobarometer 85, Eurobarometer 370, World Bank, World Economic Forum.

Surveys conducted on trust in the Hungarian government show that a majority of respondents tend to distrust. The reasons may include political apathy, the pervasive corruption, the biased information policies of the government, and the lack of transparency characterizing policymaking. Frustration with politics is palpable across much of society and is manifest in low voter turnouts. On the other hand, a solid support of the ruling party FIDESZ prevails through the recent period, which keeps the level of trust in government in the midfield of the EU countries.

However, apart from politics, the perception of public administration performance scores significantly higher than the government performance in the surveys. A possible reason could be the personal experience of the service usage (neutral on politics).

The international competitiveness rankings clearly indicate the decrease in terms of effectiveness pointing at the high rate of burden of government regulation as such. Overly hasty policymaking has led to incoherent and contradictory legal texts, making it extremely difficult for local and county administrations to carry out their tasks

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