Reforms and centralization trends in Hungary and in Poland in a comparative perspective¹

The article analyzes the reforms and centralization trends in Hungary and Poland in recent years. Its aim is to compare the scale of this phenomenon in both countries and to indicate its causes. The results of the analyses show a clearly different scale of recentralization in Poland and Hungary. The main reason for recentralization in Hungary was the inefficiency of the local government system, while in Poland the reason for centralization trends in recent years was the desire of the central authority to create better conditions for the implementation of centrally-made decisions and to improve the efficiency and effectiveness of public services provision.

KEY WORDS: local government, centralization, Poland, Hungary

Reformy i trendy centralizacyjne na Węgrzech i w Polsce w perspektywie porównawczej

W artykule została przeprowadzona analiza reform i trendów centralizacyjnych w ostatnich latach na Węgrzech i w Polsce. Celem było porównanie skali tego zjawiska w obu badanych państwach oraz określenie jego przyczyn. Wyniki analiz wskazują na wyraźnie odmienną skalę recentralizacji w Polsce i na Węgrzech. Zasadniczą przyczyną recentralizacji na Węgrzech była niewydolność systemu samorządowego, natomiast w Polsce przyczyną trendów centralizacyjnych w ostatnich latach było dążenie władzy centralnej do stworzenia lepszych warunków do wdrażania centralnie podejmowanych decyzji oraz poprawa efektywności i skuteczności świadczenia usług publicznych.

SŁOWA KLUCZOWE: samorząd terytorialny, centralizacja, Polska, Węgry

* **Lucyna Rajca PhD hab.**, professor at Jan Kochanowski University of Kielce, lucyna.rajca@ujk.edu.pl, <https://orcid.org/0000-0002-3947-1729>

I. Introduction

Hungary and the Republic of Poland have been a place of important experiences in the field of public administration reforms. After the fall of communism, radical decentralization was introduced in both countries and local government structures were

¹ In general, the article is based on the author's book entitled *Reformy samorządu terytorialnego na Węgrzech i w Polsce* (Warszawa 2019) with particular focus on some its parts.

established. In Hungary since the beginning of the transformation, two-tier territorial self-government (municipalities and counties — Hun. *községek* and *megyék*) has been introduced. At the same time in Poland, only municipalities were re-established in 1990 while the second and third levels of local self-government (poviats and voivodships) were created only in the second phase of reforms (1998/1999). Along with political reforms, and the introduction of the rule of law (in the Weberian sense), new trends in public management, modelled after Western countries, started to emerge. Until recently, Hungary and Poland were included in a group of countries referred to as “decentralization champions” and in this respect, were more closely aligned with Northern European countries². After the victory of the right-wing party Fidesz in 2010, the constitution was changed in Hungary and a thorough reform of the state began, leading to radical re-centralization. In Poland, centralization trends have been present for a long time. After the conservative party Law and Justice (Prawo i Sprawiedliwość) took power in 2015, the politicians of the ruling party have frequently referred to Hungarian politics. Centralization changes have been introduced to the local government system.

Centralization and decentralization — those terms are frequently used to describe the relationship between central government and local government. They are also the concepts often used in this work. Therefore, it is reasonable to provide their definition. In the static approach, decentralization is understood as the state of delegating tasks and competences as well as means of their implementation to lower-level units. In dynamic terms, it is a process of transferring tasks and powers and financial resources from the central level to lower-level units. Decentralization is not just about delegating competences, but also about relations between higher and lower-level bodies³. Tasks and competences are performed on behalf of and are the own responsibility of the entities of decentralized public authority. Superior bodies in the decentralization system are not allowed to interfere in personnel matters or in settling a particular matter. They can only control and supervise activities of lower-level organs to the extent specified by law. An important element of the definition of decentralization is the legally protected independence of decentralized entities⁴. Decentralization covers three main dimensions⁵: fiscal, administrative, and political. Fiscal decentralization means the transfer of appropriate public financial resources from the central level to local government units to ensure the financing of tasks as well as ensuring that local government units have their own revenues and instruments which allow them to influence this income category. Administrative decentralization consists in isolating and precisely defining the scope of tasks of local government units and equipping them with administrative tools

² P. Swianiewicz, *Empiryczna typologia systemów samorządowych w krajach Europy Środkowo-Wschodniej*, “Samorząd Terytorialny” 2011, no 11, p. 17.

³ E. Ura, *Prawo administracyjne*, Warszawa 2012, p. 95.

⁴ H. Izdebski, *Ustrój terytorialny Rzeczypospolitej Polskiej i zasada decentralizacji*, [in:] *Ustrój terytorialny państwa a decentralizacja systemu władzy publicznej*, ed. A. Lutrzykowski, Toruń 2012, p. 16–17.

⁵ M. S. de Vries, *The Rise and Fall of Decentralization: A Comparative Analysis of Arguments and Practices in European Countries*, “European Journal of Political Research” 2000, no 38, p. 197–200.

enabling the implementation of the tasks delegated to them. Political decentralization assumes that lower-level entities operate through democratically elected bodies⁶. These dimensions are interrelated and interact with each other. Decentralized systems are those in which central entities play a smaller role in one or all dimensions⁷.

Centralization is the opposite of decentralization, which is, according to Hubert Izdebski, “the process of restricting by central authorities the independence of territorial entities and other entities benefiting from this aspect of self-governance, and as a result of this process, consisting in the absence of authorities and public entities not subject to central authorities or bodies in person or professionally”⁸. Recentralization means strengthening (restoring) the role of central authorities at various levels of management of individual areas of public tasks. Centralization is closely related to the principle of deconcentration, in which administrative activities are carried out at the local or regional level but are managed by the central government.

Both decentralization and centralization have their strengths and weaknesses. The benefits of one approach are often the weaknesses of the other. Common arguments for centralization listed in the literature are: promotion of the public or national interest (e.g. the need to protect the environment, ensure minimum welfare or a minimum standard of living), implementation of the principle of equality (e.g. in access to benefits and tax burdens), control and coordination⁹.

The article aims to examine reforms and centralization trends in Hungary and Poland in recent years, and to identify the scale of this phenomenon in both countries. In addition, the goal is to answer the question: why has the recentralization of the political system emerged in recent years in countries, which up to that point had been leaders in decentralization reforms? The first hypothesis assumes a clearly different scale of recentralization in Poland and Hungary. According to the second hypothesis, the main reason for the recentralization in Hungary in recent years was the failure of the local government system, while in Poland, recentralization stemmed from the desire of central authorities to create better conditions for implementing centrally-made decisions, and to improve the provision of public services from the welfare state. The structure of the work complies with established research goals, with the study divided into several parts. First, analysis of centralization in Hungary was carried out, focusing on a period after 2010, followed by a discussion of centralization trends in Poland, which occurred after 2015. Subsequent sections contain comparisons regarding changes in the level of functional decentralization, as well as the freedom of local governments in terms of financial policy. The summary refers to the hypotheses and presents conclusions. The conclusions of the research can be used

⁶ S. Flejterski, M. Ziolo, *Centralizacja i decentralizacja zadań publicznych w świetle wybranych rozwiązań europejskich. Próba oceny*, “Studia Regionalne i Lokalne” 2008, no 3(33), p. 80.

⁷ Z. Józsa, *Decentralization: International Experience and Local Solutions*, [in:] *Decentralizacja i centralizacja administracji publicznej. Współczesny wymiar w teorii i praktyce*, eds. B. Jaworska-Dębska, E. Olejniczak-Szałowska, R. Budzisz, Warszawa–Łódź 2019, p. 151.

⁸ H. Izdebski, *op. cit.*, p. 15.

⁹ I. Elander, *Miedzy centralizmem a lokalnością*, “Samorząd Terytorialny” 1996, no 9, p. 12.

to develop subsequent reforms and serve as a contribution to further research on local government and the potential direction of change. The work uses a comparative approach to show similarities and differences in reforms and centralization changes, institutional and legal approaches to analyze legal acts and documents, a systemic method for presenting research results against the background of a wider context of European countries, and one of the quantitative methods — descriptive statistics. While working on the subject, legal acts, documents, statistical data (OECD, CSO), and literature were used. There are few current studies comparing local government in Poland and Hungary in Polish and European literature. Literature providing a comparative study of centralization in Hungary and Poland is virtually non-existent. The article is based on the author's book entitled *Reformy samorządu terytorialnego na Węgrzech i w Polsce*.

II. Centralization reforms in Hungary

In Hungary, the reconstruction of municipalities was accompanied by radical fragmentation, which entailed significant problems in their functioning. In Hungary, municipalities are one of the smallest in Europe, with the principle of freedom and democratic participation being the main determinant of the role of local government. Hungarian municipalities have been given general competence to manage virtually all local public affairs, regardless of their capabilities. Local governments have become politically free and legally equal, but often lacked experience and generally did not have sufficient administrative, financial, and human resources to fulfill their tasks. This turned out to be a heavy burden and a hindrance to the transformation process¹⁰. Due to fragmentation and lack of will to form inter-municipal relationships, the local government system became extremely expensive, and in many cases functioned very inefficiently, providing a low quality of services. The unwillingness of communes to cooperate with each other and merge to form larger units, their ineffectiveness in fulfilling their tasks, displacing counties by deconcentrated state organs and agencies have all contributed to increasing importance of central government and paved the way for recentralization. As a result of unresolved problems inherited from the first two decades of transformation, local government reforms had become justified and were generally accepted in political and professional circles¹¹.

In the 2010 elections, in the deep political and economic crisis of the state, the coalition of the national-conservative Fidesz and the Christian Democratic People's Party (KDNP) won two-thirds of parliamentary seats, i.e. a constitutional majority. A year later, the coalition adopted a new constitution (referred to as the Basic Law of Hungary). On the basis of the new Basic Law of 2011 and the new Act on local government in

¹⁰ I. Pálné Kovács, *Equal Status and Different Conditions of Local Governments in Hungary*, "Krytyka Prawa. Niezależne Studia nad Prawem" 2011, vol. 3, no 1, p. 136.

¹¹ *Eadem*, *Regionalism in Hungary. Assembly of European Regions Study on Regionalism*, Strasbourg 2015, p. 12.

Hungary of December 21, 2011, the local government underwent significant modifications resulting in limiting independence and competence and subjecting the central government to control. The earlier constitution defined the right to local government as the fundamental right of the local community to self-management (Article 42). The new Hungarian constitution lacked the right to local government. According to the Basic Law, local self-governments are not institutions organized on a social basis, but they are a form of decentralized state administration. The previous constitution defined self-government as an independent, democratic local authority, whereas the new constitution reduced its role to a state policymaker at the local level.

According to the previous system, basic local competences were defined in the Act on local self-government (cardinal act¹²), while according to the new, 2011 Act on local self-government in Hungary, these competences can be regulated by ordinary laws. Pursuant to the new local government act, “local self-governments should function as part of the state organization” (preamble), and their main task is “participation in the implementation of the state’s goals set out in the Basic Law”. This way of understanding local government means rejecting the naturalistic concept of local government. Other important legal changes that have been introduced include tightening supervision over the local government as well as strong budgetary control of local governments. Moreover, local government electoral law has been changed. The number of seats to local councils has been significantly reduced and the majority system has been strengthened to facilitate victory in the elections of the ruling party¹³. At the same time, legal regulations provide the ruling party with the opportunity to fill the posts with its supporters in local offices. In addition, in 2014 the term of office of local authorities was extended from four to five years. In 2018 in Poland a similar change supplemented by a two-term limit on single-person executive positions in municipalities was introduced.

After the victory of the Fidesz party in the 2010 elections, public administration reforms entailing radical recentralization were undertaken. According to the government, the local government lacked sufficient resources to perform important public services in an effective and transparent manner, and only the state administration could provide them at a consistently high level of quality. Therefore, the state (central single-purpose agencies) took over important tasks (schools¹⁴, primary health care, social services), which up to that point had been the responsibility of individual municipalities. The counties also lost their most self-government tasks, such as running hospitals, public education institutions, homes for the elderly, etc. (which were delegated to state agencies). In the counties the central government-appointed

¹² Cardinal laws are a special constitutional law the adoption and amendment of which requires a two-thirds majority of members of parliament.

¹³ The nature of changes in the local government electoral system in Poland during the rule of the United Right was different. In 2018, the proportional model prevailed, which limited the possibility of gaining a majority allowing independent governing.

¹⁴ Responsibility for running schools still rests in municipalities of over 3 thousand inhabitants, of which there are only 110 out of a total of 3,178.

commissioners with strong competences were delegated to control the performance of public tasks.

There has been a centralization of regional development institutions. Although since 2012, tasks related to regional development have been within the competence of county authorities, they have not had sufficient resources (in the form of competences, own revenues, legal connections with municipalities, administrative capacity) to carry out development tasks in real terms. In order to manage EU funds, the government has created a highly centralized management system with the National Development Agency with all necessary competences. Despite maintaining two-tier territorial self-government (municipalities and counties), the counties as elected self-governments have almost disappeared from the territorial governance system. Generally speaking, recent events showing strong recentralization have led to a quasi-single-level local government system in Hungary¹⁵.

Along with the reform of local government, the organization of deconcentrated state administration changed as well. Since January 2011, most (previously separate) deconcentrated state administration units have been merged in state administration offices — they have become part of county (capital) state-owned offices. The heads of state offices in the counties and the capital were appointed by the prime minister. As a result of the increasing responsibilities of the state, on January 1, 2013, new government administrative units — districts (Hungarian *járás*) were created in the so-called “micro-regions”, below the level of the county, and in Budapest. Districts and district offices play an important role in the administrative tasks of the state. Almost half of the previously delegated municipal competences were taken over by the district offices¹⁶.

Generally speaking, the reform of state administration aimed at integrating (concentration) of previously deconcentrated government bodies to maintain institutions (e.g., schools, hospitals, social care homes) in three areas: health care, primary and secondary education, social care. State-owned county offices have become the center of power in the county and much stronger actors than elective assemblies of the county. The new regulations strengthened the position of the ruling party on the Hungarian political scene. The heads of the county and district offices are often politically active members of the ruling party. To sum up, between 2010 and 2014, in Hungary, public administration underwent the process of centralization and concentration. In 2014 the reorganization of the state constitutional order was completed. However, the local government continues to lose their competences. For example, since January 1, 2017, there has been a complete centralization and nationalization of all public primary schools.

After 2010 public utilities were nationalized (taken over from local governments and foreign investors). The government strongly interfered with market processes.

¹⁵ F. Merloni, C. E. Pacheco Amaral, *Introduction*, [in:] *Regionalisation Trends in European Countries 2007–2015*, ed. F. Merloni, The Congress of Local and Regional Authorities of the Council of Europe 2016, p. 11.

¹⁶ Z. Szente, *Hungary*, [in:] *Regionalisation Trends in European Countries 2007–2015*, ed. F. Merloni, The Congress of Local and Regional Authorities of the Council of Europe 2016, p. 121.

Providers of utilities (electricity, gas, waste management, heat supply) were obliged to reduce prices for users and pay a centrally levied tax. The newly built infrastructure obligatorily became the property of the state or municipalities, although private enterprises could still provide services. Before the reform was put into practice, Hungarian researchers predicted that the nationalization of services delivered by local governments, or the private sector, would continue not only in municipal infrastructure but also in social policy¹⁷. The changes in Hungary are defined as development of a new model of local democracy, which is no longer based on the neoliberal concept of the state or the principles of the new public management (NPM), but on the model of the neo-Weberian state in which state organs play a dominant role in conducting public affairs. Most results of decentralization introduced during the transformation period have been eliminated¹⁸. The local government system has become extremely centralized.

Despite the centralization reforms, in the 2019 local government elections, the Fidesz-KNDP coalition maintained the position of the strongest political party in Hungary. In counties it won the support of as much as 64% of inhabitants (in 2014 it was 58.4%). The coalition ensured victory in most cities with voivodship rights (in 13), in more than half of cities of more than 5,000 inhabitants. Its dominance in rural areas was not undermined. The ruling coalition, however, failed in Budapest and some major cities. It is there that Fidesz has the most opponents, enjoying the greatest support in the provinces. In this respect, the situation of Viktor Orbán's party resembles the situation of Law and Justice in Poland.

III. Centralization trends in Poland

In Poland, the reform introduced in the early nineties led to the independence of municipalities from the central government and gave them tools to effectively manage an important part of public affairs. In contrast to Hungary, the municipality system in Poland was based on an already existing set of relatively large municipalities. The municipal self-government had proven its effectiveness at performing public tasks, which encouraged further reforms, including the creation of poviats and voivodship self-government. During 30 years of functioning of the restored local government, the scope of its tasks has been continuously rising. In addition, there has been an increase in the number of tasks imposed by substantive law. In Poland, however, the movement towards decentralization had a counterweight in the form of trends to recentralization. One example of such trends is the Act on the National Development Plan, which replaced the Act on the principles of supporting regional development in 2001 and centralized public management mechanisms, especially in the area of financial decisions.

¹⁷ I. Pálné Kovács, *Regionalism in Hungary...*, p. 18.

¹⁸ T. M. Horváth, *From Municipalisation to Centralism: Changes to Local Public Service Delivery in Hungary*, [in:] *Public and Social Services in Europe*, eds. H. Wollmann, I. Koprić, G. Marcou, Basingstoke 2016, p. 193.

In the field of health care, central control over resources has been tightened — the sickness insurance fund system was replaced in 2003 by the National Health Fund. Centralization tendencies, including involvement of central administration in matters reserved for local authorities and transferring the tasks of local governments to the national level or to the voivode were more or less intensified.

After the United Right (Zjednoczona Prawica) took power in October 2015, centralization trends clearly increased. There was an overall impression that the local self-government might be treated in a similar way as the one in Hungary, following the style of Viktor Orbán's reforms. Unlike the Fidesz party, which won the constitutional majority in the Hungarian parliament in the 2010 elections, Law and Justice in Poland did not win a majority capable of changing the Constitution, but powers were slowly and systematically taken away from local government bodies¹⁹. Selected examples of major recentralization changes introduced since 2015 are presented below.

The most controversial has been the reform of education, which reorganized the school system, including restoring eight-year primary school and closing down junior high schools (gymnasiums). Local authorities protested against charging local governments with the costs of reform and taking away their competences, as already in December 2015, the supervision of school superintendents over developing the network of local government schools was restored²⁰. In recent years, some local government units have closed schools for demographic reasons and to reduce costs, while also including public educational units run by other entities in the school network or agreeing to the functioning of non-public schools established in place of liquidated local state schools. From the point of view of the implementation of educational tasks, these practices did not receive approval of the Supreme Audit Office (Najwyższa Izba Kontroli), the Ombudsman, and teacher trade unions. Local communities protested against liquidation of schools.

In 2016, municipalities were obliged to change the names of the streets, institutions, or public facilities, which had been deemed to commemorate communism or another totalitarian system²¹. Without questioning the purpose of these legal provisions, their manner of implementation is a source of controversy. If street names had not been changed, the voivode was granted the power to issue a substitutionary order establishing a new name (which was guaranteed special protection), with virtually no possibility of

¹⁹ Jacek Wojnicki pointed out that since the beginning of the transformation, the ruling party (formerly the Center Agreement (Porozumienie Centrum) seems to be characterized by a certain duality in the perception of local governments, on the one hand recognizing their importance for the functioning of state administration, and on the other hand the threat of local pathologies. J. Wojnicki, *Restytucja samorządu lokalnego w 1990 roku na tle polskich tradycji samorządowych*, [in:] *Polski samorząd terytorialny. Europejskie standardy i krajowa specyfika*, ed. A. Lutrzykowski, Toruń 2015, p. 217.

²⁰ Ustawa z dnia 29 grudnia 2015 r. o zmianie ustawy o systemie oświaty oraz niektórych innych ustaw, Dz.U. 2016 poz. 35.

²¹ Ustawa z dnia 1 kwietnia 2016 r. o zakazie propagowania komunizmu lub innego ustroju totalitarnego przez nazwy jednostek organizacyjnych, jednostek pomocniczych gminy, budowli, obiektów i urządzeń użyteczności publicznej oraz pomniki, Dz.U. 2016 poz. 744.

appealing to the administrative court. In 2017 municipalities lost their competences to set tariffs for water supply and sewage disposal, which were transferred to the director of the regional water management boards of National Water Management “Polish Waters” (Wody Polskie). This move was strongly opposed by local self-governments²². In the explanatory memorandum, the government referred to the results of the audit of the Supreme Audit Office, which indicated that municipalities were performing a triple role — a company owner, regulator and a consumer representative; this did not protect residents against systematic price increases, which were not justified by the increase in expenditure on modernization and extension of the water supply and sewage network.

Recently, the powers of voivodship self-governments to shape the composition of voivodship bodies of environmental protection and water management funds (self-government legal entities) for government administration bodies have been severely limited²³ — these funds set the rules and criteria for selecting projects to be co-financed and made the decisions concerning the choice of the projects. The government justified the changes by pointing to the need to eliminate certain worrying phenomena, such as the improper use of voivodship funds and discretionary spending, which was not entirely in line with the environmental protection policy and care for the environment. Centralization tendencies include depriving local governments of voivodship competences in melioration and flood prevention tasks and transferring them to the “Polish Waters” National Water Management. The legislator acknowledged that the existing solutions consisting in the dispersion of powers in the area of water management between local government bodies (mainly marshal, starost — head of county administration) and government administration bodies were not sufficiently effective and efficient, and significantly contributed to the difficult situation in the water management sector²⁴.

Another sign indicative of centralization was the transfer powers over agricultural advisory centers from the self-government of the provinces to the Minister of Agriculture²⁵. The explanatory memorandum to the Act states that the premise of the change was to improve the implementation of tasks related to providing agricultural advice to farmers and improve the competitiveness and development of agriculture. Since 2018, tasks related to the payment of family benefits have been transferred to the voivode. Up till then, they had been performed by the Regional Center for Social Policy²⁶. In this

²² Ustawa z dnia 27 października 2017 r. o zmianie ustawy o zbiorowym zaopatrzeniu w wodę i zbiorowym odprowadzeniu ścieków oraz o zmianie niektórych innych ustaw, Dz.U. 2017 poz. 2180.

²³ Ustawa z dnia 7 kwietnia 2017 r. o zmianie ustawy — Prawo ochrony środowiska, Dz.U. 2017 poz. 898.

²⁴ Vide P. Michalski, *Wody Polskie — nowy podmiot w gospodarce wodnej*, [in:] *Nowe prawo wodne. Najważniejsze zmiany dla gmin i przedsiębiorstw wodociągowo-kanalizacyjnych*, eds. P. Michalski, P. Filipek, M. Kucharski, Warszawa 2018; uzasadnienie projektu ustawy — Prawo wodne, <[https://krdp.pl/files/akty-prawne/846\(3\).pdf](https://krdp.pl/files/akty-prawne/846(3).pdf)>, accessed 20 August 2019.

²⁵ Ustawa z dnia 22 czerwca 2016 r. o zmianie ustawy o jednostkach doradztwa rolniczego, Dz.U. 2016 poz. 1176.

²⁶ Ustawa z dnia 7 lipca 2017 r. o zmianie niektórych ustaw związanych z systemami wsparcia rodzin, Dz.U. 2017 poz. 1428.

case, the change was justified by too slow processing of applications for family benefits. In 2017, the Ministry of Sport and Tourism became responsible for the distribution of the money for sports investments in the regions. Previously, this was the responsibility of voivodship self-government. In 2018, territorial self-government units lost their right to designate constituencies and voting precincts — this right was handed over to election commissioners appointed by the National Electoral Commission for a 5-year term²⁷. In order to increase the government's control over local government finances, the parliament adopted an amendment to the Act on Regional Accounting Chambers in 2017. However, the President of the Republic of Poland Andrzej Duda vetoed this amendment due to the violation of the constitutional principle of independence of local government and the Act did not enter into force.

National self-government organizations, including the Association of Polish Cities, have protested against centralization tendencies. The process of creeping centralization involves not only taking away tasks and competences of local governments, but also lack of consultations with local governments or their façade nature. Depriving local governments of tasks is not carried out by changing local government constitutional laws, but by means of *lex specialis*. Progressing centralization in Poland has been criticized in a report prepared by two foreign local government officials (from France and Andorra), approved in 2019 by the Congress of Local and Regional Authorities of the Council of Europe. Central authorities have been called to return to decentralization and to practical compliance with the principle of subsidiarity²⁸. The government, disagreeing with the critical assessment, stated in its reply that “What representatives of the local government called recentralization is, in fact, building uniform standards of access to services and benefits from the welfare state”²⁹. Centralization tendencies have strengthened the position of central state administration bodies at the expense of local government units. The question arises whether centralization tendencies are only a correction of local government activity or whether they are a manifestation of a broader and developing process of political changes.

The local government in Poland has been equipped with the necessary political attributes, which determine its importance. The pillars of local government include legal personality, which allows for owning property and budget, democratic election of authorities, the institution of supervision over local government solely based on the criterion of legality and judicial protection of independence. So far, the pillars of

²⁷ Maciej Onasz and Michał Klonowski came to the conclusion that it was impossible to clearly confirm the allegation of politicizing the division into constituencies. Wider: M. Onasz, M. Klonowski, *Wybrane zmiany w systemie wyborczym organów jednostek samorządu terytorialnego wynikające z ustawy o zmianie niektórych ustaw w celu zwiększenia udziału obywateli w procesie wybierania, funkcjonowania i kontrolowania niektórych organów publicznych — wstępna ocena*, “Studia Regionalne i Lokalne” 2018, no 2(72), p. 110.

²⁸ Congress of Local and Regional Authorities, *Local and regional democracy in Poland*, Report CG36(2019)13 final, 2 April 2019.

²⁹ T. Żółciak, *Druzgocąca opinia o naszej samorządności. Czy postępuje centralizacja państwa?*, “Gazeta Prawna”, 9 April 2019, <<https://www.gazetaprawna.pl>>, accessed 19 September 2019.

self-government have been preserved, and the recentralization changes have mainly been sectoral. The continuation of centralization tendencies will lead to the depreciation of the current status of local government and its dependence on central government. It may turn out that without the formal liquidation of local government, the structure of public authority will be constantly and inevitably heading towards the center, gradually taking over the competences of local government.

The current government of Law and Justice has been opposed to the privatization of companies and state property and has taken steps to reverse this trend. The process of buying back property started from the banking sector. In 2016, local governments were not allowed to divest a controlling stake of shares in companies operating in the medical service provision sector. The ruling party, led by Jarosław Kaczyński, seems to approve the diagnosis of the Hungarian Prime Minister regarding the adverse effects of the earlier privatization process and the divestment of national property³⁰.

Centralization trends in Poland after 2015 did not negatively affect the support for the ruling party in the local elections in October 2018. With a fairly high turnout (54%), Law and Justice received the most votes nationwide. The party received the support of 34.1% of voters in the elections to voivodship assemblies (Sejmiki), much more than in 2014 (26.9%); 30.46% in the elections to poviats councils; 25.2% in the elections to municipal councils. The strongest opposition group Civic Coalition (Civic Platform and Modern) was supported by 27% of voters in the elections to voivodship assemblies; received 12.3% support to poviats councils; 19.4% to municipal councils. The governing party failed in Warsaw and other large cities.

IV. Changes in the level of functional decentralization

As a result of centralization reforms and reorganization of territorial administration in Hungary, between 2010 and 2016 the share of local government expenditure compared to GDP decreased by 6.6 percentage points, which meant a significant reduction in terms of the functional significance of local government. In Poland, this rate decreased by 2 percentage points in the same period. Between 2015 and 2017, according to the Central Statistical Office data, the rate increased by 0.7 of a percentage point³¹, which indicates that the loss of tasks and competences by local governments did not result in a decrease in the level of functional decentralization measured by this indicator. Given this indicator, in 2016, Hungary (along with Slovakia and Bulgaria) was one of the least decentralized countries of Central and Eastern Europe (EU members). Poland, on the other hand, was still among the leaders in terms of decentralization in this

³⁰ C. Mech, P. Pelc, *Węgierska lekcja dla Polski*, [in:] *Węgry Orbana — wzór czy przestroga?*, eds. L. Skiba, M. Rapkiewicz, M. Kędziński, Warszawa 2014, p. 62.

³¹ Own calculations based on: GUS (Central Statistical Office), *Mały Rocznik Statystyczny Polski*, Warszawa 2018; GUS, *Rocznik Statystyczny RP*, Warszawa 2015.

part of the continent³². In 2010–2016, the reduction of the share of local government expenditure in GDP took place, apart from Hungary and Poland, also in Latvia, Moldova, Montenegro, Serbia, Bosnia and Herzegovina, Albania, Great Britain, Ireland, Italy, and to a lesser extent in France, Germany, and Spain. Decentralization reforms have been introduced in Bulgaria and Romania, and in some Balkan countries such as Kosovo and Macedonia.

The level of functional significance of local government is also measured by the share of local government expenditure in general public expenditure. As a result of the reorganization of public administration (centralization) in Hungary, the share of local government expenditure in general public expenditure decreased in 2009–2016 by almost 11 percentage points. In the same period in Poland, it decreased by 1.4 percentage points, which confirms the centralization trends in both countries, although definitely on a different scale. The spending of the Polish local government constitutes almost a third of the expenditure of the public finance sector, which is significantly more than that of the French or British governments, and close to the share of the local government sector in Norway. At the same time, as much as two-thirds of infrastructure investments in Poland are the investments of local government, which proves its key role in the development process.

The decrease in the level of functional decentralization in Hungary is also evidenced by the radical increase in the number of employees in government administration compared to the total number employed in public administration. Between 2009 and 2014, the percentage employed by the Hungarian central government increased by as much as 30 percentage points, to almost 65%. For comparison, from 2015 until 2018 in Poland, the rate of people employed in state administration (central authorities, voivodship offices) decreased by 0.3 percentage points and in 2018 accounted for 40.4% of the total number employed in public administration. Employment in local government administration increased by the same percentage (by 0.3 percentage points) and in 2018 it constituted almost 60% of the total employed in public administration³³.

V. Freedom of local governments in the financial dimension

In the practice of Central European self-governments, one of the main challenges was the achievement of a right balance between responsibilities and available resources. In Hungary, during the first two decades of operation, the *de jure* local government enjoyed significant financial freedom. *De facto*, it did not have a lot of financial inde-

³² OECD, *Subnational government expenditure as a percentage of GDP and total public expenditure*, [in:] *Subnational government finance for regional development*, OECD, Paris 2016; OECD/UCLG, *Subnational Governments Around the World. Structure and Finance*, Part III Country Profiles, OECD, Paris 2016.

³³ GUS, *Rocznik Statystyczny Rzeczypospolitej Polskiej*, Warszawa 2017, p. 135.

pendence. Many Hungarian municipalities are very small, which meant that they were extremely dependent on transfers from the state budget. State allocations were often changed in every annual budget, which hindered income planning and left municipalities without resources to fulfill their tasks. As András Vigvári emphasized, the low financial independence was also due to the fact that the government transfers intended to finance mandatory tasks covered costs to a lesser degree³⁴. Funds were more and more frequently allocated to specific tasks, and their value decreased, with the number of mandatory tasks increasing at the same time. Due to the lack of funds for the implementation of mandatory tasks, local governments were forced to take out loans. Local self-governments' debt grew faster after Hungary's accession to the European Union. In subsequent years, local government debt continued to increase and in 2011 exceeded 4 percent of GDP. Despite significant decentralization of tasks, the legal provisions regarding their performance and financing were highly centralized.

The reform of the state administration in Hungary introduced after 2010 significantly reduced the financial independence of the local government³⁵. Before the reform, the municipalities were subsidized from the central budget on a *per capita* basis. Since 2013, the local government co-financing system has been based on operating costs — the central government provided subsidies to municipalities in the amount of estimated costs for each activity carried out. In addition, local governments were forced to operate within a more stringent framework: they were obliged to plan a deficit-free annual budget; the cost of voluntary services had to be covered by their income; issuing bonds and taking out loans became more difficult — local governments, as a rule, had to obtain permission from the central government to raise a loan. State transfers were intended for clearly specified tasks and were reduced. The centralization of tasks and the use of targeted subsidies, which replaced block grants (subsidies) introduced in the 1990s, reduced the role of alternative forms of service provision. According to the Hungarian Basic Law of 2011, local government property is not separate from state property; instead, it is recognized as national property. Self-government property is therefore no longer protected from the intervention of central legislation. To sum up, both the financial independence of local governments and the protection of local government property have been weakened by new regulations. The changes were justified by the intent to prevent self-governments from accruing debt, and to enable more effective management of national property³⁶. According to the government, the significant increase in local government debt was a serious threat to public finances and required immediate consolidation.

³⁴ A. Vigvári, *Is the Conflict Container Full? Problems of Fiscal Sustainability at the Local Government Level in Hungary*, "Acta Oeconomica" 2010, vol. 60(1), p. 58.

³⁵ G. Dobos, *Changing Local Relations: Effects of the 2010–2014 Political and Administrative Reforms in Hungary*, [in:] *Local Government in Selected Central and Eastern European Countries Experiences, Reforms and Determinants of Development*, eds. M. W. Sienkiewicz, K. Kuć-Czajkowska, Lublin 2016, p. 84.

³⁶ I. Balázs et al., *Local Self-Government in Hungary*, Lille 2014, p. 58, 61.

Between 2011 and 2014, the vast majority of Hungarian municipalities' debt was assumed by the state.

In Poland, despite providing local self-government with the right to use public revenues and ensuring its share in state taxes by the constitution, separate legal regulations do not ensure sufficient own revenues. Although the current self-government finance system is assessed as serving its basic function, it has a number of disadvantages, such as: too small of a share of own income, unstable sources of financing local government units, failure to respect the principle of income adequacy and financial independence of local government, or limited transparency of the self-government finance. Over the last several years, the central government, treating local government as a catch-all for solving a number of difficulties, has delegated many public tasks to these bodies without providing adequate income. Therefore, many local government units are in a state of permanent accumulation of budget deficit. As a consequence, local government debt has increased three times since the mid-nineties and in 2014 Polish local government debt-to-GDP ratio was one of the highest in Central and Eastern Europe³⁷. The new indebtedness procedure for local government units, which has been in force since January 1, 2014, reduced the possibility to incur debts by local governments. In most of the CEE countries belonging to the EU, there has been a trend showing growth in the indebtedness of local governments. This is due to the international financial crisis, which has reduced the transfers from the central budget to local governments and the need to co-finance projects implemented under the European cohesion policy.

To sum up, in both countries significant functional decentralization has not been supported by appropriate decentralization of public finances and in both cases re-centralization processes took place, but the scale of this phenomenon varied. After 2010, the Hungarian self-government authority has reduced significantly in terms of its tasks and competences, budget, property, employees, and independence, and has been subjected to greater central control. As a result, it has moved away from the Polish local government model. Based on the local autonomy index developed in 2015 (*Local Autonomy Index*, LAI)³⁸ — an international team of experts (Andreas Ladner, Nicolas Keuffer and Harald Baldersheim) included Hungary (next to Albania, Slovenia, Ukraine, Greece, and Great Britain) in the countries with a low-to-medium degree of local autonomy (index value 40–50), while Poland was in the group with a particularly high (highest) degree of local self-government autonomy (index value above 70) — next to Switzerland, the Nordic countries and Germany. It should be noted, however, that the aforementioned index of local autonomy refers to the period prior to the taking of power in Poland by the United Right. Therefore, the consequences of centralization of this government cannot be determined on its basis.

³⁷ G. Medve-Bálint, D. Bohle, *Local Government Debt and EU Funds in the Eastern Member States: The Cases of Hungary and Poland*, Berlin 2016, p. 10.

³⁸ A. Ladner, N. Keuffer, H. Baldersheim, *Local Autonomy Index for European Countries (1990–2014). Release 1.0*, Brussels 2015, p. 64–65.

Generally, from 1990 until 2014 local autonomy increased, especially in Central and Eastern Europe countries. The pace of change varied from country to country. After 2005, there was a trend towards greater centralization.

* * *

The way reforms were carried out in Hungary after 2010 differed significantly from mechanisms known in democratic countries. In 2015, Freedom House reclassified Hungary from the category “consolidated democracy” to “semi-consolidated”. Between 2009 and 2018, the democracy index used by Freedom House decreased by 1.42 points on a seven-digit scale, which shows that the reconstruction carried out by Viktor Orbán moved Hungary away from countries considered as being fully democratic. In relation to local government, this indicator dropped by 0.5 points during this time, which is the least compared to other assessed areas of public life. For comparison, in 2018, Poland was classified by the Freedom House as consolidated democracy, but the democracy index fell by 0.64 points in the same period. However, this decrease occurred between 2015 and 2018, i.e. during the rule of Law and Justice. In relation to local government, the indicator remained at the same level in this period and amounted to 2, but in 2014 it rose by 0.5 points³⁹.

VI. Conclusion

The conducted analyses show that after 2010 in Hungary the earlier decentralization process has been reversed and Hungary has chosen the path of radical centralization moving away from the rest of European countries. In Poland, clear recentralization trends have been present after 2015, indicating a certain degree of convergence with the policy of the government of Viktor Orbán — however, the scale of this phenomenon has been definitely smaller than in Hungary.

In Hungary, an important reason for the failure of decentralization resulting in recentralization has been the high fragmentation at the municipal level, the lack of consolidation reforms, financial weakness, the weakness of the middle level as well as the democratic deficit. Small municipalities, due to lack of financial capabilities, management capabilities, and economies of scale, have not been able to perform their tasks effectively and efficiently. The Hungarian self-government has been given considerable administrative and political independence. However, it was not accompanied by a similar degree of economic independence and independence in organizational capabilities. Decentralization implemented only in political and administrative terms is not sufficient and hinders its ability to succeed. Also, development disparities have increased, depending on

³⁹ Freedom House, *Nations in Transit 2018: Hungary Country Profile*; Freedom House, *Nations in Transit 2018: Poland Country Profile*.

the region and size of municipalities. Moreover, as Hungarian research indicates, very small municipalities have not enjoyed much effective civic participation as compared to larger centers — and therefore the direct relationship between the size of the municipality and participation has not been confirmed⁴⁰. The weakening of county self-government has led to the expansion of deconcentrated state organs and an increased influence of the central government. Over time, the local government has become less and less important to the central government. Local government representatives were too weak to fight for local interests and counterbalance central government⁴¹. The reasons for which centralization changes in Hungary have reached a much wider scope than in Poland can also be explained by the weakening of local government due to the financial crisis that hit Hungary under the previous government (F. Gyurcsány's government). The global crisis in 2008 additionally deteriorated the already bad condition of Hungarian public finances. Obtaining the constitutional majority by the ruling party in the 2010 elections enabled substantial reforms. In Poland, the main reason for the recentralization trends in recent years has been the central government's desire to create better conditions for implementing centrally-made decisions, increasing control over self-governments, protecting residents against unjustified price increases, increasing the efficiency and effectiveness of task performance, and ensuring equal access to services. To sum up, the hypotheses set out at the beginning should be considered positively verified.

Public administration reforms in Hungary after 2010 reflect a coherent vision of a strong and centralized state aimed to ensure effective handling of social problems and thus become the main source of legitimacy. The market and civil society have been given a subordinate role in solving problems. The model was called the new model of "illiberal state" by Viktor Orbán himself. As far as the Polish model of public administration is concerned, it is currently difficult to indicate a single coherent organizational model. Polish public administration is characterized by a high degree of acceptance of hierarchical methods of operation⁴². In the Polish local government, the Weberian management model continues to dominate.

Numerous references of Polish ruling party politicians to Hungarian politics and centralization trends may suggest that Poland may face more radical changes in local government inspired by the policy of Viktor Orbán. To date, however, no specific overall concept of local government reform has been presented, nor have any changes radically limited its role. A return to radical centralization seems unlikely. Polish territorial self-governments have strengthened their managerial capabilities and contributed to the development of the country and the empowerment of local communities. The attitude of most Polish people to local government is favorable, and local authorities have for many years been among the best-rated public institutions in Poland. Local government

⁴⁰ Z. Józsa, *op. cit.*, p. 157.

⁴¹ I. Pálné Kovács *et al.*, *Farewell to Decentralisation: The Hungarian Story and Its General Implications*, "Croatian and Comparative Public Administration" 2016, no 16(4), p. 802.

⁴² S. Mazur, M. Możdżeń, M. Oramus, *Public Administration Characteristics and Performance in EU28: Poland*, Brussels 2018, p. 804.

remains the foundation of the public management system in Poland and a strong pillar of the state. The 2017 Strategy for Responsible Development considers the local government as an important element of the state's development activities.

There is a need to carry out research to explain the differences in the effects of decentralization and the reasons for failures resulting in recentralization in different countries. Currently, even the greatest supporters of decentralization admit that decentralization reforms are not panacea for accumulated social and political problems⁴³. The success of decentralization depends on many factors in the specific context of each country.

Bibliography

SOURCES

- Congress of Local and Regional Authorities, *Local and regional democracy in Poland*, Report CG36(2019)13 final, 2 April 2019.
- Freedom House, *Nations in Transit 2018: Hungary Country Profile*.
- Freedom House, *Nations in Transit 2018: Poland Country Profile*.
- GUS, *Mały Rocznik Statystyczny Polski*, Warszawa 2018.
- GUS, *Rocznik Statystyczny RP*, Warszawa 2015.
- GUS, *Rocznik Statystyczny Rzeczypospolitej Polskiej*, Warszawa 2017.
- OECD, *Subnational government expenditure as a percentage of GDP and total public expenditure*, [in:] *Subnational government finance for regional development*, OECD Publishing, Paris 2016, https://doi.org/10.1787/reg_cit_glance-2018-graph103-en.
- OECD/UCLG, *Subnational Governments Around the World. Structure and Finance*, Part III Country Profiles, OECD Publishing, Paris 2016.
- Ustawa z dnia 29 grudnia 2015 r. o zmianie ustawy o systemie oświaty oraz niektórych innych ustaw, Dz.U. 2016 poz. 35.
- Ustawa z dnia 1 kwietnia 2016 r. o zakazie propagowania komunizmu lub innego ustroju totalitarnego przez nazwy jednostek organizacyjnych, jednostek pomocniczych gminy, budowli, obiektów i urządzeń użyteczności publicznej oraz pomniki, Dz.U. 2016 poz. 744.
- Ustawa z dnia 22 czerwca 2016 r. o zmianie ustawy o jednostkach doradztwa rolniczego, Dz.U. 2016 poz. 1176.
- Ustawa z dnia 7 kwietnia 2017 r. o zmianie ustawy — Prawo ochrony środowiska, Dz.U. 2017 poz. 898.
- Ustawa z dnia 7 lipca 2017 r. o zmianie niektórych ustaw związanych z systemami wsparcia rodzin, Dz.U. 2017 poz. 1428.
- Ustawa z dnia 27 października 2017 r. o zmianie ustawy o zbiorowym zaopatrzeniu w wodę i zbiorowym odprowadzeniu ścieków oraz o zmianie niektórych innych ustaw, Dz.U. 2017 poz. 2180.
- Uzasadnienie projektu ustawy — Prawo wodne, <[https://krdp.pl/files/aktyprawne/846\(3\).pdf](https://krdp.pl/files/aktyprawne/846(3).pdf)>.

⁴³ Z. Józsa, *op. cit.*, p. 154.

PUBLICATIONS

- Balázs I. *et al.*, *Local Self-Government in Hungary*, Observatory on Local Autonomy, Lille 2014.
- Dobos G., *Changing Local Relations: Effects of the 2010–2014 Political and Administrative Reforms in Hungary*, [in:] *Local Government in Selected Central and Eastern European Countries Experiences, Reforms and Determinants of Development*, eds. M. W. Sienkiewicz, K. Kuć-Czajkowska, Maria Curie-Skłodowska University Press, Lublin 2016.
- Elander I., *Między centralizmem a lokalnością*, “Samorząd Terytorialny” 1996, no 9.
- Flejterski S., Zioło M., *Centralizacja i decentralizacja zadań publicznych w świetle wybranych rozwiązań europejskich. Próba oceny*, “Studia Regionalne i Lokalne” 2008, no 3(33).
- Horváth T. M., *From Municipalisation to Centralism: Changes to Local Public Service Delivery in Hungary*, [in:] *Public and Social Services in Europe*, eds. H. Wollmann, I. Koprić, G. Marcou, Palgrave Macmillan, Basingstoke 2016, <https://doi.org/10.1057/978-1-137-57499-2>.
- Izdebski I., *Ustrój terytorialny Rzeczypospolitej Polskiej i zasada decentralizacji*, [in:] *Ustrój terytorialny państwa a decentralizacja systemu władzy publicznej*, ed. A. Lutrzykowski, Wydawnictwo Adam Marszałek, Toruń 2012.
- Józsa Z., *Decentralization: International Experience and Local Solutions*, [in:] *Decentralizacja i centralizacja administracji publicznej. Współczesny wymiar w teorii i praktyce*, eds. B. Jaworska-Dębska, E. Olejniczak-Szałowska, R. Budzisz, Wolters Kluwer, Wydawnictwo Uniwersytetu Łódzkiego, Warszawa–Łódź 2019.
- Ladner A., Keuffer N., Baldersheim H., *Local Autonomy Index for European Countries (1990–2014). Release 1.0*, European Commission, Brussels 2015.
- Mazur S., Możdżeń M., Oramus M., *Public Administration Characteristics and Performance in EU28: Poland*, European Commission, Brussels 2018, <https://doi.org/10.2767/331887>.
- Mech C., Pelc P., *Węgierska lekcja dla Polski*, [in:] *Węgry Orbana — wzór czy przestroga?*, eds. L. Skiba, M. Rapkiewicz, M. Kędzierski, Instytut Sobieskiego, Warszawa 2014.
- Medve-Bálint G., Bohle D., *Local Government Debt and EU Funds in the Eastern Member States: The Cases of Hungary and Poland*, MAXCAP, Berlin 2016.
- Merloni F., Pacheco Amaral C. E., *Introduction*, [in:] *Regionalisation Trends in European Countries 2007–2015*, ed. F. Merloni, The Congress of Local and Regional Authorities of the Council of Europe 2016.
- Michalski P., *Wody Polskie — nowy podmiot w gospodarce wodnej*, [in:] *Nowe prawo wodne. Najważniejsze zmiany dla gmin i przedsiębiorstw wodociągowo-kanalizacyjnych*, eds. P. Michalski, P. Filipek, M. Kucharski, Wydawnictwo C.H.Beck, Warszawa 2018.
- Onasz M., Klonowski M., *Wybrane zmiany w systemie wyborczym organów jednostek samorządu terytorialnego wynikające z ustawy o zmianie niektórych ustaw w celu zwiększenia udziału obywateli w procesie wybierania, funkcjonowania i kontrolowania niektórych organów publicznych — wstępna ocena*, “Studia Regionalne i Lokalne” 2018, no 2(72).
- Pálné Kovács I., *Equal Status and Different Conditions of Local Governments in Hungary*, “Krytyka Prawa. Niezależne Studia nad Prawem” 2011, vol. 3, no 1.
- Pálné Kovács I., *Regionalism in Hungary. Assembly of European Regions Study on Regionalism*, The Assembly of European Regions, Strasbourg 2015.
- Pálné Kovács I. *et al.*, *Farewell to Decentralisation: The Hungarian Story and Its General Implications*, “Croatian and Comparative Public Administration” 2016, no 16(4), <https://doi.org/10.31297/hkju.16.4.4>.
- Rajca L., *Reformy samorządu terytorialnego na Węgrzech i w Polsce*, Dom Wydawniczy Elipsa, Warszawa 2019.
- Swianiewicz P., *Empiryczna typologia systemów samorządowych w krajach Europy Środkowo-Wschodniej*, “Samorząd Terytorialny” 2011, no 11.

- Szente Z., *Hungary*, [in:] *Regionalisation Trends in European Countries 2007–2015*, ed. F. Merloni, The Congress of Local and Regional Authorities of the Council of Europe 2016.
- Ura E., *Prawo administracyjne*, LexisNexis, Warszawa 2012.
- Vigvári A., *Is the Conflict Container Full? Problems of Fiscal Sustainability at the Local Government Level in Hungary*, “Acta Oeconomica” 2010, vol. 60(1).
- Vries de M. S., *The Rise and Fall of Decentralization: A Comparative Analysis of Arguments and Practices in European Countries*, “European Journal of Political Research” 2000, no 38.
- Wojnicki J., *Restytucja samorządu lokalnego w 1990 roku na tle polskich tradycji samorządowych*, [in:] *Polski samorząd terytorialny. Europejskie standardy i krajowa specyfika*, ed. A. Lutrzykowski, Wydawnictwo Adam Marszałek, Toruń 2015.
- Żółciak T., *Druzgocąca opinia o naszej samorządności. Czy postępuje centralizacja państwa?*, “Gazeta Prawna”, 9 April 2019, <<https://www.gazetaprawna.pl>>.