Chapter 3

The allocation of responsibilities in the territorial state administration in Hungary

This chapter assesses Hungary's distribution of responsibilities in the State Territorial Administration Reform (STAR). In so doing, the chapter recommends that the government undertake a thorough stock-taking of the reform so that it can prioritise where to concentrate reform efforts.

At the central level, ministries and government offices operate as central state administration organs. Their tasks and organisational and operational responsibilities are defined by law:

- Ministries primarily address strategy formulation and legislation falling under the purview of their policy portfolio(s). In 2010, the government streamlined the structure of the executive by grouping portfolios into five main policy clusters. Ministries also perform tasks of secondary importance to their mandates; these activities have been diminishing over the preceding term.
- Central offices are mainly responsible for co-ordination and for the professional management of their specialised territorial state administration authorities (including specialised state administration authorities within the metropolitan and county government offices [GOs]). These offices constitute second-instance responsibility centres in respect of decisions taken by the specialised territorial state administration authorities. The State Territorial Administration Reform (STAR) did not bring any substantive change to this part of the allocation of competencies between central ministries and GOs.

The law specifies that management of a state administration authority shall include the following competences:

- the establishment, transformation and abolition of the state administration authority
- the appointment and dismissal of the head of the state administration authority (unless a law or government decree regulates otherwise)
- the conduct of the legal and financial supervision of the state administration authority
- the approval of the operational and organisational rules of the state administration authority
- the annulment of a decision of the state administration authority, and if necessary giving instruction to conduct a new procedure
- in cases specified by law, *a priori* or *a posteriori* approval of a decision of the state administration authority
- giving a specific order of command for performing specific tasks or for replacement of an omission
- the obligation for the state administration authority to report.

The effectiveness criterion

The central reform co-ordination services within the Ministry of Public Administration and Justice (MPAJ) have made impressive efforts in steering the reform harmoniously and with no service disruption. To meet its set objectives, the STAR has strived over the years to cover a wide range of reform actions that touch upon as diverse a set of public administration realms as competence reshuffling, organisational downsizing, process re-engineering and modernisation (through information and communications technology, ICT), and capacity building and human resources management. Despite the short timeframe and scarcity of financial resources, most of the planned measures have been fully and smoothly implemented. Neither the establishment of metropolitan and county GOs nor the creation of district offices (DOs) caused interruptions in public service delivery or a reduction in their quality. On that basis, the government claims that only positive aspects of the reform were tangible from the citizens' point of view.

Against this clear achievement, a comprehensive reading of the Magyary Programmes conveys a sense of a wide but not necessarily structured range of reform fronts. After four years of reform, the review team found that officials at all levels were in a sort of "blindness" with regard to the way forward. The MPs provided little sense of prioritisation and most reform components appeared dispersive and were progressively loosing coherence.

This sense of relative drift was not alleviated by the lengthy transitional phase ahead of the 2014 national elections. For several months before the new government entered into office in June 2014, senior officials both within the central administration and in the territorial offices were not certain of continuing their tasks. For them it was moreover also difficult to understand the direction STAR would follow after the elections, and how to manage the ongoing reform activities accordingly. To illustrate, the MP 2014-2020, which was elaborated in late 2013 and articulated so as to reflect the EU Structural Funds and Cohesion Policy term, was not formally adopted by the outgoing government. As a consequence, many new projects and initiatives requiring approval remained on hold. Also the corrective measures that the MP 2014-2020 identified to accommodate more clearly the targets set in the previous years were not launched in a coherent or linear fashion.

Recommendation 2

Prioritise and streamline reform programming.

After four years of implementation, the government could undertake a thorough stock-taking exercise of the reform streams it is pursuing so that it can prioritise where to concentrate reform efforts. To that end, each main component of STAR could be assessed with regard to both its budgetary implications and its expected outcomes – notably by comparing the initial budgetary evaluations with the actual implementation costs and the interim results. This exercise could help the government identify adequate and secure sources to fund further and complete the implementation of the reform components.

Rich evidence has been collected but actual, detailed information on the status of progress in implementing STAR is difficult to gauge.

- The electoral cycle and its implications on the political-bureaucratic interface are one possible cause of the disconnected and, to a great extent partial, understanding that observers can obtain of the implementation of the various reform components.
- The Hungarian public administration suffers from a very high staff turnover with frequent changes at the level of middle managers within an electoral cycle.
- Another cause lies in the insufficient governance structures established to monitor compliance with the targets set out in the MP. Many actors intervening in the STAR implementation are required to collect and report data on how resources are used and activities unfold. However, there still seems to be margin to improve the way in which the information collected is consolidated strategically and critically reviewed both within each line ministry and centrally. In particular, there are little systematic efforts at critical junctures of the reform process to identify the causes for delay or failure of a specific reform strand, or to assess whether and to which extent partial implementation of one strand hinders the achievement of the overall reform.

A system for monitoring and evaluating the performance of each individual reform component and the reform as a whole has not yet been built into the STAR design. As a result, it cannot feed into the national budget-setting exercise, nor can it inform the next waves of reforms or help the government enhance the impact of the reform by adjusting course based on performance evidence. There are only partial channels that allow for sharing and learning from information on common problems, successful solutions and good practices. Full co-ordination between these actors remains underexploited. At an initial stage, these challenges might be

alleviated if information on "who does what" and on the related tasks in each reform component were better disseminated across all parts of the administration and among the actors involved in the design, management, implementation and reporting phases.

The monitoring and reporting system still presents significant opportunities for improvement at the level of the territorial state administration. The GOs and DOs are, in this respect, also relatively disconnected from such a comprehensive appraisal of progress made. While they do report regularly on a number of indicators, they fail to investigate systematically the reasons and causes of the success or failure of a reform Similarly, no suggestions for improvement appear to be systematically collected and passed on to the central level (see Box 3.1).

Box 3.1. Identifying and correcting strategic and operational reform targets in the light of implementation experiences

In the course of discussions that the review team had with various stakeholders, it has been noted that many of the interlocutors – notably those charged with implementing the MPs – were aware of discrepancies between some of the targets and the pace established for STAR on the one hand, and the financial allocation necessary to achieve them, on the other hand. So, for instance, have many actions included in the MPs relied on EU funds granted to the government for two years, whereas the foreseen time horizon set longer implementation targets. In these cases, the government is thus supposed to step in with own resources which do not, however, always seem to be readily and speedily available.

The suboptimal monitoring and reporting mechanism has not allowed for these identified discrepancies to be reported in a timely manner to the steering and co-ordination function of the reform – or to efficiently act upon them if appropriately communicated.

In general terms, a weak monitoring and reporting system puts at risk the accountability of the whole reform as well as the pace and quality of its implementation, for it makes it difficult to intervene with incremental corrections on the direction and the pace of the reform.

A possible example of reporting on reform implementation progress is provided by Spain, where the Office for Execution of the Administrative Reform (OPERA) was created - a dedicated structure that monitors the implementation of CORA's recommendations (see Box 2.2 in Chapter 2). OPERA also engages with the regional level (autonomous communities) in the follow-up process. An ad hoc group was also established within the Council on Fiscal and Financial Policy, which is the main sectoral conference where central government and the autonomous communities co-ordinate their fiscal and financial policies. OPERA publishes quarterly and annual monitoring reports on updated implementation progress and the co-ordination mechanisms newly initiated.¹

Note: 1. Quarterly and annual reports are available on the website of the Spanish Ministry of Finance and Public Administration, see: www.seap.minhap.gob.es/web/areas/reforma aapp.html.

The government has reduced the frequency of publishing updates and comments on the progress of implementing STAR. The missed swift official endorsement of the MP 2014-2020, which includes relevant information on the implementation of the various reform actions, has *de facto* interrupted the regular information that the government had committed to provide to the public and interested stakeholders. There is therefore margin for increasing the public accountability of the reform process.

The efficiency criterion

As a part and parcel of the steps undertaken by the government to realise the "Good State" concept, STAR is firmly rooted in the principles of the effectiveness and efficiency of public spending. Over the years, the various MPs have defined the milestones for the transformation of the public administration and have set explicit performance indicators. The government indeed relies heavily on these indicators to justify its STAR reforms. Indicators presented in the various MPs include:

- the number of territorial state administration organs integrated into the GOs
- the number of DOs established in the counties and metropolitan districts
- the number of staff transferred from local self-governments
- the number of staff enrolled in OSS training, those participating in determined modules and awards issued.

Quantitative indicators were developed before the implementation of each reform measure and they are considered by government as forming an adequate basis to measure achievement of the set objectives and hence the effectiveness and efficiency of the reform. Further, more qualitative but equally important factors are reported, notably in relation to public service delivery. Indicators include, for instance, appraisals on the extent to which the new system is user-friendly and transparent; it sets out clear deadlines and grants more certain process times; it ensures higher uniformity and professionalism; it can hence lead to higher customer satisfaction (see Box 3.2).

The Institute for Public Policy Research's (KKI) project on the "Perception of the Hungarian Public Administration Reform" constituted good practice in monitoring the output of STAR and serves as a valuable precedent that deserves being mainstreamed and embedded in the reform design. However, the project was not a structural part of the reform. Like many other reform indicators, moreover, the ones covered by the KKI

project heavily rely on users' perceptions and subjective value judgments, which may complement but not replace hard, fact-based quantitative performance assessment data measuring the impact of the reform on policy outputs and outcomes. The KKI project was limited in time and subject to funds that are not fully controlled by the government. As a matter of fact, the KKI itself ceased to exist further to the reorganisation of the government structure after the June 2014 elections. On the other hand, because of the EU project management requirements and standards it has to abide with, the project can be used as a learning platform to apply international good practices in monitoring and evaluation.

Box 3.2. The KKI perception survey project

The Institute for Public Policy Research (KKI) was founded in February 2011 as a think tank studying executive public administration practices at large, also from an international comparative perspective. The KKI operated as a supportive agency of the Ministry of Public Administration and Justice (MPAJ) until June 2014, under the supervision and direction of the Deputy Prime Minister responsible for governmental co-ordination. As such, it assisted the operation of the central public administration and contributed to improving the public policy performance of the government.

The KKI was entrusted by the MPAJ to conduct periodically repeated research series on the public's perception of the changes in the public administration since the launch of STAR, with a special emphasis on the introduction of the GOs, DOs and OSS. The project seeks to assess the performance of the reform and track changes in the public's awareness of it as well as in the overall trust in the institutions. The project is funded by EU funds, which were planned to come to an end in March 2015. To date, eight surveys have been carried out and results of the first five enquiries have been automatically published, to comply with the requirements set out by EU-funded projects. A summary is actively submitted to top managers and senior civil servants of the MPAJ for internal circulation. The link to the survey results is communicated to all those participating in the survey. No further specific communication policy is performed. The press coverage has allegedly remained relatively modest, considering the scope and depth of the changes brought about by STAR.

The KKI carried out the survey and processed the data. The analysis does not investigate the underlying drivers and causes of any given perception result. Such in-depth analysis is performed only upon an explicit mandate by the MPAJ, which the KKI never received. In general, the interpretation of the survey's findings is left to each ministry responsible for any given reform component or project. The KKI was entitled to formulate conclusions and recommendations to the MPAI and other line ministries on an information and confidential basis

Box 3.2. The KKI perception survey project (continued)

Besides this specific STAR-related project, the KKI was entitled to respond to requests by the government or individual ministries for research and analyses. The KKI reports are usually confidential.

The function performed by the KKI found equivalent arrangements in other countries. In Spain, for instance, the Spanish Agency for the Evaluation of Public Policies (AEVAL) was established in 2007 in order to promote the rational use of public resources, co-ordinate the different levels of government, improve the quality of public services and encourage accountability to citizens. The agency's mandate is guided by its independence of judgment, transparency, autonomy of responsibility, participation in inter-institutional arrangements through active co-operation, focus on quality and continuous improvement, professional ethics and public accountability. It systematically engages in advertising, dissemination and transparency of reporting through the AEVAL's website.²

1. The project encompasses two research levels – one within the public administration (with the involvement of 1 000 government officials and civil servants through a multi-stage sampling approach, coupled with 12 in-depth interviews with top managers and public administration experts) and one among the public. The latter consists of a nationally representative survey of 2 000 respondents sampled through computer assisted phone interviews; and of 10 focus groups averaging some 10 participants. 2. See: www.aeval.es. AEVAL published, for instance, a report on Efficiency of Public Action in the Autonomic State: Diagnosis and Improvement Proposals (October 2011). More information on the agency can be found in OECD (2014).

Additional indicators on the functioning and performance of the state and the public administration are being developed. Research carried out by the National University of Public Service, in particular, is worth mentioning in this respect (see Box 3.3). Further initiatives, also by independent think tanks and research institutes, designed to develop indicators on the reform could constitute a valuable source of information in the future.

There is still margin for moving towards outcome and result indicators. The NUPS research on public administration indicators constitutes a valuable contribution toward strengthening and broadening the notion of monitoring and evaluation of reform initiatives. The type of indicators developed enriches the set of metrics used so far as the basis for reporting on STAR's performance. The latter appear primarily focused on input and output (direct impact) considerations. As an example, the list of indicators provided by the MP 2014-2020 tends to neglect the overall socio-economic impacts that STAR is expected to contribute to creating over the next years.²

Box 3.3. The National University for Public Service's set of public administration indicators

Upon initiative of the Ministry of Justice and Public Administration (MPAJ) and further to the action line enshrined in the 2012 MP, the National University of Public Service (NUPS) has worked on elaborating a so-called "Good Governance Index" (GGI) under the leadership of its Good Governance Research Centre, financed from the State Reform Operational Programme (ÁROP) 2.2.21-001 "Knowledge Based Public Service Advancement".

The purpose of the GGI project was to deliver a status report to the government providing feedback on ongoing reform measures; indicate areas where further public policy measures are required; and assess the quality of the public administration's performance against a range of indicators.

NUPS presented the results at a high-level conference under the title "A Good Measure of the State" held in May 2014. Research mobilised 40 academic experts with the involvement of an observer from the MPAJ (now the Prime Minister's Office), and is ongoing.

The index consists of a set of 150 indicators that are meant to capture the effectiveness and efficiency of the public administration, as reformed further to the "Good State" concept. Experience and research carried out in the field by international organisations and institutes was taken into account. The indicators are regrouped into five categories, covering:

- legal certainty and trust in government
- societal well-being (quality of life)
- fiscal stability, business viability and economic competitiveness
- environment and social sustainability
- democracy.

A further horizontal category of indicators covers intermediate outputs on the efficiency of the public administration. The concept of administrative efficiency is based on the elaboration of paradigms related to the effective, economical, efficient, safe, verifiable and adaptive nature of the tasks performed and the use of resources

Note: 1. Within the frameworks of the study, the following international indexes were analysed: the IMD Competitiveness Ranking; the World Economic Forum's Global Competiveness Index (GCI); the World Bank Doing Business, Sustainable Governance Indicators of the Bertelsmann Stiftung; the Economist Intelligence Unit's Institutional Profiles Database (IPD); and the OECD's Government at a Glance (GaaG) series www.oecd.org/gov/govataglance.htm.

The Public Administration and Public Service Development Strategy 2014-2020 establishes a special monitoring system for following up with the strategy's implementation. Detailed indicators are currently under elaboration with a view to facilitate comparison between the set targets and the actual state of implementation. A communication policy is also being considered.

Recommendation 3

Strengthen implementation monitoring and institutional learning, improve indicators and report in a timely fashion to the public.

The government could put in place a dedicated organisational and procedural framework to support such a function. It would be important to differentiate between monitoring the performance of the reform as such (i.e. how implementation unfolds) and performance of daily service delivery. This effort could be supported by indicators that focus not only on inputs and tasks but also, to the extent possible, on outcomes and results. Current initiatives related to improving the reform and policy monitoring systems envisaged in the Public Administration and Public Service Development Strategy 2014-2020 could constitute a starting point. Findings from the monitoring activities could be published regularly.

Findings from the KKI surveys show initial reassuring success, notably with regard the introduction of the OSS.

- Surveys carried out between spring 2012 and autumn 2013 report a slight increase in the attractiveness of the public administration among young graduates (from 59% to 65%), despite the fact that the low wages paid in the public sector and, to a lesser extent, a lack of professional prospects, constitute a serious obstacle for recruitment.
- The latest KKI survey indicates that almost two out of three respondents agree or strongly agree with the public administration reform (however it is defined), putting emphasis especially on the expected benefits from implementing the OSS and a client-friendly service as well as on the expected more transparent and rationalised structure. There is a clear connection between attitudes toward the public administration and knowledge of the reform or personal experiences with the new service delivery.
- Complementary research conducted in January 2014 by means of exit polls outside the OSS concluded that citizens who had applied for documents in the past 12 months found the procedure significantly faster, easier and more client-friendly compared to

previous experiences. No comment was given by respondents on whether the new regime had reduced the costs incurred by the applicant of the service demanded. In the examined period, citizens' trust in the GOs increased from 5.2 to 6.2 on a scale of 1 to 10. In the case of the DOs, the score amounts to 6.4.

The KKI findings also point to issues for consideration:

- challenges for the OSS include the issue that citizens appear unaware of their functions
- IT integration is slow and expensive
- the professional know-how of OSS staff should be improved to match the greater workload and more complex tasks they must perform
- communication appears to be one of the areas where the potential for improvement is greatest:
 - Only one-third of the surveyed employees considered that most OSS clients were aware of the options available to them when accessing the government windows.
 - While almost 70% of the interviewed public reported to have heard of the existence of the OSS, no more than 8-10% had knowledge of the extended opening hours (from 8am to 8pm). This proportion has not increased steadily over the months.
 - Attendance records in the OSS confirm that visit patterns have not changed significantly across the day. Only a minor proportion of customers attends the office late in the evening.
 - The KKI statistics nonetheless also show that over the 20-month period between March 2012 and November 2013, the rate of adults that personally made use of an OSS increased only from 2% to 4%
 - Urban residents with a higher education represent the majority of the OSS clientele and are better informed about the type of services available ³

A further area where communication to the public can play a major role in enhancing the impact of administrative simplification measures is the use of the Citizen Portal (*ügyfélkapu*) and other ICT-supported tools. The KKI reports that the Citizen Portal is still under-exploited, primarily because the public ignores its existence (30%) or because it declares still preferring contact with front-desk officers instead of performing administrative tasks online (21%). Almost another third of the survey participants stated that the lack of a computer or of Internet access was the reason they did not use the portal. The government has taken account of these findings and is reported to be strengthening its efforts for more diffused and better performing e-government.

Recommendation 4

Use communication and information to stakeholders strategically and better link STAR with the government's Digital Agenda.

The government could pursue its commitment to better consolidate and disseminate information both on the objectives and achievements of the reform and on the opportunities afforded to citizens and business. Communication and information could be used strategically and as a tool to improve service delivery. In this respect, the government is correct in leveraging the potential of the Digital Agenda, for example by advancing in re-engineering and modernising public administration procedures as well as in diffusing ICT and Internet access and literacy across the country. This could secure higher quality service delivery and greater consistency of approach, including the more systematic provision of feedback from citizens and stakeholders.

Notes

- 2. See MP 2014-2020.
- 3. It shall be noted that the opening of the "second generation" OSS (i.e. those equipped to process the latest set of tasks) has only been launched since February 2014.

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