Ph.D. THESIS

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Local government relations in Urban Areas

Abstract

Supervisor:

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I. The premises of the research and the choice of topic

I chose the issue of urban governance for my dissertation thesis at the beginning of my PhD. studies. I worked as a public servant for four years in the Ministry of Local Government and Regional Development, from 2006 to 2010 (knows between 2006-2010 as the Ministry of Local Government). During that time I dealt with local authorities on a daily basis. Furthermore, my professional interest in local governments strengthened significantly over the last 5 years. The focus of my attention for years has been effective good governance in metropolitan/urban areas. In 2010 I undertook the preparation of the local government specialization Bachelor’s Degree in Political Science at King Sigismund College, Budapest. Since then I have taught relevant subjects, for example public management and local public policy. The agglomeration policy is the main focus of research. Regarding policy interests, my decision has a personal aspect. I have lived in a young town neighboring Budapest for nearly a decade. Having officially become a town in 2000, nowadays my settlement occupies a good position in the south-east metropolitan area of Budapest. I have the suburban lifestyle, for instance commuting daily from my home to Budapest, or spatial spillover on the spreading of urban services in settlements undergoing suburbanization.

In general, significant legal and institutional conversion was introduced by Parliament and new government after 2010. The question is how this has affected the operations and attitudes of Hungarian municipalities.

Metropolitan / urban governance is an exciting issue in the global era. According to the reports of the UN, OECD, EU and many think-thanks, the world has permanently taken on an urban nature [State of the World’s Cities 2010/2011, 9-10. pp.; OECD2000; Leipzig Charta, 2007]. The 21st century is about cities and the functional urban area. The background of this process consists of migration from village to cities, geographic localization and infrastructure development in urban areas. More and more public and private actions concentrate on urban spaces in all continents. Today cities and their agglomeration zones coexist together. These are complex symbiotic relationships that have some dominant object, for example commuting from suburban settlements to downtowns, expanding urban public and private services (education, public and private health etc.) in full agglomeration zones and a high number of suburban dwellers working in cities. Perhaps the most exciting characteristic is the so-called spillover function as a postmodern economic phenomenon. This means that the influences of cities extend over their administrative borders. However, we face a wide swath of negative functional effects:
- Urban overpopulation;
- Waste disposal and sewage management;
- Poverty and the spread of slums;
- Traffic chaos around cities.

The main difficult but essential policy issue in functional urban areas is the antagonism between the administrative self-government units and functional linkage of cities and other settlements. Policy decision makers have tried to resolve this holistic conflict for nearly 200 years. Initially based on tested solutions, rude expansive methods were employed — for instance annexation or the fusion of cities and villages. In the 20th century the attitude of local political elites changed in some urban areas. After World War II, instead of previous conflict-oriented motivations, consensus-based solutions were applied for metropolitan/urban governance for circa half a century. Decision makers have created so-called two-tier metropolitan governments in urban areas since then. This kind of government structure is more sophisticated than one-tier government, thanks to the respecting of settlements’ local government autonomy around the city [OECD, 2014a; OECD, 2012b; Lefèvre, 1998, 2010; Barlow1991]. I collected the most important policy papers (UN, OECD, the EU) and some North American and European theories in urban governance covering the past 15-20 years [OECD2000, OECD2014a, OECD2014b, Barlow, 1991; Walker, 1987; Hamilton, 1999; Kálmán, 2005; Lefévre, 1998, 2010].

I point out that Hungarian urbanization is very different from international experiences. First, in Hungary the demographic growth of the urban area population is much slower than in North America or Western Europe. Second, only the Hungarian capital city (Budapest) and its metropolitan area belongs to the category of Functional Urban Areas, in accordance with international standards (500,000 inhabitants / urban area). According to some reports, the urbanization process in some neighborhoods in Budapest have turned to a de-urbanization phase. What’s more, in certain inner districts (VII. or XIII.) of Budapest there are visible signs of the phase of re-urbanization in this decade. However, this is taking place parallel to the phase of suburbanization in surrounding municipalities [KSH, 2014a; Filep, 2014, Beluszky-Győri, 2004; Szilágyi-Gerce, 2015].
II. Methodology

The dissertation has two determinate viewpoints: a geographic comparative dimension on the one hand and a temporal comparative dimension on the other. In the latter the historical archive of metropolitan / urban governance is visible. To find the roots of this topic we have to go back to the 19th century. Similar analogous pressures emerged in both North-America and Europe. However, the decision makers attempted to apply similar solutions. For nearly 200 years the main policy target was to mitigate fragmented administration space in urban areas. The urban governance literature acknowledges different instruments as rude expansive or soft cooperative methods as a first classification [Barlow, 1991; Walker, 1987; Lefévre, 1998]; Horváth M. 2007b, 2005, 1995; Hoffmann, 2009]:

- Annexation – rude expansive method
- Fusion – rude expansive method
- Partnership or association – soft cooperative method
- Financial transfer – soft cooperative method
- Privatization – soft operation method
- Other public management instruments – soft operative method

A number of experts use government and governance terminology for urban / agglomeration policy as a second classification. Hamilton combined this approach on a centralized versus decentralized axis [Hamilton, 1999]:

- Type of centralized and government instrument – annexation, fusion, other incorporate methods
- Type of centralized and governance instrument – shared tax base in urban area
- Type of decentralized and government instrument – partnership among local governments, special- or general-purpose metropolitan/agglomeration council
- Type of decentralized and governance instrument – privatization, finance transfer from national state or regional level

We can differentiate these methods pursuant to their simple and complex structures as a third classification [Hamilton, 1999; Barlow 1991]:

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- Special-purpose metropolitan government structure – e.g., metropolitan transport authority; medical/hospital district

- General-purpose metropolitan government structure – e.g., one-tier metropolitan/city council; two-tier metropolitan/agglomeration council

I offer these three holistic classifications for the interpretation of metropolitan/agglomeration policy. Some researchers use them in a geographic comparative dimension and temporal comparative dimension. For example, we examine the history of Budapest over one and half centuries. This was a period of rude expansive methods, e.g. annexation in 1873 and 1950, but attempts to utilize soft cooperative methods existed, for example the Development Council of the Budapest Agglomeration in the last decade. But we can summarize history of Budapest by two others dimensions: nature of government or governance, and general or special-purpose – e.g., the Budapest Public Works Department from 1870 to 1948.

Today the topic is especially discussed as policy issue around the world. I would like to highlight two international organizations — the OECD and the European Union — which often release policy papers about this issue. It is important to recognize some aspirations of the European Union, especially. Accepted for the European Spatial Development Perspectives, the topics of urban areas and polycentric spatial development have come to the fore in the EU (ESDP, Lille, Leipzig, Gödöllő) since 1999. The EU’s policy papers motivate national governments in domestic policies, specifically in terms of spatial development, economic policy or social cohesion in urban areas. When examining related decisions and initiations of central government or local governments we take into consideration these EU-related aspects.

To analyze approaching public policy, conflicts in metropolitan/agglomeration areas is multifaceted process. I identify the main reference points after reading and synthesizing international and domestic local governance literature:

*The structure of municipalities concerning the number of settlement for one local government* — i.e., the principle “one settlement one local government” — This guideline has been existent in Hungary since regime changing [Pálné, 2008a; Horváth M., 2007b].

*The content of local public services* — This means we have to investigate what functions belong to the central or local level. This depends on state organization, because the type of local service
can be wider when decentralized (federal or regional) but narrower in a centralized state [Horváth M. 2002; Hoffmann, 2008; Horváth M., 2002].

The shortage of the capacity of municipalities — Regarding disparity of qualitative service. In general cities or towns have higher quality public service capacity than villages or smaller towns. This shortage is more likely to appear in the fragmented municipality system [Horváth M. 2013; Vigvári, 2007].

The dimension of legal status, methods on municipalities — For example the process of becoming a town; obligatory or optional local functions [Szigeti, 2002; Hoffmann, 2009; Hegedűs, 2008].

Financed structure for agglomeration administrative and governance institutions — The main question for this reference point is the level of independence or dependence. The more independent local finance (particularly own income — e.g., local business tax), the better the position for effective local policies and social projects [OECD, 2000].

Three elements of policy coordination in urban areas — According to researchers the first element is territorial coordination between international, national and subnational policy actors. The second element is functional coordination with supranational (EU, etc.), national as well as subnational or local political and economic, civic stakeholder representatives. The third element is so-called inter-sectoral coordination which is about partnership with international and internal business, media actors and ultimately local society [Salet-Thornley-Kreukels, 2003]. But the kind of cooperation evaluated in the dissertation is the partnership and cooperation among local governments in urban areas.

I took into consideration international experiences and theories in the dissertation chapters on internal aspects. I treat the regime change and original Act on local government as an intersection (Act 1990. No. LXV. – old Act about local governments). I tried to review the entirety of public administration literature about cities and types of cooperation in urban areas after 1990. Meanwhile, I focused on national politics, i.e., government modernization goals from 1990 to 2015 and the changes in the regulatory environment in all legislative cycles. Furthermore, I compared legal institutions for partnership among local governments from the regime change. The spreading of the application of legal institutions was an important indicator in the dissertation. Apart from every settlement’s cooperation, I specifically concentrated on role of Budapest and cities with county rights. From the beginning I have had the intention to
unearth direct empirical experiences about the topic. Therefore, I aimed to connect valid empirical research with the internal chapters of dissertation. I received operational and methodological aid for the preparation and interpretation of statistical data. Finally, during data collection, 241 mayor filled out the questionnaire about partnership and cooperation between cities and neighborhood settlements (towns, villages). I interpret this outcome as a success, even if only three mayors of cities (Budapest and cities with county rights) participated in the research.

III. Main research findings

After reading and analyzing foreigner and domestic urban policy literature, I created two main theses and a special governance model for urban areas. My research aim is to analyze the governance and public administration of Hungarian agglomerations with a fresh approach.

III.1 Thesis no. 1 on the inadequate regulatory environment

The first democratic Hungarian Parliament passed a law on local governments (Act 1990. No. LXV. – old Act about local governments) in the year of the regime change. The Hungarian local government system has had one main principle — "one settlement – one local government" — since 1990, which means that locals can vote for a mayor and local council in every settlement (villages, towns, cities). The original Act contained some paragraphs about legal partnership among local governments. Despite the legal framework for partnership, Hungarian settlements demonstrated a low-level of participation in municipal partnerships for a long time. They instead insisted on legal autonomy after 1990. This stubborn attitude of settlements had some negative effect in agglomeration zones. The political sphere reacted slowly to this anomaly, taking several years. These reactions were primarily the amendments to the Act about local governments in 1997 and the generation of financial incentives for local governments to create efficient legal institutions for partnership. My first thesis claims the original law about local government did not help spread partnership and other types of cooperation. I consider this a special policy failure [Hajnal, 2008]. Let’s examine different parts of thesis:

1. The lack of special legal institution for partnership among local governments in agglomeration zones. Although positive initiatives, e.g., the Development Council of
the Budapest Agglomeration (2005-2012) and very few experiments to connect with other cities existed, the entire administration of conflict in urban areas was unsolved.

2. There were a significant number of other partnerships among local governments from 1990 to 2012, but all of them were of a voluntary nature. After creating the possibility of mandatory partnership of local governments in The Fundamental Law, the Hungarian Parliament passed a new act about local governments (Act 2011. No. CLXXXIX. - new Act about local governments) calling for mandatory common local government offices. But according to the new Act, common local government offices as a legal institution focus on only small villages with under 2000 inhabitants. The Hungarian Central Statistical Office found only three common local government office for cities with county rights in operation, from a field of 759 similar official units in 2014.

3. Hungarian settlements simultaneously applied for different voluntary legal institutions of partnership before the Act No. CLXXXIX of 2011. I evaluate this as the “chaos of partnership” and a sign of incoherence in the field. Significant suburbanization took place in Hungary over the last 25 years. Agglomeration zones with significant settlement growth were to be found mainly in the Budapest metropolitan area, where 200,000 dwellers moved to neighboring settlements since the regime change.

4. There is a debate about the nexus of 19 county-level governments and 23 city local governments with county rights. The question is whether county governments compete with cities with county rights. It is my view that the legislature should have solved this legal divergence when codifying the new local government Act in 2011. But the parliamentary majority supporting the new government after 2010 did not strengthen the rights of municipalities.

5. The Budapest metropolitan area and the prominent cities with county rights differ from other urban and rural areas in Hungary. In my view the group of cities with county rights is not unified from a functionality approach. I offer a new structure with which to categorize this group. On the one hand we have so-called regional scope cities with county rights (Győr, Szeged, Miskolc, Pécs, Debrecen, Székesfehérvár) and on the other hand cities with county rights. I recommend implementing this distinction in the Fundamental Law and the Local Government Act.
6. Parliament codified so-called *different delegated rights* in the original Local Government Act 1990. It was based on local governments having received some authority, e.g., branch services for towns and cities in the years 1990-2000. In turn the legislative power sometimes applied this principle over the last two and a half decades. I argue that Parliament would have been wiser to grant significantly more powers to bigger settlements (cities) [Csefkó, 2000; Kéki, 2000].

**III.2 Thesis no. 2 on the new institution at the agglomeration-level**

I recommend a *special federative agglomeration council* for the Budapest metropolitan area and the prominent cities with county rights (with a population of minimum 100,000). According to the second thesis, an imagined federative agglomeration council would better organize public services in the agglomeration zones than is done at present. Its would require some rights delegated from city and surrounding settlements. I do not propose to change the principle *“one settlement – one local government.”* However, I reject rude methods, e.g., annexation or fusion but also the delegation of decision-making for the state too. Paying attention to international experiences (federative agglomeration councils in Europe and North-America) and recognizing local autonomy, I only support a federative solution for agglomeration administration. I would like to prove four aspects of this thesis: *a)* little Hungarian research about city-network after regime change exists; *b)* the existence of local public service and other state/regional spill-over phenomena of cities; *c)* the applicability of foreign agglomeration councils as following examples; *d)* empirical research connection with dissertation.

1. According to official EU and OECD reports Budapest with its metropolitan area is really the only functional urban area. The Hungarian capital city has a high number international and nation-wide spillover functions. All important public and private institutions are located in Budapest. Eighty settlements belong to the capital city as the widest and the most crowed agglomeration zone in the country. The Budapest metropolitan area is very diverse in terms of administrative legal status. There are villages, towns and one city with county rights (The city of Úrd in the western metropolitan area of Budapest). We can see intensive relationships between Budapest and suburban settlements. In the agglomeration zone 63,8% of workers commute from their residences, according to a report of the Hungarian Central Statistical Office last year [KSH, 2014a].
2. I offer the other type of federative mandatory agglomeration council for areas with 100,000 city dwellers as an expected criterion. In my opinion, this measure of a city is suitable for operating public services in agglomeration zone. On the other hand a number of geographers and economists grade settlements with 100,000 inhabitants as Hungarian cities. The Hungarian Central Statistical Office measured urban areas with suburban settlements in 2003 and 2014. During this period the relevant statistical data showed the number of settlement increased a little more than 40% in agglomeration zones [KSH, 2014a].

3. A revision of agglomeration administrative functions is called for in the light of the evaluation of European experiences of agglomeration councils. Additionally, public services have to be separated from each other. First, we classify remaining functions on the level of local government apart from the imagined functions on the level of the agglomeration. I suggest a list of agglomeration council responsibilities that includes for example public transport, waste management and spatial planning.

4. Based on a questionnaire measuring the opinion of mayors and on the policy outcomes of empirical research, I tried to analyze attitudes of mayors about types of relationships and cooperation between city and neighboring municipalities. The research is valid for suburban towns and villages because 238 mayors filled out the questionnaire. I present the most important policy outcomes of the research.

- A preference for types of government policy tools, e.g., local government partnership, between settlements and state institute.

- An under-valuation of types of governance policy tools, e.g., civic relationship, inter-municipal economic cooperation.

- Support for integrated area instruments, e.g., federative agglomeration councils, agglomeration finance foundations and regional types of National Conference Cooperation of Municipalities.

5. To ensure the possibility of voluntary agglomeration councils for other agglomeration zones (cities with county rights and their suburban areas).
III.3 Special governance model for urban areas in Hungary

In addition to the two theses of the dissertation I also propose a special governance model for urban areas in Hungary. I split two types of models, one for the Budapest metropolitan area and the other for so-called *regional scope cities with county rights* (Győr, Szeged, Miskolc, Pécs, Debrecen, Székesfehérvár). The two types cannot be managed as one: Budapest and its suburban area is supernumerary.

There are common features of both the Budapest Metropolitan Council and the agglomeration councils:

I. Federative two-tier metropolitan/agglomeration council

II. Mandatory partnership between city and suburban settlements by law

III. Non-elected but also delegated council by local governments

IV. Civic and stakeholders participate through a defined method

As such I created a list of functions for Budapest under the auspices of a Budapest Metropolitan Council, and another list of functions for the other selected cities under the name Agglomeration Council. I examined the local functions of the Municipality of Budapest and other every local government. Then I selected from among them to produce so-called *agglomeration functions* as a new imagined type of public service level.

The following list contains some agglomeration functions:

- Public transport in metropolitan/agglomeration zones.
- Waste management (collection and transportation)
- Water service and sewage management
- Spatial development in metropolitan/agglomeration zones
- Environment policy and noise control
- Energy policy (district heating and public procurement)
- Sport and youth issues
- Tourism and economic development
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