

Government Capacity and Capacity-Building in Hungary: A New Model in the Making?¹

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1. Introduction and background

The literature on Central and Eastern Europe's (CEE) emerging illiberal democracies is growing rapidly in general (Greskovits 2015), particularly in the case of Hungary's journey (Ágh 2016; Csillag and Szelényi 2015; Hajnal and Rosta 2016; Hajnal 2015; Korkut 2012; Kornai 2015) or, rather, its somewhat trail-blazing path in this direction. Most of the accounts strive to describe the core common features of these movements, distinguishing them from "mainstream" liberal democracies, in order to describe and understand the dynamics which lead to their emergence and foster their sustained existence and even proliferation. Additionally, they endeavour to grasp the main effects and risks that accrue from this phenomenon.

Our ambition is somewhat different, in two respects. First, we wish to focus on one key feature of these emerging illiberal governance systems: their capacity to govern. By focusing on such specific, relatively "technical" (rather than systemic) features of the politico-administrative system, we hope to delineate and understand how the "grand concept" of illiberal democracy – frequently discussed and understood in broad terms of constitutional and political foundations – manifests itself on these more technical levels of government machinery, its administrative operations and its functions. Second, government capacity and capacity-building efforts are two sides of the same coin. Therefore, we wish to examine a very rarely (if at all) examined feature of illiberal democracy – namely, how capacity-building efforts

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(both domestic and international, funded for the most part by the EU) have operated and how they have contributed to what we can observe in the everyday realities of governance.

The research reported here was part of a broad, international effort at understanding government capacity and capacity-building by studying the EU's instruments throughout the Member States (Thijs et al. 2017).⁵ The empirical focus of the paper is Hungary, an exemplary (Yin 2012) or ideal case study of what is sometimes called illiberal democracy (Korkut 2012).

The structure of our study is as follows. First, we give an overall outline of the governance reforms or changes in recent years, leading to the emergence of a possibly genuine governance model. Given the depth and scope of existing scholarship in this regard (see above), our summary will be brief. In the sections that follow, we review the main areas of governance capacity one by one, namely civil service system and HRM (Chapter 3), transparency (Chapter 4), the field of service delivery and digitalisation (Chapter 5), the organisational and management level of capacity-building (Chapter 6) and the field of policy-making, coordination and regulation (Chapter 7). As mentioned above, the empirical focus is on Hungary; while the overview's time-scope covers the period since Hungary's accession to the EU. In justified cases, however, we slightly extend this scope to enable a fuller understanding of the dynamics leading to the present state of affairs.

2. Generic concepts and features of reform and capacity-building

According to received views, capacity development is the process by which individuals, organisations, institutions and societies develop abilities to perform functions, solve problems and set and achieve objectives (UN 2006, OECD 2008). It needs to be addressed on three interrelated levels: on the individual, on an institutional, and on a systemic macro level. Our analytical dimensions employed to look at capacity-building correspond to these levels to different extents and in different proportions.

- The civil service system and HRM in the public sector mostly concentrates on the individual level (Section 3);
- The organisational and managerial aspects (Sections 4 to 6 on transparency, service delivery/digitalisation and governmental organisation) mostly tackle the mezo, institutional level of capacity;
- finally, the last section on policy-making and government-wide coordination (Section 7) emphasises systemic components and features of capacity.

⁵ The paper is based on the results of the research led by "EUPACK" – the European Public Administration Country Knowledge **research project** (<https://www.hertie-school.org/en/eupack/>). In the frame of the EUPACK project a comprehensive comparison of national public administrations in the 28 EU member states was published.

The central importance of capacity-building is to improve the government's ability "to evaluate and address crucial questions related to policy choices and modes of implementation among development options – based on an understanding of potentials and limits, as well as the needs perceived by the people of the country concerned" (UN 1992).

The above-mentioned five issues are discussed in this paper in order to show how contextual factors affect central government capacity. The individual chapters will firstly expose the connection of the topic to the overall issue of administrative capacity. In the second sub-section we proceed to describing the developments in the given reform area over the past 15–20 years. The reason for the extended time scope of this overview is that many of the recent reforms and changes are deeply connected to, and rooted in, dysfunctions and (partly failed) reform attempts of the preceding early years of the post-transition period. In the third sub-section the performance in the given field is reflected by indicators of relating international rankings and comparisons.

3. Civil service system and HRM

3.1 Civil service and the human aspect of administrative capacity

The civil service is a central component of administrative capacity. Hence, it is not surprising that it is and has been a constant area of intervention for capacity-building efforts over the time period examined here. According to recent views – underlying, by the way, EU-funded capacity-building efforts, too (cf. European Commission 2014) – this capacity is, in the final analysis, manifested in the competencies of the human workforce employed in the public administration. However it also encompasses, and is strongly framed by, the formal and informal institutions and systems used to steer their employment conditions. As to the latter component, whereas formal institutions related most significantly to the career- versus position-based feature of the system, informal features are most prominent in the shaping of politico-administrative relationships. This covers the actual role of (senior) civil servants in policy-making and implementation, not to mention their degree of autonomy vis-à-vis politicians and external societal interests and actors.

Going beyond the simplest measures of the size of the public sector, its levels and its spread (namely, the numbers of staff), the system of indicators quantifying national administrative performance typically examines the compensation (pay, salary or wages) of civil servants, their gender make-up, their training and data regarding their spread of ages, etc. (cf. OECD 2017). By all means, this information helps us to understand the situation of the administration's staff within the context of the labour market. Further, if we accept that administrative capacity is related to the sum of the individual competence of all workers in the administration, then it is justified to investigate how attractive civil employment is and its ability to acquire

and retain a highly qualified workforce. Besides this, there is additional qualitative information about the state of the administration's staff, which, according to the items below, provides a picture on the Hungarian civil service over the past decades.

3.2 Civil service reform measures

The civil service system, as it stood in 1998, was regarded as a pioneering example of the career-type system in post-Communist Central and Eastern European countries, since Hungary had already adopted a new modern civil service law in 1992. The legal-institutional framework seemingly contained all the customary, Western-type elements of a classic career-type civil service (such as competitive, merit-based recruitment and promotion, protection against arbitrary dismissal, etc.). Still, as in-depth legal and empirical analyses showed, the details and the practical operation of the institutional framework, especially on the managerial levels, showed clear signs of politicisation (Staronová and Gajduschek 2013).

Nevertheless, in the period of 1998–2002, preceding Hungary's accession to the EU in 2004, the development of the civil service continued along the previous lines, focusing on such elements as introducing individual performance assessment and creating a code of conduct for civil servants. Moreover, a large-scale training programme in preparation for EU accession was put in place. The practical implementation, however, remained questionable, especially when regarded from an outcome-oriented point of view. An illustrative example of this was the new general framework for performance assessment adopted in 2001. Here the policy decision and the subsequent technical regulations on its implementation were based on a misunderstanding of what performance assessment actually entails and is capable of delivering. Consequently, the new framework ultimately led to a significant increase of superfluous paperwork in the civil service. To the extent it is possible to judge, the impact of other measures was limited, too.

The creation of a Senior Civil Service (SCS) in 2001, shortly before the elections, was a somewhat different "reform". The SCS reform created a pool of (a maximum of) 300 civil servants who were to be appointed for an indefinite term by the Prime Minister. Candidates working in the central agencies could apply for such an SCS position. The tasks of those nominated were somewhat ambiguously defined, as they were selected "to strengthen the whole-of-government approach" of the public administration, with the only mandatory task to participate in trainings specially organised for them. Based on the lack of effective merit criteria involved, its sole purpose should be seen as securing top-level salaries for an extended period of time on behalf of those selected to be senior civil servants, as well as entrenching the positions of senior civil servants who were aligned with the FIDESZ-led government. After the elections, lost by the previous government, it continued to operate as an instrument used by politicians to build clientele among civil servants and to generate income for selected beneficiaries.

From this point onwards, including the SCS reform, practically up until the date of this study, all substantive changes to the civil service were less emphatic reform measures which held no claim of being part of the Public Administration Reform (PAR) Strategy. Formal PAR strategy documents referred to merely symbolic and rather minor technical elements or reforms with no more than a marginal impact.

The 2002–2006 period did not bring any significant changes to the civil service system. A good example of the meaningless and futile attempts at reform was the Public Service Reform Initiative, which operated in the 2002–2006 period. Its key objective was to create a unified legal framework of employment for the various segments of public service (such as civil servants, public servants, the armed services, etc.). Note that the objective was not to create consistent employment conditions – which would have been impossible, anyway – but to collect existing regulations into one piece of legislation. The initiative was stopped after several years without any apparent hint of success.

From 2006 onwards, however, rapid and radical changes were implemented. Soon after the 2006 elections, a newly nominated State Secretary for Personnel Affairs, with extensive and exclusive private-sector HRM experience, began to implement radical New Public Management-type reforms in broad segments of the civil service. This included private-sector HRM-style training and performance-assessment instruments, centralised and merit-based recruitment, promotion frameworks for ministerial employees, the abolition of the SCS and, not less importantly, a major attempt of centralising HR administration/registration and key HR management decisions in the ministries. This latter ambition, despite strong political support by Prime Minister Gyurcsány, was finally stopped by the bureaucratic resistance of the political and administrative leadership of line ministries, motivated to maintain administrative discretion and organisational – to some extent, “shadow” – power positions that had been created in the previous epochs.

The reform of the top echelon of civil service had a more lasting effect. In 2006, the institution of the Permanent State Secretary – in operation since 1989 – was abolished in the quest for a more effective “political governance”. The permanent state secretaries were, practically speaking, anything but permanent. Throughout the previous 15 years, their tenures had not even exceeded those of their ministers (Szente 1999). Still, the new doctrine of “political governance” meant that career-type arrangements at this top level were explicitly abandoned and replaced by hands-on political and managerial control.

After the inauguration of the Second Orbán Cabinet in 2010, the most radical and swift changes occurred within the civil service framework. Immediately after the new Cabinet came into power, an unprecedented wave of “cleansing” swept through the civil service. Quite illustrative of this wave were its first steps (Summer 2010), whereby any and all employment protection for civil servants was abolished

at all levels of civil service, not only managerial. This meant that labour protection in the civil service became non-existent. Dismissal came to be possible on the basis of “loss of confidence” without any further deliberation, any compensation or any notice. Thus, labour protection was even weaker than in the private sector. Not unimportantly, these legislative changes were introduced within a matter of days, as individual members’ bills were submitted by key personalities of the governing parties’ faction. This and a number of other similar measures (such as the 98 % tax introduced, retroactively, on severance payments received over the past years in the civil service) were eventually deemed unconstitutional by the Constitutional Court and subsequently annulled. Nonetheless, the Court decisions left enough time for the Cabinet to finish the cleansing (Hajnal and Csengődi 2014).

HRM competences became strongly centralised, an objective that the previous reform of 2006 was unable to attain. Managerial nominations in all ministries came to be dependent on the core ministry, Ministry of Public Administration and Justice (MPAJ). Later, other public service areas underwent even larger waves of centralisation – a peculiar example being the creation of a national agency for education administration (KLIKK) with strict central control in 2012. This took over the employment of more than a hundred thousand schoolteachers and other school employees from local governments and was placed in charge of all managerial nominations in primary and secondary schools.

Thus, the main thrust of civil service transformations in the years 2010–2014 were generally characterised by (i) the core motive to maximise the centralisation of control, and (ii) the lack of a formal blueprint for this key objective. It is interesting to compare the scope and composition of strategic reforms put forward in the 2010 Magyar Plan and its subsequent modifications (Ministry of Public Administration and Justice 2012). Although strongly “advertised” in official PAR rhetoric and enjoying well-communicated, top-level political support, they were largely meaningless in terms of concept and/or marginal in terms of real effects. Examples include the creation, throughout the various branches of public service, of a uniform legal and institutional system of

- code of conduct;
- higher education;
- performance assessment;
- competence-based HR planning.

The emphasis here was on the consistent nature of these systems and institutions, since they had, of course, existed in some form before 2010. The new element in these reform measures was that all branches of public servants – notably, the civilian workforce (central and local government civil servants), police and other internal security forces, and the military (!) – should be put, as far as possible, under a single legal and institutional framework. The most conspicuous element of this unifying ambition was the creation of the new National University of Public

Service (NUPS) on the basis of three, previously independent units: a Faculty of Public Administration (which existed for almost three decades as the College of Public Administration), the National Military Academy and the National Police Academy. These institutions became faculties of NUPS. Conspicuously, in several key respects, NUPS was placed outside the scope of “regular” higher-education governance and legal frameworks. Its accreditation, academic standards and operations are all administered directly by the core executive through specific laws and institutional supervision managed by the ministry in charge of PAR (For more details, see Hajnal 2016).

Any room for collective bargaining and civil service unions was practically entirely removed from the system. Unlike the previous legal framework (in effect from 1992 to 2011), the new one practically eliminated the role of civil service unions by creating a corporatist-style Hungarian Civil Service Corps (*Magyar Közzszolgálati Kar*) with compulsory membership for all civil servants (Nacsá 2014). Opportunities for collective bargaining were also seriously weakened (*ibid.*).

In the period after 2014, most of the above reform measures were reiterated in the Public Administration and Public Service Development Strategy. Actual transformative measures, however, were minimal.

3.3 Assessing HR capacity in civil service

Available indicators of the quality in civil service demonstrate, in an EU-wide international comparison, a remarkably weak position for Hungary.

Table 1
Selected Indicators of HR capacity

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

Source: Dahlström et al. 2015.

In terms of the impartiality of its civil servants, Hungary ranks among the worst performers in the EU. This may be related to the numerous, highly visible and materially and/or symbolically salient cases, in which covert or, in a number of cases, overt political pressure and interests played a key role in instances of unprofessional, damaging or even unlawful administrative actions. These high-profile cases include regulatory changes and large quantities of public tenders alike. Yet, on the lower, “street” level of administration, the extent of impartiality is, in our view, more satisfactory.

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

The civil service's closedness remains stable and in the lower third of the EU-country ranking. As noted earlier, this is a result of the definite shift towards openness, which has taken place since 2010.

4. Transparency

4.1 Transparency and Accountability and their Contribution to Government Capacity

Approaches to government capacity-building frequently emphasise the role of transparency in government operations and public finance management, as well as the improvement of accountability regarding the use of public resources in administrative capacity (cf. World Bank 2014). According to the literature on the state-building and capacity-building of governments, public institutions and organisations work well when control mechanisms are in place and the public sector operates in a transparent manner (Hilderbrand and Grindle 1997). One of the crucial factors that can be used to rate the comparative strength of various states' overall institutional capabilities is the government's ability "to control graft, corruption and bribery; to maintain high levels of transparency and accountability in governmental institutions" (Fukuyama 2004). Highly politicised environments dominated by nepotism and the misuse of public goods and property for personal gain and political favour reduce government capacity.

4.2 Ensuring and strengthening transparency and accountability in the Hungarian government: An overview of past developments

The foundations of the institutions and procedures for ensuring transparency and accountability – such as the system of ombudsmen, elected by and responsible for the Parliament and the Freedom of Information (FoI) Law – were established in the early years of transition. In subsequent years, these operated relatively effectively, in line with the generally strong checks-and-balances-oriented nature of the constitutional-institutional framework. In the period of 1998–2002, the most important developmental step was the introduction of the compulsory declaration of assets for civil servants. Nevertheless, this measure was of limited impact. First, much of the income from corruption was seized by politicians; second, the

asset declaration obligation could be circumvented relatively easily by using a straw man or family members.

In our view, more significant was the “Glass Pocket” (*Üvegzszeb*) Law introduced in 2003, requiring all public budget organisations to regularly publicise their contracts (exceeding a modest contractual threshold value) along with some additional financial data. A similarly important step was the Law on the Freedom of Electronic Information (XC/2005). This regulation obliged administrative agencies to publish on the internet a broad range of information about their operations, to provide a broad range of additional data and information upon request, as well as to publish and respond to substantive comments received from societal partners in relation to draft legal measures.

The process of broadening the scope and depth of FoI and accountability mechanisms based upon it continued in the years that followed. From 2007 to 2008, an Anti-Corruption Coordination Committee with strong civil participation was operational, the scope of the obligatory asset declaration was broadened, and the salaries of top governmental officials (including politicians) were made public.

While these measures probably did not, in and of themselves, significantly improve the situation in terms of corruption and accountability, they did contribute to the creation and maintenance of a political, legal-institutional and discursive framework – involving the media, citizens, NGOs, think tanks and some politicians – that, in our view, had a tangible effect on public awareness and values, not to mention political participation and mobilisation. Thus, they imposed a significant constraint on corruptive practices.

Nonetheless, this situation changed, sharply and openly, in the post-2010 years. The government instituted a series of alterations constraining the freedom of information, weakening accountability mechanisms, and eliminating most of the pre-existing checks and balances. Many of these measures stretch far beyond what one could consider PAR, as they came about through a fundamental redesign of basic state institutions. This entailed the adoption of an entirely new constitution, as well as a series of constitutional amendments (both to the old and the new constitution) and changes to cardinal laws.

Among other elements, the 2011 constitutional changes involved a basic redesign of the FoI institutional framework. The system of four ombudsmen (one of whom was responsible for the protection of personal data and the freedom of information) created in the early years of transition was eliminated. The result was one general ombudsman (elected by the sole support of the governing parties) and the creation of a National Authority for Data Protection and Freedom of Information, NAIH. Though formally nominated by the president, the president of NAIH is proposed by the prime minister, which results in much more direct political influence than was the case with the ombudsmen. Access to information of public interest has significantly decreased through subsequent modifications of FoI legislation (in

2011 and in 2015), whereby (i) data and information related to preparing policy decisions became non-public, and thus outside the scope of FoI; (ii) applications for data of public interest became subject to haphazard but significant (or even prohibitive) fees payable by the applicant; and (iii) access to data was constrained by other means, as well. Freedom of information has been severely constrained by the (largely informal) practices of the National Media and Telecommunications Agency (*Nemzeti Média és Hírközlési Hatóság*). It is illustrative that, on 6 December 2016, the government of Hungary decided to abandon a Europe-wide, high-profile FoI programme, the Open Government Partnership⁶.

On the other hand, anti-corruption measures targeting mainly the lower levels of the government apparatus became more heavy-handed and effective. A new central agency, the National Protective Service (*Nemzeti Védelmi Szolgálat*) was established in 2011 to conduct activities tackling crime – including, in particular, corruption – in the armed and security forces, in addition to other bodies related to national security issues. Active anti-corruption measures became possible and actually part of the Service’s activity portfolio. Surveillance against civil servants, even on a preventive basis, became legally possible and actually relied upon. As a result, “street-level” corruption has presumably decreased – or has, at least, been contained. Still, this did not result in or was tied in any significant ways to the strengthening of transparency in operations.

4.3 Assessing transparency and accountability of government

In view of the developments outlined above, it is not surprising that Hungary’s position in a Europe-wide comparison of government transparency is very weak and, what is more, worsening.

Table 2
Selected Indicators of transparency and accountability

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

Sources: Bertelsmann Stiftung 2015, European Commission 2012, World Bank 2015, Gallup World Poll 2015.

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

⁶ Government Resolution 1716/2016, available at <http://www.magyarokozlony.hu/dokumentumok/c987f692090322170cb9e5bd405ff0c27f1a76ec/megtekintes>.

According to Transparency International's report, the increasing risk of corruption is the result of bias among the authorities, the non-transparent use of government money for different foundations (e.g. the National Bank of Hungary has given nearly 267 billion HUF to its different foundations), and the opaque nature of government investment with very ad-hoc provision of information (Civitas Institution Economic and Social Science Research Co. and Transparency International Hungary Foundation 2018)

On the other hand, as mentioned above, anti-corruption measures targeting mainly the lower levels of the government apparatus have become more stringent. This could explain the discrepancy in corruption perception as measured by TI (based on expert judgment) and Gallup (based on citizen opinion).

5. Service delivery and digitalisation

5.1 Digital government as a key component of administrative capacity-building

According to recent views, digitalisation is an inherent element of capacity-building in government (European Commission 2010). It is seen as a major and indispensable precondition of fulfilling basic requirements of capacity-building in general, such as

- improvement of the quality of public administration services;
- the reduction of administrative burdens placed upon clients;
- the efficient allocation and use of resources.

Whereas the first requirement can be achieved through gradual introduction and reliance upon client-oriented and electronised (e-government) administrative services, administrative burden reduction requires not only the development of front-office functions and procedures (both government-to-citizen and government-to-business), but also that of back-office processes (government-to-government). This would involve paper-free, interoperable and shared services. As to the third requirement, digitalisation can contribute by offering increasingly secure and intelligent (in terms of smart analytics), transparent and efficient solutions to public administration.

5.2 Baby steps towards e-government

Within the Hungarian context, this reform area, in comparison with the others, is unique in several respects. Firstly, it is the most visible, most "advertised" area of PAR. Secondly, with relation to the previous point, this is the only area in which all important PAR measures are included in official, strategic PAR documents (as opposed to being part of "stealth reforms"). Finally, this area is covered by the

largest amount of reform measures by far, as measured by their budget share or their sheer number.

Three major areas of reform deserve mentioning:

- e-government, digitalisation and other ICT-related reforms;
- streamlining of administrative procedures involving both client-oriented improvements of the administrative procedures and simplification of internal administrative processes;
- consecutive waves broadening the scope, depth and accessibility of services offered by administrative one-stop shops.

Albeit lacking in systematic and comparable data our impression, based on expert insights, is that in the 2000s, ICT-related development projects probably absorbed the largest amount of funds. One factor underlying this could have been strong lobbying by the industry, on the one hand, and the corruption potential created by the ease and speed of contracting and spending large sums of EU funds within a short period of time, on the other. However, despite the large ambitions and the significant efforts and resources devoted to these projects, relatively few of them were successful – namely, those, in the first half of the 2000s, that were related to the development of a virtual one-stop shop, a government e-services portal and an administrative-services telephone hotline.

The Government Programme of the first Gyurcsány Cabinet (2004–2006) declared that, in accordance with the EU's expectations, e-government capacities should be developed. In particular, the “infrastructural preconditions of modern, rapid, client-oriented administrative services” were to be created. Pursuing this objective, various online platforms were developed, such as the Virtual Registration Office (XR – *Virtuális Okmányiroda*), where clients were able to initiate 25 types of administrative cases and fix appointments for another 80 types of cases. The most important achievement of this time period was the government's virtual one-stop shop called “Client Gateway” (*Ügyfélkapu*). This offered integrated access to an existing online platform, as well as additional opportunities to register companies, download and submit forms necessary for administrative procedures, etc.

From 2010 on, the most visible “flagship-type” element of e-government reforms has been the introduction of a new system of country-wide administrative one-stop-shops called “Government Windows” (*Kormányablakok*). These offices started to operate on the county level, then later on the micro-region (local) level, as integrated administrative service points for citizens and private-sector organisations. In 2014, they delivered a varying extent of services in 250 types of administrative cases – first, in 2011, on the middle (county) tier of territorial administration; then, from 2013, on the level of administrative districts, too, resulting in nationwide coverage comprising more than 200 service points.

The next major step towards the expansion/extension of e-government is the Law on Electronic Administrative Services (CCXXII/2015, which came into force on 1 January 2018). It obliges each public-sector organisation to make an electronic/online channel available for clients (at their request) during the whole lifecycle of the administrative/case-handling procedure – from obtaining information to submitting forms and interacting with the authorities, all the way to online payment and resolution. In order to enable this fundamental transformation of service delivery, the government has developed a system of shared G2G services and infrastructure for the individual public-sector organisations. The “Central ASP Project”, as such, is the cloud solution for each local government, through which they access – in a non-voluntary, full-coverage manner – a broad range of back-office and front-office applications, altogether covering most of their vital operations and functions. Another feature of the ASP – less emphasised by official programme documents, but highlighted by recent field research (Hajnal and Rosta 2017) – is that, in line with the excessive strengthening of central governmental control over local governments and the weakening of local government competences and capacities (cf. Hajnal and Rosta 2016), the ASP is frequently perceived by stakeholders as yet another all-powerful instrument of central political and administrative control.

In addition to the initiatives mentioned above, over the past few years, the largest service delivery and digitalisation projects have included:

- the “Government Windows” one-stop administrative shops now available in each administrative district;
- the “cutting red tape” programme (simplification of administrative procedures);
- the government back-bone (so-called super-fast internet programme) connecting all public administration bodies to one another by the end of 2018;
- the launch of the e-ID card project;
- the interoperability framework for governmental electronic databases.

In the field of administrative burden reduction, steps were taken – on the basis of measures put forward in the Magyary Plan – to limit the administrative burdens on enterprises. Nevertheless, these measures should be seen in the context of a general government policy that deliberately exposed broad segments of business to unexpected, radical and sometimes fatal policy shifts. Illustrative examples include the overall introduction of heavy sectoral taxes in the finance/banking, telecom and retail sectors; nationalisation of entire industry sectors (utilities and tobacco retail); or harsh regulatory changes such as the “plaza ban” prohibiting development projects in the retail sector. Therefore, overall, as the various international rankings of business competitiveness show, the post-2010 years can be seen as an extremely business-unfriendly period.

5.3 Assessing the quality of digitised public administration services

Table 3
Selected Indicators of e-government quality

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

Sources: European Commission 2016, UN E-Government Index 2016, European Innovation Scoreboard 2017, Euro-barometer No.417 2016, World Bank Ease of Doing Business 2017.

Most of the indicators show a somewhat controversial, but generally unfavourable situation in most respects. Three overarching claims might help to interpret the above figures:

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

6. Organisation and management of government

6.1 The organisational and managerial level of government capacity-building

The organisational level of government capacity-building activities intends to improve the performance of internal public organisational systems and processes leading to stronger organisations with the ability to adapt and continue to develop over time.

As Addison puts it, “[p]ublic management studies also have a ‘capacity-building’ perspective represented by competency management. The term competency denotes ‘the skills and capabilities that the state machine does or should possess, as well as its legal powers’” (Lodge and Hood 2003 quoted in Addison 2009, 131).

Within the frame of organisational and management capacity, many studies focus on three interrelated fields:

- strategic planning capacity of the government;
- processes, arrangements and results in the field of inter-ministerial coordination;
- the implementation capacity of the government, “which may be defined as a dynamic process comprised of a range of political and administrative behaviours directed towards putting a policy in place” (Goggin et al. 1990).

However, the Hungarian government reforms traditionally and mainly focus on restructuring government organisations. In other words, bureaucratic reshuffling dominates over such alternative measures as upgrading planning, policy formulation or policy evaluation, etc. Due to this particular feature of Hungarian reforms, in the following analyses, we mostly focus our attention on structural reform initiatives that might have been intended to create a more effective government structure in order to increase government capacity.

6.2 Public administration reforms to improve organisation and management capacity in the central government: Actual versus desired results

To achieve performance improvements in government, there needs to be at least a minimum level of coordination among the ministries and central agencies. It is widely accepted that better coordination within government enables government organisations to make better use of their capacity. Thus, it can lead to increased efficiency in policy formulation and implementation, also in terms of service delivery (Halligan 2008, 2010). Such inter-organisation coordination in central government can be strengthened by heterogeneous forms of procedural and structural reform initiatives. These coordination instruments range from centrally driven structural

integration of organisations to softer coordination, such as co-decision-making or joint implementation processes.

Reform initiatives attempting to improve governmental coordination were dominant elements of central-government reforms in Hungary. Yet, these efforts were limited to an extremely narrow set of measures, restricted practically to the strengthening of bureaucratic-hierarchical control. Moreover, they were mostly limited to structural reforms (integrating and merging organisations). These legally defined, formal-structural reforms enjoyed disproportionately large attention in the overall PAR agenda throughout the entire post-1990 period. Consequently, structural reforms stood (almost) always in the focus of PAR in the sense that they were the most frequent, most frequently emphasised and most frequently debated elements of PAR.

In the pre-accession period, structural reform ambitions triggered by EU accession targeted the regional and local tiers of administration, as opposed to central state administration. In spite of this, a number of structural reforms targeting central state administration can be – or frequently are – attributed to accession requirements. Such changes include the following:

- the creation of an autonomous Office for Immigration and Citizenship (*Bevándorlási és Állampolgársági Hivatal*) in 2000, separate from the police;
- the creation of an integrated national civilian protection system in 2000;
- the reconciliation of policy with border policy in preparation for accession to the Schengen agreement in 2007;
- the creation of an autonomous Office of Agriculture and Rural Development (*Mezőgazdasági és Vidékfejlesztési Hivatal*) in 2003 and the Office for Agricultural Administration (*Mezőgazdasági Szakigazgatási Hivatal*) in 2006, both in charge of implementing the EU's Common Agricultural Policy.

These structural changes, however, are of relatively minor importance compared to those motivated by an intention to extend and centralise the prime minister's political control and power.

The main instrument of these efforts was the constant strengthening of the prime minister's immediate apparatus, the PMO. In practice, this meant a gradual take-over by the PMO of such key jurisdictions and competencies as political planning and analysis, communication, and the creation of a system of so-called mirror-departments – each one “mirroring” a ministry and enabling the prime minister to exert technically competent, “real-time” control over each ministerial portfolio (Müller 2010, 34).

This trend of strengthening political control and oversight continued in the 2006–2010 period. According to Müller (2010, 37), the reform package introduced by the second Gyurcsány Cabinet in 2006 aimed at the “final actualisation

of political governance”. Formal as well as informal instruments of this effort include the following:

- The prime minister occupied leading positions in the most important cabinet committees, including the Committee of State Reform (*Államreform Bizottság*) and the Development Cabinet (*Fejlesztési Kabinet*).
- The prime minister’s position vis-à-vis the ministers became that of a principal-agent relationship, extending even to the ministerial portfolio. The prime minister “[regularly] met with his ministers and informally made clear to them what he expected them to do” (Lampert 2014).

With an objective similar to the measures listed above, a number of other structural changes occurred at a more “macro level”, aimed at strengthening central control and containing organisational “over-proliferation and over-growth” (Sárközy 2007).

- The number of ministries and, especially, central executive agencies was decreased through mergers (Hajnal 2010, 2011).
- In order to improve coordination of key policy areas, new coordination bodies (committees and organisations) were created. Examples include the National Development Agency (*Nemzeti Fejlesztési Ügynökség*) in charge of or managing all EU funds, the Agency for Administrative and Electronic Public Services (*Közigazgatási és Elektronikus Közszolgáltatások Központi Hivatala*), and the government’s new human-resources management centre, the Agency for Governmental Personnel Management and Training (*Kormányzati Személyügyi, Szolgáltató és Közigazgatási Képzési Központ*).

As we have already noted, while some sort of a “structural reform” of national agencies has been a recurring element of successive cabinet reform agendas, it is difficult to see any consistent strategy or even doctrine underlying those reform intentions (cf. Hajnal 2008; Hajnal 2010; Hajnal 2011). Rather, most of the time, one can observe a rather spontaneous and constant evolution of structures driven by diverse and opaque political, organisational and individual interests and intentions.

Reflecting the changing and strengthening administrative policy of the government, we can observe, in 2006, a sharp turn in the trends describing the central executive agencies’ proliferation and autonomy. While central executive agencies constantly proliferated up (with similar processes in other related organisational fields such as public foundations, public utility companies and other types of “quangos”) until 2006; afterwards, a large-scale re-absorption of previously outsourced agencies into their parent ministry, agency mergers and a decreasing level of structural autonomy began to be the main trend. The new administrative policy was triggered by two motives – the first being the endeavour to strengthen political control; the second being the desire to contain the ensuing budgetary and

administrative crisis. According to observers, the latter required, among other measures, centralisation of power, since “ministries would never transform themselves” (Sárközy 2006).

As to the improvement of operations and work processes in the period from 1998 to 2002, much of the efforts to measure and increase the performance of ministry and agency activities remained in the phase of “thinking about how we should do this”. The actual implementation of a performance agenda was scarce. A number of administrative and social service organisations introduced ISO systems. Additionally, though to a much more modest extent, a certain proliferation of the so-called CAF (Common Assessment Framework) quality management systems can be observed in this period.

After the change in government in 2010, earlier (legal, institutional and political) barriers against centralisation were entirely eliminated. Thus, the process of centralisation could unfold without restraint – entailing the constant strengthening of the prime minister and his immediate apparatus, organisational integration, and the radical containment of ministries and national agencies both in terms of number and autonomy. The specific, key elements of this transformation process are as follows.

- The ministry structure of the central state has been completely transformed. By integrating several of the previously existing 13 ministries, 8 integrated “super-ministries” were created.
- The PMO was restructured. Formally, it ceased to exist; in practice, however, it has doubled. The Prime Minister’s Cabinet Bureau (*Miniszterelnöki Kabinetiroda*), formerly part of the PMO, was re-named Prime Minister’s Bureau (*Miniszterelnökség*). The coordinating functions of the pre-existing PMO were taken over by the newly created Ministry of Public Administration and Justice, MPAJ. The former became the key venue of political coordination, while the latter dealt with administrative coordination (Bíró 2014). In 2015, the ministerial structure underwent a smaller restructuring again. The Cabinet Office of the Prime Minister (*Miniszterelnöki Kabinetiroda*) was separated from the Prime Minister’s Bureau (*Miniszterelnökség*) and began to operate as a tenth ministry. The Cabinet Office, mostly responsible for government communication, oversees the so-called national consultations (government-administered quasi-opinion polls aimed at inducing and demonstrating popular support for government policy).
- From 2012 on – in preparation for the 2014 elections – key policy areas and organisational entities such as the Governmental Control Office (*Kormányzati Ellenőrzési Hivatal, KEHI*), the Information Bureau (*Információs Hivatal, IH*) in charge of foreign intelligence, and the Hungarian Investment Promotion Agency (*Nemzeti Külgazdasági Hivatal*) fell under the control of the increasingly powerful Prime Minister’s Bureau.

Meanwhile, the role of the prime minister continued to strengthen.

- The new constitution entitles the prime minister to decide on the central policy directions of the government. Further, it stipulates that the ministers' role is to represent government policy and not that of their given sectors.
- The prime minister's jurisdiction over personnel was further strengthened. He was put in charge of all senior appointments throughout the central administration, including state secretaries, government commissioners and commissioners of the prime minister.
- The prime minister became capable of issuing legal measures without the formal oversight of ministers (Government Regulation 1144/2010.VII.7.). These must be approved by the cabinet only *ex post*.

On the sub-ministry level of central state administration, one can observe two important changes in the period from 2010 to 2014. Firstly, from 2011, a new central agency type was created, the autonomous regulatory agency (*önálló szabályozó szerv*). This is a novelty in central state administration, because, unlike all other central agencies, they can be created/alterd only by a qualified (two-thirds) majority of Parliament. The specific instances of this new agency type are the Public Procurement Authority (*Közbeszerzési Hatóság*), the Competition Authority (*Gazdasági Versenyhivatal*), the Authority of Equal Opportunity (*Egyenlő Bánásmód Hatóság*), the National Authority of Data Protection and Freedom of Information (*Nemzeti Adatvédelmi és Információszabadság Hatóság*), and the National Bureau of Elections (*Nemzeti Választási Iroda*).

To address the perceived problems resulting from the mushrooming agency structure in 2016, the government announced a "rationalisation" of the central government agencies. The aim was to significantly reduce the number of public organisations (mostly central agencies) by abolishing or merging them into the ministries or by delegating their tasks to the lower, county-level tier of governance. At the time of writing, the government is considering terminating some 72–73 agencies, amounting to a definite majority of the agency population. As of 1 January 2017, in the first implementation phase of agency reform, 25 central agencies were terminated.

As to process-related, managerial reforms, such elements are scarce even on the rhetorical level of PAR, only represented by the key policy documents and the Magyarj Plan (MPAJ 2012). One may find references to the simplification of government and administrative procedures; however, "real" management reforms were not even touched upon in these key strategy documents.

6.3 Assessing organisation and management capacity in the Hungarian central government

Table 4
Selected Indicators of organisation and management capacity

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

Sources: Bertelsmann Stiftung 2015, Dahlström et al. 2015.

The poor ranking in the strategic planning capacity dimension can probably be attributed, at least in part, to the wholesale disregard of this aspect of capacity-building (see above) and of virtues related to evidence-based policy-making (see next section). The very high frequency and unpredictable nature of organisational changes involves huge organisational transaction and adaptation costs, limiting strategic perspective and planning, too.

The relatively strong position in terms of inter-ministerial coordination can be explained by the strongly centralised, hierarchical nature of coordination arrangements, as well as the limited number and strictly controlled political character of the ministries.

Although the two “implementation capacity” scores are similar, there may be some reservations with regard to this assessment. Intuitively speaking, our assessment of the government’s implementation capacity would definitely be better than this – especially when it comes to large-scale, highly visible, politically salient issues (such as the building of a fence system on Hungary’s Southern border).

7. Policy-making, coordination and regulation

7.1 Government capacity and policy capacity

In addition to aspects of administrative capacity related to how the government machinery fulfils its routine tasks, one should keep in mind the huge importance of the government’s capacity to formulate and pursue effective and efficient policies. As Heclo put it,

... new policy content comes from government administrators and other expert elites who interact over time in the shaping and implementation of policy. The increase of administrative power in the policy process is linked to the capacity to draw upon administrative resources of information, analysis, and expertise for

new policy lessons and appropriate conclusions on increasingly complex issues. In public administration scholarship, capacity building is considered a tool of policy implementation, through which the capacity of bureaucratic intermediaries to carry out requisite actions and to cooperate in the implementation of policy is enhanced, thereby facilitating implementation (Heclo 1974; quoted in Addison 2009).

In this sub-chapter, we focus on these “intermediation” processes, which enable better policy coordination within government by creating links between ministries and other public actors in order to enhance the coherence of policy formulation and implementation.

7.2 Government reforms to increase policy capacity

The period from 1998 to 2002 involved two PAR elements aimed at increasing the quality of policy formulation, measuring the effectiveness of policy implementation and strengthening policy coordination.

First, the intention to strengthen ex-ante and ex-post impact assessment of legal measures and to introduce regulatory impact analysis appeared on the official reform agenda. We should note that these elements have been constantly re-appearing since the early 1990s, suggesting minimal practical implementation of these reform measures. The use of such analytical instruments remained marginal or even non-existent up until the present day in most segments of public administration (excluding those involved in the implementation of EU-funded development projects).

Second, as was briefly mentioned above, during the first Orbán Cabinet (1998–2002), the first decisive and successful steps towards strengthening the central government were completed. This was the advent of a long epoch, continuing up to the present day. This ambition features as the core element of almost any and all governmental efforts to transform the policy process. The most visible element of this process is the creation of so-called “mirror desks” in the PMO for each ministry, as well as retaining a central specialist staff in charge of overseeing the respective ministries’ operation. Note, however, that while these efforts were of very high political salience, they were not included in official PAR strategy – neither on this occasion, nor any subsequent one.

The period of 2002–2006, governed by a Socialist-Liberal coalition, did not bring much change in policy-making. From 2006 onwards, though, major efforts were devoted to furthering the aims of centralisation and an increasingly “political governance”. These included the following:

- creating new coordination bodies (committees and organisations) for important policy and functional areas (management of EU funds, personnel affairs and development projects) in which the prime minister had direct and strong control;
- strengthening the apparatus and the capacity at the prime minister's disposal (most importantly, the PMO);
- abolishing the position of permanent state secretaries and their committee (KÁT), which had been in charge of administrative policy coordination at the highest level;
- nominating individuals with clear political party backgrounds as state secretaries, thereby infusing the policy process with overt and clear political guidance.

These measures were politically highly salient, and, as in all previous periods, completely outside the scope of official PAR strategies or even formal-legal changes.

From 2010 on, the overall picture changed sharply in this field, as well. Political and legal-institutional checks blocking many earlier efforts were eliminated. Finally, after many years of futile political efforts, control of communication, personnel and internal functions was centralised in the hands of the core ministry (then MPAJ). It was within this new setting, controlled both politically and administratively by the prime minister, that the old, pre-2006 institution of permanent (administrative) state secretary was reinstated. Although these and other related changes in the formal structure and policy processes were very significant, even more important were the ones made to informal processes. These included the following:

- the wide practice of proposing major pieces of legislation as an individual member's bill, thereby circumventing the usual legal requirement for societal and administrative consultation;
- increasing reliance on legislative changes put forward in so-called "salad bills" (salátatörvény), preventing any sort of oversight (be it political, legal, administrative or technical) of the substance of the changes;
- the wholesale elimination of consultative, tripartite forums (involving employers and unions in addition to government) that had existed since the system change, in national as well as in sectoral policy fields.

Overall, the above measures created a radically accelerated, top-down, unilateralist style of policy making. In the view of the long series of harsh, sudden (even disruptive) and controversial policy changes that have occurred since 2010, this "reformed" style of policy making can be regarded as a precondition of the government policy pursued over the past few years.

7.3 Assessing the policy-making, coordination and regulatory capacity of the government

Table 5
Selected Indicators of policy making capacity

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

Sources: Bertelsmann Stiftung 2015, World Bank 2015.

Despite the existence of an important central policy-making coordination instrument – namely, the permanent state secretaries’ coordination committee, frequently seen by government officials as successful – the indicators show a relatively low performance of government in policy-making and coordination within the field of regulation. The following indicators of the Hungarian government’s performance were either already among the worst in Europe in 2014 or declined to that level between 2014 and 2016.

- The elimination of consultative mechanisms and practices was already detailed in the relevant section, while the assessment on societal consultation (28th out of 28) is probably close to the reality.
- The failure to utilise evidence-based policy making instruments is a perennial feature of Hungarian public administration, stemming from a simultaneous lack of expertise and demand. Some deterioration (especially – though only hypothetically – in comparison with earlier years) is likely, although the exceptionally high rate of law-making and the never-ending series of disruptive, unexpected policy and legal changes initiated from the top make planning and analysis impossible anyway.⁷
- The quality of laws falls prey not only to the phenomena detailed above, but also to a lack of consultations (and therefore lack of relevant knowledge, expertise and information) and a lack of evidence-based policy-making practices.

⁷ Between 2011 and 2014, only a marginal proportion of Regulatory Impact Assessment documents were available from the government website – 258 document packages compared to the number of accepted and published laws, 5381 (Corruption Research Center 2015). Real analyses that are more than symbolic rarely occur, even in these few documents. The number of (self-declared) working days spent on preparing impact assessment sheets was 2.8 days/impact assessment on average. “There are almost 120 sheets that were prepared in only one working day (50%) [sic!], and 35 sheets (15%) that were prepared in less than one working day according to the data.” This tendency worsened during the examined period (Corruption Research Center Budapest 2015).

Moreover, frequent prioritisation of political ends, political communication and political fighting over public interest concerns further weaken laws.

- The assessment regarding the rule of law seems well-founded, too. Retroactive pieces of legislation, laws intended to solve particular (and even personal) issues, and the prevalence of “tailor-made” laws transforming entire economic or societal sectors within a matter of days – all cause great or even fatal damage to broad clusters of economic actors and are part of everyday reality in Hungary.

8. Conclusions

Over the past more than one decade Hungary has received a significant amount of external support to upgrade its governance capacity. This is well reflected in the table below.

Table 6
Volume of external support (EUR)

Source	2007–2013	2014–2020
ESF	188,492,802	840,660,046*
Norway Grants	2,325,748	9,006,199
Other	4,520,851	n.a.
Total	195,339,401	849,666,245

Source: Based on Hajnal (2018, 11). *The significant difference in amount is due to the exclusion of eGovernment development projects in the period 2007–2013 being financed by ERDF.

Keeping in mind the – of course somewhat limited – validity and reliability of the indicators as well as of their empirical and time scope, the overall picture of capacity-building supports a fundamentally sceptic view. Government capacity is, at least as measured in a European comparison and through the limited set of indicators available for this purpose, quite weak, Hungary usually featuring among the last few in the EU28 league table. More importantly, however, – and in our view this is the most remarkable finding of this study – its position has, despite massive EU investments into capacity-building, clearly continued on a downward path. The reasons for this contradiction deserve further, systematic investigation. Two major – albeit, at this stage, hypothetical – elements of such an explanation are, firstly, the imperative of funds absorption over any other consideration. This pre-eminence is, to a large extent, triggered by the “project logic” of capacity-building imposed by the funding mechanism itself on Hungary. In many development areas such a logic – involving clear ex-ante planning of objectives and activities and a temporally finite, short-term implementation period – may be workable or even optimal. However, in the field of building governance capacity it seems to have much more drawbacks and to lead to a loss of synergy, continu-

ity and coordination so profound for the success of such capacity-building efforts. Secondly, the difference or, in many cases, even the sharp conflict between declared and “official” capacity-building objectives – developed for the purpose of conforming to EU funding requirements – on the one hand, and the actual intentions of the government on the other is yet another stumbling block against reform success – at least as measured by the above indicators.

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