

# **‘Whispering at the back door’? The voluntary and community sector and public policy implementation in post-accession Hungary**

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## **Introduction**

One of the central features of development of Hungarian society since ‘the change’ of 1989 has been the re-birth of voluntary and community organizations (VCOs)<sup>2</sup>. Initially, the focus of these organizations was upon the renaissance of ‘civil society’ in Hungary. Many of the leaders of the new VCOs had been involved in oppositional politics under the prior Communist regime and these new organizations were seen as an essential element of this renaissance (Osborne & Kaposvari 1997).

As civil society has become more embedded in Hungary, though, the focus of these organizations has evolved to include a role in developing and providing essential services for their local communities (Szeman 1996, Osborne & Kaposvari 1998). Initially much of this development was funded by supranational bodies. They saw such provision both as a way to encourage more effective public services through partnerships between government and VCOs and as a way to reduce the size of public spending in Hungary (Deacon & Hulse 1997).

Since the mid-1990s however, most of these supranational bodies have withdrawn from Hungary. In principle, their place has been taken by the Hungarian state as the prime funder of the VCO sector at a national and local level. Indeed, in Western European terms, the Hungarian VCO sector is now exceptionally dependent upon the state for its financial security (Jenei & Kuti 2003). However, the development of the relationship between the Hungarian state and the VCO sector has been beset with problems. Despite the

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<sup>2</sup> The VCO sector in Hungarian society does in fact have a considerable historical pedigree. See Kuti (1996) for greater exploration of this pedigree.

aforementioned dependence of the VCO sector upon the state, previous studies have highlighted the actual lack of governmental finance available to support and develop this sector, as well as the ambivalent standing in which VCOs are held by the state (Kuti 1994, 1996, Szeman 1996).

A key element of complex relationship concerns the extent to which VCOs are regarded purely as an agent in the *co-production* of public services in Hungary, or whether they have a role in the *co-governance*<sup>3</sup> of these services through their input into the public policy making and implementation process. This present paper explores this involvement and the potential lessons that it offers for similar relationships across the other transitional and accessional nations of Eastern Europe.

In addressing this issue, this paper is situated within the substantial policy implementation literature (for example, Parsons 1995, Sabatier 1999, Schofield 2001, Hill & Hupe 2002, 2003,). It is in three parts. After a short explication of its methodology, this paper commences with an overview both of the current relationship between the VCO sector and state in Hungary and of the aforesaid policy implementation literature and its applicability to the transitional and accession states of Eastern Europe. Part two then reports upon two case studies of VCO – governmental interaction, at the national and local level respectively. These concern the formation and impact of the national Civil Fund and the relationship between a small VCO and local government in one provincial town of Hungary (Nyirgyháza). These cases are used to explore the extent to which VCOs are involved in true co-governance in Hungary. The final part of the paper considers the import of these findings for our understanding of VCO – governmental relationships. In particular it will consider the extent to which the VCO sector has developed a true co-governance role in relation to public policy

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<sup>3</sup> For further discussion of the terms co-production and co-governance, see Johnson & Osborne (2003).

implementation or whether it remains rooted in the principal – agent paradigm of co-production alone.

## **Methodology**

This paper is based upon a collaborative research project between an English and two Hungarian researchers, carried out over a two year period (January 2003 – January 2005). It was composed of three iterative elements:

- interviews with key governmental officials to trace the development of public policy towards the VCO sector and particularly the evolution of the National Civil Strategy,
- interviews with key governmental officials and VCO leaders involved in the creation of the *Civil Fund*, to monitor its progress, and
- interviews with the staff and leaders of a small local VCO in Nyirgyhaza (*Periforia* – a VCO that worked with homeless people) and with key local government officials and politicians involved in its funding regime.

The intention of these iterative sets of interviews was to explore the public policy making process at both the national and local level in Hungary and to test out the dynamics of this process. Specifically it was concerned to explore if the process was a predominantly top-down one or whether the local actors in the process might be able to influence it. The history of policy making in Hungary in the thirty-odd years prior to 'The Change' of 1989 had been dominated by the centralist and top-down public policy process that characterised the Communist regimes of Eastern Europe. As will be seen below, the aspirations of the early political and VCO leaders in post-Communist Hungary were to move towards a more 'European' model that was based upon a more citizen-orientated and bottom-up model of policy making (Agh 1994). In doing so, this study utilised concepts of the policy making and implementation process developed within western experience and explored further below.

## Background literature.

***The development of the VCO sector in Hungary since 1989.*** Jenei & Kuti (2003) have demonstrated the profound growth of the VCO sector in Hungary since 1989, from an initial base of just over 13,000 organizations in 1990 to almost 50,000 in 2000. This period has also seen a shift in the income pattern of the sector (Table I). State support and core revenue have risen steadily over the decade, whilst private and commercial income has declined. These figures mask two significant points though. First, that at 28%, state support of the VCO sector is significantly below the levels across Western Europe. These hover around the 40% mark (Kuti 200X). Second, that the share of local government in this support is meagre – in 2000 it contributed only 5% of the income of VCOs compared to 23% contributed by central government (Jenei et al 200X).

*Table I. The income of the CVO sector in Hungary 1993 – 2000  
(% of total income)*

Date	State support	Revenue from base activity	Private support	Commercial activity	Other	Total
1993	16	18	32	23	11	100
1997	22	34	25	18	0	100
2000	28	37	18	16	0	100

*(source: adapted from Balogh et al 2003)*

This second statistic is especially significant for the growth of local community services and the role of VCOs in this growth. Central government funding is by necessity concentrated on the mainstream public services – children and families services and healthcare, for example. Other services have comparatively little chance of receiving such funding and are thus left having either to compromise their core mission in order to qualify for funding or to consider other, non-governmental (and extremely rare), funding sources.

This dependency has been recognised by the Hungarian government, particularly in the evolution of its new *Civil Strategy*. This document notes that the VCO sector 'is under-financed by the government and local authorities' and that since 1989 it has remained 'subject to the policy of "governmental domination" ...[and] paternalism.' (Directorate for Civil Relations 2004, p. 5). The Strategy argues subsequently for the planned increase of public funding of the VCO sector to 40% and for any policy of contracting out to 'be accompanied by the hand-over of the necessary resources.' (p. 7)

***The public policy implementation literature.*** Here is not the place for a detailed explication of this literature. This has been well done elsewhere, such as in the references detailed above. Nonetheless it is important to provide a conceptual framework for the empirical discussion contained below. Traditionally this literature is divided into three elements – Hill & Hupe (2005) calls these the 'top-down', 'bottom-up' and 'synthesizer' approaches. The seminal statement of the *top-down school* is Pressman & Wildavsky (1973). Adopting a rational approach to the policy process they concentrate on the organizational linkages from policy formulation through to implementation. For Pressman & Wildavsky, the starting point for any analysis is always the policy document. Everything flows from this source. This approach was subsequently developed by, amongst others, Sabatier & Mazmanian (1979) and Hogwood & Gunn (1984). Summarising this school, Hill & Hupe argue that it focuses upon three questions: how is policy made, how can implementation of this policy be ensured, and what factors affect the process of implementation.

In contrast, the *bottom-up school* concentrates upon the micro-processes of policy implementation, as front-line staff deal with the conflict between policy requirements and the scarcity of public resources (Lipsky 1980). Particularly influential here are Barrett & Fudge (1981). They argue against the hegemony of hierarchy in policy implementation and instead contend the need to address compromise and negotiation between policy makers and front-line staff in policy

implementation. For them, the policy process has to be understood dynamically – implementation actors can often possess different agendas from policy makers and implementation proper comes in the interaction between these two groups.

Finally, the *synthesizer school* drew its inspiration from many of the top-down and bottom-up theorists but synthesized them together, to develop new perspectives. Thus, for example, Elmore (1978) argues for the need to ‘triangulate’ policy implementation from top and bottom perspectives, O’Toole (1986) and Kickert et al (1997) both emphasize the importance of policy networks for implementation and Stoker (1991) examines the multi-layers of policy implementation. Most influential in this school, though, is probably Sabatier (1986; see also Sabatier & Jenkins-smith 1993). Shifting his stance from his previous adherence to the top-down perspective, he contends that it is necessary to understand the interactions within policy ‘coalitions’ between policy makers and those charged with policy implementation – though still maintaining that the policy making elites are pre-eminent. Hill & Hupe (2005) pose the relationship between these three schools as essentially chronological, with the work of the synthesizers now largely superseding that of their top-down and bottom-up predecessors.

Significantly in our context, all three of the above schools developed their theories of policy making and implementation within the crucible of western (US and Western European) experience. When it comes to the analysis of Eastern European experience, therefore, the case for any of these schools has yet to be proven. Certainly O’Toole (1994, 1997), one of the few scholars to have explored policy implementation in this context, has argued that theories of policy implementation ‘... as developed in the West are of limited use’ in exploring Eastern European practice (O’Toole 1994, p. 493). A core task of this present paper is to explore this contention further and to sketch out the elements of an alternative model of implementation that is rooted in Hungarian (and by implication in Eastern European) experience.

***Public policy and the VCO sector in Hungary since 1989.*** If there have been no substantive developments in theorising about the policy implementation process within the Eastern European context, there have nevertheless been attempts to understand it. In Hungary in particular, these have concentrated upon the relationship between the state and VCOs that has evolved since 1989.

The period immediately following 'the change' of 1989 was characterised by a fundamentally 'anti-statist' approach to the public sphere. In particular the oppositional leaders of the communist era anticipated that VCOs and the civil sector would propel forward the societal change that they envisaged. This early period of 'anti-statism', however, was rapidly replaced by a different view of the policy process. This view had as its core the recognition of the necessity of a symbiotic relationship between the state and VCOs in the creation and implementation of public policy.

If necessary, however, this relationship continues to contain the suspicions and distrust of each other by both parties that remains the legacy of the communist regime. On the one hand, these suspicions engender a view of the state and its institutions as dedicated to its own needs and as impervious to the societal needs and demands that surrounds it. On the other hand, they promote a view of the VCOs as unaccountable, riven with fraud and as often simply 'for-profits in disguise' (Kuti 199X)

In a series of papers, Kuti (1994, 1995, 1996) has argued both for the need to move beyond these suspicions and for the necessity of partnership between the VCO sector and the state in order to develop a robust public policy process. This latter view was certainly reflected in both the 1994 and the 2002 Hungarian general elections. The winning social-liberal coalition offered a partnership with VCOs, including a more clear legislative framework and a supportive regulatory framework for these organizations.

For Kuti, the necessity for VCO – governmental partnership is not simply about the implementation of public policy. Rather, at the institutional level, this VCO - governmental relationship is concerned with fundamental issues of legitimacy for both parties. For VCOs, they are suffering both from a resource – dependency crisis and from a crisis of legitimacy with the Hungarian citizenry. This stems mostly from the fraudulent use of foundation forms as tax-exempt status by unscrupulous individuals in the early post-communist era (Kuti 1994). One way that they have combated this legacy is through partnership with the state. As one respondent in a previous paper by one of these authors (Osborne & Kaposvari 1997) noted, the people ‘may not like the government but they do trust it’.

This institutional relationship is by no means one – sided, though. A key role is also perceived for VCOs in supporting the legitimacy of the state:

*‘The Hungarian society and government have to face major challenges to correct serious errors, to find a way between deep abysses towards a politically democratic, economically efficient system. Both stakes and risks are enormous... Major features of the government/citizen relationship have significantly changed. After decades or even centuries of mutual distrust and either latent or manifest conflict, co-operation has become the leading principle in the relationships between government and autonomous citizens’ organizations. To put this principle into practice, to stabilise and institutionalise the mechanism of co-operation ...these are the key issues facing the nonprofit sector in Hungary in the years ahead.’ .*  
(Kuti 1995: p. 6)

VCOs are thus important institutional partners of central and local government. Whether they fulfil civil society functions or provide public services, their contribution is crucial for the development both of democracy and of a modern policy process in Hungary.

Building upon this work, Osborne et al (2005) postulate three alternative approaches by VCOs to influencing the policy process. The first approach concentrates on *solving problems mainly through alternative or innovative service provision*. The second approach is *to try to shape public policy through providing the government with feedback on its proposals*. The third approach is rather more dynamic and non-profits trying *to develop their own policy alternatives and to start a dialogue with political decision makers on this basis*.

The latter approach is probably one of the ones most frequently adopted by Hungarian VCOs. Frequently they will establish an alternative mode of provision without paying much attention to the difficulties to be overcome. An abundance of examples (for example, non-profit psychiatric hospital for children, shelters for homeless and for victims of family abuse, school for drop-out children, “job-exchange” for unemployed people) suggests that this method of first establishing the service providing organisation and then seeking to attract government support ‘step-by-step’ is often successful in the Hungarian context, when direct lobbying proves to be futile (Gadoros 1992).

The policy relationship between VCOs and the state is now at a cross-road. Since 1989 a large number of VCOs have emerged, with roles in developing and sustaining civil society, in providing public services and in influencing the public policy process. However, there is no inevitability about either the success or the sustainability of this new plural order in Hungary. Chaos is an equal possibility, with this institutional pluralism being undermined by the financial instability of the emerging VCOs and by conflict both between the state and the VCO sector and between VCOs with different emphases (Osborne et al 2005).

If this chaos is indeed to avoid being re-loaded into the Hungarian system then it is essential to develop a *participatory space*, as contained in the Gramscian view of civil society (Adamson 1998), where the key actors from these different sectors can interact in the development of a plural public policy.

To date, however, there have been few attempts to evaluate the extent to which genuinely plural (in terms of the numbers of actors involved) and pluralist (in terms of the processes involved) public policy implementation has evolved in Hungary. Nor have any attempts been made to relate this practice to the extant policy implementation models developed from Western experience. Both these tasks will be attempted in this paper. First two case studies of the policy process at the national and local level will be described. Then these cases will be used to consider the elements of a policy implementation model based upon Hungarian experience.

### **Public policy making for governmental - VCO sector relationships**

***Public policy-making at the national level – the case of the National Civil Fund.*** Initially, public policy making for VCOs in Hungary was focused upon structural issues, particularly concerned with codifying and regulating their organizational forms (such as the XXXXX Act 199XX). More recently, though, public policy has become increasingly preoccupied both with the nature of the relationship between the state and the VCO sector in Hungary, with the role of the latter sector in Hungarian society and with its financial independence and confidence.

These preoccupations led to the formulation of the *National Civil Strategy* (Directorate for Civil Relations 2004). Explicitly modelled on the Voluntary Sector Compact of the UK (Stowe 1998, Osborne & McLaughlin 200X), this Strategy acknowledges both the civil society and service delivery functions of the VCO sector. It delineates fourteen elements of the strategy of the government towards these organizations (Box I).

Alongside the development of this Strategy has been the consideration of the level and source of funding available to support the development and sustenance of VCOs. As was noted above, the financial independence and security of the VCO sector is a key element in its sustainability in Hungary, as well as its ability

to contribute both the sustenance of civil society and the provision of public services. These concerns resulted in the formation of the *National Civil Fund*.

Since 1996, Hungarian citizens have had the ability to donate 1% of their tax bill to identified VCOs. If every citizen contributed this 1% then 11 billion HUF<sup>4</sup> would be directed to these bodies. In practice, though, only around half of the citizenry have taken advantage of this ability, meaning that the Hungarian Treasury benefits from an additional 5.5 billion HUF each year. Under the proposals for the National Civil Fund (NCF) this 5.5 billion forint would be transferred to a new NCF Board which would distribute this money to the VCO sector.

The proposal for the NCF included several novel elements. First, it was based upon the Hungarian Treasury making part of its income from taxation available to support the VCO sector. Second, the NCF Board was to be established with members predominantly from the VCO sector itself, with the power to allocate these public monies. Potentially, therefore, both the policies of the NCF and their implementation were to be ceded from the Hungarian government and to the VCO sector. The import of this cannot be over-emphasized. If successful, it would give these non-governmental organizations explicit control over an element of the budget of the Hungarian government. Third, a central issue for the Fund was to be that of the core costs of VCOs that would not usually be met by service-related funding from central or local government. Consequently, the NCF was designed specifically to address this issue of core costs and the sustainability of VCOs.

In the event, the Law to establish the NCF was passed in June 2003 and it allocated its first tranche of money in June 2004. 6000 VCOs applied to the Fund, with around half of them eventually receiving some funding. The focus of this tranche was explicitly on the development of VCO infrastructure and capacity building for small organizations. An initial analysis of this experience has now

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<sup>4</sup> HUF - Hungarian forint. In July 2005 the exchange rate was £1.00 as equal to 359 HUF.

been provided by Kuti (2006).

**Box I. elements of the National Civil Strategy in Hungary**  
***(adapted from the Directorate for Civil Relations 2004)***

- More transparent and simple operational and transparent regulation of VCOs by the government
- Increased funding of VCOs by the government
- The active involvement of VCOs in the public policy decision-making process
- The unified registration of VCOs
- The support of private giving and volunteerism
- A more clear legislative framework for VCOs
- An agreed role for VCOs in lobbying and advocacy
- The development of the human resources of VCOs (possibly through the transfer of staff from the governmental sector as a result of the contracting out of public services to VCOs)
- The evolution of the governmental information technology system to support VCOs
- The support of the development of infrastructure bodies to support the work of VCOs
- The gathering of more sophisticated and accurate statistical data about VCOs
- The support of the growth of representative bodies of VCOs in Hungary
- The consideration of the need for a public body to relate to VCOs, and
- A commitment to in-going dialogue between VCOs and the government.

Four central debates have emerged out of this experience about the relationship between VCOs and the government. First, whilst the rhetoric that surrounded the launch of the NCF made much of this ceding of power and responsibility from central government and to the VCO sector, the reality was been rather more prosaic. On the one hand, what decision-making power VCOs had in the process was power that had been delegated to them by central government. According to some leaders in the sector this simply reinforced their dependency upon the state even further:

*'Well the [VCO] sector is not organised to be independent of the state. It is not in our history. So if the state is positive to these organizations, by giving them a role in the Civil Fund maybe, well it just makes them more lazy and even more dependent. It's a contradiction in terms! What is the way out? I don't know.'* (Leader of large VCO based in Budapest)

On the other hand, the actual delegation of power was often more apparent than real. Thus, for example, 50% of the applications to the NCF were rejected by the Hungarian Treasury before they were even considered by the Board of the Fund, for 'administrative irregularities.' These could often be quite small (such as an account code being missing) but there was no provision for amendment of minor errors in the application process. Thus in practice the Hungarian Treasury kept tight controls over the implementation of the NCF.

Second, the funding allocation process has initiated a debate among the leading actors in the VCO sector about the implications of this model for the sector. In one reading, this is symptomatic of a neo-corporatist approach to the sector by the state and which was leading to its absorption into this state. In the alternative reading, the NCF process is evidence of the burgeoning ability for self-organization within the sector. This is a continuing debate and will not be an unfamiliar one to students of the VCO sector in the UK and elsewhere in Europe.

Third, the NCF has prompted a broader dialogue in Hungarian society about the role of VCOs in that society, and particularly about the balance between civil society-oriented and service delivery-oriented roles for these organizations. Kuti (200X) has argued that VCOs that confine themselves to civil society functions alone ‘are not really respected and trusted’ by the Hungarian population and that their legitimacy within Hungary must rely upon ‘significant development of [VCO] service provision.’ (p. 18). Contrariwise, one senior civil servant in this study argued that the idea of VCOs that devoted themselves to service delivery alone did not make sense:

*‘It is true of course that [VCOs] must and do provide services – especially at the local and regional level. But if a [VCO] were created solely for the purpose of providing a service then surely it is nothing more than a business! These organizations do not have the distinctive features of civil organizations. Service delivery must go in hand with civil society.’*

Finally, all agreed about the need for cross-sectoral collaboration between VCOs, and it was hoped that the establishment of the NCF Board might lead towards the founding of a national infrastructure and representation body for the VCO sector. However, the sector has remained riven by divisions between VCOs and has continued to be unable to communicate or negotiate with the government with one voice. This divisiveness has been well captured by Kuti (200X):

*‘An institutional field can gain collective identity if its members tend to move in concert. The lack of these coordinated movements is one of the most difficult problems in the Hungarian voluntary sector. The different roles that they play create some ‘natural’ divisions between the nonprofit organizations.’*

*Discussion.* The experience of the NCF is significant for the potential role of VCOs in the public policy-making process in Hungary. It is undoubtedly an

ambitious project that explicitly addresses the extent to which it might be possible to move away from the strongly top-down approach to public policy-making in Hungary. Its initial experience, though, suggests that this ambition, together with recognition of some of the real benefits of the Fund for VCOs, must be tempered with realism about the speed of change. On the positive side, the NCF has indeed enabled the distribution of a substantial tranche of funding to the VCO sector. Most pertinently this funding both has been allocated through a system of Boards controlled primarily by the sector itself. It has also been focused upon the difficult issue of core costs for VCOs.

However, it would be wrong to suggest that this development signifies a paradigmatic change in governmental control of the policy making and implementation process. Four reasons exist to be more cautious. First, and most significantly, the Hungarian government has remained in control of the process throughout. It was initiated by government and controlled by it. This has led some critics in the VCO sector to argue that it simply perpetuates the existing hegemony of this government rather than challenging it:

*'Well the [Civil] Fund has made money available to local groups it is true. But has it empowered us? I don't think so. The initiative was spearheaded by government and to their agenda, not ours. They still control it. If they decide to stop the process then there is nothing we can do. We have no real power – and any power that we do have is only at the behest of the government.'* (Leader of VCO based in Budapest)

Thus, far from being an example of more bottom-up or pluralist policy-making, it can be argued that the NCF is a perpetuation of the top-down model that has continued since the Communist era.

Second, the perception of some VCO leaders has been that this has been an inherently political exercise. It has not even been about the continuing control of

the policy-making process by central government but rather its manipulation by politicians to enhance their own 'electability'. This perception was well captured by one respondent in our study:

*'It's all very well to say that the process [of the Civil Fund] is neutral, but what does that mean? For politicians there is no such thing. It's about votes. For them the issue is not, "is the process neutral" but rather "on whose side is it neutral?" The success of the Fund will depend on this not on its effect on civil organizations.'* (Leader of local VCO in Eger)

Third, some respondents have pointed to the fact that, as funding for VCOs has become available through the NCF, so other governmental funding within specific Ministries has been reduced. It has been accepted that this was in part an effect of accession to the European Union and not related to the NCF itself. Nonetheless, the view has maintained that the NCF has actually been about the redistribution of governmental funding across the sector rather than its increase. Some particularly trenchant critics have also argued that the NCF has actually diminished the potential for VCO influence over public policy making, by confining it to the marginal field of the NCF Boards alone.

Fourth, and finally, a fundamental criticism of the NCF was made by even those VCO leaders sympathetic to its aim. These leaders acknowledged the potential for the NCF both to increase the flow of governmental funds to the sector, and especially to smaller civil groups, and to offer then a voice in policy-making in Hungary. However, this potential was predicated upon the ability of the sector to speak with a coherent, unified and cross-sectoral voice:

*'A key element of the Civil Fund has been the need to establish a national cross-sectoral body to speak for the sector. We have tried to do this but have not been successful. The problem is that the civil sector, if you can call it that, isn't a sector at all. Local groups see differences, not links.'*

*Maybe some groups see links to other who share their interest – green groups or homeless groups say – but they do not see any commonality with other civil groups in their locality that have a different focus. To them these are competitors for funds not allies! Similarly, groups in the country don't feel any linkage to those in Budapest. Again they are seen as competitors who are closer to government. So we tried to create a national infrastructure body and we failed. What does this mean? I think it means that the Civil Fund is a good grant-making scheme but no more. As long as groups act in isolation then they can never properly influence or oppose government.' (chair of the NCF)*

**Public policy-making at the local level: the case of 'Periforia' in Nyirghyaza.**

Periforia was founded in 1995 by a group of newly graduated social work students from the local College of Health. Its mission was to support and care for homeless people on the streets of Nyirghyaza. It had no money or buildings but a wealth of commitment from this group of volunteers.

Its initial approaches to the local government for financial assistance were unsuccessful. Even their submission of documented research on homelessness in the area were unsuccessful. However, following two highly publicized deaths of homeless people in the city, the issue did get the attention of local politicians. Consequently, in early 1996, Periforia received its first local government funding – 60,000 HUF to cover their costs for one year. This was a simple annual grant, with few strings. Other approaches to Hungarian Foundations and to central government were unsuccessful – the latter arguing that it was too young to receive government money.

In 1997, Periforia received its first legitimate contract for service delivery with local government, to provide a streetworker service for one year. However if this contract gave the VCO a degree of stability, its core staff were concerned about the impact upon its wider role:

*'So now we had money but what did it cost us, in real terms? Well it just felt like begging. If we get government money then we have to do what they want, no argument. They define the contract, not us. Also it is clear that we were not expected to campaign around issues that might harm the image of government. That wasn't in the contract, of course, but everyone knows that this is the case.'* (one of the founding members of Periforia)

A further pressure on Periforia emerged from its growing institutional relationship with local government. From the latter's perspective, it had established an effective model of street work. Consequently, local government began to pressurize the VCO to diversify this way of working away from homelessness alone and to start working with such issues as child protection and prostitution. Moreover the actual contract between Periforia and the local authority was so vague as to allow almost any work to be included within it.

By 2001, as a result of its work, Periforia had managed to diversify its income away from sole reliance upon local government. Having become licensed by local government as a legitimate social care provider it now received normative support from central government (based upon demographic indicators) as well as service delivery contracts with local and central government.

It is important to note significant differences in the management of these respective contracts, though. At the local government level, Periforia did have a degree of indirect influence upon public policy, well captured by its leader:

*'Local government will never admit our influence, but it is there. We cannot have a direct influence on policy, except in a cosmetic fashion of supporting developments once they have been agreed. But we can have influence by whispering at the back door. We can feed ideas and information into the system through our local networks so that those in local government come to think of them as their own. So rather than be centre stage we influence*

*indirectly. It's a legacy of the communist era, of course. Then it was impossible to be seen to influence government policy. But you worked through your network. This approach has persisted.'* (leader of Periforia)

At the national level, however, local groups like Periforia had little presence or influence. At this level, the resource allocation process remained a paper one, shrouded in mystery;

*'We have no real say. It's like a kindergarten, you know. We get a candy if we've been good all day – but we are not told in the morning what 'being good' means. So you have to guess and hope that you get it right. There is only a fixed amount of candy as well – so if you 'win' then someone else 'loses' and vice versa. It's all about lobbying in the end. What you need are good negotiating skills, not a good idea.'* (member of Periforia)

By 2003 Periforia had become an important provider of services to the homeless community in Nyirgyhaza. However this success brought it in to conflict with a church based group that also ran a daycare service for homeless people. This body, a key institutionalized player in the local service system, successfully diverted funding from Periforia and to itself, leaving Periforia once more in crisis. 'It's so frustrating', commented one of the Periforia staff:

*'We know what we want to do, what our mission is, but all we can focus on is the short term, the living from hand to mouth. It's like living permanently in a state of crisis. The trouble is that we are on the outside. The other group is on the inside. It has local politicians on its Board. Everything in Hungary is about who you know – and we're in the dark.'*

Importantly, the staff of Periforia did not feel able to work collaboratively with other CVOs to improve their position. Once again existing institutionalized networks predominated. A good example of this was the local Civil Forum:

*'There is a Civil Forum but it is a government initiative. It is strongly linked to local politicians. It is controlled by a 'shadow network' – an inner wheel who influence the money flows. It's not democratic at all. The Civil House is the same – a poster, an exhibition. Behind it is local government. It is a dead line. You always come back to the same people – the usual suspects.'* (Periforia leader)

By the end of 2003, the long-term survival of Periforia was in doubt. However its prospects were transformed by its strategic alliance with the local Child Protection Agency (headed by another former social work student from the local College of Health). Together they successfully lobbied for funding for a telephone helpline covering both homeless people at risk on the streets and child protection issues. The initial funding was only for six months and at the end of this period the Child Protection Agency moved to establish a separate service. At first sight, this might parallel the earlier funding crises of the VCO, but its response was different – and effective:

*'When the money ran out we went to the leader of the social office in the local government. They said our service was no good but that there was no money to fund it. So then we went to the vice mayor who said the same thing. Then we went to the Mayor. She had been briefed by the others and liked our idea and so she found the money for us. We really felt like we had made a breakthrough then, to the inside. We knew who to influence and how to get to them.'* (leader of Periforia)

Reviewing their progress in 2005, the original founders of Periforia felt cautiously optimistic about their achievements and about the future of Periforia. Having started with a group of volunteers alone, they now had a full time staff of nine to support these volunteers and (relatively) stable contracts with local and central government. They put down their success to two factors. First, they had, in their

own words, 'grown up' in the eyes of the authorities. Whilst no formal procedure was in place to establish what might be called a 'preferred suppliers list' in the West, nonetheless Periforia was now perceived by local government as a VCO that could be trusted to perform. Second, they felt that they had become more sophisticated in their approaches to working with local government:

*'At the beginning we thought that it was enough to have a good idea, that if there was a need then you would get funding. But of course it is not like this. There are too many needs and too little funding for one thing. So how is funding allocated? It's all about knowing how to negotiate and having the right contacts. Once we realized that we started to make progress. Before we tried to work with other [VCOs] but that is no good – its only collaboration until money is involved and then it is competition! Now we approach negotiating with local government in a professional manner and work the system. We still aren't part of the inner wheel – but we aren't out in the darkness anymore either.'* (one of founding members of Periforia)

*Discussion.* The short history of Periforia highlights some key themes for local VCOs in Hungary. Five are especially important here. First, the overall system of relationships between local government and VCOs in Hungary is one dominated by informal organic networks. There is a formal surface to these relationships, of course, in the form of a system for tendering for contracts. However it is at the relational level that decisions are really made. The history of Periforia suggests divergent trajectories here – whilst it proved itself successful at establishing a network at the local level, relationships with national government remained one-directional and impervious to efforts to establish a relational basis to this.

Second, survival as a small VCO in Hungary relies upon the group being able to institutionalize itself within the service delivery system. This institutionalization process is more to do with being able to work within the networks identified above than with the professional basis of the service being provided – or indeed

the expressed need for this service locally. As such it privileges negotiation skills above other skills as essential to organizational survival. Starkly, organizational embeddedness is more influential in organizational survival and growth than is service effectiveness.

Third, the relationship between government and VCOs remained an hierarchical one. Government retained both the agenda-setting rights and the control of the decision making processes throughout its relationship with Periforia. The image of 'begging' for resources conjured by one of the Periforia founding group was a strong and persistent one.

Four, there are opportunity costs involved in entering into institutional relationships with government. On the one hand, VCOs in such relationships are discouraged from campaigning on societal issues that might embarrass local politicians. On the other hand, it serves as a strong disincentive to collaboration with other local VCOs, who are competitors for scarce governmental funding, rather than allies. This system thus served as a perverse incentive to prioritize the delivery of local services above the creation and sustenance of civil society – a great irony and a substantial distance from the communitarian ideals of the early civil leaders of the post-communist era.

Finally, as Periforia began to develop a more institutionalized relationship with local government, its means of exerting influence upon the policy process was covert rather than overt. It was not campaigning or exerting media influence that changed local government priorities. Rather it was 'whispering at the back door' and the indirect exertion of influence through organic networks.

## **Conclusions**

This paper has explored the relationships of VCOs in Hungary to government at both the central and local levels. Its starting point was the consideration of the extent to which VCOs could be said to exercise co-governance in the policy

process in Hungary or whether they were confined to a co-production (and possibly co-ordination) role. In the formal sense it is clear that co-governance remains an aspiration for Hungarian VCOs rather than a reality. In theory and in practice, Hungary remains a centralized nation where policy making and implementation is heavily top-down. In this sense the previous observations of O'Toole (1994) about the (in)applicability of Western policy models to Hungary remain apposite. At first sight, the early top-down approach, such as that of Pressman & Wildavsky (1973), might be considered applicable to the Hungarian experience. Yet these fail to capture the impact of organic relationships and networks to the policy making and implementation process.

In this context, the more recent bottom-up and synthesized models, such as those of Barrett & Fudge (1981) and Kickert et al (1997), might be thought to have more to offer. Yet these too fail to capture and make sense of the Hungarian experience. The emphasis in these models is upon overt and explicit policy networks and their impact upon policy implementation. The Hungarian experience described in this paper transcends all these approaches. Whilst the system is indeed a top-down one, where VCO influence can be negated at the stroke of an official's pen (as in the way the Hungarian Treasury excluded a large swathe of initial applications to the NCF for purely administrative reasons), this is not the whole story, at least at the local level. An highly centralized state such as Hungary can only function if the means exist within and around it to circumvent the substantial time and resource transaction costs of its decision making process.

In this case, this means is provided by the organic relationships and networks that link VCOs to the state. Whilst not overt, and certainly not inclusive, these networks do allow local actors to influence the policy making process. This might amount only to 'whispering at the back door', as one respondent to this study eloquently termed it. Nonetheless these whisperings have shaped significantly the arc of local policy-making in Hungary.

Four conclusions flow from this analysis – three at the practice level and one concerned with theory.

First, this model privileges the individual influence of VCOs and provides a strong break upon them developing more collaborative models of working. This may well be damaging to the longer-term sustainability of the VCO sector in Hungary. Because of the comparative weakness of the sector, it can only gain substantial influence over the policy formulation process by collective lobbying and campaigning. However the short term financial needs of individual VCOs are likely to prevent such collaborative relationships developing in the near future.

Second, this paper previously detailed the aspirations of the early founders of VCOs about their role in developing and sustaining civil society in Hungary, by developing a Gramscian ‘participatory space’ for interaction around the policy making and implementation process. It also noted the frailty of these aspirations as a result of the financial instability and insecurity of the sector. This frailty has proven enduring and has led to a bifurcation of the VCO sector. On the one hand are those organizations that continue to lobby for a civil society but which are outside of the institutionalized networks that can exert influence. On the other hand are those VCOs that have captured a role in public service delivery, and greater financial security as a result. Whilst these organizations might have a place by the back door, to extend our metaphor, none of them are whispering about civil society. Organizational survival rather is the name of the game.

Third, it is also clear that this policy implementation system places a premium upon negotiation and communication, rather than upon professional, skills. How well you can whisper, it seems, is more influential upon the nature and quality of public services than is the dissemination of good practice.

Finally, at a more theoretical level, this paper has sketched out the elements of a revised model of the policy process that is more in tune with the realities of public

policy making and implementation in the accession states of Eastern and Central Europe. However, more needs to be done before this model can be fully established. A deal of further empirical work is required to test the model further at both the local and national levels. Its theoretical constructs also need further conceptualization and refining. Only then may we truly begin to understand the subtleties and intricacies of whispering at the back door.

[7,500 words]

### **References**

To be included in the final paper.