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Innovation in CSO- Government
Partnerships for Democratisation and
for Increasing Economic Competiveness
/Hungarian experiences/

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Introduction

The paper contains the main findings of a two-year research project based on the assignment of the National Audit Office of Hungary. The topic of the research was the role of civil society and its organizations in the improvement of economic competitiveness of Hungary.

The research was part of a combined project focusing on the determinants of the economic competitiveness of Hungary. This year September the main findings of the research will be published in a book.

Hungary is a new European Union member country and the membership requires a multi-dimensional approach to the development of economic competitiveness. Therefore the National Audit Office organized a multidimensional project dealing with the various determinants of economic competitiveness.

The role of civil society and its organizations in the improvement of economic competitiveness was considered to be an essential part of the chosen topic by the National Audit Office and that is the reason why we – the two researchers, Eva Kuti and me – enjoyed the support of the NAO in getting the brand new data from the Hungarian Statistical Office and we got extra financial support for interviewing leading persons of the civil society organizations and of the public agencies.

In the final phase of the project we formulated recommendations for the Hungarian government. The paper contains the recommendations of the two authors as well.

Our recommendations were based on the consideration, that in Hungary the global financial and economic crisis topped by a former existing crisis emerging after the EU accession of Hungary (Ágh, 2007).

These twofold challenges require twofold answers. In the short term constraint type measures are needed. It is unavoidable, but the result has only a reactive nature. It is only a „conditio sine qua non” of the solution.

Apart from the short term measures a long term strategy is needed with a combined nature.

A core component of this strategy should be the increasing role of the CSOs. Only this can guarantee the increase of economic competitiveness and the strengthening of democracy at the same time.

In providing recommendations we followed the same logic. They are partly connected to a strategic view, and partly they are action-oriented.

The theoretical framework of the proposed conclusions is a Neo-Weberian State with a shift from government to governance, with the empowerment of the civil society, and with the full-range involvement of the civil society organisations.

The main focuses of the action-oriented recommendations are as follows:

- creation of a transparent, coherent regulative-control background for CSOs
- transformation of the financial system of CSOs
- development of the infrastructural background of the CSOs
- the implementation of efficiency and effectiveness and professionalism in the public procurement system
- improvement of accountability of the public agencies and the CSOs.

I. Strategic recommendations

The Hungarian public administration interacts with thousands of Civil Society Organizations (CSOs) at the national, regional, and local levels. These CSOs include NGOs, trade unions, faith-based organizations, indigenous peoples movements, foundations and many other. These interactions range from CSOs who critically monitor the public administration's work and engage the public administration in policy discussions, to those which actively collaborate with the Hungarian public administration in operational activities on different levels. There are many examples of active partnerships in the areas such as education, health care, social policy, and environmental protection (Jenei and Kuti 2008).

The Hungarian public administration –following the international standards- uses the term civil society to refer to the wide array of non-governmental and not-for-profit organizations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations. Civil Society Organizations (CSOs) therefore refer to a wide of array of organizations: community groups, non-governmental organizations (NGOs), labor unions, indigenous groups, charitable organizations, faith-based organizations, professional associations, and foundations (Anheier, 2005).

An initial problem was that the various public agencies have different views on the role of civil society and its organizations. Therefore in the first stage we offered a concept of civil

society which is located strategically at the cross-section of important strands of intellectual developments in the social sciences. To take account of the diversity of the concept, we recommended a working definition that has enough orientative power to guide the strategy of the government and the actions of public agencies, but is by no means to be interpreted as a rigid statement:

Civil society refers to the arena of uncoerced collective action around shared interests, purposes and values. In theory, its institutional forms are distinct from those of the state, family and market, though in practice, the boundaries between state, civil society, family and market are often complex, blurred and negotiated. Civil society commonly embraces a diversity of spaces, actors and institutional forms, varying in their degree of formality, autonomy and power. Civil societies are often populated by organisations such as registered charities, development non-governmental organisations, community groups, women's organisations, faith-based organisations, professional associations, trades unions, self-help groups, social movements, business associations, coalitions and advocacy group (Salamon et al. 1999).

The politico-administrative framework. Analysis and recommendation

In the traditional EU countries the creation of public administration based on the “Rule of Law” and the introduction of “ Public Management Reform measures” was a sequential process (König).

Compared to this the essential difference in Hungary, that only in the early 1990’s the legal and organizational framework of a “Rechtsstaat” was established and shortly after this they have also got the challenge of introducing managerial methods and techniques in the public sector. Basically the establishment of the “Rule of Law” and the initiation of the “New Public Management measures” have become a parallel process. The result was multiplied deficiency and deviation from any Western patterns.

Creating a legal – organizational framework for a “Rechtsstaat” does not mean that it is already a functioning legal state based on Weberian principles. But without a functioning Weberian democratic system, without regulative and monitoring power of the state the initial steps of “Public Management Reforms” result in uncertainties and deviations in the legal state and even strengthen corruption (Drechsler, 2005).

On the other hand without initiating a quality orientation and a performance measurement system the CEE countries cannot increase the competitiveness of the public sector which is an essential component of the economic, social and political modernisation processes of these countries.

The only solution is that Hungary must maintain the Weberian phase of development. A functioning Rechtsstaat is a necessity in the course of modernization but you have to add to this development the application and implementation of the quality and performance orientation as well. You need a balanced position between them and public administration needs a stable political background and strong consensus of the political parties in supporting this process.

As for Hungary is concerned: only a synthesis between the “Rule of Law” and performance orientation means that the light at the end of the tunnel are in sight and without this synthesis we are just running in a long tunnel further strengthening the deficiencies of modernization.

A Neo-Weberian State became the requirement without having a completed Weberian state. It is the current challenge.

A Neo-Weberian State, in which governmental actions are based on the Rule of Law, in which private enterprises are involved for competing quality in the service delivery, and in which civil society organizations have a full range involvement in public policy making, from decision making to service provision.

There is no doubt: in a normative approach Neo-Weberian State would be the optimal solution. But taking into consideration the deficiencies either of the legal state or of the public management reforms, and the controversies between the rhetoric and the actions of reform efforts another alternative appears on the horizon: the neo-patrimonial state.

It is sure that neo-patrimonial alternative would be a dead-end street. Now Hungary is just at the entrance of this dead-end street.

By now it has turned out that serious deficiencies are in the implementation of the Rechtsstaat model. Rechtsstaat requires the separation of the three basic power branches; the legislative, executive and judicial institutions. In Hungary the separation of judiciary from the two other power branches is not completed even by now.

The most famous example was when more than 1 billion HUF was collected by an “independent”, private lobby firm from the local governments, for the arrangement of their depth to the central government. It turned out that the money went to the accounts of both

ruling parties. The treasurers of both parties and the leaders of the lobby firm were condemned to prison in the next election period when other parties formed the ruling coalition. But in the next-next election period when the previous parties came back to power the court process was repeated and surprisingly the same persons for the same action were found to be innocent.

The courts are influenced by the executive different other ways as well; for instance in their agenda setting and for slowing down judicial process.

The extent and the forms of arbitrary actions are also an Achilles heel of the system. Politicians and bureaucrats are not demarcated in the commitment of bribery and corruption. Sometimes elected politicians are the initiator. Sometimes it is a bottom up corruption when low level civil servant must give a certain share for their principal. But top-town corruption also occurs quite frequently when top level civil servant has to buy silence of the others. Nowadays one kilometre highway costs double amount of money than in Croatia. However it is well-known that Hungarian highways are built on the great Hungarian plain and the Croatian highways are built in hilly regions. The corruption connected to public procurement and later on to PPP contracts proves that the autonomy of the public administration is limited and it is dependent from the leaders of the political parties (Meyer-Sahling, 2008).

Further on democracy employs police and armed forces to guarantee internal and external security. But it is dysfunctional when law enforcement bodies are used by the government to limit the actions of the political opposition.

The problem is more serious. Just recently Hungarian citizens could observe and experience arbitrary actions of the police and other law enforcement bodies in the limitation of their basic freedom rights (freedom of speech, right of assembly).

It means that the legal-rational principle of the Weberian theory on bureaucracy was only partly accomplished. It turned out that no imitation of any Western models is possible, because of the impact of the Byzantine historical heritage characterised by a formal rationality. It resulted in that the legal- institutional framework was set up, but the political behaviour was not adequate to the framework and it caused serious deficiencies.

On the other hand regarding performance orientation Hungary has had an incomplete trajectory in an international perspective (Pollitt and Bouckaert, 2004). From the three different contracts –which are the core components of public management reforms in the traditional EU member countries - (contractual based relationship between the regulative and service delivery functions; contracting out for quality improvement; Citizen’s Charter) only contracting out is

applied in the Hungarian practice.

. A process were not developed that would:

- separate departments' service-delivery and compliance functions into discrete chunks, each one called an "executive agency";
- give those agencies much more control over their budgets, personnel systems, and other management practices;
- use a competitive public-private sector search – a radical break with civil service practice – to find chief executives for executive agencies;
- require chief executives to develop three-to-five-year corporate plans and one-year business plans;
- negotiate a three-year "framework document" between each agency and its departmental minister, specifying the results it would achieve and the flexibilities with which it would operate;
- pay chief executives whatever it took to get the talent needed, including performance bonuses of up to 20 percent of their salaries;
- deny chief executives the civil service's normal lifetime tenure;
- and require them to reapply for their jobs every three years.

(Osborne and Plastrik, 1997. p. 26).

The steering and rowing functions were not uncoupled. The day to day actions of the public agencies were not based on contracts between regulation and service provision. Only a performance appraisal system has been prepared without creating the opportunity for a correct performance measurement.

The consequence was that public agencies could not compete in the badly regulated market of service delivery with private enterprises. Contracting out, public procurement, Public-Private Partnerships are applied in the tool-kit of the government, but they did not generate competitions because of the political patronage.

No transparent mechanisms of accountability were built up for civil monitoring. Citizens were not empowered. No Citizen's Charter could and can be seen on the horizon.

In Hungary participative democracy is only a demand of the trade unions and of several civil society organisations. There are ongoing efforts for organising referenda against the

government. In this special situation direct democracy is applied because of the lack of participative democracy, because it is the only – and costly – opportunity for pressure groups to express their criticism or resistance to the government.

In a comparative perspective we can raise the question: What model of democracy has emerged in Hungary?

Definitely it can not be described with the terms of liberal democracy. The very essence of this liberal model of democracy is the widespread political participation, the direct and active involvement of citizens as decision makers in public policy making. The Hungarian model does not meet these criteria, because the institutional mechanisms of participative involvement either have not been set up (it refers to the mechanisms of civil dialogue as well) or however they are established, but they do not function in the day to day practice of policy making.

The Hungarian model is somewhat similar to the representative democracy when regular competitive elections are the core of the political system. But with a deviation. The parties in Hungary are not only competitors, but they created a polarisation in the competition which resulted in a fragmentation in the party system and a lack of trust toward the state and a mutual one inside the society.

The Hungarian democracy is in a deadlock situation. The integrative political organizations, the pressure groups and the civil society organizations are not able to force the parties moving out from this deadlock of fragmentation. The Hungarian democracy has an unbalanced institutional background. The centrifugal forces (parties) have essentially more strength than the centripetal, integrative forces (trade-unions, pressure groups, civil society organizations). Even sometimes these centripetal, integrative forces only imitate their socio-political functions, because some of them were created by parties and therefore they are extended arms of various parties.

The Hungarian model is far away from the current forms of modern democracies. In this model of democracy the role of social groups is much more greater than in a representative democracy. In these participative democracies pressure groups have grown up alongside the formal institutions of government and political system. They developed a bargaining power and governments and parties had to sought the consent and cooperation with these pressure groups.

Sometimes this model is called “post-parliamentary democracy” (Jordan and

Richardson, 1987) in which decisions are negotiated between public agencies and pressure groups.

The only guarantee for not moving further into the direction of neopatrimonialism is the strengthening of civil sector and its organisations.

Our first recommendation was, that a fundamental change is needed in the approach of the politicians concerning the role of the civil society.

By now Hungarian politicians divide society into a polar spectrum containing marketplace on the one side and government on the other. In this approach civil society is dependent from these two centres. But we need an approach in which market economy, government and civil society are parts of a three-legged chair. The first leg creates market capital, the second one creates public capital and the third one creates social capital. Civil society has to develop to a third, independent force in public policy making and only in that case the Hungarian perspective is a Neo-Weberian synthesis and not a combined mistake of a neo-patrimonial state.

As a balance to governmental power, civil society is a critical component in the emergence of new democratic societies and in the successful functioning of them as they mature. The challenges of global markets, nationalism, micromedia, and non-state but highly decentralized models of association, offer enormous opportunities as well as dangers for civil society organizations. We believe that these organizations are critical components of the future, and we work with those that are committed to finding new paths and approaches while strengthening their role and influence.

The underestimation of the role of the civil society is relevant on the international level as well. For a long time, politicians believed that we lived in a two-sector world. There was the market or the economy on the one hand, and the state or government on the other. Virtually all the energies was dedicated to exploring the two institutional complexes of market and state. Nothing else seemed to matter much.

Not surprisingly, 'society' was pushed to the sidelines and ultimately became a very abstract notion, relegated to the confines of sociological theorising and social philosophy, not fitting the two-sector world view that has dominated the social sciences for the last decades.

Likewise, the notion that a 'third sector' might exist between market and state somehow got lost in the two-sector view of the world. Of course, there were and are many private

institutions that serve public purposes-voluntary associations, charities, nonprofits, foundations and non-governmental organisations-that do not fit the state-market dichotomy. Yet, until quite recently, such third-sector institutions were underestimated by politicians. They have held preconceived notions of 'the' market and 'the' state that were seemingly independent of local societies and cultures. The debate, however, about civil society ultimately is about how culture, market and state relate to each other.

The Requirement of the European Union

Since 1996 the main challenge and requirement of the public administration has become the adaptation to EU rules and standards in the Hungarian public administration. It was an external challenge again like the external challenge of the transition in the beginning of the 90s. It meant the implementation of *acquis communautaire* and of the administrative law principles of the European Administrative Space at the same time. These administrative principles are not formalised like the *acquis communautaire*, but they are legally defined either by the Constitution of the countries or by the acts of national Parliaments or by by-laws and embedded in administrative procedures as well.

The administrative principles of efficiency and effectiveness strengthened the performance orientation of public agencies, but they required the improvement of legal certainty with the implementation of reliability, predictability, openness and transparency at the same time. Accountability has become also important for strengthening legal certainty and performance and service orientation.

In this phase it has become quite obvious that the performance level of the civil service has had decisive impact not only on the economic competitiveness but also on the political stability as well. There are many pressures and challenges facing public administration. For instance people are losing confidence in all institutions, while at the same time every institution is faced with pressures on its resources and budgets. There is also a continuing push for more "direct" democracy as well as more opportunities for participation. These trends are accompanied by decreasing respect for traditional instruments of "representative" democracy and public agencies are already viewed with considerable scepticism (Jenei, 1999). Under these circumstances, reacting in an oppressive way, or trying to minimise problems creates a decrease in the credibility of public administration.

Nevertheless – especially in the last years – constant efforts were made to produce some kind of visible results in creating a customer-friendly administrative service, with

introducing the one-stop shop system or implementing e-government measures. However, there are strong indicators showing that experiments with the application management techniques were failed, because the very basic classical bureaucratic virtues are often missing from large segments of the central government machinery. For example, basic coordination and information tasks are not carried out, and structures and processes are often largely chaotic and anarchistic, reflecting the temporary interests and aspirations of different, conflicting (micro-) political and, more typically, personal power centres. Moreover, even the most basic lines and mechanisms of bureaucratic accountability are often missing on multiple levels of the system (See Hajnal-Jenei, 2008).

Moreover the reform efforts are only slogans and in the reality they are not reforms, but actions or reactions under external and internal pressure. For example it was a cut back in the civil service because of financial constraints and it was and is called reform. But the name is misleading. This process does not meet the term “reform” used according to the requirements of the EU , because it is not led by strategic vision, and the actions are not legitimised by the civil society. There are neither participative nor civil dialogues. The administrative principles of the EAS are only partly implemented.

Concern about civil society, however, is not only relevant to central and eastern Europe. It is very much of interest to the traditional members of the European Union as well. The Civil Dialogue initiated by the Commission in the 1990s was a first attempt by the EU to give the institutions of society-and not only governments and businesses-a voice at the policy-making tables in Brussels. The EU, like other international institutions, has a long way to go in trying to accommodate the frequently divergent interests of non-governmental organisations and citizen groups. There is increasing recognition that international and national governments have to open up to civil society institutions.

The problem is that until recently, there has been relatively little recognition not only on the part of public authorities, but also of citizens themselves, of the importance of associations and less formal groupings of citizens, in particular as far as social cohesion is concerned. In official texts of the European Union, however, there has been an awakening to the importance of civil society organisations.

Turning back to Hungary it shouldn't be forgotten that the main role of civil society organisations is to give form to civil society activities. As such, civil society organisations structure civil society. Although this fact is self-evident for those taking part in an association

or club, it is apparently less evident in the broader context, where the important role of such organisations as well as their needs are generally underestimated. Public agencies should encourage networking within the communities.

Public authorities has to find the way how to favour such roles without intervening directly in the life and activity of civil society organisations. The underlying concern is that direct intervention on the part of authorities or their mandated organisations could well be counter-productive in developing tacit knowledge or an active attitude to social cohesion. The generally accepted solution is to create a favourable context in which such civil society activities can flourish. This might entail modifying existing legislation, providing financial assistance, organising general training schemes, but is also requires an openness and a willingness to allow and to encourage groups of citizens to take an increasingly active part in the life and decision-making of the community.

The second recommendation is to enhance social cohesion in Hungary, where the transition to the completion of liberal democracy and market economy brings up many important questions about social cohesion and social participation in a country that is becoming increasingly heterogeneous and diverse. Civil society organisations - that is to say those created by and for citizens - are seen as best placed to favour sustainable cohesion in a multicultural context. In addition, the much-vaunted move to a so-called knowledge society has shifted attention to non-formal ways of learning; in particular based on personal experience.

The third recommendation is to strengthen the role of CSOs concerning the provision of local information. It has to be taken into consideration the competitive nature of the information channels. Other actors, in particular local authorities, but also commercial actors, dedicate considerable means to providing local information that local community networks couldn't afford. More generally, the predominant perspective that information is provided by experts means that little attention and effort is granted to the idea that civil society might create information and, more importantly, knowledge itself. In a nutshell, much depends on whether civil society is seen as a pool of consumers of information, or as a rich source of creators of knowledge.

The fourth recommendation is to strengthen the role of CSOs in political debate and exchange with public authorities and politicians. One of the questions indirectly raised is that of the

uneasy interface between representative governments and "non-representative" civil society organisations. Trade unions, political parties, the media and local authorities have all invested time and money in such activities. Unfortunately, the interest of civil society for such debates and exchange is waning. It is possible that this decrease in interest has its roots both in the dispossession of the individual citizen as actor in political debates (watching a television programme about a particular issue doesn't necessarily make the person an "actor") and in the ever increasing demand on the individual's time by an enormous panoply of activities most of which are based on consumption rather than active participation.

A number of seemingly new roles of civil society organisations are being pointed to as essential to society at large. One such role is that of **favouring social cohesion**. Taking part in civil society organisations can serve as an ongoing apprenticeship for an open attitude towards diversity and at the same time, contributes to favouring local culture and identity. Such a role, however, is not necessarily in the forefront of the aims and preoccupations of most local organisations.

Another role is that of **lifelong learning**. As a response to ever increasing speed of change and the complexity of the modern world as well as the cut throat competitiveness that drives many activities forward, politicians and educationalists have come up with the idea of lifelong learning. Although this lifelong learning effort is still essentially seen from the perspective of institutionalised, formal education and training, there is a growing awareness of the importance of tacit knowledge based on personal experience. In seeking ways and means of enhancing such non-formal learning, public authorities are turning to civil society bodies as potential relays. The theory is that associations, being closest to the everyday life of citizens, are best placed to encourage a "learning attitude" and to create a suitable context in which such learning can take place. Now, although there has been a tradition of training and the development of competencies in certain civil society organisations, there is less of an overt tradition of exchange of experience with a view to learning, except possibly in organisations catering for a particular professional sector.

The **dilemma on the part of public authorities** is how to favour such roles without intervening directly in the life and activity of civil society organisations. The underlying concern is that direct intervention on the part of authorities or their mandated organisations could well be counter-productive in developing tacit knowledge or an active attitude to social cohesion. The generally accepted solution is to create a favourable context in which such civil

society activities can flourish. This might entail modifying existing legislation, providing financial assistance, organising general training schemes, but is also requires an openness and a willingness to allow and to encourage groups of citizens to take an increasingly active part in the life and decision-making of the community.

II. Action-oriented recommendations

The Hungarian public administration has learned through the last two decades of interaction that the participation of CSOs in government development projects and programs can enhance their operational performance by contributing local knowledge, providing technical expertise, and leveraging social capital. Further, CSOs can bring innovative ideas and solutions, as well as participatory approaches, to solving local problems.

The Hungarian public administration has identified several important reasons for why it is important to both engage civil society directly and also facilitate greater synergy between member governments and civil society at various stages of the development process from policy dialogue to project implementation. This rationale is based in part on the experience the institution has had collaborating with civil society over the past two decades at the various levels from the national to the global levels. This experience has highlighted a number of benefits that civil society can bring to the development efforts.

The essential components of the improvement of CSO-Government partnership are as follows:

- Give voice to stakeholders – particularly poor and marginalized populations – and help ensure that their views are factored into policy and program decisions.
- Promote public sector transparency and accountability as well as contributing to the enabling environment for good governance.
- Promote public consensus and local ownership for reforms, national poverty reduction, and development strategies by building common ground for understanding and encouraging public-private cooperation.
- Bring innovative ideas and solutions, as well as participatory approaches to solve local problems.
- Strengthen and leverage development programs by providing local knowledge, targeting assistance, and generating social capital at the community level.

- Provide professional expertise and increasing capacity for effective service delivery, especially in environments with weak public sector capacity or in post-conflict contexts

The Hungarian public administration should engage civil society organizations (CSOs) in the following ways:

First, it should facilitate dialogue and partnership between civil society and governments by providing resources, training, technical support, and often playing a convening role. That type of engagement should focus to the process of formulation of the poverty reduction actions.

Second, the Hungarian public administration should dialogue and consult with CSOs on issues, policies and programs, by listening to their perspectives and inviting suggestions. These interactions should vary from consultations on national and local policies, to discussions on locally financed projects.

Thirdly, the Hungarian public administration should partner directly with CSOs through contracting technical assistance and training services, funding civil society initiatives, and managing joint programs. There are already many examples of active partnerships in various areas, especially on the local level.

Fourth the Hungarian Public Administration should strengthen the input of civil society in its own strategic planning. The government should encourage public agencies to consult with civil society (as well as the private sector and other donors) in their strategic planning and budget processes, and urges that these be fully transparent. The goal of this work is to help bring the voice of disadvantaged citizens into policy matters.

Apart from that there are several crucial issues which have special impact to the improvement of government – CSOs partnership and to the innovative power of CSOs. They are as follows:

1. A consistent, transparent and consolidated regulative background should be created for public service delivery.

There are various problems in the background. On the national level the government organises regular dialogues with the representatives of the civil organisations, but the government has a dominant position in the decision of the agenda of the conferences and

meetings. The civil organisations initiative power is weak and mainly each of them represents only its own interest because of the lack of coordination among them.

In the course of interest articulation CSOs made several attempts to represent a strategic society oriented approach, but they could not go through, because the narrow, economy focused approach of the government and the market institutions was much more stronger.

The general opinion of the CSOs is quite critical toward the institutions of interest reconciliation on the national level. They appreciate the involvement of the CSOs, but they point out that their criticisms and proposals are not taken into considerations in the decisions of the government.

The CSOs are convinced that their involvement is forced only by the EU regulations and expectations and it is only formal and not a full range involvement, or an empowerment of CSOs. There are several symptoms of the underestimation of CSOs by the government. For instance government institutions provide only a limited timespace for CSOs studying the acts and regulations worked out by public agencies.

The CSOs have also weaknesses on the other hand. They are fragmented and their institutional capacities are limited for participation. In many cases cooperation mechanisms among them do not work properly.

The main reason of these symptoms that the legal/institutional background of the day to day activities of CSOs and the partnership relations with the government are very complicated and can not be forecasted even for the short run. There are continuous changes of regulations.

We do not have a general legal definition of community tasks because there is no social consensus on it. The definition of community tasks restricted to special areas, but they are not expression of the interest of the communities but they dependent from the lobby power of special groups.

The recommendations of the research project are based on the deficiencies of the legal institutional background. The recommendations are as follows

- a clear cut definition of community tasks is needed

- a harmonisation and consistency is needed among the laws and regulations influencing the activities of CSOs (Social Act, Education Act, Local Government Act, Public Procurement Act, Budget Act, Taxation Act). Nowadays they are not consistent, even they are sometimes controversial
- a stabile, consolidated legal institutional background is needed providing clear cut orientation for public agencies, CSOs and market organisations.

2. A reform is recommended in the financial system of public service provision and guarantees should be created for a correct, sector neutral competition and for public services meeting the quality requirements of various social groups.

The international experience is that the advantage of CSOs are the flexible adaptation to the needs of the customers and the strengthening of competition in the service provision.

The Hungarian experience is something different. The main motivation of the public agencies and local governments in contracting out is the reduction of the costs.

Apart from the cost reduction orientation of local governments their second motivation in contracting out public services is the consideration that CSOs can get additional, central financial resources which are not available for public agencies.

Another motivation of contracting out public services for CSOs is a constraint. Local governments in Hungary have broadly defined responsibilities in service provision. They are partly legally defined, partly requirements of the local social groups.

Especially in such areas as minority issues, children, youth and family protection public agencies are too bureaucratic compared to CSOs.

Apart from that contracting out for CSOs provides an opportunity for local governments to create a distance from social groups which are problematic or deviant and they cant get rid of unpleasant public affairs which can be a burden on them.

Based on these conclusions the recommendtion of the research are as follows

- financial guarantees should be created for a quality orientation in public service
- the financial normative level should be raised, because they are fixed on artificially low level now
- the discrimination of CSOs should be eliminated in public service provision compared to governmental and religions organisations
- the financial resources should cover not only the service provision, but the staff costs and the development of the services as well

- in the motivation of contracting out of public services to CSOs international patterns should be implemented instead of cost reduction and risk averse behaviour of the Hungarian local governments
- a strategic view is needed in the financial policy of the local governments. Only a strategic view can provide a consolidated background for CSOs in the implementation of quality standards and in the increase of creativity and innovation

3. A substantial governmental program is needed for the improvement of the technical and human infrastructure of CSOs dealing with service provision in order to being able to improve the security and quality level of public services.

Regarding the technical infrastructure only 20 % of the CSOs has residential place in their own property and 25% of the CSOs has not residential place at all. In many cases the CSOs hire residential places from the local governments.

There is a serious shortage in real estates which are appropriate places for service provision. Sometimes CSOs get free of charge real estates from the local governments.

In these partnership solutions the quality standards of the real estates do not provide appropriate circumstances for the service provision. However the service provision in health care, education, social care and other basic areas require certain level of quality in real estate and equipment.

The infrastructure of communication has also its weak points. 15% of the CSOs do not use computers, 25% of the CSOs have no electronic correspondence with the partners and clients and 60% of the CSOs have no websites of their own.

4. It is necessary to work out selection mechanisms, guaranteeing the implementation of professional, economic and efficiency requirements in the process of contracting out.

The current problem is that the selection process strongly coupled with informal relations. It is not exceptional that the basis of the selection is the political affiliation of the contracted CSOs or of their leading persons (Jenei and Kuti, 2003).

Open tenders are quite sporadic. The evaluation of the tenders is based quite frequently on covert bargaining processes.

The consequence of these is the limitation on competition. Local governments and public agencies prefer the CSOs providing services for low costs and as effective gate keepers they allow only CSOs into the market when they do not threaten the position of public agencies.

5. It is necessary to strengthen the accountability of public services, the monitoring of the spending of public money and the controlling of the quality of the public services.

At that point a shift is needed from the input orientation to the output orientation.

6. A decrease is needed in the bureaucratic features of the communication between public agencies and CSOs and of the preparation of official reports.

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