

THE CONTEXT-SENSITIVE ECONOMIC DEVELOPMENT AT THE LOCAL GOVERNMENTS IN HUNGARY

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Abstract

Aim of this study is the support of the Hungarian local governments' economic development with means of evidence-based decision making. The study shows the role of the assets available to local governments played in the ability to adapt to the macroeconomic environment and with that the role being played in the local economic development. During the research the author have identified more than 400 municipal device - environmental impact relations. As a result of data-processing the tools-impact matrix heat-map has been processed, which shows the effectiveness of the assets on economic development.

Keywords

Conformity. Environmental factors. PESTEL analysis. Local government roles. Tools-impact matrix.

Introduction

Hungarian local government system has repeatedly undergone changes. Settlements have handled both changes of the system and the environmental factors affecting them flexibly. However only little attention was paid by local governments that were often facing operational-financing problems to reconsider issues of urban development at a strategic level, certain actions were often formed by sources available, than real needs. At the time of depth-consolidation of the local governments also the government needs emerged that settlements should take part more actively at the local economic development. Without antecedents and experience the settlements began their new task uncertainly. The aim of my research is to devise a system that will support the decision making in economic development issues with the help of tools used for the fact-based decision making.

I have focused on three areas: The first one is the defining of the action area and the options of actions, through the inspection of the connections between the environmental factors and the inner resources. The developed Analytical-table (hereinafter RSC-matrix) unfolds the relations of the internal factors of local economy and the external environment effecting them with the help of an indicator system.

The second one shows the linkage of the assets available and the environmental factors, through it orienting the workout of the action plans. In the Tools-effect matrix (Lendvay, 2013), developed for this aim, the connections between the internal toolkit and external factors appear. The analysis here displays, what environmental factors could be influenced, furthermore the adaptiveness to which external factors could be helped by the tools available to local governments.

The third one is exploring the relations between the assets and the connecting resources to enable more realistic planning. In this study the Tools-effect matrix is introduced. Purpose of the local economic policy is to improve economic performance and the quality of life for the locals. (Bajmócy, 2011, citation from Swinburn et al, 2006) Seemingly it is a simple sentence, though thinking about it more thoroughly few questions emerge, which should be clarified. The first one would be: what does development of economy mean? The next one straight after that, whether the development of economy is an end in itself or can it only be interpreted in a wider context?

In the literature there are various approaches. Syrett (1995) separates the concepts of the development of economy from the local economic initiatives. Under the former he understands the overall development processes, while under the latter the establishment of businesses. Éva G. Fekete (2005) speaks about rural development, what is defined as deliberate conscious intervention in the course of changes taking place in the area. According to Cecília Mezei (2006) the development is an intervention resulting in the improvement of the quality of life the final purpose of which is the growth of the standard of living. According to Porter's model (2001) also the improvement of the standards of living is in the focal point of the development of economy. To my opinion, the latter definition can be completed by saying that the ultimate aim of development is not only the increase of standard of living but in particular cases it can be the upkeep of it or the slowdown of its decrease. The improvement of the quality of life is brought to the fore by Bartik (1995) and Čapková (2005), that they see reachable via job creation and enterprise development.

The above approaches can be interpreted together to me: economic development is the impact on the social, economic, political environment, of which the final aim is the upkeep and/or improvement of the local quality of life.

The next question is, whether municipalities have the means to substantially effect the local economic development. Simply put: does local development really exist or can it only be interpreted as part of regional processes? According to Gábor Péteri (1994) local governments do not have substantial effect on economic processes nonetheless they will try to intervene. Faragó (2004) considers possibilities to intervene limited and sees it only justified in case of market failure.

In this research, based on the above described, I am trying to find an answer to how local governments by using which assets will affect their environment, so as to help improve local economy development, creating opportunities for better quality of life through it.

1. Materials and methods

1.1 Environmental factors influencing local governments

A lot of tools for description of the environment surrounding various organizations are known in the literature, from among those I have chosen the system of aspects of the PESTEL-analysis to my research. The analytic framework PESTEL is widely known and used in the business world. The acronym is composed of the initials of the English words of the environmental factors. According to the model the given factors cover a company's external environment: „P” like P(olitical), „E” like E(conomical), „S” like S(ocial), „T” like T(echnological), „E” like E(nvironmental), „L” like L(egal) aspects.

As the model is fairly flexible, there exist various varieties of it, depending on what influencing power of which factors given researchers or companies will consider important. In the present methodology, taking advantage of its flexibility, it is adapted to a very special sector, to the world of local government. The situation of settlements is special in the sense that, while a decision of a company management (usually) influences the company's situation itself, a local government decision often not only influences the organisation itself but also has an impact on the whole of the settlement. For this the question is inevitable, how local governments are influencing local economic development through their environment, improving the quality of life of locals with that.

Naturally there are non-pliable environmental factors too. In such cases appropriate accommodation could be the realistic objective of decision-makers.

During validating process each of the six factors of the basic model was analysed individually, from the view-point, how much they are able to describe the environment in which decisions are brought by local area governments. During the research the conclusion has unfolded, that political, economic, social, environmental and legal aspects are just as

important for settlements as for example for a company, even if these effects assert themselves in different ways. In the area of changes in technology though there are greater differences to be experienced. While in case of a company the technology available is determining, in case of a settlement the infrastructural background is more decisive, which at the same time bears technological aspects. So at that point I used this extending interpretation.

1.2 Functions and assets

Hungarian municipalities due to the diverse role in their system have more varied toolkits each with different characteristics. These can both strengthen and weaken the impact of each other. In my research I found six roles that can well be separated. These are political, communicator, norm-setting, authority, ownership, political, market/employer roles. To each of the roles there belong different tools, so naturally the scope of related assets is different too.

Let us review the various functions and assets available to them!

The primer role is the political one. The power needed to deal with local affairs is bestowed upon the local representative body by the voters. This role mostly is taken up by the local leaders by making strategies which are forming the life of a settlement (integrated community development strategy, economic program, community development and property management strategy, public education action plan, etc.) but also agreements with other settlements belong here (twin towns' agreement, association agreements, EGTC founding). We should not be forgetting about the lobbying-role either, which is an important element of the capital intake needed for economic development. It is similarly important to keep contact with local communities. Last but not least local government is a communicator. It communicates towards the people and the actual and prospective external partners (guests, investors) too.

Norm-setting function can be deduced from public authority functions. Local governments have the possibilities in certain cases it is their explicit duty to legislate. Exercising this right, decrees e.g. about local taxes, animal keeping or regulations on local building rules are born. One can see that these and many other local legislation can have a direct influence on the operation of local economy and in an optimal case also on the development of it, so this too is an effective tool in the hands of the local politics. Certain authority price issues and several local control functions fall within the scope of authority functions.

The owner function naturally stems from the earlier; to public affairs also belong to manage the community's property. Such a task is the management of the movable and immovable property, corporate shareholdings held by the government and of course maintenance and development of the property.

The local government is at the same time a provider and a costumer, and so is an active party of the local market. It can be a client, a supplier and a competitor of local businesses. In most of the settlements the municipality is the largest employer, thus it is an active party of the local labour market.

One can see that the teamed use of the described toolkits can influence local economy substantially. At the same time, one can also see that with non-conceptual or inconsistent use the effects of different tools can weaken or even completely extinguish each other. During my research I have analysed the relationship of the identified roles and the acting environmental factors through the processing of specific cases. Information contained in case studies are being processed in two steps. First database underlying the analysis needs to be edited. In the rows of the database case studies are marked with serial numbers, while in the columns the 36 identification formed from the 6*6 fields of the matrix in order of assets

(PP, PE, ..., CP, CE, ... etc.), supplemented by a columns (ΣP , ΣC , etc.) summarizing the values of assets, plus the summarizing row (Table 1).

Table 1: Tools-effect matrix

Tools/ effects	Political	Economic	Social	Infrastructural	Environmental	Legal	Σ
Political	PP	PE	PS	PI	PEn	PL	$\Sigma P..$
Communicator	CP	CE	CS	CI	CEn	CL	$\Sigma K..$
Norm-setting	NP	NE	NS	NI	NEn	NL	$\Sigma N..$
Authority	AP	AE	AS	AI	AEn	AL	$\Sigma H..$
Owner	OP	OE	OS	OI	OEn	OL	$\Sigma T..$
Employer	EP	EE	ES	EI	EEn	EL	$\Sigma F..$
Σ	$\Sigma..P$	$\Sigma..G$	$\Sigma..T$	$\Sigma..I$	$\Sigma..K$	$\Sigma..J$	$\Sigma\Sigma$

Source: based on Endre Lendvai - Melinda Nagyné Molnár (2013) own editing

2. Results

2.1 Process of research

Illustrating the processing of case studies, in the following a few examples are shown.

The „Kislábnym” (“Little footprint”) campaign has been realized in Gödöllő. This project focuses on the furtherance of the environment-, climate-, and energy usage awareness – furthermore through this it promotes and spreads widely a life-style which minimalizes carbon dioxide emissions. Tools used during realization:

- Preparation of Instructions
- Establishment Gödöllői Klíma Klub (Gödöllő Climate Club)
- Education in eco-life issues
- Events
- Strengthening of local economic network. Decreasing communal energy consumption by creating Energy Communities (Nth.gov.hu).

During the evaluation in the project usage of political and communicator toolkits can be identified in both cases with economic, social and environmental effects.

More complex toolkits were used in Tiszaabony by the establishing of the goat-farm. Aim of this project was to help the disadvantaged people providing them with dairy-goats. Beneficiaries receive from the council dairy-goats, they care for them, breed them and decide about progeny to their own discretion. The council provides veterinary care, channels of product sales and continuous training to the participants. (HKA-online).

During the program the settlement came into interaction with use of the political, communicational and employer tools with the economic and social environment, while the owner-role has besides the above also influenced the infrastructural environment.

An attractive example is the use of inner political tools for the unison of the local intellectual capital the forming of Civilek Budakeszi Fejlődéséért (CIBUFE) (Civilians for Development of Budakeszi) formation. The informal community has tabled as a result of several years-of-work a grounding for urban development, which was for the 2010 election period accepted as a minimum by all considerable forces. In the wake of the documents they started to organize the Buda-környéki Nature Park and the idea of the Children's Republic of Budakeszi got a further impetus, too.

During the program decisively political and communicative tools were employed, which have primarily influenced the political and environmental factors (Source: Own collection).

Likewise progressive program is the cross-border cooperation (CBC), which has unfolded in the last two years as an initiative from Újfehértó. The program not only concerns the municipalities but also bases upon the extensive cooperation with non-governmental organizations (Ermelanc.hu)

Another example can be for norm-setting being used as means of the community development the taxation of non-agricultural, undeveloped properties. This system used in several settlements in the agglomeration of Budapest made investment property costly, thus it enhances actual economic utilization. Making undertakings, which are paying local taxes (e.g. business tax, property tax, municipal tax) settle in and jobs ensuring personal incomes are being created. Such shaping of a regulation on local taxes can have a real effect on the economic development. It needs to be remarked at the same time that under conditions of economic crisis such a measure may even be counterproductive.

Sometimes it may take away sources from owners financially not quite so strong. Also they could be forced to forced-sales by the local government, what will disable the strengthening and investments of small and medium-sized enterprises and it could result in losing the possibility of a sustainable economic development at a given settlement later in a somewhat more favorable environment

To an effective combination of tools is Inárcs a nice example, where municipality of the settlement decided about reclassification (norm-setting function) of municipal areas (owners function), about pre-public works, than sales for industrial, commercial use (market functions). The valorized plots were sold with a nice profit and the undertakings that settled in will ensure the operation of the settlement on a long term.

The little Megyer near Sümeg however, just like a village from the times of the Monarchy, tries by recalling the atmosphere of the "Good old days" for luring visitors to the holiday village. (Source: own collecting)

Moderate success was - though a pioneering experiment at the time - the Budakeszi Children's Republic, which was sporadically washed away by the turmoil in local politics, nevertheless it resulted in bringing minor economic success. The first children's bookstore still operates here today - successfully.

Similar to the examples listed happened the identifying and listing of the 435 actions of 57 complex economic development actions in the appropriate field of the Tools-effect matrix.

2.2 Evaluation of the results

In the second phase the values of the database will be summarized in the Tools-effect matrix (Table 2). The table will give a plastic image of the effect of the given tools on the environment, but also helps in general to learn the effectiveness of each tool in economic development. With help of the former it is possible to filter the stronger and weaker connections, with the latter one can rank the individual assets by their effectiveness.

In the table in bold frame one can find the occurrence of each relation in all study cases. The bottom summary row shows, how much the external factors could be influenced in the examined cases, the summary columns on the right are giving information on how many times and in what proportion the individual assets were used projected on the study cases in total.

Table 2: Efficacy indicators identified in the Tools-effect matrix

Tools/ effects [%]	Political	Economical	Social	Infrastructural	Environmental	Legal	Occurrence of Tools in Total	Proportion of use (%)
Political	15	40	45	17	12	0	129	30
Communicator	3	46	50	15	18	0	132	30
Norm-setting	0	7	6	5	1	0	19	4
Authority	0	4	4	1	0	1	10	2
Owner	0	32	32	19	8	3	94	22
Employer	0	23	24	3	1	0	51	12
Total:	18	152	161	60	40	4	435	100

Source: Own editing (2016)

The illustration of the Efficacy model is helped by the heat-map based on the data. (Table 3) From the “Heat-map” it can be made out well, that the most economy-shaping tools of the Hungarian municipalities are tied to the political (30%), communicator (30%) and owner (22%) roles, but also market/employer (12%) role is significant. Explanation for the high value in case of the communicator function is, that in many cases developments realized from project funds were examined, by which the obligatory communicator panel could distort the actual gravity of the asset.

Surprisingly the norm-setting asset (4%) and the authority asset (2%) seem like weak ones, however these also mean 19 and 10 practical applications in the examined sample.

Table 3: Efficacy heat-map

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Political	15	40	45	17	12	0	129	30
Communi- cator	3	46	50	15	18	0	132	30
Norm- setting	0	7	6	5	1	0	19	4
Authority	0	4	4	1	0	1	10	2
Owner	0	32	32	19	8	3	94	22
Employer	0	23	24	3	1	0	51	12
Total	18	152	161	60	40	4	435	100

Source: own editing (2016)

(Colours range between white and red and becoming darker with the growth of the value in the cells. Hues are automatically generated in the range according to the percentage by the software)

The explanation for that could be that municipalities would like to see the effects of their measures already in the short run, so they often prefer the short effect assets as opposed to the slower but long-acting legislation.

By examining the impact areas it can be ascertained, that Hungarian municipalities can effect with all assets available to them all the areas of the acting environmental factors. At the same time from the efficacy pattern it is visible too, that in the case of four areas with the choice of the appropriate assets significant results can be predicted. Political and legal environment can only slightly be influenced by settlements.

The strongest links are the ones which can be identified in the political-economic, political-social, and communicator-economic, communicator-social relations, but also the effect of owner's asset on economic and social factors and vice versa is significant. At the other end of the scale are the connections marked with "0", so for example no relation could be detected between the employers function and the legal environment or between the authority tools and the political environment.

3. Conclusions

In the last time more and more settlements have realised, that rather than with some desultory actions it pays off to develop the economics of a settlement by more comprehensive

solutions or at least through a complex area management. These programs go beyond the Integrated City Development Strategies prescribed by regulations.

Through the Tools-effect matrix that has been set up as a result of my research I showed, how many times the individual assets were used and in what proportion projected on the examined case studies. It turned out, that settlements dispose over a wide range of tools, with the innovative use of which significant results can be reached. Based on the “Heat-map” made for the illustration of the efficacy pattern it can be seen well, that the strongest economy shaping tools of the Hungarian municipalities are linked to the political, communicator and owner roles. It is important to emphasize here as well, that the different environmental factors cannot be influenced equally efficiently by the municipalities. Their influence on political and legal environment can be slight, where else on the economic and social environments it can be significant. The identified influences can be interpreted both ways.

A settlement can change its environment in a way that is more favourable for it, but I consider an effective tool of the economic development also an appropriate adaptation to the conditions. All in all, knowingly the identified relations the decision makers of a settlement can take well founded and more efficient decisions, and in a broader sense they can create more successive strategies to develop economy of the local area.

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