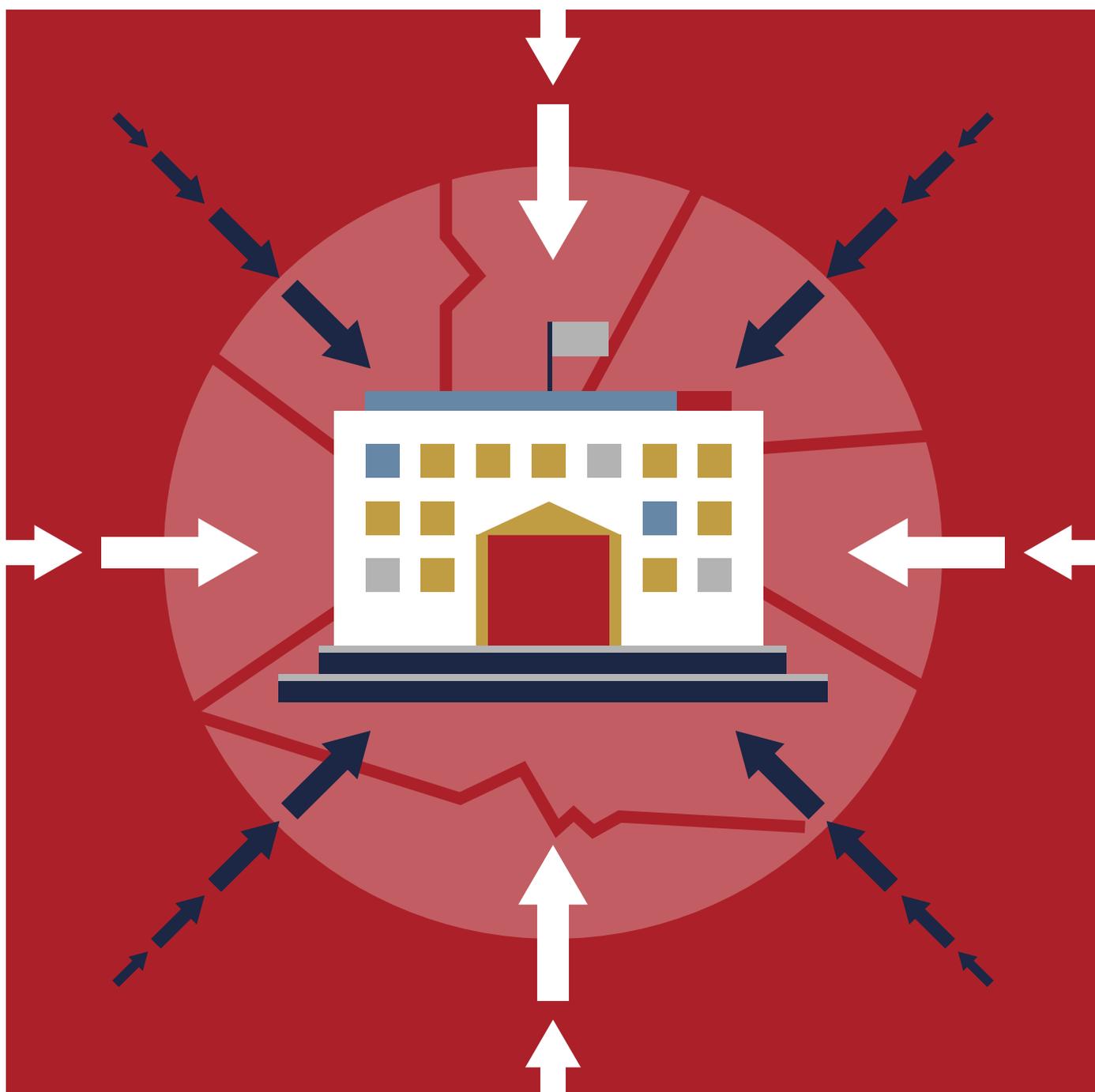




Local Governance in the Crosshairs: An Overlooked Front of the Struggle for European Democracy



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Authors:

István Pósfai, Miklós M. Merényi (Hungary)

Contributions by:

Oživení (Czech Republic),
Sieć Obywatelska Watchdog Polska (Poland),
Funky Citizens (Romania).

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K-Monitor Public Benefit Association
Bajza utca 23. Budapest 1062, Hungary
www.k-monitor.hu
info@k-monitor.hu

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Introduction

In the landscape of democratic institutions and especially within the context of democratic backsliding in Hungary and Poland, local governance generally receives less attention than other elements of a democratic society, such as the judiciary or the media. The Covid-19 crisis presented new kinds of challenges for local governments both in terms of crisis management tasks and the quickly changing legal, political and financial framework in which they operate. Our collaborative project attempts to understand the short and mid-term evolution of the way public authority is wielded in four East-Central European countries in the wake of the pandemic emergency situation and how this affects local democracies.

The participants of the project are four civil society organisations (CSOs) active in Czechia, Poland, Romania and Hungary respectively. All four organisations carry out activities related to transparency and anti-corruption as well as promote public participation in decision-making processes. We believe that self-governance at the local level is at the heart of the citizen experience. The rich associative life at the municipal level was for a long time seen as a key component of a particular pattern of citizen attitudes toward political actions, in which well-functioning democratic institutions are embedded. This participant culture is brought about and reinforced by accountability and community engagement in public issues of concern at the local level. This is not to say that all political articulation of the local community is genuinely democratic and inclusive. In terms of political culture, often in congruence with a centralised authoritarian structure, local governance might not challenge but instead contribute to systems where parochial political patronage relations dominate the choices of decision-makers over accountability to their electorate and thus undermine the overall state of transparency and accountability in a society.

We focus on local democracies in this project as we believe that this perspective has been underrepresented in current debates about the state of democracy and the rule of law in East-Central Europe. In December 2022 the [European Council decided](#) to deploy the conditionality mechanism to suspend EUR 6.3 billion in Cohesion funding for Hungary in the 2021–2027 period, but the implications of this decision on local governments have mostly been missing from the public discussion. A similar situation arises regarding the Recovery and Resilience Facility (RRF), from which [neither Poland nor Hungary](#) received payments as of January 2023 due to rule of law concerns. This study will show how municipalities have become increasingly vulnerable and dependent on funding decisions of national governments during the pandemic and energy crisis, so the suspension and delay of EU funding runs the risk of further increasing the leverage of central authorities over local actors, which in turn is exploited to serve partisan interests. Then again, additional mechanisms for accountability and adherence to the rule of law are much needed so that EU funds cannot be abused to [prop up corrupt regimes](#).

The question of local democratic resilience is especially relevant in these countries, since political actors from the local level in opposition to their respective governments have tried to [position themselves](#) as guardians and promoters of democracy against the illiberal trends of the region and attempted to lobby for more direct EU funding. Mayors of Warsaw, Budapest, Prague and Bratislava (later joined by many more) [pledged](#) in 2019 to “combat populism, promote transparency and tackle climate crisis” with the help of grassroots democracy. After the confident victory of the Polish progressive opposition in urban areas both in the 2018 and 2020 elections and the relative opposition success in major Hungarian cities in 2019, high hopes have been attached to [a reversal of autocratic trends](#) coming from the local level in mainstream liberal narratives. Historical examples are referenced to show that even in hybrid regimes local victories could provide the foothold for the opposition to achieve national success later through a process of “[creeping democratisation](#)”. However, both in Poland and in Hungary the opposition has so far failed to translate local electoral successes into a national victory, rather we see a consolidation of urban-rural fault lines. We wish to explore the changing context in which local governments operate in the region in order to better understand their opportunities and limitations during a time period laden with crises. While it is tempting to limit the analysis to the politically salient conflict of capital cities and national governments, that conflict is much better documented than the general state of local administration in these countries. Therefore we employ a broader perspective that accommodates all levels and types of local governments, while remaining mindful of the caveat that a comprehensive and representative analysis of the developments of local governance in four countries is far beyond the scope of our project.

In order to analyse the quality of democracy and governance at the local level, we employed both a bottom-up and top-down perspective in the current project. The bottom-up perspective covers various channels for democratic interactions between citizens and local governments, while the top-down approach considers the relation between the local and state level of administrations and decision-making. The first approach is covered by the individual research of the partner organisations, which identify governance areas where local democracy might have deteriorated due to (1) restricted public participation and access to municipal decision-making, (2) reduced plurality in the local information space, (3) limited transparency of funding in times of crisis or simply (4) sub-optimal public service delivery due to financial constraints. The following assessment however, based primarily on desk research conducted by the four participating organisations, focuses on the autonomy of municipalities and how it was affected by measures of the central governments during the Covid-19 crisis.

The following analysis will consider the different starting points for municipalities going into the crisis, their first-hand experience with the pandemic and will discuss how central governments used the opportunity to strengthen their position. We aim to highlight the factors that limited or expanded the opportunities of local actors to maintain or increase their autonomy vis-à-vis the national government. Overall, we show how various processes during and since the pandemic have been detrimental to local autonomy and to the quality of our democracies, but we also highlight the importance of financial autonomy, constitutional safeguards and meaningful local engagement for the future of local good governance.

Different starting points

The municipal systems created in Czechia, Poland, Romania and Hungary after the fall of the socialist regimes, were founded on fundamentally similar concepts of self-governance. Local administration consists of a regional (and/or county) level and a municipal level. The primary decision-making body is the locally elected municipal council and competences tend to include a mix of mandatory and voluntary tasks. Mandatory tasks are split between delegated functions of public authority (maintaining registries, issuing permits, certificates, official documents, etc.) and locally managed policies, such as education, healthcare, spatial planning, social housing, public transport, etc. However, despite similarities in concept, municipalities retain significant differences across countries in terms of the scope of competences, accompanying revenues and level of financial autonomy as well as differing democratic traditions. More importantly, by the start of the Covid-19 crisis, municipal autonomy had already been severely degraded in Hungary and had experienced similar attacks in Poland.

	CZECH REPUBLIC	HUNGARY	POLAND	ROMANIA
Levels of subnational governments: (regions, 2017-18)	14 regions (incl. Prague)	19 counties + Budapest (two-tier)	16 regions, 380 counties (three-tier)	42 counties, incl. Bucharest (two-tier)
Levels of subnational governments: (municipalities, 2017-18)	6258 municipalities	3177 municipalities	2478 municipalities	103 municipalities, 217 other cities (for urban areas), and 2,861 communes
Average municipal size (number of inhabitants, 2016-17)	1688	3088	15,507	6986
Subnational government expenditure (% of public expenditure, 2017)	27.2%	13.4%	32.4%	26.1%
Subnational government investment (% of public investment, 2017)	45.5%	25.2%	40.4%	44.1%
Subnational revenue from grants and subsidies (% subnational government revenue, 2017)	38.9%	52.7%	58.4%	84.2%

Table 1: Comparison of basic municipal data of the four countries prior to the Covid-19 pandemic. *Source:* [OECD \(2018\)](#)

The system of self-governing local governments in Hungary was in [need of serious structural overhaul after its first two decades](#). Municipalities experienced two, mutually reinforcing tendencies before 2010: the national government delegating an ever increasing share of tasks and responsibilities to the local level without attaching sufficient funding and a significant increase in indebtedness in order to finance local development.

After the 2010 elections in Hungary the solution of the Fidesz–KDNP government was to recentralise competences and resources from the local to the national level in multiple steps, relying on its constitutional majority in Parliament. First, various administrative functions were transferred from the municipalities to administrative districts representing the state, later the provision of primary and secondary education was also transferred to the state level. The shifting of competences was accompanied by the [transformation of the mode of financing](#) the local level, the most important changes being: more rigid spending rules for earmarked transfers, making loans available only upon government authorisation, previously shared taxes were entirely redirected to the central budget (personal income tax) or were reduced (vehicle tax), a new type of solidarity tax was introduced that more affluent municipalities are required to pay to contribute to the costs of public education. As a result, the share of local governments in total government spending [decreased from 25% to 13%](#) from 2013 to 2017, which is markedly lower than the EU average of 23%. The drop in municipalities' share in public investments was even more significant from [60% to 21%](#) by 2020. And even this reduced level of funding for development investments has been subjected to political favoritism. The financial draining of municipalities meant that they became highly dependent on non-transparent, particular government decisions for any type of local development. In 2019 the Hungarian opposition's first significant electoral success in a decade took place in this context, eliciting further escalation of centralisation tendencies during the pandemic.

The PiS government in Poland has often been compared to Hungary's Orbán government in its tendency to polarise society with populist narratives, to crack down on civil society and independent media, to disrespect the separation of powers and the system of checks and balances. However, the PiS government faced a very different context than the Fidesz government when it came to consolidating power over the local level. First and foremost Polish municipalities enjoy [constitutional protection](#), which is effective, since PiS lacks constitutional majority, and even the government-aligned President has [occasionally](#) fulfilled his role in the system of checks and balances (but went along with the ruling coalition's plans in most cases). Furthermore, local governments enjoyed [higher levels of public trust](#) in 2016 than the central government, and according to research even the two-round mayoral elections have [provided a buffer](#) against government encroachment. Regardless, the central government did make attempts to [impose new limitations on local autonomy](#). In terms of [competences](#), water management (including sewage and flood prevention), agricultural advisory centres, management of family benefits were stripped from local governments and more recently the role of the state was strengthened in the [management of schools](#). The government attempted to increase its political control over local administration [in multiple ways](#) through the reform of administrative courts and by introducing a term limit for mayors (originally planned to have retroactive force, but eventually only applied to office held from 2018 onward). Nonetheless, an over 30% share of local governments in public expenditure (Table 1), the highest in the region, still suggests a fairly decentralised system in terms of competences. Local governments also retain [substantial revenue](#) through personal and corporate income tax (shared) and have access to property taxes and other locally sourced taxes as well as maintain borrowing autonomy. A reduction of the personal income tax did affect the revenues of municipalities adversely, but this measure only came into force during the pandemic. Voivodships (regional governments) are responsible for the distribution of over [40% of EU structural funds](#) independently of the national government, which further reinforces local autonomy.

Local governments in the Czech Republic and Romania experienced no similar pressures prior to the pandemic. If anything, Romanian local authorities have been [tasked with additional responsibilities](#) (in the fields of education, healthcare, local police) over the years. Despite the much smaller size and fragmentation of municipalities in Czechia, the competences and resources are allocated in a similarly decentralised system as in Poland. It is important to note that not all municipalities share the same rights and responsibilities in Czechia, so it is difficult to generalise their situation.

Czech and Romanian municipalities differ significantly in terms of the [source of their revenues](#). Czech municipalities have the lowest share of government transfers and highest share of taxes in their revenue out of the four countries, though most of it is in the form of [shared taxes](#) (VAT, personal income tax, corporate tax). Romania, by contrast, has the highest exposure to government transfers with over 80% of municipal revenue coming from subsidies and the lowest share (approx. 10%) of tax revenue of the four countries. The distribution showcases the highly hierarchical, centralised administrative structure in Romania.

Despite highlighting the differences in the administrative systems across countries, it is important to note that in each of these cases municipalities are highly dependent both on earmarked central transfers and on legislation regarding taxation.

Sources used for this section:

OECD/UCLG (2022), 2022 Country Profiles of the World Observatory on Subnational Government Finance and Investment, <https://sng-wofi.org/country-profiles/>

OECD (2018), Key data on Local and Regional Governments in the European Union (brochure), OECD, Paris, <https://oecd.org/regional/EU-Local-government-key-data.pdf>

René Geißler, Gerhard Hammerschmid, Christian Raffer (2019) (eds.), *Local Public Finance in Europe - Country Reports*, Bertelsmann Stiftung, https://bertelsmann-stiftung.de/fileadmin/files/Projekte/79_Nachhaltige_Finanzen/LPF-Country-Reports.pdf

Gábor Hulkó (2021), A V4-országok helyi önkormányzati rendszerének összehasonlító elemzése (The Comparative Analysis of the Systems of Local Self-Governance in the V4-countries) in Emese Farkasné Gasparics (ed.), *A helyi önkormányzatok nemzetközi környezete (The International Context of Local Governments)*, Budapest: Ludovika Egyetemi Kiadó, http://real.mtak.hu/123370/1/A_helyi_onkormanyzatok_nemzetkozi_kornyezete.pdf

The local perspective in global crises

After almost a decade of economic growth and relative stability, Central European countries face cumulative crises in recent years. The first cases of the Covid-19 virus appeared in the region in March 2020. While the examined countries managed to avoid heavy tolls during the first wave of the pandemic, they were hit hard by the second and third waves with Czechia and Hungary being among the [worst impacted in the world](#) in terms of per capita death rates. In early 2022 the Russian invasion of Ukraine was another external shock that had severe implications for the countries in the region. Both the lockdowns initiated in response to the pandemic around the world and the war disrupted supply chains and contributed to inflation, primarily through rising energy prices.

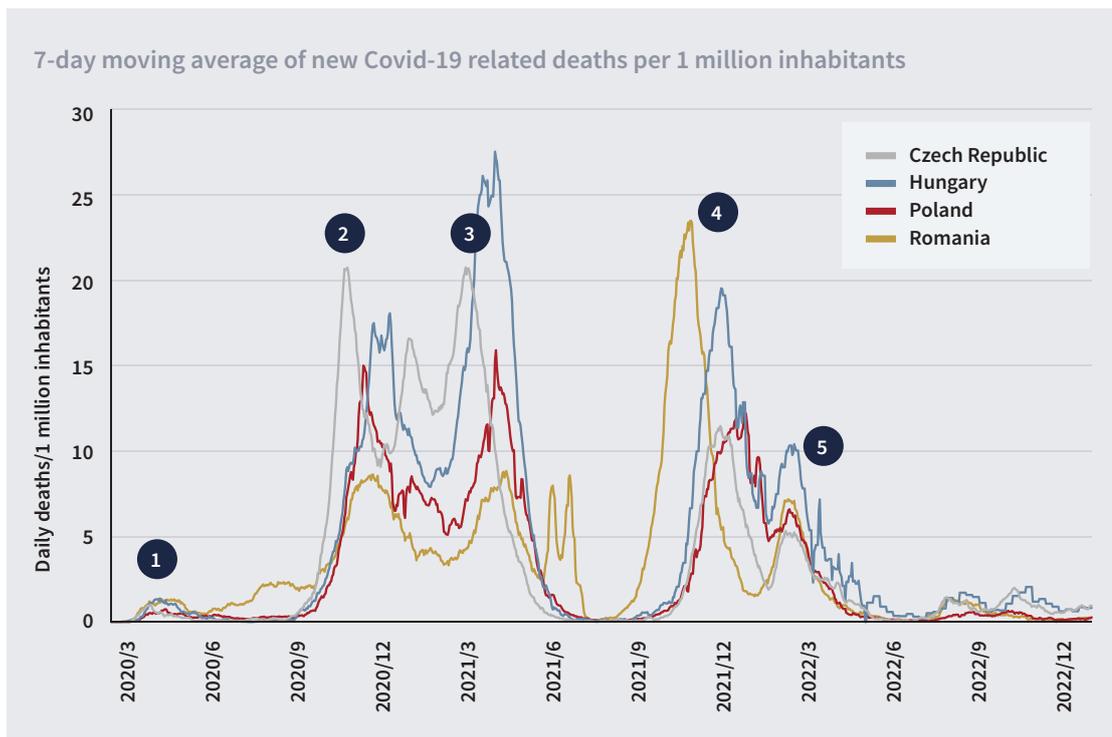


Figure 1: 7-day moving average of new Covid-19 related deaths per 1 million inhabitants, 2020 March - 2022 December. Source: [WHO Coronavirus Dashboard](#), [Eurostat](#) (2020 population data used throughout)

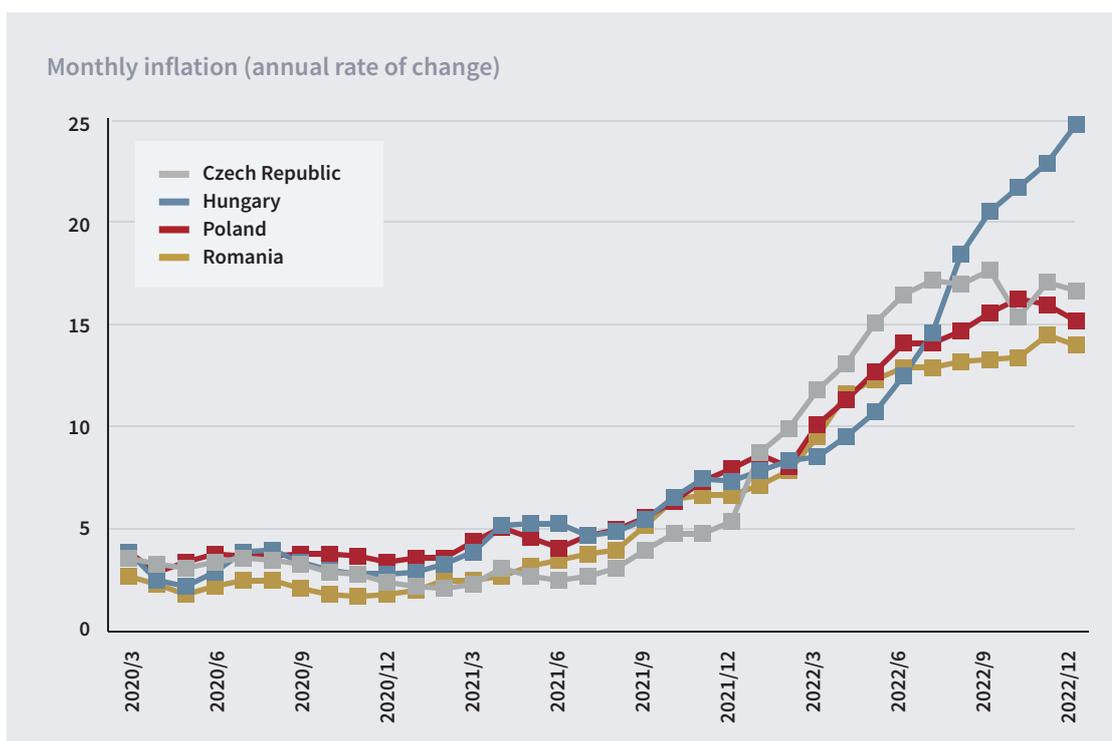


Figure 2: The annual rate of change of consumer price index, 2020 March - 2022 December. Source: Eurostat (HICP - monthly data, annual rate of change)

The cumulative effects of these crises on municipalities are disproportionate to their capacity and competences to respond to such global challenges. The pandemic required municipalities to address the spread of the virus at their local institutions: crisis procedures were developed, medical supplies, such as masks, thermometers, Covid tests, disinfectants were procured and distributed, often IT investments were needed to support the digitalisation of local administration or to facilitate distance learning in schools. Local governments were the first in line to understand and respond to the needs of the socially deprived or elderly and adapted their social services and municipal catering to reduce the risks of infection. The principle of subsidiarity could be observed in action as [local measures](#) were often more targeted, were introduced faster than national ones and also included [community-led](#) solutions. Overall, municipalities in the examined countries demonstrated significant resilience and flexibility in responding to the health crisis as well as tangible responsibility for their citizens' well-being.

Crisis management activities required additional funding at the local level, while at the same time revenues shrank due to decreasing economic activity and the subsequent reduction of tax incomes. Especially [Polish](#) and Czech municipalities, more exposed to the volatility of tax base, were expected to see a significant [contraction of their income](#). This meant that the operational challenges facing local governments were exacerbated by a financial situation that required them to either adjust their budgets (e.g., by postponing investments) or lobby for additional resources.

Read more about the territorial impact of Covid-19 and the subnational responses here:

ESPON (2022), Territorial impacts of COVID-19 and policy answers in European regions and cities, https://espon.eu/sites/default/files/attachments/TERRCOV_Final%20Report_Main.pdf

OECD (2021), The territorial impact of COVID-19: Managing the crisis and recovery across levels of government, <https://oecd.org/coronavirus/policy-responses/the-territorial-impact-of-covid-19-managing-the-crisis-and-recovery-across-levels-of-government-a2c6abaf/>

European Committee of Regions (2021), Local and regional finances in the aftermath of COVID-19, https://cor.europa.eu/en/engage/studies/Documents/Local%20and%20regional%20finances%20in%20the%20aftermath%20of%20COVID-19/CoR_Local_and_regional_finances_after_Covid-19.pdf

The opportunism of national governments

To varying degrees, but in all four countries examined, central governments attempted to use the Covid-19 situation to further their political goals and consolidate their control and influence over local governments in a way that goes beyond the traditional wisdom that crises tend to favour the incumbent. The crisis was primarily managed from the national level in other countries as well, with both the European and the local level taking a backseat, a phenomenon coined “[coronationalism](#)”. The emergency situation paved the way for state interventions and actors in charge of the executive formulated measures in a way that also served their political interests – hence we consider this approach opportunistic rather than an ideological attack on local democracies. These attempts were successfully thwarted by the local level if local governments still retained considerable autonomy and felt sufficiently threatened to choose the path of legal or collective political action.

Hungary

In the context of our research, Hungary and Czechia represent the two ends of a spectrum. The Hungarian government was quick to see the opportunity to further consolidate its power and to constrain freshly-elected opposition-led municipal councils. In terms of legislative changes the government set the stage with the introduction of the Covid-19 state of emergency, making possible a rule by government decrees with [no sunset clause](#), as well as prohibited the organisation of referenda and [suspended sessions of city councils](#) while placing emergency powers into the hands of mayors. The government also created the option to designate “[Special Economic Zones](#)” where the administrative tasks and the collection of taxes is transferred to the county governments (with solid Fidesz-majorities). This development complemented the trend of excluding municipalities from overseeing the compliance with spatial planning and construction rules in the case of significant infrastructure investments on their territories. The trend had started before the pandemic, but continued well into the Covid-19 crisis.

Even more detrimental for local autonomy were the various measures [aimed at the budgets of local governments](#): prohibition of tax increase and the levying of new taxes, prohibition of borrowing, revenues from vehicle tax transferred to the state, collection of parking fees suspended (a local source of income for municipalities), business tax break and increased solidarity tax for larger cities in the equalising scheme. General compensation for increased crisis management costs and shrinking revenues was only provided for [settlements under 25,000 inhabitants](#), above which compensation was clearly linked to [partisan interests](#). Another channel for compensation (even if not declared as such) were various development schemes, such as the [Modern Cities Programme](#) or the Hungarian Tourist Agency’s [Kisfaludy Programme](#), which clearly prioritise municipalities (and oligarchs) aligned with the government.

The nationalisation of primary healthcare services (so far remaining under municipal management), including both general practitioners’ offices and specialist clinics has also [appeared](#) on the government’s agenda. This would not only contradict the lessons of the pandemic, but would also deprive healthcare workers of benefits often provided by local governments. The looming threat of recentralisation might have already prevented municipalities from spending on much needed investment in local healthcare, thus resulting in sub-optimal public service delivery even before its implementation.

Czech Republic

On the other end of the spectrum, the Czech government’s crisis response [has been described](#) as an egalitarian approach to maintain the status quo. The only attempts at limiting local governance were quickly and successfully challenged. First, a [restriction of local assembly meetings](#) (could only convene in online manner and in absolutely necessary cases) with public participation excluded was introduced. This measure was challenged on a [constitutional basis](#) and was [rectified](#) by the government within 14 days by only issuing it as a recommendation for conducting local assemblies. Later during the [development of a compensation scheme](#) for municipalities, Prime Minister Andrej Babiš proposed to disburse the compensation in the form of subsidies at the discretion of the government. This was seen as increasing the risk of a politically biased distribution and in the end, each municipality received a [compensation of CZK 1250](#) (EUR 48) per capita. By and large, the Czech state lacked the capacity to coordinate an effective crisis response let alone to curtail local autonomies.

Poland

The Polish approach to municipalities during the crisis was characterised by an approach closer to the Hungarian, with seizing the opportunity to increase the financial dependency of local authorities. The previously initiated [personal income tax reduction](#) took effect, the government took control of [the environmental protection funds](#) (formerly controlled by voivodships), reduced transfers through the [equalisation scheme](#) (Janosikowe) and failed to match the increasing costs related to Covid-19 emergency services with compensation. Unrelated to the pandemic, but the government carried on with its centralisation attempt over the [public school system](#). Two measures generating the most public outcry were a proposal for healthcare reform and the operation of the new Government Fund for Local Investments. Regarding local governments the healthcare reform would have included the decision to [cede control over the hospitals](#) to the Ministry of Health, but was later abandoned. The investment fund received widespread criticism for its non-transparent decision-making process and for [favouring government-affiliated municipalities](#) during the disbursement of funds. Throughout the pandemic local civil society organisations, mayors and the Association of Polish Cities publicly [criticised](#) the centralisation efforts of the national government, but generally achieved little success. With municipalities experiencing [record high public trust ratings](#) and receiving praise from citizens for the pandemic crisis management, it is unclear whether these actions will prove politically beneficial for the government during the elections in 2023 and 2024.

Romania

Romania also embarked on an opportunistic, albeit limited centralisation process. Closely related to the pandemic, [the government took over](#) the management of healthcare facilities from local administrations with the power to appoint, suspend and release from office the persons in charge of these establishments. They also [transferred the local police force](#) under the operational reporting to the Ministry of Internal Affairs. The government employed a similar, discretionary funding scheme for development like Hungary and Poland. Additional funding during the pandemic has been provided for municipalities through the Budget Reserve Fund on a case by case basis, but [without transparent award criteria](#). Both [political bias](#) and a cyclical disbursement aligned with elections [can be shown in the funding data](#). In some cases, local authorities followed the example of the national government and [abused the opportunity](#) of [simplified spending regulations](#) during the state of emergency to finance their own agendas in a non-transparent manner. Where Hungary employed a mix of pandemic compensation and development programmes, and Poland provided additional funding mostly through the Fund for Local Investments, Romania only used this Reserve Fund to compensate for the increased costs and reduced revenues of municipalities. Nonetheless, all three approaches share a similar underlying logic of non-transparent discretionary decisions, especially when contrasted with Czechia's blanket compensation for all municipalities.

Interaction of the local and the national level

Both the effectiveness of centralisation efforts and the nature of the interactions between the local and national levels are influenced by the distribution of power between these two levels of administration – two components are institutional set-up and the strength of the respective political mandate (Figure 3). Based on the example of these four countries, we found that in countries with more decentralised administrations (Poland, Czechia) the local level is more likely to resist centralisation attempts than in countries where local governments already have relatively fewer functions and resources (Romania, Hungary). Moreover, in Romania and Hungary municipalities attempt to represent their interests through partisan channels and actors try to secure better positions for their own cities, with the individual bargaining strategies further increasing the leverage of the national level and often leading to clientelistic relations. In contrast, in [Poland](#) and [Czechia](#), local actors represent their interests publicly and collectively, often through unions, associations or other alliances. The success of political action (be it collective or individual lobbying) however is highly dependent on the concentration of political power. It is reasonable to expect that in countries, where national governments have a strong political mandate and authority is used in a more hegemonic way (Poland, Hungary) it will be more difficult to resist centralisation in times of crisis than in countries with more diffuse political power-structure (Czechia, Romania).

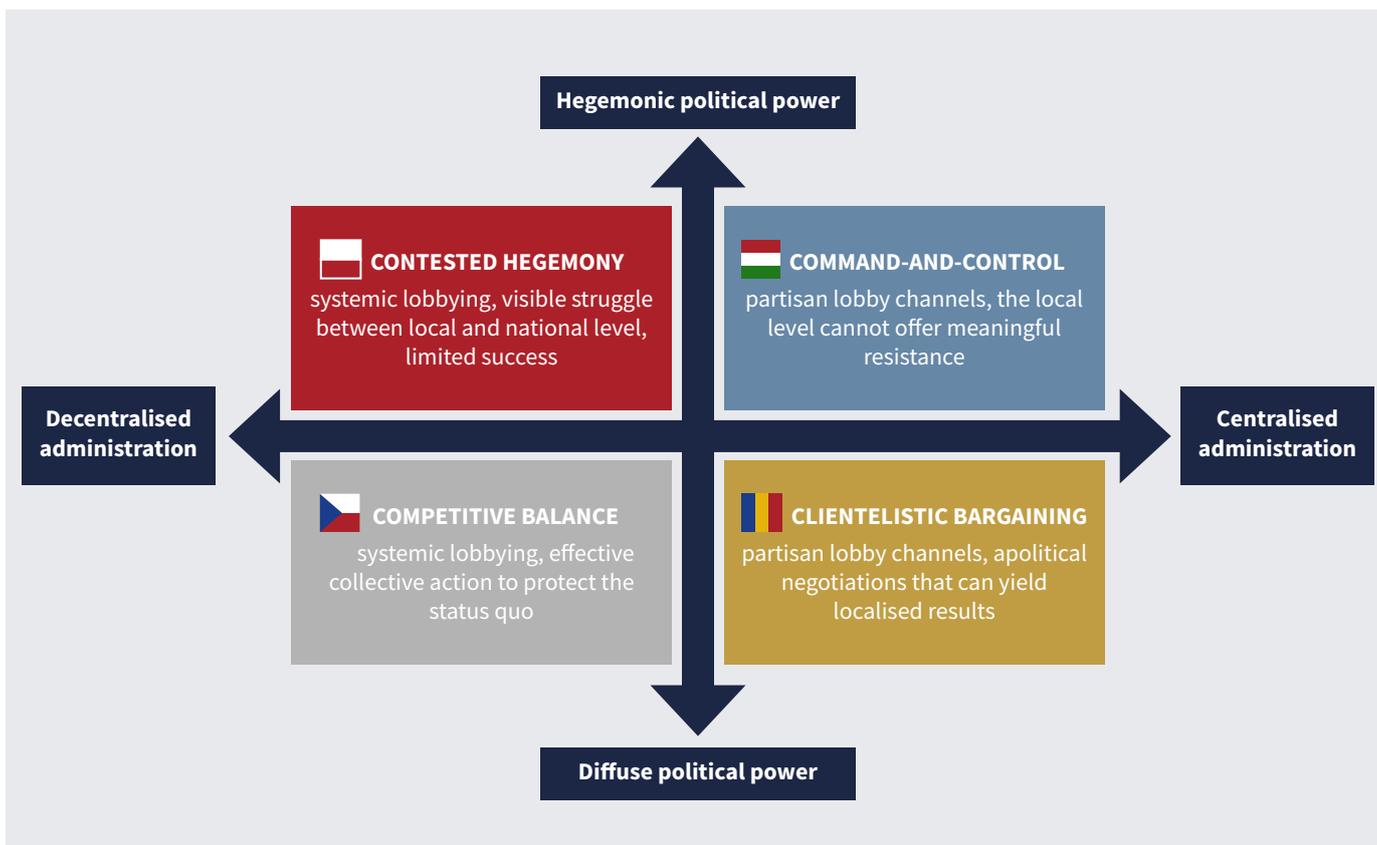


Figure 3: The nature and result of the interaction between the local and national levels relative to each other.

The Czech Republic and Poland are similarly decentralised states with significant competences and resources delegated to the local level and supported by sufficient constitutional safeguards. However, the differences in the political mandate can explain the different situation local governance faces in these two countries. In Poland, a unified and centralised party has governed with a sufficient legislative majority [since 2015](#) and already managed to erode local autonomy significantly. Hungary provides the worst-practice blueprint for what would happen in case constitutional majority is attained by PiS. Nonetheless, local actors still have the means and the public support to fight back occasionally and [challenge the government](#) in certain policy areas. In contrast, Czechia has had a [minority government](#) during the first half of the crisis and even [the current coalition](#) is constituted of highly diverse parties. Taking into consideration, that mayors may hold position in the national legislation and that the local level has a direct political representation in the government in the form of Mayors and Independents (STAN), it is not hard to see that local level has the most room to manoeuvre in the Czech Republic out of the four observed countries – both in institutional and political terms. This set-up makes it practically impossible for any (coalition) government to successfully attempt to centralise resources and competences from the local level, as opposed to Poland, where actors are engaged in a fierce struggle over municipal autonomy.

The nature of the interaction between the local and national level is probably best highlighted by the differences between the Czech and Romanian cases. Both countries have had fairly fragmented governments with relatively fragile legislative bases. But where Czech municipalities are able to build on a strong, secure institutional, formal setting and this results in collective action and political representation, Romanian municipalities lack such resources in a centralised state and rely on informal linkages and individual bargaining strategies. The relationship between the central and local government becomes two-way and transactional with both sides having to gain from a partnership, as the national level hopes for political support and legitimacy “on the ground” from locally relevant actors, and both sides avoid a confrontational approach to negotiations, thus making the issue of local autonomy absent from the political agenda in elections. More nuance can be added to the observation by comparing the Hungarian and Romanian cases, where both countries operate a more centralised administration, and both countries have a significant share of decision-making happening in informal settings. However, in Romania, [the central government stands to gain](#) something from a transactional approach, as opposed to Hungary, where informal power is exercised through command-and-control and blackmail-

style relations (depending on the party standing of any given mayor) between the national and local level. This mostly results in a situation where government-affiliated municipalities may engage in a similarly competitive, clientelistic lobbying as their Romanian counterparts, while opposition-led cities submit to the idea that they will have to make do in a hostile environment.

Our assessment highlights the relevance of the institutional set-up and division of administrative responsibilities in determining the effectiveness of challenging the central authority. In a more decentralised system actors are more likely to resist and utilise all the available political and legal tools to maintain autonomy, while lack of formal safeguards of independent local administration actors will rely more on obscure informal, clientelistic linkages significantly more prone to corruption and inefficient public service provision.

Read more about the policy responses of individual countries here:

European Committee of Regions (2021), Local and regional finances in the aftermath of COVID-19, https://cor.europa.eu/en/engage/studies/Documents/Local%20and%20regional%20finances%20in%20the%20aftermath%20of%20COVID-19/CoR_Local_and_regional_finances_after_Covid-19.pdf

Dorothee Bohle, Edgars Eihmanis, Alen Toplišek (2022) (eds.), The Political Economy of Covid-19 responses in East Central Europe, European University Institute, <https://cadmus.eui.eu/bitstream/handle/1814/74354/QM-08-22-078-EN-E.pdf>

Democratic resilience under assault on multiple fronts

Besides the centralisation efforts of governments, local governance experienced other, less pronounced developments as well, such as the minor trend of delegating certain responsibilities related to the implementation of Covid-19 measures to the local level. In Hungary the responsibility for decisions on [mandatory mask wearing](#) in public spaces, or the [closing of certain public areas](#) was assigned to the mayors. In the Czech Republic, [local police were tasked](#) with enforcing compliance with lockdown rules instead of the national authorities. Likewise in [Poland](#) and [Romania](#), local governments were burdened with multiple new duties regarding implementing economic lockdown, introducing remote learning and later, coordinating vaccination programs (the latter being a difference to Hungary, where the government opted to take all the credit for the swift vaccination campaign). Such steps set the stage for a blame game, where the government could point at local governments' incompetence in case of a potential failure of containment policies or just simply provided the option to direct public dissatisfaction over lockdowns towards local politicians.

This could be observed best in Hungary, where the government took full advantage of the situation and often [initiated smear campaigns](#), the number one target being Gergely Karácsony, mayor of Budapest (and potential opposition candidate for prime minister in 2022 at the time). Government-affiliated media ridiculed early calls from the capital to close schools, the introduction of mandatory mask wearing on public transport, even the type of rapid tests procured for teachers - all measures, which were later adopted by the national government as well. An early epicentre of the virus was a municipality-managed elderly care home in Budapest, which also provided an opportunity for media attacks. The opposition only went on the offensive in the media (with very limited resources) after it became clear that the government has no intention to alleviate the budgetary pressures on municipalities, rather constrain them further.

In Hungary, government messaging is amplified by a well-oiled propaganda machinery, but even in the other countries local governments were both vulnerable to malign messaging and had lower degree of transparency due to the shrinking local information space. In part this was due to the nature of the Covid-19 crisis. [Some municipalities](#) (e.g. in Poland) proactively moved council meetings to remote setting, even before a legal basis for it. In the Czech Republic, the restrictions imposed were challenged and overturned, making [online council meetings allowed](#) and attaching recommendations, similar to how [Romania](#) approached the issue. In all of these cases recording and transmission of the council meetings was supposed to be accessible, but even if the technological obstacle was overcome (often not the case), public participation was practically made impossible. In Hungary, council sittings were [altogether suspended](#), with decision-making powers delegated to the mayors. Some mayors experimented with "consulting" council members and tried to publish decisions proactively, but overall the result of the measure was a dire degradation of local transparency. Combined with the impossibility of live partnership meetings with local stakeholders, nationally extended deadlines for responses to freedom of information requests in [Romania](#) and [Hungary](#), (initially) suspended deadlines for administrative and court proceedings in [Poland](#), local channels of accountability have practically all been frozen for the emergency period.

Limited access to independent, local media further exacerbates the accountability problem. [Oziveni's research](#) from the Czech Republic shows how "information deserts" may arise when it's not profitable for private actors to publish local news and municipal media outlets fail to function as an objective source of information for the local populace, only serving the role of one-way, often propagandistic communication channel of local governments. The government may be able to improve the situation by introducing better legislation (or by impartial funding schemes) if it wanted to. A more nefarious approach is when the national government directly intervenes in order to consolidate local media markets with a direct line of control over acquired products. This was clearly a priority for Fidesz after 2010, but recently fears are increasing in Poland over the state-owned oil firm, [Orlen taking over Polska Press](#) (controlling a majority of local and regional press market in Poland). Government control over local media (either through direct ownership control or through financial incentives, such as ad revenues) is bound to crowd out local issues, thus reducing local engagement. The tendency of lacking interest in local politics is only [reinforced](#) by citizens consuming news more and more through social media and big news outlets where global and national issues dominate the news cycle.

Another detrimental development for local civil society is when national politics and parties start to dominate local civic life. Local governance losing relevance vis-à-vis the national government can result in a reduction of the activity of local, issue-based organisations. If paired with the limited financial capacity of municipalities to occasionally provide support for local initiatives and projects, the local civic space will be filled by funding from political parties attempting to build local hegemony for national elections. In Hungary, [Fidesz invests significant resources](#) to [crowd out any plurality of voices](#) on every possible platform – from funding an army of “influencers” on social media, printing local magazines that resemble the district or city official newspaper (but are in fact party-commissioned) to funding local “CSOs”, which appear independent of the local party organisation and thus may provide increased legitimacy in certain issues. Local media and civil society has always been dependent on funding from the authorities themselves, however if the final benefactor and financer becomes the national government for all platforms and actors, it will be necessarily detrimental to the primacy of local issues, reduces the plurality of local civil society and consequently goes against [local interests](#). Civil society is [fundamental](#) for building democratic resilience and it [has been shown](#) that local governments engaging CSOs in participatory governance enhances the relevance and legitimacy of local policies.

During the pandemic, it could also be observed that opportunistic behaviour is not exclusive to national governments. In Hungary for example, [mayors exploited the state of emergency](#) granting them temporarily the full decision-making power of city councils to circumvent opposition and adopted new budgets, new organisational and operational regulations, appointed or recalled deputy mayors or even raised their own wages. In Romania, rules surrounding procurements [were relaxed for Covid-19 related materials](#) and equipment, but were occasionally used to [circumvent regulation](#) in unjustified cases, like for contracting maintenance work on streets and public buildings. And even if spending could be justified in the context of the pandemic, priorities were informed by the 2020 local elections.

These examples may also serve as a warning for what happens when shrinking financial space, dependency on emergency transfers from the government, decreasing plurality of opinions and limited opportunity for public participation create conditions in which local actors are incentivised to be opportunistic rather than accountable. It may seem to better advance their political goals to be better integrated into networks of political patronage and build their own clientelistic networks than to deliver on electoral promises. In general, the primary focus of this study was the dynamics of municipality-government relations during the crisis, but issues of local state capture and recommendations of how to improve transparent and accountable local governance are covered within this project in separate case studies as well as by an excellent [research by the Croatian Gong](#) organisation from 2017.

When external factors, such as a pandemic, create conditions, under which local participation and access to information is hindered, the actions of central governments overriding local autonomy, reducing competences and budgets or increasing responsibilities on a whim further undermine citizens’ trust in local governance. When people don’t feel like their voices are heard, and that their local problems can have local solutions enacted by decision-makers they know personally, the principle of self-governance will be defunct. This effect can already be observed in Hungary during local by-elections, where the [opposition lost in constituencies](#) that were considered stable electoral bases for them. It is understood that disappointment over the 2022 legislative elections combined with the reduced stakes of local elections results in both lower turnout and a more pro-government stance of constituents. Citizens are less motivated by the mutual blame game and instead of punishing the government for its authoritarian moves, they vote for pro-government candidates in the hopes of their city gaining better access to state resources (i.e. the “blackmail” strategy is effective).

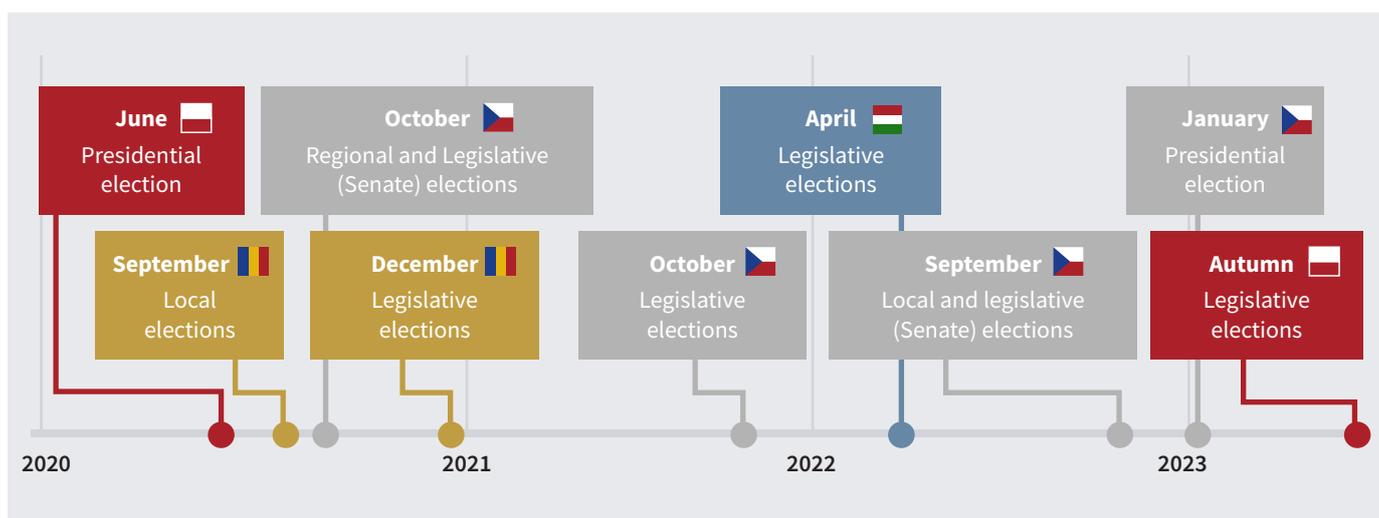


Figure 4: Type and number of elections in the four countries during the period of 2020-2023.

The effect of these crisis-laden years on local governance may be possible to fully grasp after 2024, which will be a tumultuous year for elections in the region. The European elections will take place in May, but local elections will also be organised in Poland (April), Hungary (May) and Romania (September), with regional and Senate elections held in Czechia in the autumn and possibly legislative elections in Romania at the end of the year. Interestingly, the timing of the local elections have been subject to politically motivated changes both in Poland and in Hungary, according to the respective oppositions. In [Poland](#), they were pushed back from 2023 in order to avoid a potentially negative set-up for the general elections from the perspective of the governing parties, while in [Hungary](#) they were brought forward from their traditional autumn date and bundled together with the EU elections in order to make cooperation and coordination among opposition parties more difficult. With local elections in three of these countries and regional elections in the fourth, it will be interesting to look at whether the interest and trust of citizens in local governments have been eroded by these years or to the contrary, if they are more appreciative of local decision-making.

Read more about the role of local civil society in the context of local governance:

Clara Volintiru (2021), Local Democratic Resilience in East-Central Europe, German Marshall Fund Policy Paper, <https://gmfus.org/sites/default/files/2021-09/Volintiru%20-%20Local%20Democratic%20Resilience%20in%20ECE.pdf>

K-Monitor, ePaństwo Foundation, Funky Citizens (2020), Empowering local self-government: Cooperation between advocacy groups and local governments in Hungary, Poland and Romania, <https://localgov.k-monitor.hu/download-the-study/>

The emerging patterns of the energy crisis and the EU's Recovery Facility

By June 2022 the examined countries have brought the fifth wave of the Covid-19 pandemic under control, and the late-summer, autumn resurgence of the virus has followed a markedly different trend than before. While this would provide the opportunity to discuss the post-Covid state of municipalities in the region, we cannot talk about a post-crisis state, as both the Russian invasion of Ukraine and the ensuing energy crisis heavily impacts these countries. While national governments have remained centre-stage with regards to crisis management, municipalities and local communities are still directly affected by the crisis. The nature of the challenge is different, as instead of increased crisis management tasks, the issue is first and foremost financial. Rising energy prices and inflationary pressures on wages force municipalities in each of these countries to prepare for multiple scenarios. Some municipalities plan to save money with reduced street lighting, lowered temperature in public institutions, reduced operating hours of public facilities or even by entirely closing down public services, such as libraries, or public swimming pools, or by cutting subsidies to volunteer groups. Municipalities tend to procure their energy supply on a yearly basis, which means that the full scope of their plight is just unfolding with procurements for 2023 still ongoing.

All four countries have some form of energy price cap in place and policies primarily benefiting households, but the national governments so far had a cautious approach to compensating struggling municipalities. Romania [allocated funds](#) in its Reserve Fund and Poland [pledged PLN 13.7 billion](#) for local governments, but critics in both cases say that the amount of funds announced so far cannot cover all the energy needs of municipalities at current prices. In the Czech Republic the government [has been discussing](#) the issue with the Union of Towns and Municipalities, where the union requested that the government should guarantee the energy supply. In Hungary, the government negotiated individually with each municipality about compensation in 2023 and [tabled a proposal](#) in the first days of January 2023, compensating 170 cities of over 10,000 inhabitants with an overall sum of HUF 44 billion (EUR 110 million), which means a 20-euro compensation per capita on average. The proposal is visibly informed by [partisan interests](#), as opposition-led cities receive more than 40% less compensation per capita on average than government-aligned municipalities and with several prominent opposition-led cities being left without any compensation (such as Hódmezővásárhely, the city of opposition candidate for Prime Minister, mayor Péter Márki-Zay). Providing for the energy supply of cities might not be enough in either of these countries if earmarked transfers are not linked to inflation, as wages remain one of the most significant expenses of municipalities – and the inability to raise wages for teachers, nurses, administrators will have a different, but equally troubling outcome as not being able to pay the overhead costs.

The development of the energy crisis has been less taxing than originally feared, but the patterns of public authorities' responses seemed to follow the Covid-19 crisis. In Czechia, actors are involved in a collective bargaining process, as opposed to Romania, where the set-up might incentivise local governments to engage in individual lobbying. The PiS government in Poland continued its [centralisation efforts](#) on the energy market, expects a 10% electricity saving from public administration and placed additional burden on regional and local governments through funding obligations for Ukrainian refugees and [for households with coal-based heating](#). Additionally, the government provides centrally allocated compensation, increasing the financial leverage of the central over the local level. In Hungary, municipalities were explicitly punished by being removed from the overhead cost-reduction programme during the summer, thereby [increasing their energy costs](#) 10 or 20-times over from one day to the next. The Hungarian government has also found an additional petty way to increase the financial burdens of municipalities: they have [closed down many post offices](#) (operating from state budget) blaming the rising energy costs, and when municipalities demand that citizens need the postal services, then post offices may reopen – with financial assistance from the municipalities themselves. In both Poland and Hungary [municipalities are exposed](#) to a centralised (non-competitive) energy market, where the largest, state-owned energy suppliers would have the chance to alleviate the burdens of local governments, but [do not take such initiative](#) without government decision. This may result in non-transparent pricing decisions, where [opposition-led municipalities](#) have no bargaining leverage and no access to independent oversight or correction mechanism. In the end, the Hungarian government only took action in January 2023 to bail out municipalities

with the aforementioned compensation scheme for cities and by [announcing](#) that some public institutions may revert back to procuring natural gas at a fixed price. The measure alleviates some of the risks for municipalities, but it [comes late](#) and only covers half the year from March to September, mostly outside of the heating season.

A different indicator of the state of local governance may be the involvement of local actors in the development of the [national recovery and resilience plans](#) (NRRPs, developed in order to access funding from the European Recovery and Resilience Fund) as well as the way funds are/will be disbursed. Hungary's recovery plan has just been [endorsed by the European Commission](#) (and the Council) at the end of 2022, but it is known that local governments have not been properly consulted in the drafting process. In [Czechia](#) and Poland after an initial phase of drafting lacking consultation, concerted pressure from local actors achieved successful participation in the process and a local influence over the content. This was considered especially a turnaround in Poland, with local contributions making [significant changes to NRRP](#). In Romania, the process was less politicised, however municipalities could contribute to the planning, but their [contributions are not specified](#) and proposed measures are territorially not particularly targeted.

While all four NRRPs are adopted, as of January 2023 Poland and Hungary have not yet received payments from the EU due to concerns over the state of rule of law. Both countries have to fulfil so-called supermilestones [in order to access the RRF funds](#). This puts municipalities in difficult positions, as they badly need the recovery funds for investments, but it is also in their interest for their respective governments to adhere to the EU's common values and principles. Budapest Mayor Gergely Karácsony for example attempted to [exert pressure](#) on the government to commit to reforms at the same time as [lobbying in Brussels](#) for Hungary to receive the EU funds. But while in Hungary at least some settlements have already received advance payments from the central budget under the RRF scheme, in Poland, municipal officials warn the central government that more than [a thousand investment projects](#) are halted until the arrival of EU funding. The municipalities call on President Duda in their letter to take immediate action so that the country complies with the EU's expectations and accesses the funds for the sake of Polish citizens.

An interesting episode in Hungary highlights the complex terrain of structural pressures which municipalities have to navigate. Károly Szita, mayor of Kaposvár and member of Fidesz [sent a letter](#) to the President of the European Commission at the end of September 2022, blaming failed "Brussels-sanctions" for high energy prices and calling on the Commission to accept Hungary's recovery plan, as municipalities are in dire need of additional funding. In a fairly unprecedented collective action, more than 80% of Hungarian municipalities signed the letter (even if only after it was already sent to Von der Leyen). The message fits very well with the government's narrative of shifting the blame to "Brussels", while showing widespread support for the recovery plan in an attempt to substitute the effective public consultation process the Commission expects in EU programming. With many opposition-led municipalities having joined such a political call, it would be fair to say that local level autonomy is not the primary concern for the majority of municipalities. The episode also exemplifies power relations, as several cities have recounted informal pressure from government actors to sign the letter. On the other hand, the disbursement of EU funds would in fact create more room to manoeuvre for local governments drained of funds after the past two years. As such, one potential interpretation of the case would be that the vast majority of Hungarian municipalities have chosen a chance for more financial autonomy over perceived political independence – or to put it otherwise: expended political capital for the promise of financial gains.

Conclusions

Municipalities are but one of the many actors in the [ecosystem of local democracies](#), even if they are the most influential ones. They may experience multiple pressures from the bottom-up or from the top-down at the same time, which was probably never more so the case than during the past 3 years of cumulative crises. The Covid-19 crisis has been hard both on municipalities as institutions and on local democracies, understood as the fundamental platform for self-governance.

In most cases, the Covid-19 crisis reinforced central governments' authority, often exacerbated by the opportunistic actions aimed at consolidating more power and resources at the national level, while gaining leverage and asserting dominance over the local level. This was attempted and successfully executed to varying degrees, as we have shown: local actors in countries with a more decentralised administrative system were more resistant to such attempts than those entrenched in more hierarchical and centralised systems. Acts of centralisation from the central government, targeted at local autonomy undermine the partnership and subsidiarity principles of the European Union as local and regional authorities deprived of their autonomy can neither participate independently in European development policy, nor can they deliver meaningful public services to citizens. This is inadvertently exacerbated by the EU, when it withholds funding in exchange for political reforms, as this further constricts municipal revenues. Increasing control over the local level also creates unfavourable conditions for meaningful "self-governance", as it incentivises local decision-makers to advance within a clientelistic chain of dependencies. Municipalities should serve as platforms for consensus-building for local stakeholders, but they cannot fulfil this role under such a multitude of pressures. Simultaneously having to deal with the fallouts of a global health or energy crisis and countering the centralising tendencies of populist governments without sufficient institutional safeguards and without municipal interest groups and networks is not surprising to be overwhelming. Add to this the generally grim state of media and the shrinking local information spaces, local governance has gloomy outlooks.

In the end, it is local communities, who are capable of keeping local governments in check and keeping the practice of self-governance alive. This is why donors, the EU, national and international CSOs should have the following aims in mind for protecting local governance, a cornerstone of democratic societies:

- (1) local communities should be empowered to engage with local authorities, participate, influence the agenda and should always demand accountability and transparency, so that they can challenge the logic of politically biased resource-allocation;
- (2) reinforce local governments vis-à-vis national governments through encouraging cooperation with civil society, and to build municipal networks and even initiate international co-operations that may provide necessary resilience in times of crisis and especially grant more voice to local and regional authorities in European decision-making and Cohesion Policy;
- (3) support national governments according to the Do No Harm principle in order that development funds cannot be abused to prop up corrupt, hierarchical systems of clientelism or to circumvent legitimate local governments by providing top-down funding to locally rejected projects.

Municipalities are not by default vanguards/rearguards of democracy, even when they are led by a national opposition. They are highly dependent on and vulnerable to the central government and are not exempt from opportunistic behaviour that might limit local transparency and accountability. Hoping to supplant populist governments building on local electoral success may carry its own risks of politicians only regarding local decision-making positions as resources to be collected in the national struggle or launch pads for individual career paths instead of providing service to local citizens. Nonetheless, the principle of subsidiarity still carries value, as municipalities are better positioned in many occasions to respond to crises and influence citizens' lives positively in a more direct way than national governments. Despite the deterioration in the quality of local democracies during the past three years due to assaults on local channels of transparency and participation, information spaces and civil society reducing plurality and democratic resilience, municipalities remain a more accessible and more accountable democratic platform for civil society to engage with than national governments most of the time.

However, local governments will only be democratic as long as they have meaningful competences and tools to affect the well-being of their citizens and thus can generate impactful engagement from them. This primarily entails financial and administrative autonomy, but other governance aspects like transparency, accountability, civic participation, efficiency, etc. should all be considered for the vitality of local democracy. Local governments are well positioned to respond to crises and protect the vulnerable elements of society - so we should maintain and protect the structures, tools and ideas of “self-governance”. International donors should keep in mind the relevance of local governance to the overall democratic resilience of societies under populist, authoritarian regimes. Empowering local communities as well as providing incentives for national governments to treat municipalities as partners in development and policy-making should be a key strategy of organisations wishing to strengthen democracy in East-Central Europe.

Annex

1. Factors of resilience / vulnerability: Local democracy data

	CZECH REPUBLIC	HUNGARY	POLAND	ROMANIA
Democracy score (Freedom House, 2021) %	76	45	60	57
Local Democratic Governance rating (Freedom House, 2021) (1-7)	6.00	4.25	5.50	4.50
Election (national/local) held under pandemic-related circumstances (when)	yes (2021)	no	no	yes (2020, postponed)
Upcoming local election (year)	2026	2024	2024 (postponed)	2024
Turnout at the last two local elections	46.07% (2022) 47.34% (2018)	48.58% (2019) 44.3% (2014)	54.90% (2018) 47.40% (2014)	46.62% (2020) 48.17% (2016)
Trust in local authorities (2020 October)	47%	39%	48%	35%
Local Autonomy Index (2014, Keuffer-Ladner)	64.9	50.8	74.1	58.1
Decentralisation index (Committee of Regions, 2023) (0-3, EU rank)	1.9, 9/27	1.4, 21/27	1.9, 8/27	1.4, 20/27

2. Factors of resilience / vulnerability during the Covid-19 pandemic

Answers were provided based on project partners' evaluation.

	CZECH REPUBLIC	HUNGARY	POLAND	ROMANIA
Municipalities have revenue from shared PIT / VAT taxes.	yes	no	yes	yes
Dual mandate is allowed for local representatives (mayors can be MPs).	yes	no	no	no
Effective constitutional protection of municipal property	yes	no	yes	yes
Deconcentration of public administrative tasks delegated to the municipalities to an extensive extent.	yes	no	yes	no
Regions have sufficient competences, revenues, legal connections with municipalities and administrative capacity to carry out development tasks autonomously.	yes	no	yes	no
Earmarked transfers to local governments become part of the disposable budget.	yes	no	yes	yes
Local governments are allowed to borrow money through a transparent (rule-based), non-politicized mechanism (eg. independent supervisory body).	yes	no	yes	yes

	CZECH REPUBLIC	HUNGARY	POLAND	ROMANIA
Horizontal fiscal equalisation mechanism between local government units (eg. 'solidarity tax') that is transparent and accepted as legitimate by LGs.	yes	no	yes	yes
Local governments could maintain their ability to absorb external stress due to their capacity to adjust their revenues (taxing powers, scale of fees).	yes	no	no	no
Official aggregate sectoral level data is available for the public to monitor the 'scissors effect' (diminishing revenues, increasing expenditures) in municipal finances	yes	no	yes	yes
In general, the pre-pandemic financial condition (fiscal health) of the municipal sector was stable (i.e. no mass indebtedness, waves of bankruptcies, growing operating deficits).	yes	yes	yes	yes
Compensation for pandemic-related losses for LGs in a politically unbiased and fair manner.	yes	no	no	no
Extraordinary law-making powers were not abused to make decisions on municipal matters.	yes	no	yes	yes
Local governments or their associations were consulted when restrictive measures were being adopted in handling the public health crisis, and designing the recovery plans.	no	no	no	no
Municipal councils could hold their meetings and make decisions during the pandemic period (offline or online).	yes	no	yes	yes
Rules protecting FOI and transparency stayed in place amidst the regulatory changes during the pandemic.	yes	no	no	no
Municipalities received accurate and up-to-date data on number of cases, patients treated in hospitals, number of fatalities.	yes	no	no	yes

