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## *The family silver*

*Studies on the asset management  
of municipalities*

GOVERNMENT HUMAN RESOURCE SERVICES AND STATE  
ADMINISTRATION TRAINING CENTER, BUDAPEST, 2007



**E** Edited by *András Vigvári*, the collection of studies with a noteworthy title was published in 2007. The collection bears the title of a family relic that is passed down from generation to generation, one that is our last precious and cherished asset, i.e. the family silver.

We associate this with the heritage of the Hungarian system of municipalities, i.e. the value of the assets coming from the benefits received after the change in the political system. The changing tendencies of managing these asset elements provide the basis for the examination of the research findings described in the volume. The author's purpose was to give a comprehensive picture of the processes of the asset management of the municipalities in the past fifteen years, the possibilities of revamping it, as well as the practical issues related to the topic, by relying on the selected studies.

The volume contains seven studies, each of which was written about the asset management

of the municipalities, and you can also read nine case studies. The evaluation was performed by such experts who regularly monitor the events related to the Hungarian system of municipalities, and are strongly committed to the research into the processes of asset management. The studies are the summaries and fact-finding works of the analyses performed in the framework of the research aimed at founding the training programs, which is part of program No. 3.1.1 of the Regional Development Operative Program aimed at strengthening the local state administration resources. These studies include proposals for shifting the processes related to asset management into a favorable direction.

The asset management of the municipalities, which is part of budgetary financial management, is researched by few, in spite of the fact that it is a current and very significant issue, which statement is supported by the conclu-

sions of the studies in the volume. After the shift in the political system, a significant amount of assets came to be managed by the municipalities, which “heritage” has been largely reduced in the period since then, partly as a result of undertaking excessive public tasks, and partly because of the low amount of state subsidies.

■ In the first part of the volume, the authors of the studies lay down the theoretical bases for municipality asset management. You can learn, among others, about the evolution of the size and composition of these assets in the past fifteen years, the level of regulation of asset management, the role of the economic associations controlled by the municipalities in the finances of the municipalities, and you can also receive answers to such practical questions as the regulatory and organizational conditions of operation, the process of municipalities receiving assets, the experience of settlement operation in Hungary and abroad, or the possibilities of renewing the regulation of asset management.

The first study of the volume focuses on the history of the Hungarian practice of municipality asset management, the importance and timeliness of the research into the topic, its interpretation, as well as its key economic issues, and those problems which are relevant for the municipality reforms are also discussed. Special attention should be paid to the size and primary task of the asset elements that came to be managed by the municipality sector, as well as to ensuring the sustainability of the public services, since, as has also been pointed out by the editor of the study András Vigvári, these assets have increasingly become the sources of future financial risks, and the financial difficulties may result in using up the “heritage”. The very appropriate title of the article, which is “Dead-End?”, also refers to the questionability of the effectiveness and efficiency of today's financial management, and that the planning

and financing systems should be reconsidered, while the performance of tasks should be restructured. The conclusions of the study are supported by several years of research experience, international comparative studies, as well as the outcomes of case studies and questionnaire-based surveys.

In *Dezső Gyórfi's* work entitled “The Level of Regulation of Municipality Asset Management in view of the Audits”, the development and responsible asset management practices of some five thousand local and minority governments are assessed. The author examines the steps of providing the local governments with assets, the financial bases of the consequent task performance obligations, and he evaluates how the size and composition of the heritage and the pecuniary positions of the municipalities changed between 2001 and 2005, by relying on indicators and aggregated balance sheet data. Furthermore, the financial indicators provide a picture of the deteriorating national tendencies in the debts and liquidity of the municipalities. In the second part of the study, the conditions and requirements of asset management, the operation of the related laws, the level of regulation of the framework provided by the laws, decrees and resolutions are discussed by the author.

The purpose of the third study of the volume entitled “The Role of the Economic Associations Controlled by the Municipalities in the Asset Management of the Local Governments” is to help readers understand the nature of risks inherent in the system of local governments. The co-authors *József Hegedűs* and *Andrea Tönkö* examine the significance of contingent liabilities in the Hungarian system of municipalities, in comparison with the conclusions of the international technical literature. According to the statement of the study, the uncertainty in both the income and the expense sides of the system of municipalities is related to the irregular

nature of subsidies and incomes provided to the municipalities, as well as to the contingent liabilities, which may be undertaken as a result of the events discussed in the article. The authors give an overview of the regulatory and organizational conditions of the operation of municipalities, they describe the Hungarian practice by presenting case studies, while in the summary chapter, the reader can get familiar with the elements of the municipality risk matrix.

In her study, *Zsuzsa Kassó* also places great focus on the importance of learning about international practices. Although the outstanding role of individual municipalities is recognized in a number of areas, in general we can state that in practice, the efficient Hungarian method of developing public services is not yet full-fledged. The study entitled “Settlement Operation and Municipality Asset Management” calls attention to the preconditions of developing more effective and more conscious cost management and settlement operation, in relation to the organization of public services. In order to improve social profitability, the requirements and expectations listed in the article should be measured and quantified as a precondition. By applying performance indicators and indicators related to the changed proportions, the positive or negative impacts exerted by the individual actions can be concretely measured but their use will bring about genuine results if the reasons that generate the problems in the situation in question are also identified. The conclusions of the author suggest that there is no general rule for the selection of the right indicator but she proposes numerous systems of grouping and developing performance indicators. In the second part of the study, the purpose, methodology and key work phases of the development of municipality strategies are described, along with the potential solution alternatives and organizational frameworks of settlement operation

tasks, and the expense assessment possibilities.

The authors of the fifth study, *Tamás Boór*, *Róbert Kovács* and *Adrienn Németh* primarily discuss the question of the extent to which the municipality's assets contribute to ensuring the performance of the tasks of local public services and what the tendencies of this contribution are, in space and time. Besides the presentation of the proposals regarding the Hungarian practice of organizing the local public services and the more efficient operation of the municipalities, the international project-approach asset management experience is also described here. The new concept of providing public services, i.e. the reform school called New Public Management, which has evolved in the Anglo-Saxon countries, as well as its significance, are also discussed by the authors, along with the English, French, German and Austrian practices in the areas of service and administrative organization, and health care systems. In the last chapter of the article called “Asset Management and Strategy in the Organization, Operation and Development of Local Public Services”, you can get acquainted with a case study on some Budapest service supply zones, in which the unique problems of the zone system and the questions of developing a complex indicator system related to these problems are examined. It is an important conclusion of the study that asset management is closely related to the performance of tasks, it is a specific dimension thereof but the size of the assets necessary for performing the tasks can only be planned accurately when the consensus-based public service strategy has already been created.

In *István Varga's* study called “The Creation of Business Administration Type of Asset Management”, the author examines how the market and business administration approach is enforced in the municipality budgetary and asset management area, which has by now become critical in the entire public service area.

The lack of this approach, which means that the realistic cost relations of the public services are not the subject of the study, can be sensed in several aspects, it emerges uniquely in the case of big cities as well, which problems are dealt with as special issues in the individual points of the chapters. The enforcement of the effectiveness and cost-saving principles, as well as the need for the analysis of actual costs and benefits should be paid special attention in the future, which means that a general change in attitudes is needed, and the conditions and requirements of responsible asset management should be clarified. In the practice of municipality asset management to date, the establishment of the legal regulatory frameworks and the owners' interests were not given appropriate priority, which fact hindered responsible asset management. It is defined by a fundamental requirement in the study that the equality of municipality asset management with budgetary management should be created, and the author outlines the specific future actions needed to achieve this aim.

*András Vigvári*, the author of the closing study of the volume, in his article entitled “Towards a New Asset Management Paradigm”, summarizes those proposals, on the basis of the research experience, which refer to the modernization and transformation of municipality asset management. In the framework of this, a comprehensive, uniform system of rules should be built for asset management, and the legal issues should be settled. The author gives an overview of the general defects of the statutory regulation of public assets, the peculiarities of the “Hungarian model”, the justification of the relevance of transformation, and he makes proposals for the key aspects of the new regulatory frameworks. In the area of regulating asset management, you can get a comprehensive view of the problems related to the local decrees, simultaneously to which you can also be informed of the possible solutions. In

the future, it would make sense to strive for proactive asset management, according to which an asset management concept should be developed. In the last part of the study, in discussing the regulatory issues, the need for the principles of complexity, prudence and disclosure appears, along with the significant opportunities to improve the circumstances in the information background of asset management.

■ In the second part of the volume of studies, the reader may get familiar with today's asset management practices of the settlement, small regional and county level municipalities, in the form of case studies. *Zoltán Agg* presents to the reader the economic program of the Veszpém County Municipality, and the peculiarities of its financial management, while *Dezső Gyórfi* describes the activities, the evolution of the asset structure and the level of regulation of the asset management of the Tiszaújváros Municipality between 2002 and 2005. In several case studies, the asset management issues and principles of settlements are examined; *Károly Jókay* and *Tamás Boór* show the achievements of the City of Veszprém, *Zsuzsa Kassó* describes those of the City of Nyíregyháza, *István Varga* deals with the Pécs Municipality, and *Róbert Kovács* presents those of Budaörs. Co-authors *György Tibor Szmecana* and *Zsuzsanna Tóth* present the case study of a Budapest district that comprises four settlement parts, namely that of the Municipality of Ferencváros. One can learn about the issues related to the asset management of the Mezőkövesd Multi-purpose Small Regional Association from the conclusions of an article written by *Róbert Kovács*, or from *Zsuzsa Kassó's* third article published in this volume of studies, which is a presentation of the practical methods of the regional zones through the examples of the maintenance of public lighting and the local public roads. The uniform content structure of the case studies ensures the comparability of the asset manage-

ment issues and peculiarities of the individual municipalities, and the nature of practical applicability.

■ The extraordinarily high-standard volume of studies, which is also the merit of the publisher, contains very useful attachments. The list of abbreviations and the names of the institutions, as well as the glossary and the explanations of the concepts used in the volume make the book easy to use. The abstracts at the beginning of the studies and the brief English language descriptions in the last part of the volume, which summarize the major conclusions of the articles, are also of great help to the readers.

The book of studies gives a comprehensive picture of the theoretical bases and the practical questions of municipality asset management and the performance of tasks, their Hungarian and international features, as well as the dilemmas and development of the asset management built on the new principles of the business administration approach in an easily understandable way, which can be recommended to both the theoretical and practical experts involved in this field of study and to students and readers interested in the financial management of municipalities.

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