

THE VISIBLE HAND
THE CHANGING ROLE OF CORPORATIZATION IN THE PROVISION
OF LOCAL PUBLIC SERVICES

THE CHANGING ROLE OF CORPORATIZATION IN THE PROVISION OF LOCAL PUBLIC SERVICES - HUNGARY

(A Country-Case from East-Central Europe in Global Contexts)

Tamás M. Horváth
Professor of Financial Law and Public Management
University of Debrecen, Hungary
tamas.m.horvath@law.unideb.hu

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The subject and sources

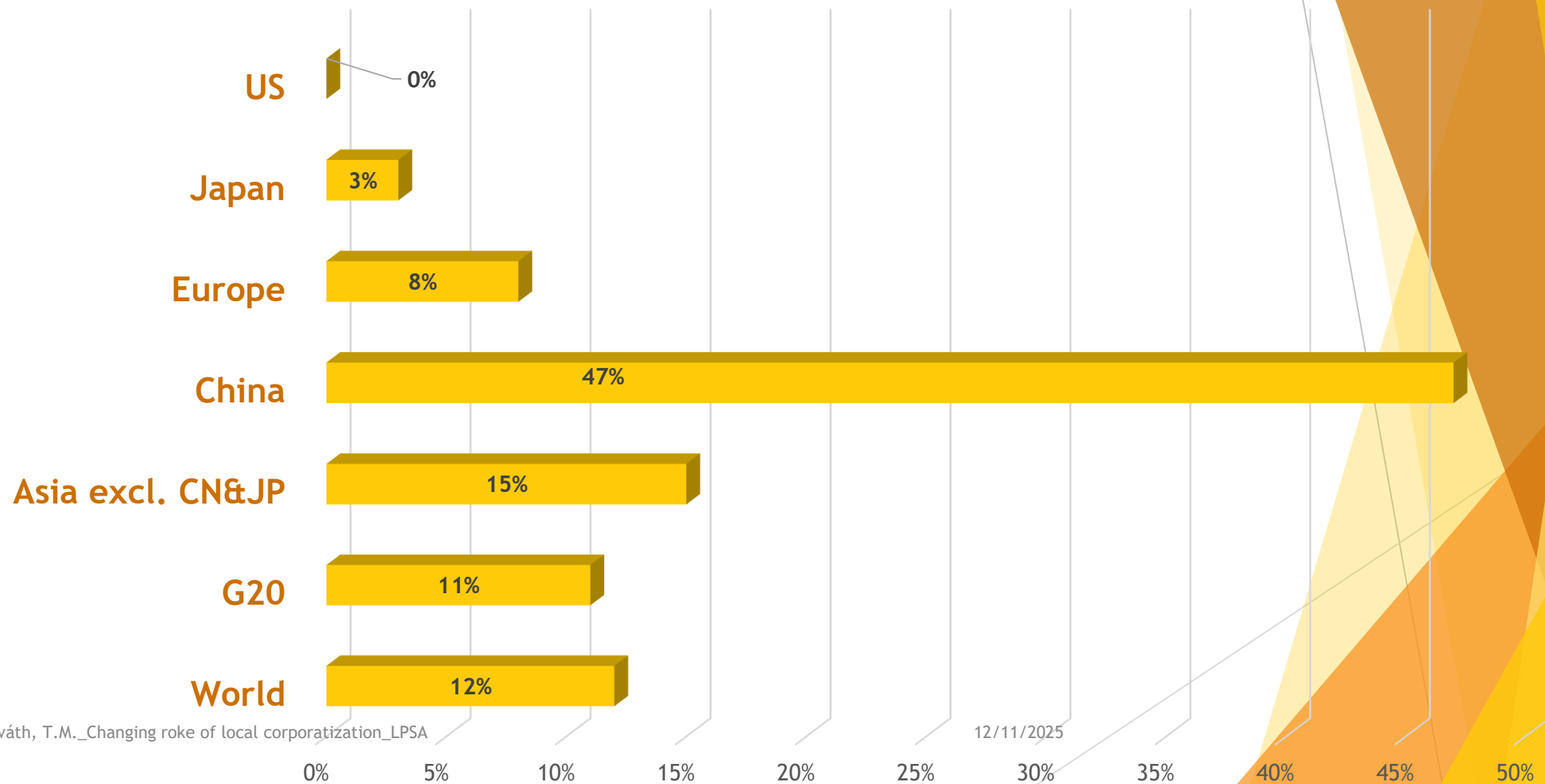
- ▶ An existing paradigm in East-Central Europe (in a case of illiberal or populist governments):
- ▶ From local privatization through local to central corporatization and further on
- ▶ Data sources: European standardized comparable data on privately owned (including public) companies

The Global Context: Proportion of Public Sector Ownership

Public sector ownership in listed companies

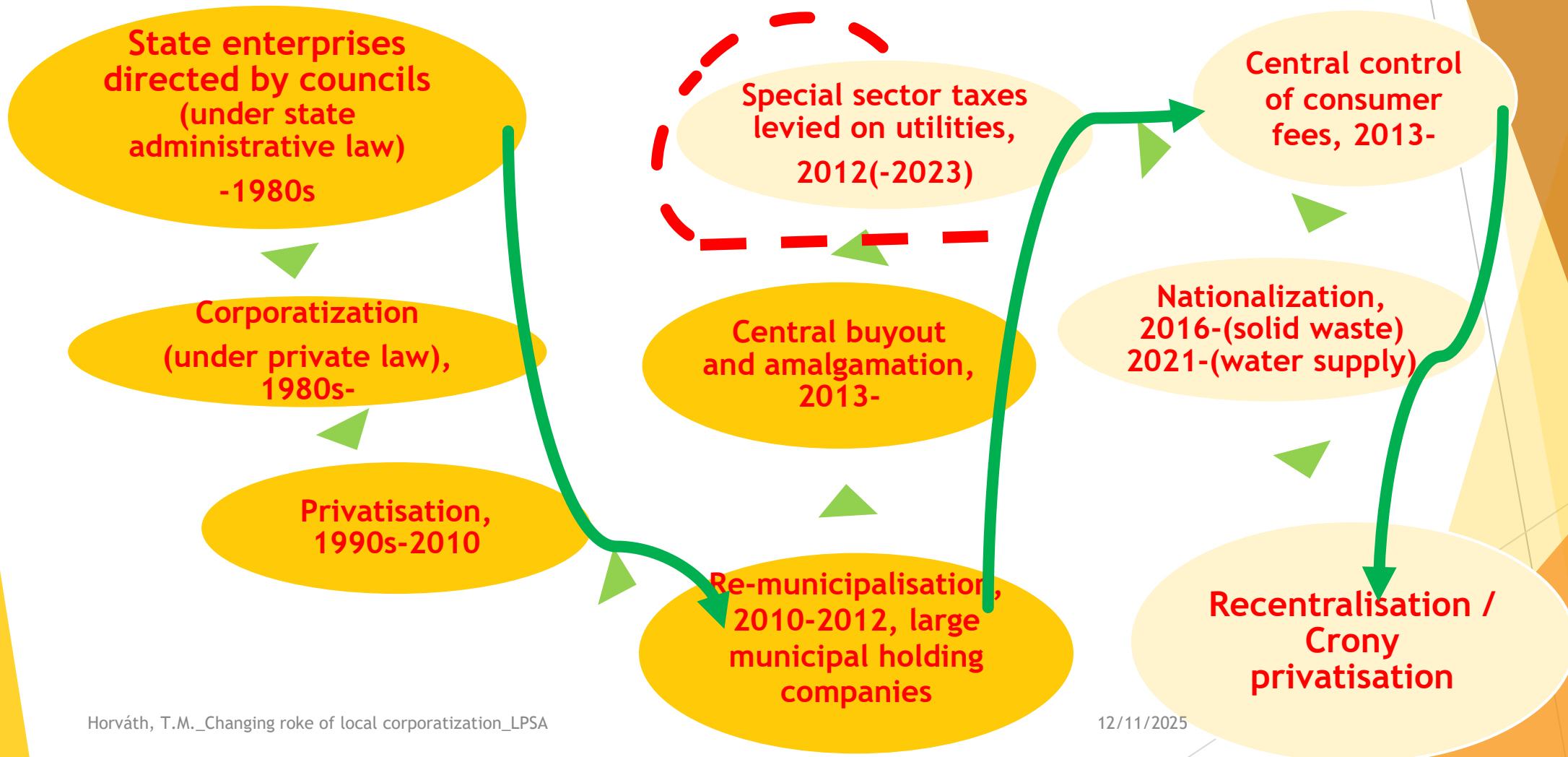
(end of 2023)

Source: OECD, 2024.



- ▶ Listed companies -> Municipally Owned Enterprises (MOEs) as a part of State-Owned Companies (SOEs)
- ▶ SOEs including MOEs are extended in size (turnover) and scope
- ▶ Chinese effect on the proportion of SOEs
- ▶ Crises enhance central or local public influence in provision of public services
- ▶ A generally accepted precondition: Emerged compatible exceptions from public procurements and tenders

Longitudinal process of local corporatization in Hungary 1980–2025



Inflection phase: recentralisation in provision of public services

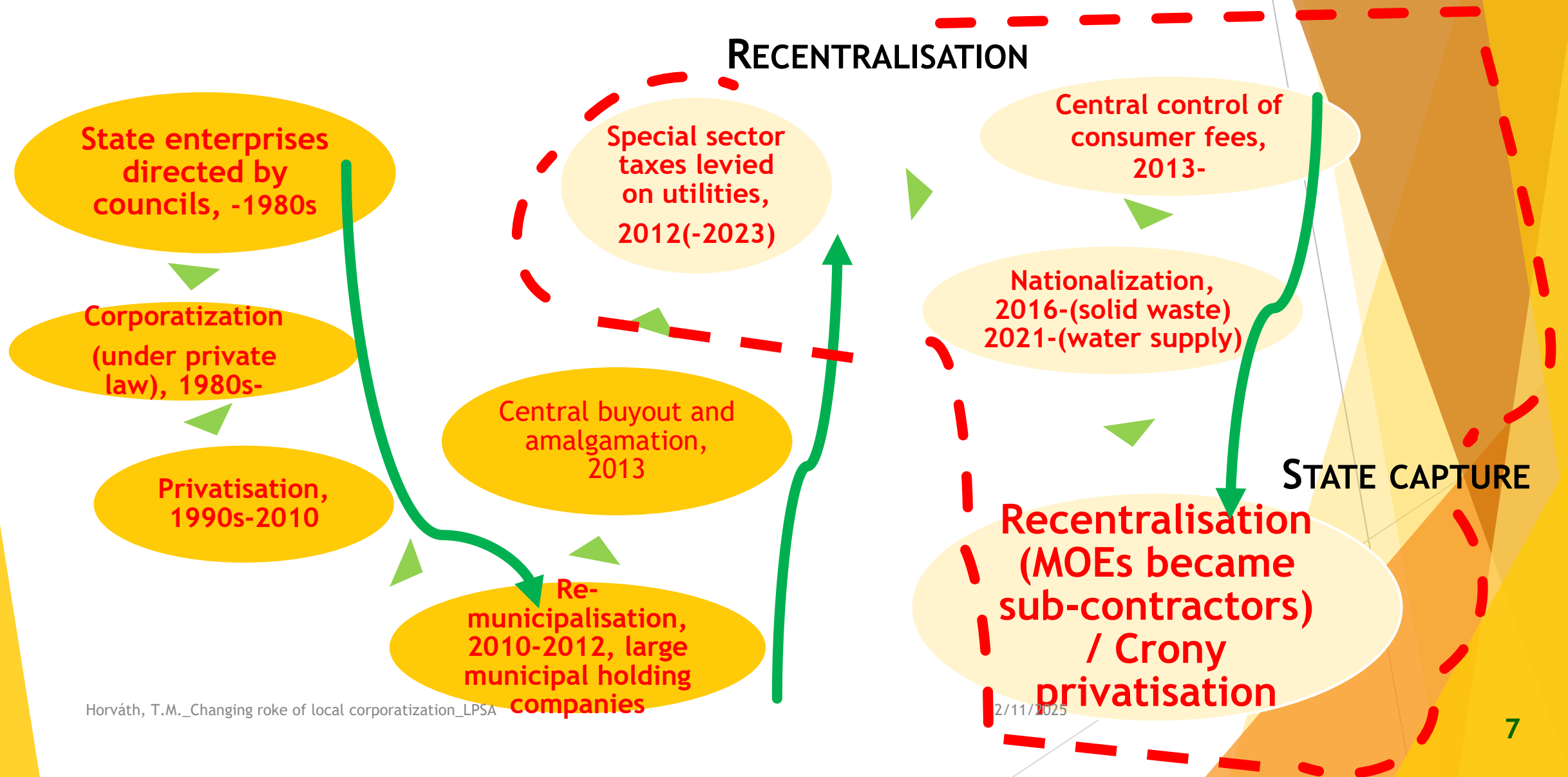
From 2010s

- ▶ the Hungarian national government started to intervene by limiting the ownership rights of local self-governments
- ▶ corporatization became from local to central interventional device
- ▶ recentralization process emerged (through shares or direct control of consumer fees)

Political system

- ▶ illiberal political environment as a context
- ▶ constant, influenced electoral majoritarian autocratic regime

Understanding of phases in local corporatization (Hungary, 1980–2025)



Consequences of the process

- ▶ national government intervened by limiting the ownership rights of local self-governments and
- ▶ creaming-off the profit of provision in public utility services (in a way that MOCs are forced to get in sub-contractors' position)



- ▶ RE-CENTRALISATION: Rather than the invisible hand of the market, it is the will of the state that becomes more detectable.
- ▶ STATE CAPTURE: Risks to influence allocation of exclusive rights and shares (neglecting formal public ownership anymore)
- ▶ [and/or] CRONY PRIVATISATION: to put or get back shares and exclusive rights (formally according to the law)

Threats to fallacies / Lessons of the case

Drivers of recentralisation:

- ▶ depending on illiberal/populist waves in political systems
- ▶ depending on long-run character of autocracy
- ▶ weak resilience of local governments

A sample argumentation on monopolization of solid waste management

The example of the Hungarian oil and gas company MOL

- ▶ Hungarian oil and gas company MOL, apart from Hungary interested in Slovakia, Croatia, Romania, etc.
- ▶ the largest company according to turnover in Hungary, the second according to its profit (2023)
- ▶ like ORLEN in Poland



**Waste
Management
Concession
Unit MOHU
cPlc.**



Understanding of argumentation on monopolization in solid waste management

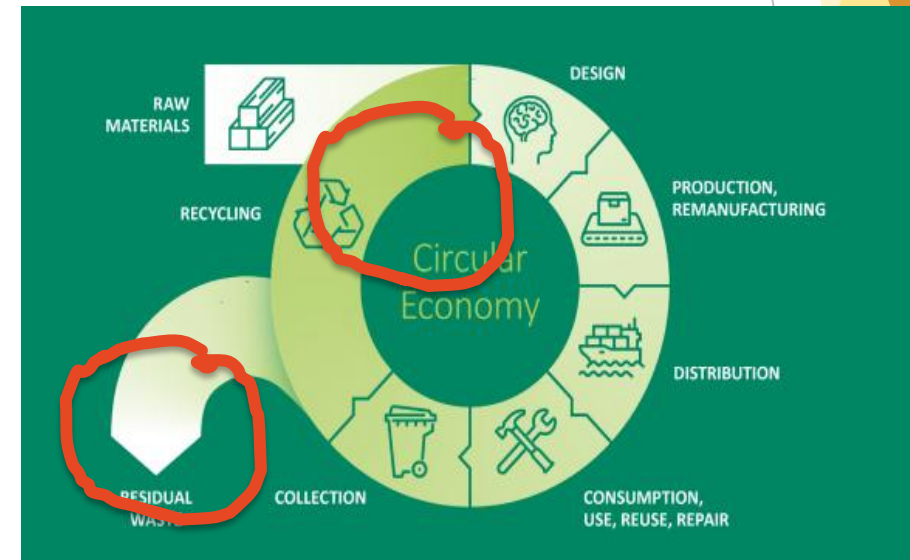
Previous model: agency with exclusive rights on full coordination (allocation) of service provision

Present model: exclusive concession right is delegated to MOHU cPlc

Circular economy



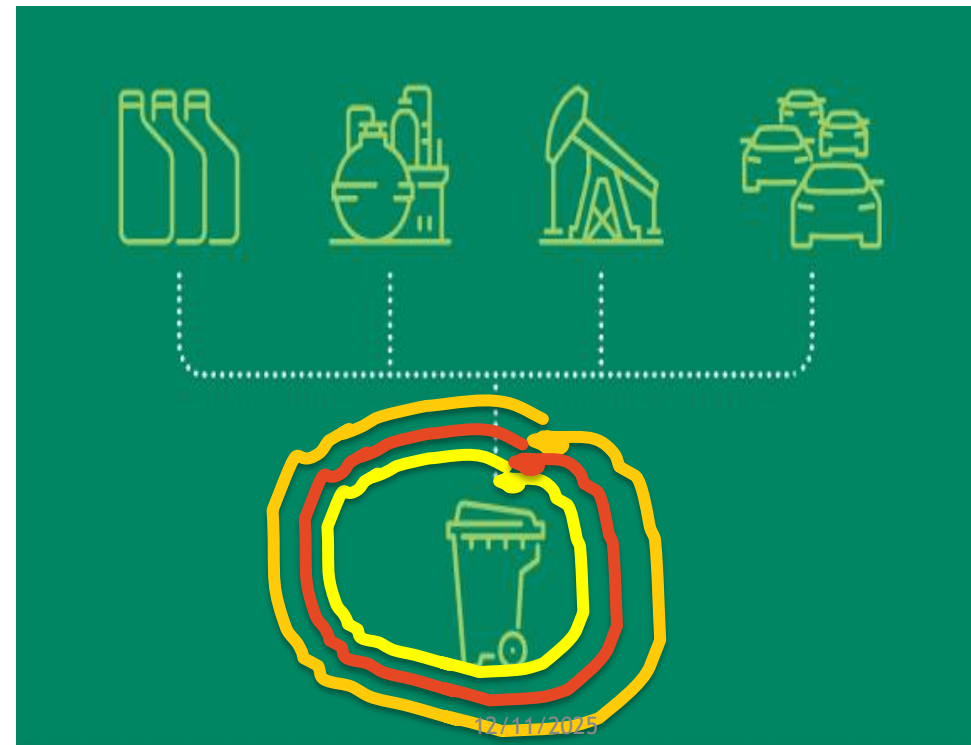
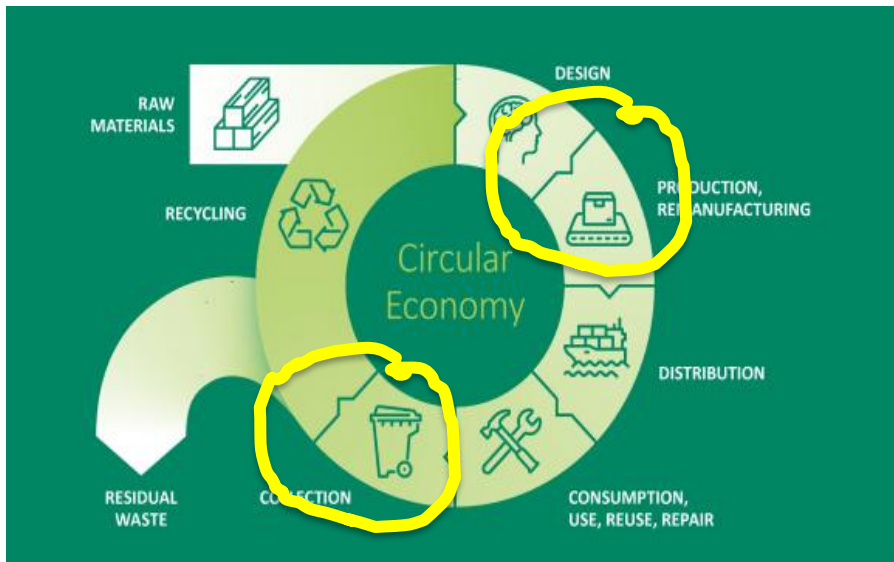
There is waste collection in the circle



The logic on expansive argumentation for the recent monopolization of the solid waste management in Hungary

‘MOL is the part of the circular economy as a waste producer’

‘There may be a monopoly role of MOL in the waste economy’ as a whole’ **Even as the monopolist of solid (!) waste?**



Literature

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Thank you for your attention!

Tamás M. Horváth

tamas.m.horvath@law.unideb.hu

tamashorvathm@gmail.com