



# Hungary Report

Attila Ágh, Jürgen Dieringer,  
Frank Bönker (Coordinator)

Sustainable Governance  
Indicators 2017

## Executive Summary

Hungary has been governed by Viktor Orbán and his Fidesz party since 2010. In the April 2014 parliamentary elections the government succeeded in maintaining its two-thirds majority despite receiving 600,000 fewer votes than in 2010. Following a number of lost by-elections, it lost its two-third majority in February 2015. In the period under review, the government continued its dismantling of checks and balances and its “refeudalization” of the economy and society. It also continued its massive anti-refugee and anti-EU campaign. In October 2016, the government-initiated anti-refugee referendum and the subsequent attempt at amending the constitution, both formally directed against EU migrant quotas, failed – the former because of low turnout, the latter because the government did not manage to garner the support by the center-right Jobbik party needed for reaching the required two-thirds majority.

In the political realm, the emptying of democracy has continued. The Orbán government has not trusted the soft power of its huge propaganda industry, but has undertaken additional steps to weaken the opposition and the remaining checks and balances. It has further expanded its control over the media, above all by the “execution” of the leading opposition daily, *Népszabadság*. The government has taken over the market for billboards, intensified harassment of NGOs, expanded its anti-terror emergency legislation and further restricted the access to government documents.

The political system on the one hand and the economy and society on the other are linked by pervasive corruption and a special variant of crony capitalism. Hungarian society has increasingly turned into a proto-feudal system in which the supporters of the regime benefit from corruption and nepotism. Economic policy has been characterized by an increasing “re-nationalization” of the economy and a “refeudalization” of public procurement. In the war among the oligarchs, Lajos Simicska and Zoltán Spéder have lost to Lőrinc Mészáros, István Garancsi and István Tiborcz (Orbán’s son in law). The Orbán government’s decisions are largely meant to provide investments and business opportunities for this network. For this reason, the government has launched a series of megaprojects like the Paks-2 nuclear station, the construction of the site for the 2017 World Championship in Watersports on the Pest side of the Danube or the discontinued bid for the Olympic games in 2024. As a result, the recovery of the Hungarian economy since 2013 has been strongly based on

the influx of resources from European funds and on investment in stones rather than in brains. Hungary's medium-term economic perspectives look bleak with the education and the R&I system suffering from chronic underfinancing, political control and dubious organizational reform, and persistently weak trust in the regime by foreign investors.

In terms of governance, policymaking has continued to suffer from over-centralization, hasty decisions and the renunciation of public consultation and external advice. In the period under review, ministerial compliance has diminished. The replacements for the purged Simicska followers have been loyal, but incompetent, so that their actions have often been chaotic. The increasing disorder has intensified the struggles between János Lázár, the head of the powerful Prime Minister's Office, and Antal Rogán, the head of Orbán's personal cabinet. The creation of two new cabinet committees – a strategic committee led by Lázár and an economic committee led by Mihály Varga, the Minister of National Economy – in summer 2016 aimed at demonstrating the power of the prime minister, but also at pushing for more policy compliance among ministers and senior officials.

## Key Challenges

While the Orbán government has succeeded in further dismantling democratic checks and expanding its crony capitalism, its nimbus of invincibility seems to have disappeared, and there are increasing signs of a “Götterdämmerung.” Despite the uneven media access and the government's massive propaganda campaign, the government-initiated anti-refugee referendum in October 2016 failed to reach the required quorum. The alternative plan to enshrine the rejection of EU migrant quotas in the constitution missed the required two-third majority in the parliament as the government failed to get Jobbik on board. Jobbik's move from the extreme right slightly towards the center has increased pressure on Fidesz by offering the same conservative-nationalist program as Fidesz but “better” (i.e., Jobbik in Hungarian). As corruption has become a systemic feature of the Orbán government, the cracks within the Fidesz camp have grown and, as the conflicts between Lázár and Rogán document, are visible even at the center of government. In the EU, even within the European's People Party faction in the European Parliament, frustration with Hungary has grown and more radical sanctions against Hungary are being discussed.

However, the major challenge to Fidesz's predominance has come from the strengthened protest movements and civil society activities, i.e., the newly

formed social movements in the vital public services of health and education that have turned out the major opposition force against the government. They have proven that the budgetary “bleeding out” of these sectors and the over-centralization of control of these sectors are not simply policymaking mistakes, but they originate from the very essence of this autocratic system. This politicization of vital public policy issues has become a lethal threat for the Orbán regime, since it may mobilize huge mass demonstrations against the government. The big question, then, is whether the present mass movements (“I would like to teach” and the “Movement for Hungary”, from the education and health care sector respectively) will disappear like previous movements (Solidarity, Milla) or will survive and create a social base for the opposition parties at the 2018 elections. This time there seems to be a real chance that they will remain a strong political force and will force the democratic parties to unite and work as an effective political group.

For the democratic opposition parties, the crucial issue in the Hungarian electoral system is whether they can agree upon one common candidate by organizing “pre-election” in all individual districts (106 out of 199). In this case - but only in this case - they will have a real chance to win the parliamentary elections in 2018. Thus, the political landscape shows the ever-existent problem of unity within democratic opposition. How to achieve this unity has been the dominant issue in political debates on the left-liberal side of the political spectrum. The fact that the Hungarian Socialist Party (MSZP) has elected a new, more active and popular leader, Gyula Molnár, has made an agreement among the opposition more likely.

Citation:

Ágh, A. (2016): The Decline of Democracy in East-Central Europe: Hungary as the Worst-Case Scenario, in: *Problems of Post-Communism* 63(5-6), 1-11.

Emmanouilidis, J., F. Zuleeg (2016) EU@60: Countering a regressive and illiberal Europe. European Policy Centre, Brussels ([http://www.epc.eu/documents/uploads/pub\\_7020\\_countering.pdf](http://www.epc.eu/documents/uploads/pub_7020_countering.pdf)).

Staes, B., B. Javor (2016) Orbán bites the European hand that feeds his oligarchs - it's time to bite back! Euractiv, October 26 (<https://www.euractiv.com/section/central-europe/opinion/orban-bites-the-european-hand-that-feeds-his-oligarchs-its-time-to-bite-back/>)

# Policy Performance

## I. Economic Policies

### Economy

Economic Policy  
Score: 3

Growth of real GDP slowed from 3.1% in 2015 to 1.9% in 2016, largely due to a decline in EU-funded investment. As a matter of fact, the recovery of the Hungarian economy since 2013 has been strongly based on an influx of resources from European funds. Further doubts about the medium- and long-term growth prospects of the Hungarian economy are raised by the fact that growth is primarily generated by huge construction projects, i.e., by investment in stones rather than brains. Moreover, the Hungarian economy suffers from low trust in the government's economic and overall policy by foreign investors and the strong ongoing emigration. In a Eurobarometer survey in spring 2016, 72% of Hungarians described the economic situation as bad, three percentage points more than in the previous year.

Economic policy has been characterized by an increasing “re-nationalization” of the economy and a “refeudalization” of public procurement. In the war among the oligarchs, Lajos Simicska and Zoltán Spéder have lost to Lőrinc Mészáros, István Garancsi and István Tiborcz (Orbán's son in law). The Orbán government's decisions are largely meant to provide investments and business opportunities for this network. For this reason, the government has launched a series of megaprojects like the Paks-2 nuclear station or the construction of the site for the 2017 World Championship in Watersports on the Pest side of Danube. The bid for the 2024 Olympic games has to been seen in this light, too. In the Eurobarometer survey (spring 2016) 72% of Hungarians described the economic situation as bad, 3% more than a year ago.

Citation:

European Commission (2016): Standard Eurobarometer 85 Survey. Brussels ([http://data.europa.eu/euodp/en/data/dataset/S2130\\_85\\_2\\_STD85\\_ENG](http://data.europa.eu/euodp/en/data/dataset/S2130_85_2_STD85_ENG)).

European Commission (2017): Country Report Hungary 2017. SWD(2017) 82 final/2, Brussels ([http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en\\_1.pdf](http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en_1.pdf)).

OECD (2016): Economic Survey Hungary 2016. Paris.

## Labor Markets

Labor Market  
Policy  
Score: 4

Official recorded unemployment has declined significantly since the resumption of economic growth in 2013.

However, this has largely been achieved by controversial public-works programs and an increase in the number of Hungarians working abroad. In 2016, the Orbán government's public-works program provided about 220,000 unemployed people, i.e., more than 2 % of the overall population, some prospect of employment. However, participants perform unskilled work under precarious conditions and for very modest remuneration, and few participants have succeeded in transitioning to a job within the regular labor market. The main beneficiaries of the program have been local mayors who are provided with access to cheap labor to perform communal work. The large number of Hungarians working abroad, which is estimated at 600,000 and has thus reached the level of Poland, has reduced revenues from taxes and social insurance contributions. Moreover, the increasing brain drain of educated and skilled people is creating shortages in quality labor in many fields. This has become a major obstacle to the acquisition of FDI and to economic development. According to the research institute TÁRKI the unemployment rate would be about two times the official level if those in public works programs would be counted as unemployed and those working abroad were accounted for properly.

Citation:

European Commission (2017): Country Report Hungary 2017. SWD(2017) 82 final/2, Brussels, 21-22 ([http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en\\_1.pdf](http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en_1.pdf)).  
TÁRKI (Social Research Institute) (2016): Social Report 2016. Budapest.

## Taxes

Tax Policy  
Score: 3

Hungary's tax system has become less equitable under the Orbán governments, as the tax burden has shifted from direct to indirect taxes. Moreover, social insurance contributions and the tax wedge have remained high. The taxation of corporate income has been characterized by a high degree of differentiation and frequent changes. In the second half of November 2016, the government adopted a new reform package that included the introduction of a uniform corporate income tax of 9% (replacing a two-tier system with rates of 10 and 19%) as of January 2017 and a cut in employers' social security contributions by seven percentage points in 2017 and 2018. With the introduction of the lowest corporate income tax rate in the EU, the tax burden especially on larger companies will substantially decrease.

However, companies will still struggle with a complex tax regime, include the high sectoral taxes which remained largely unchanged in 2016. The cut in employers' social security contribution, though partly compensated for by cuts in allowances and the increase in the minimum wage, will reduce the tax wedge and non-wage labor costs.

As of January 2016, the National Tax Authority (NAV) was reformed under its new president András Tállai. The fact that Tállai has kept his position as state secretary in the Ministry of National Economy has raised fears about a politicization of the agency. The NAV's new scheme of classifying businesses as "reliable," "average" or "risky," combined with the promise of preferences for "reliable" taxpayers, has been criticized for its tendency towards favoritism. So has the government's recent attempt to induce companies to contribute to sport organizations by granting them tax deductions, but also secrecy and a special taxpayer status.

Citation:

European Commission (2017): Country Report Hungary 2017. SWD(2017) 82 final/2, Brussels, 14-16 ([http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en\\_1.pdf](http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en_1.pdf)).

## Budgets

Budgetary Policy  
Score: 5

After exiting the European Commission's excessive deficit procedure in June 2013, Hungary has managed to keep the fiscal deficit below 3%. The Orbán government has been keen on escaping the strict fiscal EU oversight. However, fiscal adjustment has been accomplished by ad hoc measures rather than by structural reforms, so that its sustainability is questionable. In 2016, budgetary policy started to loosen. Given the tax cuts and expenditure increases adopted in 2016, the deficit will further increase in 2017, thereby slowing the decline in Hungary's still relatively high debt-to-GDP ratio. Hungary's fiscal framework has suffered from a lack of credibility. Contrary to legal requirements, the government largely ignored the official medium-term fiscal framework when drawing up the 2017 budget. The Fiscal Council, with its uniquely strong constitutional power, has neglected its watchdog role. In October 2016, Eurostat expressed worries about the official Hungarian data on the public debt, since some expenditures, e.g. those of state-owned Eximbank, were not included.

Citation:

European Commission (2017): Country Report Hungary 2017. SWD(2017) 82 final/2, Brussels, 6, 16-17 ([http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en\\_1.pdf](http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en_1.pdf)).

## Research and Innovation

R&I Policy  
Score: 4

Hungary's research and innovation (R&I) sector is fairly advanced but chronically underfinanced. Under the Fidesz governments, the situation has worsened further, since public funding for universities and research has been drastically cut. With 1.4% of GDP, public spending on R&I in 2015 was below both the Hungarian (1.8%) and the EU target (3.0%). As for R&I, Hungary slid from 51 to 80 in the latest ranking of the World Economic Forum. The Hungarian Academy of Sciences (HAS) still suffers from the effects of a radical and politically motivated reorganization, and the severe lack of resources for scientific research. Both the natural and the social science institutes of HAS have been integrated into one large over-centralized organization without the necessary funding. The social science institutes have been removed from the Buda Castle area and have been put in a new building. The third Orbán government has transformed the National Innovation Office (Nemzeti Innovációs Hivatal, NIH) into a more comprehensive National Research, Development and Innovation Office (Nemzeti Kutatási, Fejlesztési és Innovációs Hivatal, NKFIH) under the direct control of former Fidesz minister József Pálkás. The Hungarian authorities seem to be aware of the shortcomings of Hungarian R&I policy. They turned to the European Commission for advice, using the Policy Support Facility (Horizon 2020 program). The peer review report will produce suggestions for reform, so that some measures can be expected for 2017.

## Global Financial System

Stabilizing  
Global Financial  
Markets  
Score: 4

The Hungarian contribution to stabilizing global financial markets is not very considerable. Being neither a member of the Euro group nor a big lender, Hungary's role on the international financial markets is limited. In the period under review, non-performing loans in Hungarian banks' portfolios were cut back. At the same time, the risks on the books of the National Bank of Hungary (NBH) have increased. Big financial scandals as the collapse of Quaestor and Budacash Funds have shown that the NBH has been unable to perform its financial supervisory function. The reputation of the NBH has also suffered from the involvement of its governor György Matolcsy in various scandals.



## II. Social Policies

### Education

Education Policy  
Score: 3

Since the beginning of the decade, the education system has undergone major changes. Spending has been cut, competencies and control have been centralized and private and religious schools have been strengthened. As a result of these changes, Hungary's PISA results have further worsened. According to a recent Hungarian study on the basis of 2015 data, reading comprehension at the primary level has been higher in private and religion-based schools, whereas at the secondary level, state schools have performed better both in mathematics and reading/comprehension. Under the pressure of mass demonstrations by teachers, organized by the Tanítanék (I would like to teach) movement and supported by the larger public, the government agreed upon a formal decentralization of the over-centralized National Education Center (KLIK) into 58 territorial units. Circumventing the official Council of Interest Mediation in Public Education (Közoktatási Érdekegyeztetési Tanács), the government created a Roundtable for Public Education (Köznevelési Kerekasztal). However, the latter was boycotted by major organizations, and the conflicts between teachers and the government, while somewhat frozen, are still virulent.

Citation:

Hermann, Z., J. Varga (2016): Állami, önkormányzati, egyházi és alapítványi iskolák: részarányok, tanulói összetétel és tanulói teljesítmények, in: T. Kolosi, I. G. Tóth (eds): Tarsadalmi riport 2016, Budapest: Társki, pp. 311-333.

### Social Inclusion

Social Inclusion  
Policy  
Score: 4

The basic social message of the third Orbán government is that it would fight for upward mobility of "hard working people" in Hungarian society, representing the interests of both the middle class and low-income earners. In fact, however, despite the economic recovery since 2013, both the impoverishment of people in the lower income deciles and the fragmentation and weakening of the middle classes have continued. With about 40% of the population in poverty "vertically" and with big islands of poverty in Eastern Hungary "horizontally," social inclusion has been low. The segregation of the Roma population further increased in the last years. The main reason is the segregated school system. 80% of the Roma population only have a basic education level (first eight years), whereas it is 20% for the rest of the

Hungarian population. As a result, most Roma are low skilled and 42% of the “employed” Roma are stuck in the public work system. Only one-third of the Hungarian society can achieve a way of life similar to that in the developed EU countries. Ranking 36 out of 38, Hungary trails behind in the OECD’s Life Satisfaction Index. The Hungarian government has sought to keep the problem hidden. The Hungarian Central Statistical Office (KSH) has presented different concepts, definitions and statistics to domestic and international audiences.

Citation:

TÁRKI (2016): Social Report 2016. Budapest.

OECD, Better Life Index (<http://www.oecdbetterlifeindex.org/topics/life-satisfaction/>).

## Health

Health Policy  
Score: 4

Health care has become the most conflict-ridden policy field in Hungary. A continuing series of scandals have made this issue a major Fidesz policy weakness and a subject of large-scale public protest. Health-care policymaking has suffered from the absence of a ministry tasked with addressing health care issues and from a limited health-care budget, one of the lowest in OECD. The Orbán government has failed to tackle the widespread mismanagement and corruption in the health sector, the large debt burden held by hospitals, the discretionary refusal of services by medical staffers, and the increasing brain drain of doctors and nurses to other countries. This has not changed under the new State Secretary Zoltán Ónodi-Szűcs, who came to office in October 2015 after the “nurses in black” mass protests that summer. In the period under review, the main reform project has been a monstrous organizational reform in which those units of the National Health Insurance Fund (Országos Egészségbiztosítási Pénztár, OEP) dealing with cash benefits were merged with the Pension Insurance Fund (Országos Nyugdíjbiztosítási Főigazgatóság, ONYF), whereas the other units became the National Institute of Health Insurance Fund Management (Nemzeti Egészségbiztosítási Alapkezelő, NEAK).

## Families

Family Policy  
Score: 4

Family policy has been a rhetorical focus for the Orbán governments, but it has been understood in a very traditional manner. It has aimed at stabilizing traditional family models and at improving the financial situation of parents via state transfers rather than promoting opportunities for women to combine parenting and employment. As a result, the gender employment gap has been high and rising. In 2016, the Orbán government made some timid steps towards promoting the expansion of childcare options for children under the age of three.

## Pensions

Pension Policy  
Score: 4

Hungary introduced a three-pillar pension system along World Bank guidelines in 1997, featuring a strong mandatory second pillar. Upon coming to office, the Orbán government abolished this second pillar, confiscated, “nationalized” assets, and also eliminated some early-retirement options that has strongly increased uncertainty regarding income in old age. The growing shadow economy and the increasing tendency to replace a share of wages with benefits not subject to social insurance contributions have reduced the pension claims of many future pensioners. However, the Orbán government has failed to address these issues. The main reform since 2014 has been the merger of the Pension Insurance Fund (Országos Nyugdíjbiztosítási Főigazgatóság, ONYF) and part of the National Health Insurance Fund (Országos Egészségbiztosítási Pénztár, OEP) adopted in June 2016. Part of a broader administrative reform, the merger has been justified as a means to better integrate different fields of social policy and reduce costs. As it stands, however, the reforms, which were drawn up quickly, looks more like another monstrous centralization drive.

Citation:

Gál, R. (2016): Reorganisation of the pension administration in Hungary. European Social Policy Network, Flash Report No. 2016/52.

## Integration

Integration Policy  
Score: 3

The refugee crisis has proven that Hungary is still primarily a transit country, with only a small number of migrants who want to stay in the country. The fragile economic situation, low wages, difficult language and anti-foreigner public opinion may be some of the reasons. The integration of ethnic Hungarians from neighboring countries – above all from Romania, Serbia and Ukraine – has gone fairly smoothly but has slowed down in the last years, since they have also gone to the West. By contrast, the integration of other migrants remains a controversial process. The Hungarian government has refused the integration of non-Europeans and non-Christians as a lethal danger to the national culture and identity. Out of 27,000 people granted refugee status in the first three-quarters of 2016, only seven were allowed to settle in Hungary permanently. However, migration to Hungary is not the real problem; the massive brain drain of Hungarian youth who have left for Western Europe is the real problem.

## Safe Living

Safe Living  
Conditions  
Score: 5

In Hungary, regular crime is largely kept within normal limits. By European standards, Budapest is a rather safe capital city, and the number of registered

crimes in the country are relatively low. However, the government's attempts to prevent atrocities from being perpetrated against Roma, Jews and homosexuals, as well as to protect opposition demonstrators, have remained rather half-hearted. It is telling that in September 2016 a State Secretariat in EMMI was created to prevent attacks on Christians following the government-hyped hysteria about the refugee crisis.

### Global Inequalities

Global Social  
Policy  
Score: 3

Hungary pays only relatively little policy attention to developing countries. The Orbán government adopted a strategy for international development cooperation and humanitarian aid for the period 2014-2020 in March 2014. This strategy was later transformed into a law that went into force in July 2015. Hungary's development cooperation focuses on countries which have a large Hungarian minority and strong trade links with Hungary (Serbia, Ukraine) or in which Hungary has been militarily involved (Afghanistan). About 80% of all funds go to Serbia and Ukraine. Although Hungary's net ODA has fallen short of the official EU and OECD targets, it remained unchanged in absolute terms and even declined relative to GDP in 2016.

Citation:

OECD (2017): Development Co-operation Peer Review Hungary 2017. Paris (<http://dx.doi.org/10.1787/dcr-2017-24-en>).

## III. Environmental Policies

### Environment

Environmental  
Policy  
Score: 6

As the 2011 constitution incorporated "green" values, the constitutional basis for environmental policy in Hungary is strong. Comprehensive environmental regulations are in place, and the EU continues to serve as an important driver of policy action. However, environmental policy has suffered from the country's tight budgetary situation, the lack of a separate Ministry of Environment and a relatively low environmental awareness among the population. In the third Orbán government, environmental issues have largely been dealt with by a Ministry of Agriculture department led by a deputy state secretary. However, water management has rested with the Ministry of the Interior, and, the subnational environment authorities have become part of the newly created government offices at the county level. Due to the neglect of environmental policy, problems such as the frequent contamination of drinking

water resources and the mismanagement of garbage sites (often inherited from the privatization period of the 1990s and still poisoning the environment) have grown. From a comparative perspective, Hungary has also seen a relatively high increase in CO2 emissions. The planned extension of the Paks nuclear power plant stirred controversies with the EU and will raise questions concerning the storage of nuclear waste, but has meanwhile been accepted by the EU. More recently, the megalomaniac construction activities of the government have led to “deforestation” in Budapest, as hundreds of big trees in many parts of the capital have been cut.

### Global Environmental Protection

Global  
Environmental  
Policy  
Score: 5

Global environmental reforms have not been part of the official public discourse in Hungary, and the Orbán governments have engaged in free-riding behavior. The third Orbán government has stressed its commitment to international efforts and has publicly supported the EU’s environmental policy, but remains far from being a driving force. President János Áder has tried to find an international role for himself in global environmental policy, but has not launched any substantial initiatives. In the climate protocol Hungary follows the general EU line. With the planned extension of the Paks nuclear power plant, accepted by the EU, Hungary will have an instrument in climate change policy. At the same time questions concerning the storage of nuclear waste will arise.

## Quality of Democracy

### Electoral Processes

Candidacy  
Procedures  
Score: 6

The far-reaching changes to Hungary's electoral law in the run-up to the April 2014 parliamentary elections included amendments to registration procedures. The combination of decreased registration requirements and generous public funding for candidates and party lists led to a surge in candidacies. A record-high 53 parties took part in the elections, 18 of which were able to form a national list. The governing Fidesz party actively promoted this associated fragmentation with the evident aim of confounding voters and weakening the opposition. The registration process suffered from a lack of transparency. Election commissions at both the central and constituency level largely failed to address cases of alleged signature fraud. Since the 2014 elections, the controversial procedures have been left unchanged.

Media Access  
Score: 2

In the referendum campaign in 2016, media access was even more uneven than in the 2014 election campaign. The Orbán government ignored the still existing formal duties for balanced coverage and exerted strong control over public media. As well, a large share of private media is owned by oligarchs close to Fidesz. For instance, Hungary's state-owned TV network M1 showed a strong pro-government bias in primetime news programming during the referendum campaign. 95% of airtime allotted to refugees and the referendum endorsed the government's position, and 91% of related news items were negative about refugees. M4, another public TV network, broadcasted all government campaign ads as "social" ads - a practice that was found illegal even by the Kúria, previously the Supreme Court, and provoked a sharp discussion in the Constitutional Court. While a number of independent media outlets still exist, and the citizens can look to internet-based media, most of the population, in particular the elderly, those in the lower social strata and people without foreign language skills have only very limited access to balanced information. After the failed anti-refugee referendum, the Orbán government radically rearranged the advertisement market by handing control over billboards to pro-government companies and subnational governments.

#### Citation:

Democracy Reporting International (2016), Hungary's state-owned TV shows bias in EU-refugee referendum. Berlin, October 2 (<http://democracy-reporting.org/hungarys-state-owned-tv-shows-bias-in-eu-refugee-referendum/>).

Voting and  
Registrations  
Rights  
Score: 3

As in the case of the 2014 parliamentary elections, registration and voting procedures for the anti-refugee referendum in October 2016 were heavily tilted in favor of the governing Fidesz party. The single most important problem has been the unequal treatment of three groups of eligible voters: (i) Hungarians living in Hungary, (ii) Hungarians with dual citizenship in neighboring countries and (iii) Hungarian citizens working abroad. The first group could vote without registration, the others had to register beforehand through a complicated procedure with a high percentage of failure. Hungarians living abroad and in possession of dual citizenship – which usually demonstrate a strong political affinity for Fidesz – could vote by mail. However, Hungarian citizens working abroad could vote only at diplomatic missions. In the case of the referendum, however, the biased procedures, which gave a big advantage to Fidesz in the 2014 elections, backfired, as the referendum was invalid partly due to the registration complications and difficult access to the voting places.

Party Financing  
Score: 3

A 2013 amendment of the law on party financing shifted funds toward individual candidates and smaller parties, thus contributing to the record-high number of candidates in the 2014 parliamentary elections. The fact that their financial activities were monitored only after the campaign facilitated fraud. The legal framework for campaign financing has lacked any limits on private donations, and has not required a dedicated bank account for campaign purposes. As no regulations on third-party campaigning have existed, parties have been able to circumvent existing restrictions on campaign spending by involving formally independent non-profit organizations. In the period under review, the financial gap between Fidesz and the opposition parties further widened. With membership declining, the latter have lost revenues from membership fees. Moreover, donations to the opposition parties have decreased because of the Orbán government's intimidation of the public. In the 2016 referendum campaign, however, private persons donated HUF 35 million to the joke party Two-tailed Dog Party to finance its anti-government billboards.

Popular Decision-  
Making  
Score: 5

The 2011 constitution has limited the scope for popular decision-making by abolishing popular initiatives, expanding the set of issues exempt from referendums and raising the thresholds for referendum success to a 50% participation threshold. For the weak and fragmented opposition, referendums could have become the most important means of mobilizing support and expressing dissent. However, their initiatives have been refused by the government-controlled National Election Committee (NVB), which enjoys considerable discretion in deciding whether the issues are eligible for a referendum or not. For instance, high-profile issues such as the unpopular government proposal for the 2024 Olympic games could not become a topic for referendum. Moreover, if somebody initiates a referendum, the NVB blocks all other initiatives on the same issue for several months, so there have

been many fake proposals from the pro-government circle to eliminate the opposition proposals on similar topics. When in February 2016 thugs with contacts to a leading Fidesz member physically hindered an opposition activist from submitting a referendum proposal, NVB officials did not call the police and the Prosecutor General refrained from initiating a legal process. As a result of the obstruction by the NVB, the only referendum since 2010 has been the 2016 anti-refugee referendum.

Citation:

Obordo, R. (2016): 'The question was stupid': Hungarians on the refugee referendum, in: The Guardian, October 4 (<https://www.theguardian.com/world/2016/oct/04/the-question-was-stupid-hungarians-on-the-refugee-referendum>).

### Access to Information

Media Freedom  
Score: 3

The Orbán government pushed through highly controversial media laws in 2010/11. These laws have effectively involved a “media capture” by the state since they have strengthened government control over the media by vesting a Media Council (staffed entirely by Fidesz associates) with media-content oversight powers and the right to grant broadcasting licenses. In addition, media freedom has been strongly restricted by the takeover of formerly independent media by oligarchs close to Fidesz and by the strategic allocation of government advertisements. In the period under review, the takeover continued with the purchase of Népszabadság, Hungary’s main opposition daily, and 12 smaller regional papers by Opimus Press, a company linked to Lőrinc Mészáros, a close confidante of Prime Minister Viktor Orbán and mayor of Felcsút, the prime minister’s home town. Such takeovers have been facilitated by the huge amounts of money channeled to pro-government media through the lavish placement of government advertisements. By contrast, the government and Fidesz-linked businesses have deliberately deprived independent media from advertisements.

Citation:

Freedom House (2016): On Media Freedom in Hungary. Washington, D.C., October 25 (<https://freedomhouse.org/article/hungary-sale-nepszabadsag-shows-government-influence-over-media>).

Hungarian Free Press (2016): Widespread solidarity after deliberate destruction of Hungary’s Népszabadság, October 10 (<http://hungarianfreepress.com/2016/10/10/widespread-solidarity-after-deliberate-destruction-of-hungarys-nepszabadsag/>).

Media Pluralism  
Score: 3

Media pluralism in Hungary has suffered both from increasing government control over the public media and a process of concentration of private-media ownership in the hands of companies close to Fidesz. In the period under review, the takeover of Népszabadság, the main opposition daily, and 12 smaller regional papers by the Fidesz-close Mészáros group, masterminded by



Access to  
Government.  
Information  
Score: 4

the government, has further worsened the situation. Népszava, the other important daily, has a much smaller circulation and the role of Népszabadság cannot be compensated for by the remaining independent weeklies. Some media pluralism has been maintained as the results of rifts within the right-wing camp. The media outlets owned by Lajos Simicska, an enigmatic oligarch that fell out with Orbán, most notably Magyar Nemzet, the second largest daily, criticized the government for the takeover of Népszabadság with strong language. Independent media still exist (e.g., ATV, Klubrádió, and various print publications), but they work under very difficult financial and political circumstances, and they reach only 10% of the overall population.

While existing law provides for far-reaching access to government information, the government has made it difficult for the public and the media to obtain information, especially on issues relating to public procurement by referring to business secrets. Under the third Orbán government there has been a constant fight between the government and the democratic opposition over access to government data and documents, often fought at the courts. In two decisions in March and April 2016, the Constitutional Court struck down laws that would have significantly narrowed the scope of publicly accessible information against the government's will. Professional NGOs – notably Transparency International Hungary, the Hungarian Civil Liberties Union (TASZ) and the “Átlátszó” (Transparent) website – have worked intensively to claim government information through the courts, and independent media organizations (websites such as hvg.hu and index.hu) have regularly published categorized government information. Providing day-to-day information on fake government deals (“mutyi-mondó”) has become a new feature of the opposition online media. As a reaction, the government has tried to raise the fees substantially for “the cost of processing” public documents.

### Civil Rights and Political Liberties

Civil Rights  
Score: 5

The Orbán governments have formally respected civil rights. However, the rule of law has suffered from the government's politicization of the courts, its failure to protect Roma and other minorities from harassment and hate speech and its attempts to criminalize the (former) left-wing elite. The Prosecutor General has acted more and more as a shield protecting Fidesz people and initiating fake legal processes against opposition actors, damaging their economic situation and private life. In the context of the EU refugee crisis, the Orbán government adopted emergency legislation that has raised fears of an emerging police state both inside and outside Hungary. The new acts (Acts CXL and CXLII of 2015) and a series of complementary government decisions (e.g., 256/2015 and 273/2015) have given police and the military the right to use force and restrict personal liberty if necessary to manage the inflow of refugees. The refugee crisis has also drawn international attention to

the existence of a special police force called TEK (Center Against Terrorism) which has been commanded by the former chief bodyguard of Orbán and is not subject to parliamentary control. In summer 2016, the 2015 emergency legislation was followed by the sixth amendment of the 2011 constitution authorizing parliament to declare at the initiative of the government, with a two-thirds majority, a state of emergency. Faced with a terrorist attack or the imminent threat of an attack, such a declaration allows the government to suspend existing laws. This amendment was complemented by a package of legislative amendments that restricted data protection and other civil rights in the name of the fight against terrorism. Already in January 2016, the European Court of Human Rights found that Hungary's internet and telecommunication surveillance practices have violated the European Convention on Human Rights (Szabó and Vissy v. Hungary (application no: 37138/14)).

Citation:

Hungarian Civil Liberties Union (TASZ) (2016): Hungarian Parliament is about to enact new anti-terror laws. May 3 (<https://tasz.hu/en/news/hungarian-parliament-about-enact-new-anti-terror-laws>).

Scheppele, K. L. (2015) Toward a police state? Hungarian Spectrum (<http://hungarianspectrum.org/2015/09/05/toward-a-police-state/>).

Political Liberties

Score: 5

The Orbán government has shown little respect for political liberties. In Putin style, Orbán and other Fidesz leaders have time and again defamed opposition activists as traitors to the Hungarian nation and as foreign agents led by George Soros. In the period under review, the harassment of independent NGOs has further increased. The police raid on the NGO Ökotárs in September 2014, which remains an open wound, was followed by a similar raid in October 2016 on the Energiaklub, another NGO supported by the Norwegian Fund. NGOs have complained about wiretapping, and demonstrators about the intimidation by thugs. In most cases, the police have failed to protect the victims and to launch investigations.

Non-discrimination

Score: 4

Hungary has a comprehensive anti-discrimination legal framework, but practice has been different. Fidesz's traditional family concept corresponds with strong discrimination against women in the areas of employment, career and pay. After all, Fidesz has no female ministers or top leaders. The failure is even greater regarding the Roma minority. By trying to create a separate school system, the Orbán government has aggravated segregation.

It has also continued its hate campaign against Muslims. As a result, xenophobia has grown among Hungarians, with a spillover to all kinds of minorities, including Jews.

Citation:

Hungarian Free Press (2016): One third of Hungarians are anti-Semitic, according to new Medián poll. April 19 (<http://hungarianfreepress.com/2016/04/19/one-third-of-hungarians-are-anti-semitic-according-to-new-median-poll/>).

### Rule of Law

Legal Certainty  
Score: 3

As the Orbán government has taken a voluntaristic approach towards lawmaking, legal certainty has strongly suffered from chaotic, rapidly changing legislation. The hasty legislative process has regularly violated the Act on Legislation, which calls for a process of social consultation if the government presents a draft law. The government's instrumental use of the law is illustrated by the curtailment of the competences of the Hungarian National Olympic Committee in November 2016. In order to promote its project to hold the Olympics in 2024 in Budapest, the government suddenly launched a sweeping reform of Hungary's long-standing sports law.

Judicial Review  
Score: 4

The independence of the Hungarian judiciary has drastically declined under the Orbán governments. While the lower courts still make in most cases independent decisions, the Constitutional Court and the Kúria (Curia, previously the Supreme Court) have increasingly come under government control and haven't often been criticized for making biased decisions. Moreover, Péter Polt, the powerful Prosecutor General and former Fidesz politician, has acted in a rather partisan fashion. As a result, more and more court proceedings have ended up at the European Court of Human Rights (ECHR) in Strasbourg. With more than 4,000 new cases in both 2015 and 2016, Hungary is among the countries generating the most cases, and the Hungarian state often loses its cases. The pending replacement of the Hungarian representative at the ECHR court has also been very embarrassing for the Hungarian government. The three candidates suggested by the government were refused by the court due to the lack of a proper selection process among qualified lawyers. Further concerns about the quality and independence of judicial review have been raised by the government's plans to establish a separate Court of Public Administration. According to the plans, about half of the judges would not be selected from professional judges in other courts, but from the public administration in general, including people without any legal background and expertise, most probably loyal civil servants. Even Tünde Handó, the pro-Fidesz President of the National Office for Judiciary, has publicly protested against the government's plan.

Appointment of  
Justices  
Score: 2

The 2012 constitution left the rules for selecting members of the Constitutional Court untouched. Its justices are still elected by parliament with a two-thirds majority. However, given the strong Fidesz majority in parliament and the government's lack of self-restraint, this two-thirds threshold until recently failed to limit the government parties' control over the process. Fidesz used its two-thirds majority to appoint loyalists to the court. Parallel to the weakening of the remit of the Constitutional Court, the court was staffed with Fidesz loyalists, some of whom are not even specialists in constitutional law. When the loss of its two-thirds majority in February 2015 made it impossible for

Corruption  
Prevention  
Score: 3

Fidesz to select justices unilaterally, four court positions remained vacant for some time. In November 2016, Fidesz succeeded in getting the support of the green-liberal party Politics Can Be Different (LMP) for the nomination of four new justices.

Widespread corruption has been a systemic feature of the Orbán governments, with benefits and influence growing through Fidesz's informal political-business networks. Members of the Fidesz elite have been involved in a number of corruption scandals, with many people accumulating substantial wealth in a short period of time. Corruption has become so pervasive that even some senior Fidesz figures have begun openly criticizing the Fidesz elite's rapid wealth accumulation. Corruption in Hungary has to be seen through the prism of oligarchic structures and is strongly linked to public procurement, often related to investments based on EU funds and facilitated by the new public procurement law of 2012. After the conflict with Lajos Simicska, the previous "Czar" of business and media, Orbán has made a radical rearrangement in the camp of the Fidesz-linked oligarchs by pushing out all Simicska-related businessmen from public procurement and promoting new oligarchs, most notably Lőrinc Mészáros, István Garancsi and István Tiborcz (the son in law of Orbán). Thus, a system of government-regulated corruption has been built.

Citation:

Tóth, I. J., M. Hajdu (2016): Korupciós kockázatok, átláthatóság, közbeszerzések. Magyar közbeszerzések 2009–2015 közötti adatainak elemzése, in: T. Kolosi, I.G. Tóth, István György (eds.): Társadalmi riport 2016. Budapest: Társki, 33–53.

# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 3

The Orbán governments have subordinated all political actions to the goal of consolidating their power. The economic and fiscal priorities have frequently shifted, and not much effort has been invested in building institutional capacities for strategic planning. After the 2014 local elections, Orbán promised to elaborate a long-term development strategy for the country, but has failed to do so thus far. In late 2016, the government announced the adoption of the third Széll Kálmán Plan, a new plan for economic development in the tradition of two strategic documents adopted in 2011 and 2012.

Scholarly Advice  
Score: 2

The Orbán governments have shown no interest in seeking independent advice and have alienated many leading experts who initially sympathized with them politically. The third Orbán government largely relies on two lavishly sponsored major policy institutes, Századvég and Nézőpont. Whereas Századvég has traditionally focused on the mid-term issues, Nézőpont has supported the government in everyday decision-making. In the period under review, there have been some scandals surrounding the financing of Századvég and the quality of its products.

### Interministerial Coordination

GO Expertise  
Score: 7

The Orbán governments have steadily expanded both the competencies and the resources of Prime Minister's Office (PMO). The number of state secretaries and undersecretaries in the PMO has been further increased, and now stands at about 30. Altogether 1,602 persons are employed in the PMO and in its surrounding expert groups. Under minister Antal Rogán, the personal cabinet of Orbán has developed into a ministry with state secretaries and undersecretaries responsible for government communication. The PMO is supported by five background institutes with 206 employees. Three of them,

the Veritas Institute (an institute of contemporary history), the Institute for Linguistic Strategy (for language guidelines for Fidesz media) and the Institute for National Strategy (Hungarians in neighboring countries) deals with “strategic” issues (26-20-100 employees respectively). The Institute of Systemic Change and Archives and the Institute of National Heritage focus on documentation (31-29 people respectively). The strategic institutes were in the forefront in 2014-2015, but have lost importance in the period under review. Recent rumors suggest they may be dissolved by PMO head Lázár as part of his program to reduce the size of the state machinery. So, expansion may have reached its peak.

GO Gatekeeping  
Score: 10

Under the Orbán governments, all important personal, political and policy decisions have been made by the prime minister and the small groups of his confidants. The gatekeeping role has long been played by the Minister of the PMO János Lázár and the head of the personal political cabinet of Orbán Antal Rogán. Rogán is a close ally of Árpád Habony, the closest adviser to Orbán, who has no official position and no public presence. As Orbán has tried to play a bigger role in the EU in the period under review, Lázár und Rogán have been joined lately by the Minister of Foreign Trade and Foreign Affairs Péter Szijjártó.

Line Ministries  
Score: 9

Orbán has designed a new structure for line ministries in order to facilitate greater control from the center. The number of line ministries was reduced to eight in the second Orbán government, with portfolios for foreign trade and foreign affairs, defense, interior, justice, national economy, national development, human resources, and agriculture. Recently, Rogán has become the ninth minister. Line ministries have mostly acted as executive agencies following orders from above, and their activities have been subject to detailed oversight by the PMO. In practice, however, ministers have been unable to oversee their portfolios, especially in the huge Ministry of Human Resources (EMMI). The regular involvement of the PMO has led to delays, disorientation and frequent policy failures.

Cabinet  
Committees  
Score: 7

In summer 2016 two new cabinet committees were established, the strategic committee led by János Lázár and the economic committee led by Mihály Varga. These committees have a clear profile, but an uncertain mandate, since it has not been decided whether they are advisory-preparatory or decision-making bodies. However, their function is certainly to relieve Orbán from the everyday burden of management and to create a new rivalry in the government between the two important personalities. Particularly, the economic committee may be a positive step towards increasing coherence of economic policies.

Ministerial  
Bureaucracy  
Score: 5

Given the small number of ministries in Hungary, interministerial coordination has, to some extent, been replaced with intraministerial coordination, especially within the Ministry of Human Resources (EMMI), the biggest superministry, and the Ministry of National Economy (NGM), which

expanded in 2016. In addition to policy coordination by the PMO, there is some coordination by ministry officials, since senior ministry officials meet in order to prepare cabinet meetings. There is also a special Interministerial Coordination Committee for European Affairs (EKTB), a committee consisting of senior ministry officials tasked with coordinating EU-related issues that is also under the auspices of the PMO.

Informal  
Coordination  
Score: 10

The strong formal role of Orbán and his PMO is complemented by informal coordination mechanisms. As the power concentration around Orbán has increased, informal decision-making plays an increasingly dominant role, and the formal mechanisms only serve to legalize and implement these improvised and hastily made decisions. Orbán travels with his personal staff and rules the country by phone calls as a “remote control” that terrifies medium-level politicians and leads to big policy failures in implementations. If Orbán is not available or not ready or able to decide, issues remain in the air without any decision. Orbán regularly brings together officials from his larger circle in Kötcse in order to give instructions. Many decisions originate from these meetings, which subsequently ripple informally through the system before any formal decision is made. These informal coordination mechanisms make rapid decision-making possible. Given the pivotal role of the prime minister, this system encourages anticipative obedience, but also creates a bottleneck in the implementation of decisions and precludes any genuinely efficient feedback.

### Evidence-based Instruments

RIA Application  
Score: 4

The Orbán government amended the Act on Lawmaking (Act of CXXX of 2010) that included provisions on RIA in sections 17§ and 21§. It established the Government Feasibility Center and assigned it to the Ministry of Justice. In practice, RIA has suffered from sluggish implementation and has been applied almost exclusively in the environmental context and/or in cases where international obligations have demanded it.

Quality of RIA  
Process  
Score: 2

The quality of the RIA process in Hungary has always been poor. First, stakeholder participation is usually lacking. While rhetorically emphasized in many official documents, the very idea of consultation has been alien to the Orbán governments. RIA performance has rarely or only partially made available to political actors on the special website for RIA ([hatasvizsgalat.kormany.hu](http://hatasvizsgalat.kormany.hu)).

Sustainability  
Check  
Score: 2

The Hungarian parliament passed a National Sustainability Strategy only in March 2013. In 2014 the environmental committee was transformed into the Committee of Sustainable Development (consisting of parliamentarians) and supported by the National Sustainability Council (consisting of experts across all policy fields). This strategy is a long document that surveys relevant international documents and provides some Hungarian applications. However,

the Sustainability Strategy and RIA processes have not yet been coordinated because sustainability checks are not an integral part of RIA.

### Societal Consultation

Negotiating  
Public Support  
Score: 2

The Orbán governments have largely refrained from consulting with independent societal actors. Orbán has argued that the government's strong parliamentary majority has vested it with sufficient legitimacy to carry out profound changes without consulting stakeholders. The second Orbán government abolished the former tripartite National Interest Reconciliation Council (OÉT) and replaced it in October 2011 with a new National Economic and Social Council (NGTT), having very limited competencies. Unlike its predecessor, this body meets very rarely and cannot make any decisions, thus primarily serving the goal of showing the government's commitment to some sort of social dialogue. In response to the popular mass demonstrations organized by the Tanítanék (I would like to teach) movement in 2016, the government created a Roundtable for Public Education (Köznevelési Kerekasztal).

### Policy Communication

Coherent  
Communication  
Score: 7

The government tries to have coherent communication through drastic disciplinary measures at all levels. Coherent communication as the exercise of soft power appears initially in controlling agenda setting by launching new topics to divert the public attention from emerging problems in the media that can do harm to Fidesz politics. However, coherent communication sometimes fails at the top level because of the double-headed central communication scheme. On one side, the organization and supervision of the government and Fidesz party communication is in the hands of the ministry headed by Rogán. On the other side, PMO head Lázár has an important government press conference every Thursday, in which he often criticizes indirectly the Rogán-Habony group. Beyond this, confidential information has been increasingly leaked to the press from the closer Fidesz circles about the megalomania and luxury consumption habits of the new Fidesz aristocracy around Rogán and Habony. This information has usually been published in the tabloid press (Blikk and Bors) with high circulation. Supposedly, this confidential information has originated from the Lázár circle, their main rival, who thinks that Fidesz leaders should reduce corruption and act more moderately in general.



## Implementation

Government  
Efficiency  
Score: 5

The Orbán governments have been quite successful in consolidating political power, centralizing policymaking, and weakening the remaining checks and balances. At the same time, they have largely failed to meet broader goals such as fostering sustainable economic growth or increasing employment in the private sector. The low degree of government efficiency has been illustrated by frequent policy changes in all policy fields and by the lack of coordination of policy fields. A central problem has been the implementation of new bills and regulations. Overhasty policymaking has led to incoherent and contradictory legal texts, causing extreme difficulties for local and county administrations. The government's low level of efficiency has been acknowledged by PMO minister Lázár himself several times.

Ministerial  
Compliance  
Score: 10

Ministerial compliance has diminished in the period under review. The replacements for the purged Simicska followers have been loyal, but incompetent, so that their actions have often been chaotic. The increasing disorder has led to soft resistance by János Lázár, the head of the PMO, who has sometimes criticized the official line indirectly but publicly. The creation of two new cabinet committees - economic cabinet with Mihály Varga and strategic cabinet with János Lázár - in summer 2016 aimed at demonstrating the power of the prime minister, but also at pushing for more policy compliance of ministers and senior officials.

Monitoring  
Ministries  
Score: 10

The Prime Minister's Office has successfully monitored line ministries in all stages of the policy process, enforcing obedience to the political will of the central leadership. As all core executive figures have been Fidesz party stalwarts, control has functioned largely through party discipline. Those who have failed to keep discipline, even in comparatively insignificant matters, have lost their positions. The existing civil-service legislation has made it easy to dismiss public employees without justification.

Monitoring  
Agencies,  
Bureaucracies  
Score: 10

The third Orbán government has closely controlled the appointment and activities of the heads and core executives of all state agencies at the national level. Simicska followers, some of which were among the most professional pro-government experts, have been removed from state agencies. The frequent changes in administrative positions have contributed to high discipline. The centralization of state administration in county-level government offices has extended the government's control over all subnational agencies, since they have been concentrated in these county offices. As in the case of line ministries, the government has adopted a hands-on approach and has closely monitored the agencies' implementation activities.

Task Funding  
Score: 2

The second Orbán government merged small local authorities and shifted a portion of subnational self-governments' former competencies to the central

government administration. However, the transfer of competencies from the subnational to the national level has gone hand in hand with an even stronger reduction in subnational governments' revenue sources. As a result, the latter have fewer resources for the remaining tasks than before. Moreover, central government grants have been discretionary and unpredictable. Municipalities and counties with an influential Fidesz leader have been in a better position to get additional funding; other have been confronted with the newly introduced "solidarity tax" imposed upon rich municipalities. A good case in point of the problems associated with the discretionary budgeting of the central government is the delayed reconstruction of the M3 metro line in Budapest, the most important transport facility in Budapest, carrying more than 500,000 people every day. The project has suffered from funding conflicts between the government and the city, which has a Fidesz mayor but is perceived by most Fidesz leaders as a left-liberal stronghold.

Constitutional  
Discretion  
Score: 3

Hungary has undergone a far-reaching reform of local government. The government has established new tiers of state administration at the county and district level that were given some of the functions previously exercised by local and other subnational self-governments. This stripping of competencies has been especially severe in the case of the city of Budapest, a traditional liberal stronghold which has since lost its special role in national politics. On the one hand, the reform lifted a significant burden from smaller units, as it professionalized services in deconcentrated state bodies. On the other hand, the general shift of competences did not at all improve self-governments' performance flexibility in those areas remaining under their control. As a result, both the formal powers of subnational self-governments and their capacities to make full use of these powers have declined. Local Fidesz strongholds like Debrecen seem to have enjoyed special treatment in the process of allocating EU funds.

Citation:

Vörös, I. (2015) Hungary's Constitutional Evolution During the Last 25 years, in: *Südosteuropa* 63(2), 173-200.

National  
Standards  
Score: 3

In Hungary, the quality of subnational public services has suffered as a result of the reorganization of subnational governments. The state administration's new subnational tiers lack experience in providing services. Preoccupied with getting started, they have not paid much attention to service quality. The provision of those public services that have been left with subnational self-governments has in turn suffered from self-governments' lack of financial resources and administrative capacities. The central government has exercised strong control, but has not focused on quality issues. As a result, national standards have increasingly been undermined, especially in the fields of health care, education and social services.

## Citation:

Albert, F. (2016): Restructuring of the Hungarian social protection system: Evaluation of the 2015 decision to delivering benefits locally. European Social Policy Network, Flash Report No. 2016/26.

**Adaptability**

Domestic  
Adaptability  
Score: 4

The Orbán governments have paid little attention to the adaptation of domestic government structures to international and supranational developments. In public, Orbán has stressed Hungarian independence, and has argued that his government is waging a freedom fight for national sovereignty against the European Union, the IMF, and most recently the US government. Major institutional reforms have even reduced the fit of domestic government structures with international and supranational developments. The radical reduction in the number of ministries, for instance, has created huge problems with regard to EU affairs, as the ministries' organization no longer matches that of other EU countries or the structure of the European Union's Council of Ministers. Nonetheless, the administration ensures more or less that the acquis is implemented. The absorption rates in EU structural funds application are relatively good. Due to the high systemic corruption in the EU transfers by the Fidesz oligarchs, however, some transfers were suspended in the late 2016.

International  
Coordination  
Score: 3

Until early 2015, the Orbán government was largely self-centered and inward looking. Instead of engaging in collective global efforts, it was preoccupied with defending its autonomy against the EU and the IMF. Since the beginning of the EU refugee crisis, Prime Minister Orbán has looked for an international role for himself and has increasingly been elevated to one of Europe's "strong men" in the Fidesz press. He has intensified cooperation within the Visegrád group, in particular with Poland, and has boasted about his good relationship with Putin. However, all these activities have further undermined his standing with other European leaders and with the faction of the European People's Party in the European Parliament. Frequent changes in the personnel in the Ministry of Foreign Trade and Foreign Affairs have further reduced the government's capacity for international coordination. Hungary's international isolation became visible at the celebrations of its national holiday on October 23 in which no foreign politicians other than the Polish President Andrzej Duda took part.

## Citation:

Foy, H., N. Buckley (2016): Orban and Kaczynski vow 'cultural counter-revolution' to reform EU, in: Financial Times, September 7 (<http://www.ft.com/cms/s/0/e825f7f4-74a3-11e6-bf48-b372cdb1043a.html#axzz4Jed295EY>).

### Organizational Reform

Self-monitoring  
Score: 9

In Hungary, there is no regular formal monitoring of the institutional arrangements of governing in place. However, there is strong and rather comprehensive oversight of the working of the state apparatus from the top down, measured against the political will of the leadership, and the government has been quick to change any institutional arrangements it has deemed to be politically dangerous. The Orbán governments underperform with regard to coherent policy planning, but react quickly to failures in individual political cases or in major policymaking mistakes. Public policy has often been very volatile, changing according to the government's current needs. There is a relatively high number of plenipotentiaries without the line-ministerial structures for specific issues. Overseeing them and integrating them into policymaking requires additional emphasis and may turn out to be counter-productive in the long run.

Institutional  
Reform  
Score: 2

From time to time, Orbán has reorganized the workings of his government with an open effort to get rid of managing smaller issues and promoting rivalry in the top elite to weaken them, but there has been no substantial institutional reform. The latest mini-reform was the establishment of two cabinet committees (strategic and economic) in summer 2016. The Orbán governments' institutional reorganizations have tended to weaken rather than improve the government's strategic capacity. The over-centralization of decision-making resulting from these steps has created bottlenecks at the top and facilitated political patronage. Moreover, instead of reforms there has often only been a reform rhetoric. For instance in late 2016, PMO minister Lázár renewed his earlier call to reform public administration, but again failed to add substance.

## II. Executive Accountability

### Citizens' Participatory Competence

Policy  
Knowledge  
Score: 5

While media freedom and the access to information have declined and the government has led huge disinformation campaigns, the policy knowledge of the Hungarian public has paradoxically increased. In the fields of health care and education, the protracted crisis has provoked social movements and everyday discussions within the larger public. There has been a vivid public discourse about the situation of these sectors and the reasons for their continuous decline with poor services. Political apathy still exists, reinforced

by the biased information policies of the government and the lack of transparency characterizing policymaking. However, the everyday situation is so bad in these vital fields that ordinary people discuss policy issues in detail based on direct experiences. Independent policy institutes such as Policy Agenda, Political Capital and Policy Solutions have provided detailed policy knowledge for the public at large, as have many professional NGOs.

### Legislative Actors' Resources

Parliamentary  
Resources  
Score: 5

In principle, members of parliament are provided some funds for professional advice. However, since resources are apportioned according to the share of seats in parliament, the democratic opposition parties receive only a small amount of money. Moreover, these resources have not been sufficient to keep up with the Orbán governments' hectic style of policymaking, with its unprecedentedly high number of legislative decisions. For the small and ideologically fragmented opposition, it has thus been rather difficult to monitor the Orbán government's legislative activity. However, activities on the part of the Fidesz majority in parliament and its committees which preclude effective debate and monitoring, constitute the key obstacle to effective parliamentary work.

Obtaining  
Documents  
Score: 5

Traditionally, parliamentary committees in Hungary enjoyed far-reaching access to government documents. However, the new standing orders of the Hungarian parliament, as adopted under the 2012 Act on Parliament, do not regulate the access of parliamentary committees to public documents. The Orbán governments have used their parliamentary majority to restrict access to public documents, even for discussion within parliamentary committees.

Summoning  
Ministers  
Score: 6

The standing orders of the Hungarian parliament stipulate that ministers have to report personally to the parliamentary committee(s) concerned with their issue area at least once a year. However, they do not guarantee parliamentary committees the right to summon ministers for other hearings as well. Since Fidesz lost its two-thirds parliamentary majority in autumn 2015, however, ministers have appeared more often in parliamentary committees.

Summoning  
Experts  
Score: 9

According to the standing orders of the Hungarian parliament, all parliamentary factions can invite experts, and the sessions of the committees are open to the public. In practice, however, Fidesz's overwhelming majority and the hectic pace of legislation have reduced the involvement of experts to a mere formality. The real policy discussions, if any, usually take place not in the parliamentary committees but in the media or at conferences organized by opposition expert groups or NGOs.

Task Area  
Congruence  
Score: 4

The reduction in the number of ministries (to a total of nine) has not been accompanied by a reorganization of parliamentary committees. The result has been a strong mismatch between the task areas of ministries and committees.

Audit Office  
Score: 6

The fact that ministries have been covered by several committees has complicated the monitoring of ministries. Moreover, the real decision-making center, the PMO, is not covered by any parliamentary committee at all. This constitutes a problem as more and more issues have been dealt with by plenipotentiaries of the prime minister.

The Hungarian State Audit Office is accountable only to the parliament. The Orbán government has used its parliamentary majority to take control of this body by appointing a former Fidesz parliamentarian to head the institution, and also by replacing the vice president and other top officials. Nevertheless, the Audit Office has monitored the government's activities rather professionally in some detail.

Ombuds Office  
Score: 7

Hungary has an Ombudsman of Basic Human Rights, elected by parliament. Unlike its much-respected predecessor, the acting ombudsman, László Székely, has not served as a major check on the government and has not become an important public figure. The Ombudsman Office (AJBH) has been rather busy in small legal affairs – about 130 cases each in 2015 and 2016 – but it has not confronted the government about serious violations of civil and political rights.

## Media

Media Reporting  
Score: 4

The sharp polarization of political life in Hungary has facilitated a replacement of in-depth analysis by a preoccupation with scandals, whether real or alleged. There is relatively little in-depth analysis of government decisions and the performance of the government in the government-controlled public media, or in those private outlets close to Fidesz. As a reaction to the government's attempts at controlling the media, social media and Internet editions of established print publications have gained in importance. The independent policy institutes and some expert based NGOs have regularly published policy analyses that have been widely discussed in the opposition media. The mass demonstrations, as well as the deepening rift within Fidesz, stemming from regular corruption scandals and provocative luxurious consumption habits, have elevated the significance of media reporting. The print media, including the tabloid press, such as *Blikk* and *Bors*, have been important in discovering the big scandals and policy failures. In the period under review, the significance of online media – *Index*, *444*, *HVG*, *Átlátszó*, *Kettős Mércé*, and even some right-leaning websites like *Mandiner* – has grown tremendously because they have been decisive in revealing the behind the scene activities of the government. The websites of professional NGOs have also been very active and are closely followed by journalists. The Hungarian Civil Liberties Union (TASZ), for instance, was able to publish the instruction signed by Orbán personally to harass the NGO *Ökotárs*.

## Parties and Interest Associations

Intra-party  
Democracy  
Score: 4

Intra-party democracy has been a rarity in Hungary. In the two most popular parties at the moment, Fidesz and Jobbik, the president of party is almost almighty. Fidesz is completely controlled by its president, as Orbán decides on core personnel, candidacies and positions within the party. In the case of Jobbik, the move from an extreme right party to the center in order to become a mass party has brought a change. By pushing this transformation forcefully, Gábor Vona has become the strong leader of Jobbik. Among the left parties, MSZP and Együtt are democratically organized and have a weak leadership, whereas DK is dominated by former prime minister Gyurcsány. LMP and PM show a reasonable degree of intra-party democracy which reflects their origins as social movements.

Citation:

Ágh, A. (2016): The Decline of Democracy in East-Central Europe: Hungary as the Worst-Case Scenario, in: Problems of Post-Communism 63(5-6), 1-11.

Association  
Competence  
(Business)  
Score: 4

The main domestic business associations have proved generally loyal to the government, particularly the Hungarian Chamber of Commerce and Industry. Some business associations, for instance the National Association of Entrepreneurs and Employers (VOSZ), have become rather critical of the government's incompetency and the lack of predictability in economic policy. Ferenc Dávid, its general secretary, has been the most outspoken critic of the government's economic policy. Moreover, the third Orbán government has been strongly criticized by the Hungarian European Business Council (HEBC). Representing Hungary's 50 most important export companies, HEBC has outlined an alternative economic and social program. The trade unions have also adopted a critical position toward the third Orbán government, but their membership is small, they are still rather fragmented and their voice is weak in the public debates.

Association  
Competence  
(Others)  
Score: 3

Despite the harassment by the Orbán government, NGOs have been active and have partly compensated for the lack of other checks and balances. Due to a lack of funding, however, only some of them have had sufficient policy expertise to formulate relevant policies.

## **Address | Contact**

Bertelsmann Stiftung  
Carl-Bertelsmann-Straße 256  
33311 Gütersloh  
Germany  
Phone +49 5241 81-0

**Dr. Daniel Schraad-Tischler**  
Phone +49 5241 81-81240  
daniel.schraad-tischler@bertelsmann-stiftung.de

**Dr. Christian Kroll**  
Phone +49 5241 81-81471  
christian.kroll@bertelsmann-stiftung.de

**Dr. Christof Schiller**  
Phone +49 5241 81-81470  
christof.schiller@bertelsmann-stiftung.de

**Pia Paulini**  
Phone +49 5241 81-81468  
pia.paulini@bertelsmann-stiftung.de

[www.bertelsmann-stiftung.de](http://www.bertelsmann-stiftung.de)  
[www.sgi-network.org](http://www.sgi-network.org)