

# Hungary

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*Capital:* Budapest  
*Population:* 10.0 million  
*GNI/capita, PPP:* US\$19,550

Source: The data above were provided by The World Bank, *World Development Indicators 2012*.

## Nations in Transit Ratings and Averaged Scores

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Electoral Process	1.25	1.25	1.25	1.25	1.75	1.75	1.75	1.75	1.75	2.25
Civil Society	1.25	1.25	1.25	1.25	1.50	1.50	1.75	1.75	2.00	2.00
Independent Media	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.75	3.25	3.50
Governance*	2.50	2.50	n/a							
National Democratic Governance	n/a	n/a	2.00	2.00	2.25	2.25	2.50	2.50	3.00	3.50
Local Democratic Governance	n/a	n/a	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50
Judicial Framework and Independence	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.75
Corruption	2.75	2.75	2.75	3.00	3.00	3.00	3.25	3.50	3.50	3.50
Democracy Score	1.96	1.96	1.96	2.00	2.14	2.14	2.29	2.39	2.61	2.86

\* Starting with the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

## EXECUTIVE SUMMARY

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The elections of April 2010 brought a right-wing government headed by Prime Minister Viktor Orbán to power. It controls a two-thirds supermajority in the National Assembly, consisting of a formal coalition between the Young Democrats' Alliance–Hungarian Civic Union (Fidesz) and its subordinate partner, the Christian Democratic People's Party (KDNP). The landslide electoral victory of Fidesz-KDNP came after the previous government, led by the Hungarian Socialist Party (MSZP), lost credibility due to a number of factors, including the September 2006 revelation (via leaked audio tapes) that Prime Minister Ferenc Gyurcsány had deliberately lied to the public to win elections, and the authorities' gross mishandling of the ensuing protests. Failed fiscal policies predating the onset of the global economic crisis cemented the MSZP's deep unpopularity. The party is currently in opposition, along with the green-liberal Politics Can Be Different (LMP) and the radical nationalist Movement for a Better Hungary (Jobbik).<sup>1</sup> An MSZP splinter party led by Gyurcsány is expected to establish a new parliamentary faction in 2012.

Following Hungary's negotiated transition to democracy in 1989–90, issues including the role of the secret services under communism and the privatization of state assets and services remained unresolved. Citizens' ongoing reliance on public entities instead of the private and nongovernmental sectors pushed the state beyond its capacity. Government after government balked at tackling this problem, and exacerbated it through inaction or superficial remedies. The present government identified many of the areas that need reform, but its initiatives have proven inadequate and had the effect of undermining democracy. Meanwhile, inflammatory rhetoric, such as the government's declaration that the Fidesz-KDNP electoral victory was a "revolution in the polling booths" and its promises to carry out "true regime change," have raised tensions in an already polarized political environment.

A new constitution adopted in April 2011 will enter into force on 1 January 2012. The increased range of laws that will require a supermajority to pass in this new constitutional framework will likely damage the effectiveness of future governments. Should an opposition party come to power in the next elections, it will also be constrained by Fidesz's takeover of independent institutions and installation of clients in key positions for nine-year terms, most importantly in the judiciary. A new law on the Constitutional Court further limits citizens' access to the body, which has in any case been stacked with Orbán's appointees. The government's intimidation and domination of the court recently led to its inaction on an important case related to the protection of private property.

Even as the government has usurped the independence of other public institutions, power within the government has been concentrated in the hands of

the prime minister. Orbán tends to appoint weak figures to key positions, favoring personal loyalty and a lack of serious political ambitions over professional expertise and ability.

Fidesz's electoral triumph gave it a historic opportunity to rescue the country from its dire economic situation and initiate crucial reforms in public services such as health and education. Instead the government has engaged in reckless economic policies, exerted political control over state institutions, pursued an ideologically driven cultural transformation, undermined labor protections, and redrawn the electoral map with the apparent aim of entrenching itself in power for the foreseeable future.

**National Democratic Governance.** In 2011, a new constitution was passed by the governing Fidesz-KDNP coalition without any meaningful consultation. The charter generally provides for fundamental rights, but opens up the possibility of backsliding. Due to the continued erosion of checks and balances, the growing strength of right-wing paramilitary groups, and the creation of institutional and procedural obstacles for future governments, *Hungary's national democratic governance rating worsens from 3.00 to 3.50.*

**Electoral Process.** In late December, the National Assembly passed a government-backed electoral law that appears designed to solidify the ruling coalition's grip on power through the redrawing of parliamentary electoral districts and changes to the allocation of seats and votes in Hungary's mixed system of single-member districts and party lists. The law also raised the registration thresholds for candidates and party lists, and granted the vote to citizens with no residence in Hungary, such as ethnic Hungarians in neighboring countries. Due to the gerrymandering and other problematic provisions in the new electoral law, *Hungary's electoral process rating worsens from 1.75 to 2.25.*

**Civil Society.** Civil society in Hungary is relatively vibrant, and citizens have recently been mobilized by new civic or political movements and resuscitated trade unions. However, an alarming drop in and increasing centralization of public funds may threaten many civil society organizations' existence. *Hungary's civil society rating remains unchanged at 2.00.*

**Independent Media.** New media legislation that took effect in 2011 has triggered unprecedented national and international indignation. The regulatory rules and institutions associated with the new law give government appointees considerable power to limit freedom of expression and punish perceived violations, creating an atmosphere that encourages self-censorship. *Hungary's rating for independent media worsens from 3.25 to 3.50.*

**Local Democratic Governance.** Local governments have enjoyed a high level of political independence in Hungary, but their legally enshrined autonomy is

hindered in practice by grim financial difficulties. The new constitution redefines local councils' property as part of Hungary's state assets, but it was not yet clear in 2011 whether this would lead to greater centralization. *Hungary's local democratic governance rating remains unchanged at 2.50.*

**Judicial Framework and Independence.** The government completely overhauled the administration of the judiciary in 2011. As part of this reform, important officials in the courts and the ombudsman's office were removed prior to the end of their terms, and the wife of a prominent Fidesz politician was appointed as head of the judiciary for a nine-year term. The changes cleared the way for more direct political manipulation of the courts, which had represented one of the last state institutions outside the government's control. *Hungary's judicial framework and independence rating worsens from 2.25 to 2.75.*

**Corruption.** With their two-thirds parliamentary majority, the governing parties have an opportunity to reform legislation on party financing, one of the most acute sources of corruption in Hungary. However, the government's promises to tackle graft have yet to result in a comprehensive anticorruption strategy. *Hungary's rating on corruption remains unchanged at 3.50.*

**Outlook for 2012.** By next year the government will have consolidated its hold on almost all areas of public life through the appointment of loyal cadres to head institutions of relevance, including the presidency, the Constitutional Court, and the judiciary. In 2011 the government was already attempting to bring the Hungarian National Bank (MNB) under its control, and it will likely try to replace MNB president András Simor with someone more pliant. Economically, the country will undergo severe duress in 2012, and having nationalized private pension funds in 2010 and 2011, the government may try to confiscate other savings. However, the need for external financing from the European Union and the International Monetary Fund may force the leadership to backtrack on some of the most prominent laws that undermined democracy in 2011.

# MAIN REPORT

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## National Democratic Governance

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
n/a	n/a	2.00	2.00	2.25	2.25	2.50	2.50	3.00	3.50

Hungary is a parliamentary republic in which the prime minister, elected by a majority of the 386-member unicameral National Assembly (Országgyűlés), holds executive power. The prime minister is responsible to the parliament and can be removed, along with the cabinet, only through a “constructive no-confidence” process, which requires a new prime minister to be endorsed in the same vote. It follows that under normal circumstances the parliament does not serve as a significant check on the government. During 2011 the government effectively eliminated other checks and balances through legislation and amendments to the constitution that was still in force during the year, and by installing loyalists in all ostensibly independent institutions except the Hungarian National Bank (MNB).

The parliament is the main legislative organ and has the exclusive power to pass laws. However, lesser forms of legislation may be passed by the government and ministers so long as they conform to the laws and the constitution. The parliament elects the president of the republic for up to two five-year terms. The head of state plays a mostly symbolic role, but has some control over the nomination and appointment of public officials and may refer legislation back to the parliament for reconsideration, or to the Constitutional Court, before signing it into law. President Pál Schmitt, who took office in 2010, has not once used this limited veto.

Since the April 2010 elections, the right-wing coalition of the Young Democrats’ Alliance–Hungarian Civic Union (Fidesz) and its subordinate partner, the Christian Democratic People’s Party (KDNP), has held more than two-thirds of the seats in the parliament. The opposition is composed of three ideologically divided parties: the center-left Hungarian Socialist Party (MSZP), the green-liberal Politics Can Be Different (LMP), and the radical nationalist Movement for a Better Hungary (Jobbik) on the extreme right. In October 2011, former prime minister Ferenc Gyurcsány and his followers left the MSZP and later formed a new party, Democratic Coalition (Demokratikus Koalíció), which filed a request to establish a new parliamentary faction. After a mandatory waiting period of six months, the new group will be recognized.

By far the most important development of 2011 was the adoption of the country’s new constitution.<sup>2</sup> Scheduled to enter into force on 1 January 2012, it provides for fundamental rights, though the framework to protect those rights will be weaker than it was under the previous constitution. Overall, the document is seen as conservative and biased toward collectivist values. The preamble’s heavy reliance on Christian language—in a country where religious attendance is around

13 percent—is particularly controversial given the government’s policies on religious freedom to date.<sup>3</sup> Some of the constitution’s provisions are considered progressive, such as those concerned with the protection of the natural environment, but critics argue that it represents a step backward in other areas, with passages that define marriage as heterosexual and open up the possibility of stricter rules on abortion. Further causes for concern are the increased number and scope of issues on which any legislation will require a supermajority to pass, making reforms difficult for future governments.

The country experienced peaceful protests during national holidays in March and October, and an especially intense one on 23 December, when the government pushed a raft of controversial bills through the parliament. The protesters came from various strata of society and criticized the government on different grounds, including press freedom problems stemming from the 2010 new media law, labor legislation that eroded protections for workers and harmed vested interests in key sectors such as the armed forces and law enforcement,<sup>4</sup> the controversial provisions of the new constitution, economic woes, and the undermining of democratic institutions.

The government continued to enjoy the support of the majority of likely voters, according to a poll in late 2011,<sup>5</sup> but the same survey found that 54 percent of respondents did not trust any of the political parties. In another sign of widespread loss of confidence in democratic institutions, a separate survey by Perspective Institute found that nearly 29 percent of respondents would strongly support and 16 percent would somewhat support changing the present democratic regime for an authoritarian one if that came with rapid economic growth.<sup>6</sup>

In this context, the country’s main extreme right-wing political party, Jobbik, has achieved historically high support, drawing around 20 percent of the voters who expressed a party preference, according to some polls.<sup>7</sup> In 2011, economic problems, the government’s clashes with the European Union (EU) and International Monetary Fund (IMF), and the successful manipulation of ethnic tensions gave the party opportunities to present itself as patriotic and capable of tackling “Gypsy criminality.” Jobbik’s main selling point is the “Érpatak model,” named after the town whose mayor first implemented it. The program is strongly authoritarian and assimilationist, emphasizing order and a merciless, punitive administration of the law. It has been reproduced in other villages, mostly located in the northeast of the country.<sup>8</sup> Despite its formal denials, Jobbik has continued to make extensive use of affiliated—and in some cases banned—paramilitary groups to intimidate opponents and especially Roma.

The situation of the country’s Romany population has long been critical, and tensions between Roma and ethnic majority communities have been actively stoked by the extreme right and Jobbik in particular. Perhaps the most important intercommunal confrontation of 2011 was in Gyöngyöspata, where, following altercations and alleged criminality by some local Roma, paramilitary groups threatened the Romany population for weeks. The crisis ended with the deployment of police forces and the holding of a mayoral election.

Two aspects of this case illustrate broader problems. First, the increasing number of intercommunal clashes, the active participation of right-wing paramilitary groups, and the inability or unwillingness of the country's security forces to deal with them are slowly bringing the state's monopoly on the legitimate use of force into question. In the case of Gyöngyöspata, the prime minister failed to even comment on the situation for weeks,<sup>9</sup> further opening up space for radical elements. Second, the victory of Jobbik's mayoral candidate by a significant margin suggests that the party's authoritarian message and exploitation of ethnic conflict resonate well with residents of villages and small towns who feel that their security is not guaranteed by the state. A recent survey by TARKI indicates that there may be further potential in divisive ethnic politics, as 63 percent of respondents expressed the opinion that criminality is "genetic" among Roma.<sup>10</sup>

### Electoral Process

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.25	1.25	1.25	1.25	1.75	1.75	1.75	1.75	1.75	2.25

Since 1990, Hungarian elections have consistently been assessed as free and fair. Members of parliament have been elected for four-year terms in a two-round mixed electoral system. Parties had to reach a 5 percent threshold to gain seats through regional and national party lists.

In the last general elections in 2010, the severely discredited MSZP was soundly defeated by Fidesz-KDNP, which now holds 67.88 percent of the seats in the parliament. Jobbik has 12.18 percent, the MSZP 12.43 percent, and the LMP 4.15 percent. At the time of writing there were 14 independent members, mostly due to the secession of Gyurcsány and his allies from the MSZP.<sup>11</sup>

While the electoral system ensured free and fair balloting, it was very complex, and the parliament—with 386 members, of whom 176 were elected in individual constituencies—was consistently deemed too large for the population of the country. A new electoral law passed by the ruling coalition at the end of 2011 retains the mixed proportional-majoritarian nature of the previous system, but will reduce the parliament to 199 members and increase the share of single-member districts, with 106 individually elected members and 93 party-list seats. The law sparked strong resistance from the opposition for its blatant gerrymandering of the new constituencies, an increase in the number of signatures required for candidacy, a shorter period for collecting these signatures, and changes in the allocation of excess and lost votes that favor the dominant party. It also granted the vote for the first time to ethnic Hungarians in neighboring countries who have accepted Hungary's offer of citizenship.<sup>12</sup> Critics allege that the new law will solidify Fidesz's grip on power for the foreseeable future.<sup>13</sup>

The president of the republic is elected by the parliament for a five-year term and can be reelected once. In the first two rounds of the election, a supermajority

is required; if it cannot be reached, a third round is decided by a simple majority. Schmitt, the current president, is seen as a creature of Prime Minister Orbán, having declined to apply his limited veto to any of the government's numerous, highly controversial, and hastily adopted laws during his tenure.

Political parties are active in the country, especially the newer factions, which seem to be more responsive to grassroots concerns. New parties emerged out of the protests of 2011, but whether they will have much impact remains to be seen.<sup>14</sup> Beyond periodic protests, demonstrations, and voting every four years, citizen participation in political and public life is not significant. Meanwhile, the political representation of women and minorities, particularly the Roma, continues to be unsatisfactory.<sup>15</sup>

#### Civil Society

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.25	1.25	1.25	1.25	1.50	1.50	1.75	1.75	2.00	2.00

The legal framework is generally hospitable to civil society, accommodating various forms of nongovernmental organizations (NGOs). Associations, foundations, and nonprofit limited companies are registered by a court and are relatively easy to establish. With its 70,000 registered organizations, the Hungarian civil sphere can be considered vibrant, maintaining about 100,000 jobs and contributing 4 to 5 percent of the annual gross domestic product.<sup>16</sup>

However, aside from a handful of high-profile watchdog organizations, most NGOs operate on a very small scale, with miniscule budgets. They are subject to the same tax rules as ordinary companies, including high payroll taxes that pose a major obstacle to small businesses as well, making it difficult to add or retain personnel.

Due to the limited level of private philanthropy, NGOs are still overly dependent on government and EU funds. A significant independent income source for the sector is the so-called 1 percent tax scheme, under which taxpayers can assign 1 percent of their income tax to an NGO of their choice. However, a new flat tax of 16 percent is expected to cause a 300 billion forint (US\$1.5 billion) decline in state tax revenues, and would presumably have a proportional effect on NGOs' funding through the tax mechanism.

State funds for NGOs have been distributed through the National Civil Fund (Nemzeti Civil Alap, or NCA). The NCA's average annual budget in recent years was around 7 billion forints, but this was cut to 2.8 billion in 2011 and will shrink to 1.4 billion according to the 2012 budget plan. This fivefold decrease of the NCA's funds puts the financially fragile civil sphere at serious risk. In November, a coalition of 73 NGOs issued an open letter to the government,<sup>17</sup> stating that conditions for the sector "have been steadily deteriorating over the last 18 months." It is feared that hundreds of organizations will have to close down operations and discharge employees.

Beginning in 2012, a new law will require all civil organizations to submit their financial reports to a court, and failing to do so may result in suspension. The rule is aimed at eliminating thousands of nonfunctioning or phantom organizations from the system, but it will impose an extra burden on many small organizations.

The law also replaces the NCA with a National Fund of Cooperation. To ensure independent self-governance for the sector, 90 percent of the delegates in the NCA's governing bodies were representatives of civil society organizations. Under the new system, this proportion will drop to 30 percent, with the majority of the members chosen instead by the government. Many argue that this reform contradicts the original mission of NCA and that its sole purpose is to cement political influence.

Large-scale civic mobilization has been relatively rare in Hungary, but in 2011 a handful of citizens organized a new movement via the social networking website Facebook called One Million for the Freedom of Press in Hungary.<sup>18</sup> It quickly gained almost 100,000 members and has become a key player in the civic sphere. The One Million group and other NGOs were able to draw thousands of people into the streets on 15 March and 23 October to protest the "authoritarian" Fidesz government, mounting what may have been the largest antigovernment demonstrations of the past 20 years.<sup>19</sup> It remains unclear whether the movement will be able to sustain its momentum.

Austerity measures, retroactive legislation concerning early retirement benefits, and a controversial new labor law seem to have triggered the resuscitation of the workers' movement as well. Twenty years after the fall of communism, trade unions are still struggling with a lack of public credibility. In 2011, however, new leaders successfully mobilized workers and organized numerous noteworthy demonstrations.

One of them was the so-called Clown Revolution. The name came from Orbán's alleged disparaging remark that he would delegate his "clown affairs secretary" to deal with trade unions' request to negotiate planned benefit cuts. In response, some 10,000 people rallied in June in clown costumes and make up. Although the police were seriously affected by the cuts, most of them were unable to protest. The Independent Police Trade Union reported that the head of the National Police summoned all officers to duty on the day of the demonstration.<sup>20</sup>

Another threat to freedom of assembly arose during the short visit of Chinese Premier Wen Jiabao, also in June. The police rejected a request from local adherents of the Falun Gong spiritual group, which is persecuted in China, to demonstrate against Wen's visit, claiming that it would block traffic. In addition, immigration officers paid an unexpected visit to the homes of three Tibetan refugees, all of them lawful permanent residents, and summoned them to the immigration bureau the next morning to "clarify certain identity questions." The bureau later claimed it was a "routine check-up,"<sup>21</sup> but the move appeared designed to prevent any China-related protests.

A new law on religions, introduced by the KDNP and substantially remodeled by Fidesz on the day of its adoption, grants formal recognition to only 14 religious groups, down from the previously recognized 352. Beginning in 2012, all other

religious groups will lose the financial privileges associated with recognition and will instead function as associations. Although these groups will have the opportunity to apply for official recognition, the process requires meeting a set of difficult criteria and winning approval from at least two-thirds of the parliament.

The previous regulation was undoubtedly liberal, and the associated financial benefits had fueled an often opportunistic proliferation of religious groups over the last two decades. Nevertheless, the harsh new law triggered widespread indignation. Critics stressed that although it would help eliminate disingenuous “business churches,” the law would also deprive numerous well-established and legitimate congregations of their official religious status. The fact that they will lose their financial privileges and be excluded from the 1 percent income tax scheme will substantially decrease their revenues. The change in designation will also affect their ability to own land and participate in the provision of public services.

#### Independent Media

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.75	3.25	3.50

The Hungarian media market can be considered vibrant, with a relatively low level of concentration secured by a handful of multinational print houses and a few local companies with varying portfolios. A wide range of print, broadcast, and internet outlets provide space for fairly diverse ideas.

Still, the daily newspapers consist largely of apolitical tabloids and openly biased broadsheets, with two major outlets on each side of the political divide. This dynamic is also apparent in the journalistic profession, which is highly partisan. In recent years, quality journalism has mainly migrated to magazines and the internet. A good number of weeklies—*HVG*, *Heti Válasz*, *Figyelő*, *Magyar Narancs*—and online news portals—*Origo*, *Index*, *HVG-Hírszerző*, *FN.hu*—employ a new generation of journalists striving for high professional standards. Slowly but steadily, investigative journalism has also been developing. A few NGOs and professional associations provide conferences, free trainings, and scholarships in the field to promote investigative journalism as a fundamental tool of democratic control.

The flourishing scene of high-quality political blogs has attracted a growing number of followers. But the web is also home to radical views, with numerous websites providing an endless stream of far-right, anti-Semitic, racist, and extremely nationalistic content.

The new media law, which took effect on 1 January, was the most important development for press freedom during 2011. It had been severely criticized, even before its adoption, and remained a key concern both nationally and internationally. It received harsh assessments from the European Parliament, the European Commission, the United Nations special rapporteur on freedom of expression, the media representative of the Organization for Security and Cooperation in Europe

(OSCE), the Council of Europe, and a number of governments, human rights groups, and press freedom advocates.

One of the most controversial provisions of the law was its creation of the National Media and Electronic Communications Authority (Nemzeti Média és Hírközlési Hatóság, or NMHH). With authority over all media, including broadcast, print, and online outlets, the NMHH grants licenses and frequencies, monitors content, and both investigates and adjudicates public complaints. Its major regulatory body, the Media Council, consists of six people, all nominated by the governing party, with a chairperson appointed directly by the prime minister for an unprecedented nine-year term.

Due to the questionable independence of the Media Council, the NMHH is seen by many as an “arm’s-length government agency,” and observers have expressed fears that its power to impose steep fines on media outlets that do not respect its guidelines could be applied arbitrarily.<sup>22</sup> Recent analysis on the tendering practices in the analogue radio market suggests that the Media Council awarded almost half of all frequencies to the same three applicants in 2011.<sup>23</sup>

While the new law has not yet been used to gag dissenting voices, critics argue that its substantial penalties and vaguely worded provisions have undermined freedom of expression by creating a “chilling effect” that may result in self-censorship. One related area of concern is the lack of effective protection for journalists’ sources. The media law states that in exceptional cases, journalists can be required to disclose their sources, but what constitutes an “exceptional case” is poorly defined and left to the investigative authority’s discretion.

For the majority of Hungarians, the primary source of news is television. The evening news programs of the three national terrestrial channels—the public M1 and the commercial RTL Klub and TV2—reach about 30 percent of the population every day. However, the proportion of political and economic news in these programs is incredibly low. For instance, in October 2011, only 12 percent of all news concerned political issues, and three-quarters featured tabloid or crime stories.<sup>24</sup> On the commercial channels, political reports have been relegated to the last few minutes of the newscast for many years, and they rarely come to the foreground even in times of political turmoil. More recently, depoliticization has also affected public television, whose central mission is to keep citizens as well-informed as possible. Over the politically fraught months of late 2011, public television seemed to purposefully avoid reporting directly on political news and instead featured neutral current affairs items that were only loosely related to politics. The proportion of hard political news was only about 25 percent in October.

Public-service media have been paralyzed by political meddling and lack of independent funding ever since the fall of communism. They suffer from an extremely poor reputation as well as low ratings figures. Fidesz promised to bring efficiency and rationalization to public media by merging three previous institutions and the Hungarian News Agency (Magyar Távirati Iroda, or MTI) into the Media Services Support and Asset Management Fund (Médiaszolgáltatás-támogató és Vagyonkezelő Alap, or MTVA). But the new umbrella institution is less transparent

than ever, with a proliferation of senior management positions and obscure areas of responsibility. Meanwhile, almost 1,000 employees have been dismissed in two waves of layoffs. A reduction of the overgrown staff had been expected, but hundreds of those dismissed were picked either randomly or on a political basis. As a result, critical and independent voices are almost completely absent from public media, and their content is regularly affected by censorship, intimidation, and factual distortions to suit the government's interests.<sup>25</sup>

#### Local Democratic Governance

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
n/a	n/a	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50

There are approximately 3,200 settlements in Hungary, though about half are small villages with fewer than 1,000 residents, and only around 300 have the status of a town. Regardless of size, each settlement enjoys formal political autonomy. They directly elect their own mayors, councils, and other self-governing bodies, and almost all maintain full-fledged municipalities and manage local public services. This high level of decentralization was a symbolic element of the new democratic era that began after the fall of communism.

However, financial difficulties seriously limit this legally enshrined independence in practice. Many settlements, particularly those in the impoverished eastern parts of the country, have suffered from an absence of industry and consistently high rates of unemployment. With no significant revenues, most depend on the central government's redistribution of taxes. According to the latest figures, on average only 21 percent of local councils' overall expenditures are covered by local income.<sup>26</sup> However, the nominal per capita amount of state aid has been steadily decreasing since 2005.

Due to a liberalizing legal amendment in 2006, the value of bonds issued by local governments shot up drastically,<sup>27</sup> resulting in an overall debt of 1 trillion forints (US\$4.4 billion).<sup>28</sup> Sixty percent of the debt is valued in foreign currencies (euros and Swiss francs), which, given the extreme volatility of the Hungarian forint in recent years, poses an extra risk to the issuing municipalities. Some view this as one of Hungary's most acute financial problems, but others argue that indebtedness only affects a minority of towns, and except for a few cases of mismanagement, debt repayment is under control.<sup>29</sup> Whether by rescheduling repayment, realizing assets, or increasing local revenue, most councils are able and willing to redeem debt.

Above the municipal tier is another level of governance—Hungary's 19 counties. These regional administrative units share many public-service functions with the municipalities. Based on an agreement between the central government and county councils, in 2012 the former will take over all institutions previously owned or operated by the counties, including health care and educational institutions, social and youth services, cultural foundations, and business associations. With

the assets comes an accumulated debt of 180 billion forints (US\$776 million).<sup>30</sup> While the move is seen by many as another major step toward centralization, the government maintains that it would be in a much stronger negotiating position than the individual counties should the debt payments need to be rescheduled.

The new constitution will fundamentally change the status of local government property. The old charter declared that the state would respect local councils' property, but under the new document, all local assets are considered part of Hungary's national property. They are not owned but merely controlled by the municipalities to perform certain tasks allotted by the state. This shift was ostensibly designed to ensure better management of national wealth, but it also opens the way for the central government to take over local assets without compensation.

As with the parliament, Fidesz controls an overwhelming majority of local councils, including 22 of Hungary's 23 main cities, and all of the 19 county assemblies. The capital, Budapest, comprises 23 autonomous districts, each with an elected mayor and assembly. The structure is topped with an independently elected mayor and council on the citywide level. This two-tiered system, in which the districts are not subordinated to the Budapest municipality, has led to serious conflicts and lack of coordination on key decisions and projects. However, since Fidesz won the mayoral posts in 21 of the 23 districts in 2010, and took the citywide mayoralty for the first time since 1990, these tensions seem to have been reduced.

#### Judicial Framework and Independence

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.75

Citizens are equal before the law, and the judiciary serves as the primary guardian of constitutional rights. The judiciary is currently organized in a four-tier system of local courts, county courts, high appeals courts, and the Supreme Court. Local and county courts have jurisdiction over their territorial districts, with county courts also serving as appellate courts for minor local cases. The high appeals courts have regional jurisdiction, with seats in Budapest and four other towns. The Supreme Court serves as a final appeals court and ensures the uniform application of laws, developing a limited form of case law.

Since 1997 the Hungarian judiciary has been governed by the National Judicial Council (Országos Igazságszolgáltatási Tanács), a body composed of judges and representatives of the other branches of power and led by the president of the Supreme Court. In November 2011, however, the government pushed through a law that introduced a new system, in which the judiciary's hierarchy will be headed by an official elected via a supermajority vote in the parliament for a nine-year term, with a powerful mandate and broad discretion. While the previous arrangement was duly criticized for engendering a lack of transparency and placing too much power in the hands of the presidents of the county courts, the new system exposes

the judiciary to government influence.<sup>31</sup> The reform notably allows for the summary removal of the current president of the Supreme Court, András Baka, a nominee of former head of state László Sólyom.

In mid-December the parliament chose the leader of the new system, electing Tünde Handó—the president of the Labor Court, wife of Fidesz member of the European Parliament József Szájer and longtime friend of the prime minister—to serve as president of the National Judicial Office (*Országos Bírósági Hivatal*).<sup>32</sup> In 2012 it will be up to Handó to fill the 274 vacancies created by Fidesz's earlier decision to send judges into early retirement, plus over a hundred additional vacancies that will arise in the coming years. Her discretionary powers will include the appointment of the presidents of local and higher-level courts, and the temporary transfer of individual judges to other districts.

Until 2011, the parliament elected four ombudspersons to report on human rights, privacy rights, the rights of ethnic and national minorities, and the right to life and a healthy environment (ombudsperson for future generations). The Fidesz government decided to transform the existing institution, and beginning on 1 January 2012, the functions of the ombudspersons will be taken over by the Office of the Parliamentary Commissioner for Fundamental Rights. As with many other positions created by the current government, the new ombudsman will be elected by a two-thirds vote in parliament for a nine-year term, with the possibility of one reelection.<sup>33</sup>

Since 1990, the 11-member Constitutional Court has shaped the legal framework of Hungary. Its members are elected by the parliament from among the country's legal scholars. The court's primary function is to safeguard constitutional rights through its interpretation of the constitution and control of legal norms. Since it lacks an effective enforcement mechanism, however, some of its decisions, most notably on the representation of minorities in the legislature, have not been implemented by the parliament.

As part of the broader drive to eliminate checks and balances in the country's constitutional framework, in 2010 the government had amended the old constitution to strip the Constitutional Court of its jurisdiction over important matters that were already closed to public input via referendums. Thus, so long as they do not pertain to certain fundamental rights, the Constitutional Court no longer has jurisdiction over questions related to the national budget. Importantly, cases regarding the right to private property are also outside the court's purview. In 2011 the Constitutional Court was further weakened through the limitation of those with standing to request a review; only petitions by a quarter of the members of parliament or individuals at the center of specific cases are now eligible. Moreover, all existing requests and proceedings that do not meet the new criteria are to be dropped on 1 January 2012. Also during 2011, the government continued staffing the Constitutional Court with its cadres, some of whom had questionable qualifications.<sup>34</sup> The court failed to deliberate on the most contentious issue of the year, the government's nationalization of the savings in compulsory private pension funds in late 2010.<sup>35</sup>

The chief prosecutor is nominated by the president of the republic and elected by the parliament for a nine-year term, and lawmakers no longer have the right to question him in the parliament. The law governing the rules of the chief prosecutor's election now requires a two-thirds vote. This practically entrenches Péter Polt, an Orbán confidante who was elected in December 2010, for more than two parliamentary terms. Polt had previously served as chief prosecutor during Fidesz's government of 1998–2002, and exercised his functions in a partisan manner.

The judiciary in 2011 continued its practice of disproportionately trying and sentencing Roma for hate crimes—under Article 174B of the criminal code—against ethnic Hungarians, effectively persecuting minorities with a provision intended to protect them. On a positive note, in a second-instance verdict at the Court of the Capital, a judge overturned several sentences passed under this article and downgraded the convictions to a lesser offense that carries a significantly lower penalty.<sup>36</sup>

Amid protests, the parliament in November 2011 passed legislation to criminalize homelessness. According to the new law, a person may be fined 150,000 forints (US\$750),<sup>37</sup> or subjected to detention, if caught living on the streets twice within a six-month period.<sup>38</sup> Such legislation is unlikely to solve the problems of the thousands of homeless people in Hungary, though it has the potential to keep them away from the eyes of the public, forcing them to spend the winter months in forests outside the city limits.

## Corruption

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2.75	2.75	2.75	3.00	3.00	3.00	3.25	3.50	3.50	3.50

There was no state anticorruption strategy in place in 2011, and although the government promised to issue a comprehensive plan in 2012, no details had emerged by year's end.

Party financing is a major arena for corruption, and the legislation governing it has long been heavily criticized. A fundamental reform would require a two-thirds majority vote in the parliament, and the political parties, unwilling to act against their own interests, have blamed lack of consensus for failed attempts in the past. Fidesz could now easily tackle the problem on its own, but it has taken no concrete action to date. While the opposition has offered draft legislation based on the suggestions of a joint civil initiative that has been lobbying for transparency and accountability for years, the majority has blocked its attempts to put the bill on the parliament's agenda.

The public procurement process is also subject to serious corruption. A thorough research effort in 2011 found that in almost 40 percent of public procurement tenders, only one bidder submitted a valid application.<sup>39</sup> When EU auditors question such tenders for projects financed with EU funds, a common

response is that the small size of the Hungarian market means there is only one qualifying company in many sectors. While this may be true in some cases, corrupt tenders are often deliberately drawn up in such a way that only one company can meet the stated conditions.

Small-scale corruption in Hungarian society is a widespread and blatant phenomenon, and many people see it as a necessary part of life. The public health system is afflicted with petty bribery that supplements the income of seriously underpaid staff. The Hungarian Residents' Association (Magyar Rezidens Szövetség) has proposed a solution known as the Green Cross concept, under which doctors who agree not to accept bribes would have their salaries doubled, and would wear a green cross badge on their uniforms to inform patients of their status. According to a survey carried out by the initiators, the idea was backed by 70 percent of all doctors. Still, it was firmly rejected by the Hungarian Medical Association (Magyar Orvosi Kamara). The group's president, István Eger, described the concept as "unfortunate, divisive and ignominious,"<sup>40</sup> and argued that the proposed salary increase would lead to tensions and unnecessary accusations. The idea was also thwarted by the fact that the doubled salaries could not be covered by the central budget.

A new Hungarian watchdog NGO, Átlátszó (Transparent), was founded in 2011. Combining investigative journalism and civic activism, it publishes articles, handles whistleblower information, and files public-record requests with the aim of tackling corruption and promoting transparency. It managed to raise 2.5 million forints (US\$11,100) in six months from about 100 small donors, ensuring a level of independence for its handful of volunteers that is unique in Hungary.

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<sup>1</sup> The name is a pun in Hungarian on various uses of the word *jobb* (right), meaning at once "the better one," "the one which is more correct," and "the more conservative one." Movement for a Better Hungary is the official English translation.

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