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Capital: Budapest
Population: 10.0 million
GNI/capita, PPP: US\$20,310

Source: The data above are drawn from the World Bank's World Development Indicators 2013.

## Nations in Transit Ratings and Averaged Scores

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Electoral Process	1.25	1.25	1.25	1.75	1.75	1.75	1.75	1.75	2.25	2.25
Civil Society	1.25	1.25	1.25	1.50	1.50	1.75	1.75	2.00	2.00	2.25
Independent Media	2.25	2.50	2.50	2.50	2.50	2.50	2.75	3.25	3.50	3.50
Governance*	2.50	n/a								
National Democratic Governance	n/a	2.00	2.00	2.25	2.25	2.50	2.50	3.00	3.50	3.50
Local Democratic Governance	n/a	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.75
Judicial Framework and Independence	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.75	2.50
Corruption	2.75	2.75	3.00	3.00	3.00	3.25	3.50	3.50	3.50	3.50
Democracy Score	1.96	1.96	2.00	2.14	2.14	2.29	2.39	2.61	2.86	2.93

<sup>\*</sup> 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

he parliamentary elections of April 2010 brought a conservative government headed by Prime Minister Viktor Orbán to power. It controls a two-thirds supermajority in the unicameral 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 variety of failures. Voters' broader loss of faith in the political establishment brought two new opposition parties into the parliament that year—the green-liberal Politics Can Be Different (LMP) and the radical nationalist Movement for a Better Hungary (Jobbik). <sup>1</sup>

Issues dating to Hungary's negotiated transition to democracy in 1989–90, including the role of the secret services under communism and the privatization of state assets and services, remained unresolved in 2012. Citizens' ongoing reliance on public entities instead of the private and nongovernmental sectors pushed the state beyond its capacity in the decades after the transition. 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 democratic checks and balances. Meanwhile, antiliberal, nationalistic, and religiously divisive rhetoric has raised tensions in an already polarized political environment.

A new constitution entered into force on 1 January 2012. The increased range of laws that will require a supermajority to pass under this new constitutional framework will likely have an impact on the effectiveness of future governments. The overall quality of legislation has been low, as it has often been drafted hastily to suit the immediate interests of the Orbán government; imprecisely worded laws also allow for freer interpretation by the executive branch. Should an opposition party come to power in the next elections, it will be constrained by Fidesz's takeover of independent institutions and installation of clients in key positions, in many cases for nine-year terms. This is most worrisome in the judiciary. Although the Constitutional Court in particular showed remarkable independence during 2012, its jurisdiction has been narrowed, and its verdicts are often circumvented by the government. Citizens' access to the body has been reduced, and appointees of the Orbán government are now close to having a majority.

Even as the government has increased its influence over other public institutions, power within the government has been concentrated in the hands of the prime minister. Orbán tends to appoint weak or dependent figures, favoring

personal loyalty and a lack of serious political ambitions over professional expertise and ability.

Fidesz's 2010 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. The country's economic woes and a general sense of hopelessness have driven record numbers of Hungarians to emigrate, especially to Western Europe. According to one estimate, nearly half of those under 30 years of age are interested in moving abroad, either temporarily or permanently.<sup>2</sup>

National Democratic Governance. Although a new constitution drafted primarily by the ruling coalition took effect in 2012, the Fidesz-KDNP government continued to use its parliamentary supermajority to amend the charter as needed to meet short-term goals. The government also sought to exert political influence in the cultural sphere. A founding member of Fidesz was elected president of the republic in May, but he displayed more independence than his predecessor, referring controversial legislation to the Constitutional Court for review. Opposition forces became more active, though Fidesz remained the most popular political party, according to opinion polls. The extreme right, while still significant, seemed to lose momentum during the year. *Hungary's national democratic governance rating remains unchanged at 3.50.* 

**Electoral Process.** Hungary's parliament passed a new law on electoral procedures that introduced questionable measures, most importantly a registration requirement that appeared to impose an unnecessary burden on the right to vote. On 28 December, the Constitutional Court invalidated the law on procedural grounds, but the substance of the changes was still under review at year's end.<sup>3</sup> With the decision of the court still pending, *Hungary's electoral process rating remains unchanged at 2.25*.

Civil Society. In the absence of significant private philanthropy and owing to underdeveloped fund-raising practices, civil society in Hungary still largely depends on government funds. The central body responsible for distributing these resources, created by the Fidesz government in 2011, is structurally prone to political influence. Decisions on grants are not transparent, and further evidence emerged during 2012 to substantiate the perception that public funds are being used primarily to support civic groups linked to the government by shared ideology or direct personal ties. *Hungary's civil society rating worsens from 2.00 to 2.25*.

Independent Media. A conservative media empire has displaced liberal and left-leaning outlets in recent years, aided by growing profits that derive largely

from targeted state advertisingt. Public-service media have become overtly progovernment, but due to their poor reputation, their rating figures have been low for many years. Despite the dominance of progovernment voices in mainstream outlets, a number of print publications and online news portals still provide quality journalism, and a flourishing scene of respected political blogs accommodate a wide range of viewpoints. *Hungary's rating for independent media remains at 3.50*.

Local Democratic Governance. Local administrations have enjoyed a high level of political independence in Hungary since 1989, but an overhaul by the current government has been reshaping their relationship with the capital. Recent changes have included the reallocation of responsibilities, nationalization of local assets, and the centralization of public education. In addition, for many years, local councils attempted to solve their financial difficulties by borrowing extensively from private creditors. This has led to an accumulated debt of about 1.3 trillion forints (\$5.8 billion), which the central government is now planning to take over. In light of these growing curbs on local political autonomy, *Hungary's local democratic governance rating worsens from 2.50 to 2.75*.

Judicial Framework and Independence. Despite structural changes in 2011 that increased its exposure to political influence, the judiciary showed some resistance to government pressure in 2012. In one important ruling, the Constitutional Court struck down a new law that had forced out many experienced judges by lowering the mandatory retirement age. *Hungary's judicial framework and independence rating improves from 2.75 to 2.50.* 

**Corruption**. The government has failed to use its supermajority to root out entrenched corruption, instead appointing loyal figures to lead organizations tasked with auditing and oversight of public finances. In 2012, a company managed by a longtime friend of the prime minister's was awarded valuable public contracts, raising concerns about cronyism. *Hungary's corruption rating remains unchanged at* 3.50.

Outlook for 2013. Fidesz is expected to start preparing for the 2014 elections during 2013, and its campaign effort is likely to include public spending aimed at key voting blocs, including pensioners. To make such expenditures possible, the government is doing all it can to reduce the budget deficit below the European Union (EU) target of 3 percent of gross domestic product. Planned cuts to higher education could cause long-term damage and further increase the discontent already expressed in student protests since December 2012. In addition, the term of the president of the National Bank, András Simor, expires in February 2013, affording the government the opportunity to appoint a loyalist to another core institution. With a friendly president at the National Bank, the government might try to tap into currency reserves that are currently unavailable to it.

## Main Report

#### National Democratic Governance

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
n/a	2.00	2.00	2.25	2.25	2.50	2.50	3.00	3.50	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. Since it took office in 2010, the current government has weakened other checks and balances through new legislation, the adoption and frequent amendment of a new constitution, and the installation of loyalists in ostensibly independent state institutions. The Hungarian National Bank (MNB) is one of the last key institutions not headed by an ally of Prime Minister Viktor Orbán, but the current MNB president's term expires in February 2013.

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 cabinet 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 for review, before signing it into law.

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 parliamentary 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 formed a new party, Democratic Coalition (Demokratikus Koalíció), but under existing parliamentary rules they were not allowed to form a recognized faction in the National Assembly for another six months. In April 2012, the majority changed the rules to require a minimum of 12 lawmakers to form a faction, again thwarting the 10 Democratic Coalition members. A court ruling on the move was pending at the end of 2012.

The country's new constitution, adopted in 2011, entered into forced on 1 January 2012. It was widely criticized domestically and internationally, partly

because it was drafted in a noninclusive process that reflected the values and interests of the ruling coalition, and partly because it represents a step back on issues such as marriage equality and reproductive rights. During 2010–11, the parliamentary majority regularly amended the former constitution to serve its short-term political and legislative needs. It was expected that with the entry into force of the new constitution, this practice would end. However, the ruling coalition amended new constitution several times during 2012. Such frequent changes to the basic law, along with lower-level legislation that directly serves the interests of the governing parties' clients, 5 create an atmosphere of legal uncertainty and damage the rule of law.

In April 2012, for the first time in Hungary's postcommunist history, the president of the republic was forced to resign. The move came after popular online news portal Hvg.hu reported that the head of state, Pál Schmitt, had plagiarized the overwhelming majority of his doctoral dissertation. Upon his election with Fidesz's backing in 2010, Schmitt had pledged to be an engine rather than a brake when it came to passing legislation, and during his tenure he did not refer a single law to the Constitutional Court or back to the legislature for revisions. To replace him the parliament elected János Áder, a member of the European Parliament, a founding member of Fidesz, and a longtime friend of the prime minister's. Contrary to expectations, Áder used his limited veto and court referral powers several times during 2012, and was generally seen as more independent than his predecessor.

In addition to appointing trusted cadres to lead virtually all state institutions, the Fidesz government has attempted to engineer more subtle and long-term changes in Hungarian culture and society. On the pretext of freeing local governments from the burden of maintaining elementary and secondary schools, the ruling coalition in 2010 opened up the option of transferring public schools to religious organizations. As a result, families in the affected localities lost access to secular educational institutions.9 A recently adopted history curriculum was deemed "unacceptable" by the Association of History Teachers in October 2012 due to its alleged nationalistic and militaristic bias and inaccuracies, among other problems.<sup>10</sup> Another aspect of Fidesz's project of cultural transformation has been its privileged treatment of the Hungarian Academy of Arts (MMA). The MMA had been an informal group of mostly right-wing artists centered on an acclaimed architect, the late Imre Makovecz, until it was included in the new constitution as an organ at the same level as the National Academy of Sciences (MTA). This effectively made the MMA the central clearinghouse for state financing dedicated to the arts. MMA president György Fekete has made it clear that the MMA will only support art that is "national" and conservative, in line with the views of the academy. 11 In December 2012 the otherwise successful director of the National Theater, Róbert Alföldi, was not renewed in his position. His replacement, Attila Vidnyánszky, was clearly qualified, but the circumstances of his election suggest that the decision was made more on ideological than professional grounds. 12 The theater's new director for communications was expected to be KDNP lawmaker István Pálffy.<sup>13</sup>

Direct attacks on the country's Romany population subsided in 2012 in comparison with previous years, but xenophobia and racism remain a concern.<sup>14</sup>

The persistence of anti-Semitism was evident in an attack on a chief rabbi, <sup>15</sup> and in openly racist speeches in the parliament, <sup>16</sup> among other examples. On a positive note, the government and the opposition parties, with the exception of Jobbik, have condemned such displays of racism.

At the end of 2012 it appeared that despite a significant loss of popularity, Fidesz-KDNP retained its prime position among Hungary's political parties.<sup>17</sup> In October a new political formation, Együtt 2014 (Together 2014), led by former prime minister Gordon Bajnai, emerged as a possible contender.<sup>18</sup> It remains to be seen whether the movement will be able to galvanize the left-leaning opposition.

#### **Electoral Process**

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1.25	1.25	1.25	1.75	1.75	1.75	1.75	1.75	2.25	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 68.1 percent of the seats in the parliament. Jobbik has 10.9 percent, the MSZP 12.5 percent, and the LMP 3.9 percent. At the time of writing there were 17 independent members, mostly due to the secession of Gyurcsány and his allies from the MSZP and some lawmakers who left Jobbik.<sup>19</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 apparent 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. Critics allege that the new law will solidify Fidesz's grip on power for the foreseeable future.<sup>20</sup>

The controversy that surrounded the law on elections was compounded at the end of 2012 when the parliament passed a new electoral procedures law that regulates how elections are organized and conducted. The legislation introduced new rules for nomination, a shorter campaign period, and most importantly voter registration.<sup>21</sup> Because Hungary already had a complete and up-to-date citizen registration system and compulsory national identification documents, critics of the measure argued that the additional step of voter registration is superfluous and would unnecessarily restrict the freedom to vote. President Áder referred the law to the Constitutional Court for review,<sup>22</sup> and others expressed disagreement as well.<sup>23</sup> On 28 December the Constitutional Court ruled that several laws—including the newest electoral legislation—had been improperly adopted as "transitory" additions to the constitution and nullified them on procedural grounds. The substance of the laws, however, was still under review at year's end.

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. After President Schmitt was forced to resign in April 2012, the parliament elected Áder with a supermajority vote, 262 to 40.

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 2011–12, but whether they will have much impact remains to be seen. Beyond periodic protests and the quadrennial elections, there is little citizen participation in political and public life.<sup>24</sup> Meanwhile, women and minorities, particularly the Roma, continue to be underrepresented in politics and public office.<sup>25</sup> Trust in public institutions and political parties remains low, raising concerns about the legitimacy of the political system and the security of democracy in Hungary. In 2011, 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 it came with rapid economic growth.<sup>26</sup> The "failure of the past 20 years" has become a rhetorical staple on both the left and the right, though the conclusions each side draws from this assessment are drastically different.

## Civil Society

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1.25	1.25	1.25	1.50	1.50	1.75	1.75	2.00	2.00	2.25

The legal framework is generally hospitable to civil society, accommodating various forms of nongovernmental organizations (NGOs). However, aside from a handful of high-profile watchdog organizations, most NGOs operate on a very small scale, with miniscule budgets. A comprehensive new Civil Law entered into force in 2012 with the aim of bringing more clarity to the field.<sup>27</sup> Among other positive provisions, it requires NGOs to submit annual reports to a court, with failure to do so resulting in possible deregistration. Previously, thousands of organizations remained in the system with no recorded activities. The new provisions were welcomed by the majority of NGOs as an opportunity to increase the transparency and credibility

of the sector. As the implementation of other major changes has been deferred, the law's full effects on the NGO sector remain uncertain.

The engagement of private philanthropy in funding civil initiatives is still very limited in Hungary, and the few private sources that do support such activities fail to set and publish clear and transparent guidelines for grant making. Apart from some international donors, such as the EEA-Norway Grants and the Open Society Foundations, NGOs are overly dependent on government and European Union (EU) funds. Small individual donations play a minor role in NGO funding. Another source of independent income 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.

NGOs are subject to the same tax rules as ordinary companies. These include high payroll taxes, which place a huge burden on nonprofit organizations and small businesses alike.

Government funds are distributed through the National Cooperation Fund (NEA). NEA is the successor of the National Civil Fund (NCA), which had been criticized in previous years for its working methods and funding policies. The new entity was established by the Fidesz government in 2011 with a mission to support "civil organizations, national togetherness, and public good." Its budget in 2012 was 3 billion forints (\$13.3 million), a sharp drop from the NCA budgets of the past.

NEA's governing body is a nine-member council, consisting of three people appointed by the minister in charge, three by the relevant parliamentary committee, and only three civil society delegates. The chair of the council is appointed by the minister in charge. Funds are primarily distributed by five thematic colleges, but the chair can override the colleges' decisions by withdrawing grants from winners and issuing grants to organizations that the colleges previously turned down. Moreover, 10 percent of the NEA budget is directly distributed by the minister in charge.

NEA refuses to publish the full list of beneficiaries, providing only a search engine on its website. However, the investigative website Átlátszó acquired a list of 2012 grant recipients. According to this list, the largest grants were awarded to organizations that are not only committed to Fidesz-friendly ideas like nationalism or conservative Christian values, but often enjoy direct personal connections to the government, as with three groups that are chaired by Fidesz members of parliament.

The NEA council's current chair is Laszlo Csizmadia, a vocal supporter of Orbán's government. He is the head of Joint Civil Forum (Civil Összefogás Fórum, CÖF), a new association with a mission to "strengthen the coherence of the Hungarian nation." Csizmadia claims that CÖF is the "largest civil association of the Carpathian basin," with 400 member organizations. He refuses to reveal details about its organizational and financial background, but proudly announced in a public forum in May 2012 that the government provides financial support to CÖF.<sup>28</sup>

CÖF seems to aspire to a greater role in politics. In 2012 it was the chief organizer of Békemenet (Peace March), a large progovernment demonstration on the 23 October national holiday commemorating the 1956 uprising against Soviet-

backed communist authorities. That day also marked the launch of former prime minister Gordon Bajnai's new center-left political movement, Együtt 2014. Ten days later, CÖF mounted a nationwide public "reminder campaign" to "draw attention to the negative consequences" of the previous two MSZP-backed governments, led by Gyurcsány and Bajnai, respectively.<sup>29</sup> According to experts' estimates, the campaign cost at least 100 million forints (\$444,000).

In December, a series of grassroots student demonstrations reinvigorated civic activism in the country. With the support of the Hungarian Rectors' Conference as well as a number of teachers' groups, students organized strikes and protests against government plans to severely cut the higher education budget. The government's most controversial decision was the introduction of the so-called Student Contract, under which students enjoying state-funded slots in universities would have to agree to stay and work in Hungary for several years after graduation. Erratic and inconsistent government responses to the students' demands and failed negotiations fueled the protesters' anger, and further demonstrations were expected.

#### Independent Media

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
2.25	2.50	2.50	2.50	2.50	2.50	2.75	3.25	3.50	3.50

The Hungarian media scene features a fairly wide range of print, broadcast, and internet outlets. Media ownership is relatively diverse, with a few multinational print houses and local private companies managing varying portfolios. However, the shrinking private advertising market has posed serious problems for smaller and independent media businesses, which have difficulty generating sufficient income. Many local media outlets struggle to survive, while the relative economic success of others is often secured by strong political support and targeted advertising spending by state institutions and state-owned companies.

After two decades in which liberal and pro-Western voices predominated in the media, a dynamic conservative media scene has developed in recent years, mainly based on the investments of affluent businesspeople who support Fidesz. This media empire today consists mainly of 15 intertwined companies controlled by four individuals.<sup>30</sup> The portfolio includes print and broadcast elements as well as Hungary's biggest outdoor advertisement company. The group in 2011 achieved an aggregated sevenfold increase in profits compared with 2009.<sup>31</sup> As a result, progovernment views now have relative hegemony in the media.

The two commercial terrestrial-broadcast television stations remain the main source of information for the majority of the population, along with a number of smaller cable channels. Yet the amount of public affairs content on these channels has seriously diminished in recent years.<sup>32</sup> News blocs are not only short and offer mostly tabloid-style news, but they often simply enumerate different party positions, seldom providing deeper analysis or broader perspectives.

Public-service media have been paralyzed by their poor reputation, direct state funding, and regular political meddling since 2010. The progovernment bias that permeated public media under previous administrations has been replaced with more overt transmission of government views.<sup>33</sup> Public television and radio channels and the state-owned news agency were merged in 2011 to bring efficiency to the assets, but the new umbrella institution, the Media Service Support and Asset Management Fund (MTVA), has failed to ensure transparency and features a proliferation of senior management positions and obscure areas of responsibility. Meanwhile, content is regularly affected by censorship, intimidation, and factual distortions to suit the government's interests. In once infamous incident in March 2012, then president Pál Schmitt sat for an interview on public television about his plagiarism scandal, but the reporter, Péter Obersovszky, acted more as a loyal advocate for the president than as an unbiased journalist.<sup>34</sup> In another case in May, MTI, the central news agency, quoted a blog that disparaged József Ángyán, who had stepped down as secretary of agriculture after a serious conflict with the prime minister. It was later revealed that the blog had been created just hours before the MTI published its story and contained a single entry.<sup>35</sup>

The country's broadsheet newspapers have long been characterized by open bias, with two major outlets on each side of the deep political divide. As a consequence, not only has their circulation been radically shrinking, but they are also losing significance in shaping the public debate. There are a few popular yet apolitical tabloids, and two major free newspapers enhance the preponderance of progovernment voices in the media. Both papers, *Metropol* and *Helyi Théma*, are closely linked to Fidesz. While the former is distributed on the street, the latter is delivered directly to households by the Hungarian Post, with a circulation of 675,000. Although the state-owned postal company is obliged to provide data of public interest, it refuses to reveal the cost and other details of the paper's distribution. The country of the paper's distribution.

With the exception of a handful of weekly magazines (such as *Heti Válasz*, *Figyelő*, and *Magyar Narancs*), high-quality political journalism has migrated almost entirely to the internet, where major news portals (such as Index.hu, Origo.hu, and Hvg.hu) flourish alongside respected blogs. The web is also home to radical views, with numerous sites carrying far-right, anti-Semitic, racist, and ultranationalist content.

While the media appear to accommodate a fairly diverse range of ideas, a recent survey revealed widespread perceptions of self-censorship. It found that 80 percent of the public, 77 percent of journalists, and 96 percent of media owners and managers believe there are a number of taboo issues in the Hungarian public sphere.<sup>38</sup> Another survey shows that half of the interviewed media managers have experienced direct pressure from political forces, and 35 percent think that the level of political pressure is so high as to hinder freedom of the press. Political influence often comes in the form of, or is combined with, economic pressure.<sup>39</sup> Yet many of the respondents said the much-criticized 2010 Media Law had not greatly affected this situation. One, summarizing the views of others, explained that journalists

exercising self-censorship "had always been confined to narrower limits than those assigned by laws and regulations."  $^{40}$ 

Under the 2010 law, the National Media and Electronic Communications Authority (Nemzeti Média és Hírközlési Hatóság, or NMHH) oversees all media, including broadcast, print, and online outlets. It also grants licenses and frequencies, monitors content, and 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 a nine-year term. <sup>41</sup>

#### Local Democratic Governance

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
n/a	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.75

Local self-governance has been a symbolic element of Hungarian democracy since the fall of communism in 1989. The high level of decentralization is reflected in the large number of independent local councils in relation to the country's population. Almost half of the approximately 3,200 municipalities are small villages with fewer than 1,000 residents, and only around 300 of them have the status of a town. Each municipality votes for its own mayor and council. However, their political autonomy is limited in practice by heavy financial dependence on the central government, as lack of industry and consistently high rates of unemployment keep local tax revenues at a low level.

Local voting coincides with the quadrennial national elections. Fidesz's overwhelming ascendancy in local governments exceeds even its parliamentary supermajority. All but one of Hungary's 23 main cities and all 19 county-level assemblies are controlled by the governing party. It also holds the mayoral post in Budapest and enjoys a strong majority on the city council. Budapest comprises 23 autonomous districts, each with an independently elected mayor and assembly. All but two of the districts have been governed by Fidesz since the 2010 elections.

The severe indebtedness of local governments has been viewed as a ticking financial time bomb since 2006, when, due a liberalizing legal amendment, local governments began to issue bonds more prolifically. This led to an accumulated debt of about 1.3 trillion forints (\$5.8 billion). In October 2012, Prime Minister Orbán announced that the central government would assume 612 billion forints in local debt, or about half of the total. Municipalities with fewer than 5,000 inhabitants are automatically subject to full relief, while in larger towns up to 40 percent of the debt would be transferred.

Based on the new constitution in effect since 1 January 2012, fundamental reforms have been rearranging local governance. A key guarantee of the old charter was the declaration that the state would respect local councils' property. However, under the new constitution, all local assets are considered part of Hungary's national

property, not owned but merely controlled by the municipalities to perform certain tasks allotted by the state. Responsibility for such tasks has been shifting radically over the last two years.

Part of this phenomenon is a centralization of public education. In an important manifestation of political autonomy, all previously state-owned elementary and high schools were placed under the purview of local or county governments after the fall of communism. This included the maintenance of buildings as well as professional supervision. The system was often criticized for producing inconsistency, segregation, and dire inequalities between wealthier and financially less privileged regions of the country. The recent reform effort aims to eliminate these long-standing imbalances and create a fairer and more predictable system, in which both children and teachers can enjoy greater security.<sup>42</sup>

In a key component of the reforms, all teachers and other educational employees will be on the payroll of a new centralized entity called the Klebelsberg Institution Maintenance Center (Klebelsberg Intézményfenntartó Központ, KLIK) beginning in 2013. The center itself will have 2,300 employees who, through 198 school district principals, will be responsible for 3,000 schools, 1.2 million students, and 120,000 teachers. KLIK will also be in charge of all teaching materials, supplies, and professional training coordination.

The government allowed just five days for public consultation on this proposal, and a number of worrisome details suggest that the system is utterly unprepared for the overhaul. Critics of the process include Zoltán Pokorni, Orbán's former minister of education, and in a recently leaked study by the Ministry of Human Resources, the undersecretary for education admitted that the costs of the reform are not covered in the budget. Experts predicted during 2012 that a lack of sufficient funding could lead to massive dismissals. This is despite the fact that teachers' salaries have hardly increased since 2002, I falling well below the national average wage. A typical teacher's monthly salary is 100,000 forints (\$440) after taxes.

## Judicial Framework and Independence

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.75	2.50

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 (Kúria). 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 cities. The Supreme Court serves as a final appeals court and ensures the uniform application of laws, developing a limited form of case law.

In November 2011 the old governing body of the judiciary, the National Judicial Council (Országos Igazságszolgáltatási Tanács), was replaced with the National Judicial Office (Országos Bírósági Hivatal). While the previous arrangement was duly criticized for its lack of transparency and for placing too much power in the hands of the presidents of the county courts, the new system exposes the judiciary to government influence. The head of the new office is elected by a supermajority in the parliament, and the first incumbent is Tünde Handó, the former president of the Labor Court, the wife of Fidesz member of the European Parliament József Szájer, and a longtime friend of the prime minister's.

However, Handó rarely used her extensive powers in 2012, <sup>46</sup> and the judiciary appeared to retain a degree of autonomy, with judges generally able to carry out their functions independently and without interference. In one case during the year, after a high-profile murder trial resulted in what was widely seen as a light sentence, Minister of Public Administration and Justice Tibor Navracsics wrote a letter to the president of the Supreme Court, Péter Darák, questioning him about the sentence and the practice of the courts. <sup>47</sup> Darák refused to respond to this pressure.

In a highly controversial piece of legislation that took effect along with the new constitution in January 2012, the government lowered the mandatory retirement age of judges from 70 to 62. The affected judges were forced to retire and replaced by younger colleagues. In July, however, the Constitutional Court found the law unconstitutional, leading to an awkward situation in which the judges who wished to be reinstated were obliged to sue the judiciary for positions that had already been filled. As In practice they often settled for compensation. In a November judgment, the European Court of Justice also found the forced retirement of judges to be in violation of EU laws.

Under the new constitution, a single Office of the Commissioner for Fundamental Rights was created to replace the previous ombudsmen's offices. The new commissioner is elected by a supermajority in the parliament for a nine-year term and has two deputies, one for "future generations" and one for the rights of national and ethnic minorities. <sup>50</sup> The portfolio of the former ombudsman for data protection and freedom of information was moved to the National Authority for Data Protection and Freedom of Information. <sup>51</sup>

The Constitutional Court has shaped the legal framework of Hungary since 1990. Its members are elected by the parliament from among the country's legal scholars, though critics have raised questions about the credentials and right-wing political ties of the judges appointed under the Fidesz government. For example, István Balsai, appointed to the court in 2011, had most recently served as vice leader of Fidesz's parliamentary caucus. The Constitutional Court's primary function is to safeguard constitutional rights through its interpretation of the charter 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 its broader drive to eliminate checks and balances in the country's constitutional framework, the government since 2010 has narrowed the scope of

the Constitutional Court's jurisdiction. 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 if the question is linked to the national budget. Under a rule imposed in 2011, only petitions submitted by at least a quarter of the parliament or individuals at the center of specific cases are now admissible.

The Constitutional Court has ruled against the government in several cases in recent years. In 2012, in addition to the law on retirement of judges and the new electoral legislation, it struck down legislation that effectively criminalized homelessness and rejected a law that narrowly defined a family as a married heterosexual couple and their direct descendants and adopted children.<sup>53</sup> However, judges appointed by the current ruling coalition will soon have a majority on the court, raising doubts about its future independence.

The chief prosecutor is nominated by the president of the republic and elected by the parliament for a nine-year term, and lawmakers do not have the right to summon him for questioning. The law governing the chief prosecutor's election now requires a two-thirds vote. This effectively 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 from 2000 to 2006, and exercised his functions in a partisan manner.

### Corruption

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
2.75	2.75	3.00	3.00	3.00	3.25	3.50	3.50	3.50	3.50

With its parliamentary supermajority, the government elected in 2010 had the ability to tackle corruption in a number of areas where it has proven especially acute. Instead, according to Transparency International's National Integrity Study 2011, released in March 2012, the state has been captured by private interest groups.<sup>54</sup>

Also in March, the government adopted a comprehensive resolution on "good governance and the clarity of public life." The resolution contains positive initiatives that could adequately address existing loopholes in anticorruption legislation, but implementation lagged during the year. The designated working groups' activities were uncoordinated and deterred consultation with civil society, and by the end of 2012, none of the specified deadlines had been met. 56

The opportunity to exercise political influence over independent institutions has increased significantly with Fidesz's two-thirds majority in the National Assembly, which allows it to appoint leaders of all key organizations without the agreement of the opposition. In practice, the ruling coalition has not shown self-control in any of these nominations since 2010. Consequently, even where legislation would provide an adequate framework for institutions to exercise independent auditing

or control, in reality their political autonomy is questionable. In an illustration of the problem, the head of the State Audit Office (Allami Szamvevőszek, or ASZ), the ultimate institution responsible for the financial and economic oversight of the parliament and public spending, is László Domokos, who was a Fidesz lawmaker at the time of his appointment. In November 2012, ASZ presented its annual award for outstanding and exemplary performance in building the office's professional prestige and importance to Antal Rogán, the leader of Fidesz's parliamentary caucus.

Political parties continue to pose the largest corruption risk in Hungary. Instead of ensuring transparency and accountability, the badly designed party and campaign-financing regulations almost encourage parties to seek funds from opaque sources.<sup>57</sup> While almost all previous governments promised to overhaul the system, the reform requires a two-thirds vote, and such consensus between Fidesz and the MSZP before 2010 was inconceivable. Fidesz now possesses the necessary supermajority on its own, but it has little incentive to change a system that serves its interests.

The business sector is also fraught with high risks of corruption, through bankruptcy and liquidation processes as well as licensing and public procurement procedures. A study released in 2011 showed that the vast majority of corporate chief executives believe good personal connections play a major role in public procurement procedures. While 30 percent of the respondents said they would not necessarily refuse a corrupt deal, just 6 to 12 percent said they would report it to the police. Such data bolster the presumption that publicly revealed corruption cases represent only a small share of actual corrupt activities. The study also found that corruption in relations between private businesses is thought to be roughly as common as in relations between private businesses and the public sector.

Approximately 1.4 trillion forints (\$6.2 billion) is spent annually through public procurement procedures, and the lack of a database aggregating essential procurement information seriously limits research on how these funds are allocated. <sup>59</sup> Budapesti Corvinus University's Corruption Research Center, financed with EU funds, has been working on the creation of such a database.

One prominent beneficiary of public procurement spending is Közgép Zrt., which has won almost 300 billion forints (\$1.33 billion) in state contracts since Fidesz took power in April 2010.<sup>60</sup> Either on its own or as part of a consortium, Közgép has undertaken projects ranging from road and railway construction to waste management facilities.<sup>61</sup> The company's income increased by almost 50 percent between 2010 and 2011.<sup>62</sup>

Közgép is owned by Lajos Simicska, a childhood friend of Orbán's, a former financial director of Fidesz, and the president of the Tax Authority during the first Orbán government. He habitually avoids publicity, but many argue that the combination of his political ties and economic success makes him the most powerful "oligarch" in Hungary.<sup>63</sup>

In July 2012, the opposition party LMP organized a civil disobedience protest at the headquarters of Közgép to draw attention to such politically connected business magnates. Participants included nine LMP members of parliament who

chained themselves together at the building's entrance. Although they positioned themselves in a way that did not block traffic to the site, they were detained by police for a day and later fined 50,000 to 100,000 forints (\$220 to \$440) each.

Representatives of the European Anti-Fraud Office (OLAF) had visited the Közgép headquarters in May. The company subsequently released a statement claiming that the visit was part of a standard investigation into EU-funded projects. The outcome of the inquiry was not yet known at year's end.

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The name is a play 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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