

# SGI Sustainable Governance Indicators 2011

## Hungary report

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## Executive Summary

From May 2008 to April 2010, the strong political polarization that has characterized Hungary since the late 1990s continued. The socialist minority governments led by Ferenc Gyurcsány (May 2008 – April 2009) and Gordon Bajnai (April 2009 – June 2010) could by and large count on the support of the liberal Alliance of Free Democrats (SzDSz), its former coalition partner, but faced fierce resistance against almost all of its activities by Fidesz, the main center-right opposition party. Fidesz was able to legitimize its radical opposition with the results of a referendum against the government's reform program in March 2008 and the party's good showing in the polls, which anticipated its landslide victory in the parliamentary elections in April 2010.

The strong political polarization infringed upon the quality of democracy. It manifested itself in a far-reaching politicization of the media and, to a lesser extent, the judiciary. In addition, polarization precluded substantial public debates between the contending parties, while making it impossible to fill vacant positions in key public institutions (Constitutional Court, Audit Office). Polarization also had the effect of discrediting the government and the political regime, and inhibiting the work of the police, thereby contributing to the increasing violence against Roma and gay people by right-wing extremists, which shattered the country. In addition, the quality of democracy suffered from wide-spread corruption and ineffective provisions on party and campaign financing.

Hungary also faced severe economic and fiscal problems which put the country at the brink of a currency crisis in autumn 2008. With some help by the IMF and the EU, the Gyurcsány and Bajnai governments succeeded in fending off this danger by accomplishing a far-reaching fiscal adjustment. Reforms included an overhaul of the tax system, which reduced Hungary's high non-wage labor costs, as well as cuts in pensions and an increase in the official retirement age from 62 to 65, which have increased the sustainability and intergenerational equity of the Hungarian three-pillar pension system.

However, the pre-occupation with crisis management and the need for fiscal consolidation also meant that the two minority governments were not able to address a number of important problems. After the 2008 referendum, none of the two governments dared to launch a new health care reform. Little attention was paid to research and

innovation, the education system and integration policy. Growing social and regional disparities also received scant attention. Aggravated by the world financial crisis and the tough fiscal consolidation, these disparities have been a key driver of growing right-wing extremism, and political radicalization and polarization in Hungary.

The Gyurcsány and the Bajnai government were able to build on far-reaching institutional reforms that had been adopted from 2006 to 2008, the first part of the parliamentary term, with a view to improving inter-ministerial coordination and strengthening the position of the prime minister in government. Executive capacity and policy implementation thus primarily suffered from the lack of popular support and the strategy of polarization pursued by Fidesz. Despite their achievements, neither the Gyurcsány nor the Bajnai government managed to restore the confidence in the government and the Hungarian Socialist Party (MSzP).

## Strategic Outlook

The parliamentary elections in April 2010 have radically transformed the Hungarian party system. The conservative Fidesz party received a two-thirds majority, the Hungarian Socialist Party (MSzP) was pushed to second place with considerably fewer seats, and the two centrist parties Hungarian Democratic Forum (MDF) and Alliance of Free Democrats (SzDSz), which have been around since 1990, lost out to two new parties: Jobbik, an extreme-right party, and Politics Can Be Different (LMP), a liberal protest party. The elections have vested the new government of Prime Minister Viktor Orbán with a strong mandate and almost unrestricted political power.

The primary danger is that the new government will use its strong position to strengthen control over the media, weaken the independence of the courts and other non-majoritarian institutions, and amend the constitution in line with its needs. Such a development would follow the logic and dynamics of political polarization observed in Hungary since the late 1990s, but would put democracy at risk. As it stands, such developments seem almost inevitable. The government shows little inclination towards self-restraint, the domestic opposition is weak and paralyzed, and effective external pressure is unlikely.

In the field of economic policy, the Orbán government can build on the successful crisis management of its predecessors. However, its

room for maneuvering and, thus, the scope for realizing costly and risky economic and social campaign promises remains limited. Given the prevailing “nervousness” of the international capital markets, any substantial departure from the course of fiscal consolidation initiated by Gyurcsány and Bajnai is likely to provoke economic trouble and will not be well-received within the EU.

Confronted with heavy constraints on economic and social policies on the one hand, and strong demands for rapid improvements in living standards on the other, the government might be tempted to resort to symbolic politics, in particular by playing the nationalist card and/or criminalizing the opposition. Pursuing a nationalist strategy will help contain the extreme right-wing parties, but it will also exacerbate the already precarious plight of the Roma population, complicate relations with Slovakia, weaken Hungary’s position within the EU, and deter foreign investors. The strategy of criminalizing the opposition, which was already pursued by the first Orbán government from 1998 to 2002, might be popular with voters, but is likely to further erode the rule of law and quality of democracy in Hungary.

## Status Index

### I. Status of democracy

#### **Electoral process**

Candidacy  
procedures  
Score: 9

Electoral registration procedures are fair and transparent, and did not change during the period under review. The registration of candidates and parties is relatively straightforward. Only ten founding members are required for registering a party, and a number of parties outside the mainstream are registered. In the 2010 elections, two new parties made it into parliament. However, some problems have arisen with regard to the registration of candidates. For the first time, even smaller parliamentary parties, including the Hungarian Democratic Forum (MDF), struggled to collect the 750 signatures required for candidates for parliamentary elections. One reason was that Fidesz, the main opposition party, tried to crowd-out other parties by collecting much more than the required signatures for their own candidates.

Media access  
Score: 6

Large sectors of the media in Hungary have a strong partisan bias. However, the existing media pluralism gives all candidates and parties the chance to present their views to the public. The media have paid relatively little attention to the 2010 elections, the outcome of which seemed to be clear in advance. The non-partisan private TV and radio stations in particular tried to stay outside the party battle in order not to provoke any conflicts with the incoming Fidesz government. For the first time since 1990, no debates between the main party leaders were broadcasted. Fidesz leader Viktor Orbán refused to debate in public with his political opponents.

Voting and  
registrations rights  
Score: 8

In principle, all adult citizens can take part in national elections. However, exceptions hold not only for persons under guardianship, but for convicted prisoners as well. In the April 2010 elections, about 60,000 citizens were not allowed to vote. While there is no postal vote, special provisions for allowing disabled and ill citizens to vote by means of a movable ballot box exist. In a handful of voting districts, voting in the April 2010 elections was complicated by extremely long waiting lines, which resulted in some citizens not exercising their voting rights. The election board (National Electoral Committee, OVB) was aware of the problem in advance, but did not resolve the problem in time.

Party financing  
Score: 3

Party and campaign financing in Hungary suffer from substantial problems. Parties are prone to corrupt and illegal practices because they receive little money from the state, and the regulation of private donations is intransparent and ineffective. A case in point, which attracted much public attention, was the case of János Zuschlag, a young MP of the Hungarian Socialist Party (MSzP), who abused funds for public projects (worth about €280,000) for campaign financing and was sentenced in March 2010 to 8 ½ years in prison. It is well known that parties outspend the official spending limits – tenfold according to some estimates – and submit misleading financial reports to the State Audit Office (ÁSZ). In 2009/2010, Transparency International and Freedom House pushed for a campaign reform bill that aimed at making campaign financing more transparent. However, this bill was rejected by Fidesz, the major opposition party, and thus did not get the two-thirds majority required for passage.

### **Access to information**

Media freedom  
Score: 5

The political affiliation of the media in Hungary is rather strong. This applies to both public and private media. The government's influence on the media was limited by the fact that Fidesz succeeded in securing a strong position in the public media even before the parliamentary elections in April 2010. The Gyurcsány government infringed upon the independence of media by openly boycotting pro-opposition media. The Bajnai government took a less partisan approach.

Media pluralism  
Score: 6

Media pluralism is facilitated by a diversified ownership structure with a high degree of foreign ownership. The TV and the radio sectors are characterized by a plurality of providers. In most municipalities, however, only a single local newspaper exists. Media pluralism also suffers from the strong politicization of the public and the private media and the personal ambitions of some media owners, most notably Gábor Széles, one of the richest persons in Hungary.

Access to gvmt.  
information  
Score: 8

Hungarian law provides for far-reaching access to government information. The 2008 amendment of the 2004 Act on the General Rules of Administrative Procedures further expanded the access to information about the state of public procedures. In addition, the number and quality of public institutions' websites have increased substantially. Bureaucratic procedures sometimes disturb the free flow of information. However, violations of the legal obligations are rare, and in most cases, citizens can enforce their right of access to information.

## Civil rights

Civil rights  
Score: 6

Civil rights are protected by the constitution and other laws, and are widely respected by state institutions. However, the latter have failed to stop the increasing violence against Roma and gay people exercised by the Hungarian Guard (Magyar Gárda), a right-wing paramilitary organization established in 2007. The Holocaust Act, passed in February 2010, criminalized attempts to deny the Holocaust in order to protect human dignity. A more comprehensive initiative to prohibit hate speech was stopped by the Constitutional Court in 2009.

Political liberties  
Score: 9

In Hungary, the freedom of expression, the right to assembly and other political liberties are almost unrestricted. The Constitutional Court has taken an extremely liberal position and has rejected a number of attempts to penalize hate speech. The activities of the Hungarian Guard, a paramilitary organization of the right-wing party Jobbik, have raised concerns that the legal provisions might be too liberal. In December 2008, the Hungarian Guard was forbidden. However, enforcing the ban has turned out to be difficult. In the period under review, referenda became an important additional means of articulating interests.

Non-discrimination  
Score: 6

Legal provisions against discrimination are largely appropriate. Hungary implemented all EU anti-discrimination directives in the early 2000s and has a functioning Anti-Discrimination Office, now called the Equal Treatment Authority. Defying international recommendations calling for the independence of this body, the Authority is formally part of the government administration. Despite the comprehensive legal and institutional framework, there is still considerable discrimination. Women face substantial career disadvantages. The Roma population suffers from widespread discrimination in fields like employment, housing, or access to political posts. The accessibility of public buildings and public transport for the disabled is improving only slowly.

## Rule of law

Legal certainty  
Score: 8

Executive actions are largely in accordance with the law. However, legal certainty sometimes suffers from the poor preparation and low quality of legislation. Sometimes, legislation is hectic and single legislative acts address rather different issues. This undermines the coherence of legislation and grants the administration considerable discretion in deciding concrete matters.



Judicial review  
Score: 7

Hungarian courts act independently from government. This applies particularly to the Constitutional Court, which has broad jurisdictional range, and traditionally has enjoyed high esteem within and outside Hungary. In the last years, however, a number of controversial judgments, most notably the Court's decision to allow the anti-reform referendum in March 2008, have shaken its professional reputation. The Office of the Prosecutor General has also been criticized for favoring Fidesz because of its selective treatment of corruption issues. The lower courts suffer from long, slow and relatively expensive proceedings.

Appointment of justices  
Score: 7

The members of the Constitutional Court are elected by parliament with a two-thirds majority. In the past, this provision has limited the control parties in government have over the appointment of justices, and has contributed to a balanced composition of the Court. However, in the polarized context of the review period in which the major parties have failed to reach a compromise, court seats have remained vacant.

Corruption prevention  
Score: 4

Corruption is rampant on all levels of government and featured prominently in the 2010 election campaign. The existing legislation does not suffice to effectively prevent public officeholders from abusing their positions. The period under review was full of scandals. A spectacular case in early 2010 involved leading officials of the Budapest Transport Enterprise (Budapesti Közlekedési Vállalat, BKV) connected with the mayor's office. In general, corruption is not only a problem among the political elites, but extends to the lowest ranks of the state administration, with doctors in hospitals, policemen and civil servants involved. Corruption is endemic in the case of infrastructure investments such as the construction of highways and bridges. The Gyurcsány and Bajnai governments did little to address the problems.

## II. Policy-specific performance

### A Economy

#### Economy

Economic policy  
Score: 8

Hungary has been an attractive location for foreign investment ever since the early 1990s. However, the country has suffered from severe macroeconomic imbalances several times. At the end of 2008, the Hungarian economy was at the brink of yet another currency crisis. The Gyurcsány and Bajnai governments succeeded in fending off this

danger by accomplishing a far-reaching fiscal adjustment. However, the pre-occupation with crisis management also meant that a number of structural problems, including a strong gap between the international and the domestic sector of the economy, could not be addressed. Moreover, the widely anticipated change in government in April 2010 made all changes preliminary.

### **Labor market**

Labor market policy  
Score: 5

The Gyurcsány and the Bajnai government refined and expanded active labor market policy. The main instrument was the Road to Work (Út a munkához) project. Introduced in December 2008, it aimed at expanding employment opportunities in the public sector for the unemployed. The Bajnai government tried to stabilize employment in times of crisis by subsidizing businesses for the purpose of creating or keeping existing jobs. The reliance on labor market policy was facilitated by EU funds, but suffered from tight fiscal constraints. The overall effect of labor market policy on employment was limited. The Hungarian employment rate is still among the lowest in the EU, and the readiness of Hungarians to move inside or outside the country for a job is relatively limited as well.

### **Enterprises**

Enterprise policy  
Score: 5

Hungary is among the countries with the highest inward investment. Its economy has been characterized by a strong gap between a dynamic multinational economic sector and a weaker and fragmented sector of small and medium-sized enterprises (SMEs) and about a million self-employed. In the period under review, governments succeeded in attracting foreign investment, but did relatively little to support the domestic sector of the economy. The neglect of the domestic sector was a major point in Fidesz's campaign against the governing coalition.

### **Taxes**

Tax policy  
Score: 6

The Bajnai government combined the massive fiscal adjustment with a tax reform, partly prepared and announced by its predecessor. This reform aimed primarily at shifting the tax burden from direct to indirect taxes in order to reduce Hungary's high non-wage labor costs. In July 2009, the standard VAT rate was raised from 20% to 25%. The resulting tax increase was partly compensated by a reduction in social security contributions from 29% to 26%, the introduction of a reduced

VAT rate of 18% on some basic foodstuff, and a decline in personal income tax rates from 18% and 36% to 17% and 32%, phased in as of January 2010. Amendments to the corporate income tax, which were enacted in January 2010 only, were more limited. On the one hand, the solidarity tax on corporate income was cancelled. On the other, the standard rate was increased from 16% to 19%.

### **Budgets**

Budget policy  
Score: 7

In the period under review, Hungary continued the radical fiscal adjustment begun in 2007. Despite the economic crisis, the general government fiscal deficit was stabilized at about 4% in 2008 and 2009. Fiscal adjustment helped to fend off a currency crisis in late 2008 and won the Bajnai government much international acclaim. In order to emphasize its commitment to reform, the Gyurcsány government established a Budgeting Council (Költségvetési Tanács) in charge of monitoring the reduction of the budget deficits. Nominated by the president, the Hungarian National Bank and the State Audit Office, its three members were first elected by parliament in February 2009.

## **B Social affairs**

### **Health care**

Health policy  
Score: 4

The Hungarian health care system has suffered from inefficiencies, rising costs, low quality and an erosion of universal access through an increasing reliance on informal payments. The Gyurcsány government launched a far-reaching and highly controversial health care reform in December 2006. After a central element of reform – the introduction of fees for visits – was rejected by more than 80% of voters in a referendum in March 2008, the government retreated entirely from the health reform project. In May 2008, the MPs of the governing Hungarian Socialist Party (MSzP) joined the parliamentary opposition in cancelling the opening of the market for private health insurance funds adopted by parliament just six months earlier in December of 2007. Since the health care reform had been drafted by a minister of the liberal Alliance of Free Democrats (SzDSz), this move led to the breakdown of the coalition.

## Social inclusion

Social inclusion  
policy  
Score: 5

Hungary has seen a tendency towards social polarization for some time, with about one-third of the population being left behind in socioeconomic terms. While income inequality declined somewhat in the mid-2000s, it increased strongly during the economic crisis. Poverty islands have emerged in the (north-) eastern part of the country, and the Roma issue has become very serious. Pre-occupied with fiscal consolidation, the Gyurcsány and Bajnai government did little to address these problems. One unconventional measure has been the adoption of a new Code of Conduct for Public Utilities (Közüzemi Kódex). Introduced on April 1, 2010, it contains provisions on how public utilities should deal with poor customers and delays in payments.

## Families

Family policy  
Score: 5

In Hungary, traditional notions of the family have been strong, with the female employment ratio being one of the lowest in the OECD. The Gyurcsány and the Bajnai governments stressed their emphasis on improving female labor market participation and the reconciliation of employment and work. When the Bajnai government cut the maximum duration of paid parental leave from three to two years in 2009, it cited fiscal reasons as well as the disincentives such policies entail for female employment. In large part due to electoral reasons, the main emphasis in family policy rested on combating child poverty through improvements in family allowances.

## Pensions

Pension policy  
Score: 7

Hungary has had since 1997 a three-pillar pension system with a mandatory private second pillar. The Bajnai government increased the sustainability and the intergenerational equity of the scheme by abolishing the “13th month pension” introduced in 2003, and by increasing the retirement age from 62 to 65. The adopted decrease in social security contributions might help reduce tax evasion and increase employment rates, thereby improving the medium-term financial situation of the public pillar and even increasing overall pension claims in the future.

## Integration

Integration policy  
Score: 5

Hungary is still primarily a transit country and has only gradually become a destination for migrants. Policies towards migrants have focused either on security aspects or on the support of ethnic Hungarians from neighboring countries (i.e., “diaspora politics”). By contrast, the integration of migrants is not yet seen as a means of overcoming labor market shortages and alleviating the effects of an aging and shrinking Hungarian population.

## C Security

### External security

External security  
policy  
Score: 8

Given its geographical location and its membership in NATO and the European Union, Hungary’s external security risks are widely perceived as low in the country. Sensitivity to security issues is weaker than in most other European countries, and the interest in foreign affairs largely focuses on the Central European region and on the plight of the Hungarian minorities abroad. The recent attempt at fiscal consolidation contributed to a further decline in military spending. The number of tanks in services has been reduced, and a large number of garrisons have been shut down. However, Hungarian troops have participated in a number of military missions, including those in Afghanistan, Cyprus, and Bosnia and Herzegovina.

### Internal security

Internal security  
policy  
Score: 4

While international cooperation within the framework of the Schengen border control agreement has operated smoothly, the internal security situation has worsened, with the state, at least partially, losing its monopoly on the use of violence. For one thing, Hungarian police forces have failed in dealing with the street riots and the political violence of the extreme right. For another, the number of small thefts has increased throughout the country. As a reaction, most municipalities have asked for, and have been ready to support financially, additional police actions. Moreover, several municipalities have also set up civil guards (Polgárőrség) alongside the state police. These activities have helped to protect individual property, but at the same time have further nourished the widespread feeling of rising internal insecurity and a broken public order. The worsening internal

security situation can in part be attributed to the lack of action taken by the Gyurcsány and Bajnai governments. However, part of the responsibility also rests with Fidesz, whose accusations and intimidation exacerbated the politicization of the police.

## D Resources

### Environment

Environmental  
policy  
Score: 7

Environmental policy has gained further importance in Hungary. The general awareness of environmental issues has increased, not the least because of conflicts with Austria over cross-border pollution. EU requirements and funds have helped to address issues such as waste management, canalization or sewage systems, as well as to formulate and to develop medium-term strategies. A good case in point is the National Energy Saving Programme (Nemzeti Energiatakarékossági Program) within the framework of the National Strategy of Renewable Energy for 2008 – 2020. At the same time, however, environmental policy has suffered from tough fiscal consolidation. The tight public finances have become a strong restraint on any expansion of environmental policy in Hungary.

### Research and innovation

Research and  
innovation policy  
Score: 5

Research and innovation policy has not yet received the proper support and attention in Hungary. The Gyurcsány and Bajnai governments were preoccupied with other issues and largely counted on economic development through foreign direct investment. The National Office for Research and Technology (Nemzeti Kutatási és Technológiai Hivatal, NKTH), established in late 2004 in order to coordinate the government's research and innovation policy, had been given to the liberal coalition partner as part of the coalition game after the 2006 elections and thus did not play a major role. A 2009 act on the Hungarian Academy of Sciences (Magyar Tudományos Akadémia, MTA) failed to overhaul Hungary's basic research institution. It concentrated on strengthening the power of the president of the Academy, thereby creating a row in the scientific community. Hungary also succeeded in becoming host country of the European Institute of Innovation and Technology (Európai Innovációs és Technológiai Intézet, EIT), an EU agency established in September 2008. However, the EIT has not yet given a major push for R&D in Hungary.

## Education

Education policy  
Score: 4

The education system has continued to drift. The marked local and social disparities in primary and secondary education, caused by the local financing of schools, have further increased. Despite the large unemployment among unskilled young people as well as the “over-production” of academics, vocational training has further eroded. Universities have suffered from a lack of resources because funds have not kept pace with the number of students. Neither the Gyurcsány nor the Bajnai government dared to tackle these issues. After the lost referendum in March 2008, the former retreated from its original plans to improve the financial situation of universities by introducing tuition fees.

## Management Index

### I. Executive Capacity

#### A Steering capability

##### Strategic capacity

Strategic planning  
Score: 5

Policy-making in the period under review has been dominated by short-term crisis-management. The two cabinet committees that had been established in 2006 in order to develop long-term strategies – the Committee of State Reform (ÁRB) and the Development Policy Steering Board (FIT) – ended their activities in July 2007 and April 2008 respectively. However, the New Hungary Development Plan (ÚMFT), an outline of Hungary's socioeconomic development from 2007 – 2013 prepared by the FIT in October 2006, proved vital in getting and absorbing EU transfers while providing some strategic guidance.

Scholarly advice  
Score: 6

The institutionalization of scholarly advice in Hungary is weak. In the hectic years from 2008 to 2010, interactions between public officials and academic experts became less regular. However, the so-called Reform Alliance (Reformszövetség), an expert group sponsored by the National Alliance of Entrepreneurs (Vállalkozók Országos Szövetsége, VOSZ), had a large influence on budget policy. The fiscal reform package of the Bajnai government drew strongly on the recommendations made by the Alliance in early 2009, and one of the Alliance's leading figures, Péter Oszkó, served as finance minister in the Bajnai government. Academic experts proved less influential in the case of civil law. The new civil code eventually adopted after ten years of debate in September 2009 deviated substantially from the draft originally prepared a commission (Vékás Commission) consisting of nine professors and justices for the government.

##### Inter-ministerial coordination

GO expertise  
Score: 7

In the context of Hungary's "chancellor democracy," the Prime Minister's Office has always been rather strong. Prime Minister Gyurcsány further expanded the Office's sectoral policy expertise. Prime Minister Bajnai built on these changes, but did not initiate



further changes.

GO gatekeeping  
Score: 9

The Prime Minister's Office has strong gatekeeping powers. It monitors all stages of the policy-making process and is strongly involved in the preparation of draft bills. It can return most items on policy grounds.

Line ministries  
Score: 9

The Prime Minister's Office is strongly involved in preparing the line ministries' policy proposals. Under the Gyurcsány government, the general lead rested with the PMO and the advisory bodies steered by the PMO. Ministries were bound to serve, not to lead and lost the authority to prioritize policy decisions. Ministers were seen as agents of the cabinet rather than representatives of their ministries. The Bajnai government returned greater autonomy to the ministries.

Cabinet committees  
Score: 7

Cabinet committees have traditionally played an important filtering role in Hungarian policy-making. The Gyurcsány government further strengthened the role of cabinet committees by setting up two cabinet committees with strong powers - the Committee for State Reform and the Development Policy Steering Board - in 2006. With the transition from the Gyurcsány to the Bajnai government, the role of cabinet committees declined. The number of standing cabinet committees was reduced to three (Economic Cabinet Committee, National Security Cabinet Committee, Social Policy Cabinet Committee), and their coordinating function declined.

Senior ministry  
officials  
Score: 9

Senior ministry officials play a major role in inter-ministerial coordination. For one thing, they are in charge of clearing issues with other line ministries during the drafting process. For another, before being submitted to cabinet, all draft bills are discussed at regular meetings of the state secretaries. The role of senior ministry officials is further aggravated by the powerful Interministerial Coordination Committee for European Affairs (Európai Koordinációs Tárcaközi Bizottság, EKTB) set up in 2006. This committee brings together senior ministry officials from various ministries and meets once a week to prepare Hungary's positions in EU decision-making.

Line ministry civil  
servants  
Score: 6

Line ministry civil servants also play a significant role in policy coordination. Inter-ministerial coordination can take the form of working groups consisting of civil servants from different ministries. It is often complicated by hierarchical structures within the ministries, a culture of departmentalism, and differences in the political affiliation of ministries.

Informal coordination  
procedures  
Score: 6

As minority governments, the Gyurcsány and Bajnai governments were dependent on the support of the liberal SzDSz, the former coalition partner of the MSZP. The necessary informal coordination turned out to be relatively easy, especially under Bajnai's less partisan "expert" and "caretaker government." Most liberal MPs

accepted the case for reform and did not want to risk early elections. Under Prime Minister Gyurcsány, informal coordination within the socialist MSzP featured prominently as well. After all, Gyurcsány resigned because of its loss of authority in the MSzP.

## RIA

RIA application  
Score: 4

Hungary has seen various attempts at improving impact assessment ever since 1987. In 2006, the Ministry of Justice and Public Order published new guidelines, modeled on EU approaches. However, these guidelines have not been adopted as an official government document yet. RIA suffers from unclear and fragmented competencies. Both the Prime Minister's Office and the Ministry of Justice and Public Order have been active in the field. In practice, there is no systematic application of RIA. In a number of cases, no RIA is undertaken; in other cases, draft bills come with in-depth assessments of more than 100 pages.

Needs analysis  
Score: 3

Draft bills normally say a few words on the purpose of and the need for a regulation. However, RIA largely focus on the direct budgetary impact of draft bills or other measures. A comprehensive analysis of the need for a regulation is rare.

Alternative options  
Score: 4

Although the RIA guidelines published in 2006 by the Ministry of Justice and Public Order have called for a comprehensive analysis of alternative options, the consideration of alternatives has long been limited. Draft bills usually mention such options, but do not elaborate upon them. Under the Bajnai government, the situation improved. Major draft bills, for example in the field of taxation or labor market policy reform, included a detailed examination of the pros and cons of different reform options.

## Societal consultation

Negotiating public support  
Score: 5

In Hungary, there are various institutionalized forms of consultation with economic and social actors, including the tripartite National Council for Interest Reconciliation (OÉT). In October 2008, Prime Minister Gyurcsány also convened a National Summit (Nemzeti Csúcs), an exchange of views about reactions to the global economic crisis among 66 leading personalities, including the heads of the opposition parties and representatives of economic and social actors. However, this vague attempt at producing some kind of national consensus on crisis management failed. The Bajnai government presented itself as a government of experts doing dirty – but necessary – work. Pre-occupied with crisis management, it did not

pay much attention to the consultation of economic and social actors.

### Policy communication

Coherent  
communication  
Score: 5

The Gyurcsány government tried to achieve a coherent, centralized communication policy, but failed to cover the substantial differences among the coalition partners as well as among the various platforms within the Hungarian Socialist Party. The Bajnai government had an unambiguous general message – the need for painful reforms – and presented itself as a government of experts. However, it lacked a centralized communication policy, which resulted in contradictory statements being issued. The poor public image of both governments contributed to the electoral defeat of the Hungarian Socialist Party (MSzP) and the Free Democrats (SzDSz) in 2010.

## B Policy implementation

### Effective implementation

Government  
efficiency  
Score: 7

The records of the Gyurcsány and Bajnai governments have been mixed. Despite the dismal economic situation and the tough political resistance by Fidesz, both governments succeeded in improving Hungary's fiscal situation and in preventing a currency crisis. Both governments have been less successful in addressing other, more long-term issues.

Ministerial  
compliance  
Score: 8

Both the Gyurcsány and Bajnai governments largely succeeded in keeping ministries in line, though the Bajnai government proved more successful in this regard. This partly reflects the strong role played by the prime minister in the Hungarian political system. The tough requirements of crisis management also played a key role. There was almost no opposition by ministers to the drastic budget cuts imposed upon them through a series of reform packages. When ministers occasionally turned against Prime Minister Gyurcsány, they did so not in their role as ministers, but as party politicians fighting for the leadership and influence within the MSzP. Under the Bajnai government, the government's stronger detachment from the parties further increased ministerial compliance.

Monitoring line  
ministries  
Score: 8

Under the Gyurcsány government, the PMO adopted a hands-on approach and monitored the ministries both comprehensively and effectively. Under the Bajnai government, with its focus on crisis management, some ministries – dealing with public finances, the economy in general or EU resources – were closely monitored,

whereas others (e.g., the Ministry of Defense or Ministry of Agriculture) received less attention.

Monitoring agencies  
Score: 6

A major attempt at improving the transparency and the monitoring of executive agencies was initiated in 2006, but has not been completed yet. In a number of cases, the competencies of executive agencies and the monitoring mechanisms have remained ambiguous. In the period under review, the fiscal situation led to deep uncertainty over the funds available for the executive agencies. In the advent of the 2010 elections, some politically motivated disintegration was visible, with the heads of some agencies trying to please Fidesz in order to save their jobs.

Task funding  
Score: 4

Local governments in Hungary, which get about 90% of their revenues from central government, have traditionally suffered from underfunding. The austerity measures adopted by the Gyurcsány and Bajnai governments included serious cuts in the share of tax revenues allocated to local governments, thereby aggravating the discrepancy between local functions and local resources. A further problem is that the responsibility for distributing EU funds has long rested not with the self-governed counties, but with the regions, a territorialized tier of central government not legitimized by elections. A 2009 decision by the Constitutional Court changed the situation, but did not really clarify the relationship between the subnational and central levels of government.

Constitutional discretion  
Score: 4

The central government formally respects the constitutional independence of subnational governments. De facto, however, the central government has often narrowed subnational discretion. This has been favored by the far-reaching fiscal dependence of subnational governments on the central budget and the weakness of municipalities that are very fragmented and often very small. Moreover, the central government sought to balance the strong position of Fidesz at the subnational level after the 2006 elections.

National standards  
Score: 5

The Act on Local Government stipulates 26 basic public functions for all local governments. The large number of small municipalities is often overburdened by the wide range of responsibilities to be performed, including primary education, water supply and various forms of health care. In order to limit local and regional disparities, the central government has set certain quality standards. The implementation of these standards has largely rested with the districts and the counties, that is, the higher tiers of subnational government.

## C Institutional learning

### Adaptability

Domestic  
adaptability  
Score: 6

Government structures only partly meet international and supranational requirements. At the central government level, coordination of EU affairs has improved. Moreover, the Bajnai government did a good job in preparing Hungary's EU presidency for the first half of 2011. In contrast, the attempts at improving the policy implementation capacity of the subnational governments have been less successful. The existing administrative-territorial units still do not correspond to the EU requirements, and the representation of Hungarian regions in Brussels is rather weak. A further problem is that, due to a lack of interest in security issues, the institutional structures for organizing military missions suffer from shortcomings.

International  
coordination  
Score: 8

The Hungarian government has actively participated in EU institutions, supporting all moves to deepen and widen European integration. Hungary was the first member state to ratify the Lisbon Treaty and has played a prominent role in developing the Eastern Partnership and the Danube Strategy. From July 2009 to June 2010, Hungary held the presidency of the Visegrad group. However, this presidency did not produce much in the way of results and was not used for managing and improving the tense relations to Slovakia.

### Organizational reform capacity

Self-monitoring  
Score: 5

There is no regular monitoring of the institutional arrangements of government. During the period under review, the predominance of crisis management meant that relatively little attention was paid to the performance and reform of institutional arrangements.

Institutional reform  
Score: 5

The Hungarian government adopted comprehensive reforms of the executive branch after the 2006 elections. These reforms were largely completed before the period under review, the main exception being the reform of human resources management. It focused on strengthening performance assessment in central government. Badly prepared and implemented, this reform provoked strong resistance within the administration and was eventually abandoned. What turned out to be more successful was the creation at the end of April 2008 of a new super-ministry, the Ministry of National Development and Economy, led by Gordon Bajna (who later became prime minister). After the change from Gyurcsány to Bajnai, the interest in

institutional reforms declined. Pre-occupied with crisis management, the Bajnai government left the institutional arrangements of government largely unchanged.

## II. Executive accountability

### D Citizens

#### Knowledge of government policy

Policy knowledge  
Score: 4

Few citizens are well-informed about government policy-making. Political interest is weak, the quality of the media low. Within the context of strong political polarization, even basic facts are contested and attention tends to focus on politics rather than actual policies. A majority of people thus neither understand the motives and objectives, nor the effects and implications of policies at stake.

### E Legislature

#### Legislative accountability

Obtaining documents  
Score: 9

Parliamentary committees may ask for most government documents and are normally well informed. However, the number of classified documents is still relatively high.

Summoning ministers  
Score: 10

Parliamentary committees can summon ministers for hearings. In practice, ministers are frequently invited and tend to take such questioning seriously.

Summoning experts  
Score: 10

Parliamentary committees are allowed to invite experts and representatives of interests groups to hearings. In practice, they do so regularly.

Task area coincidence  
Score: 9

The number of committees exceeds the number of ministries. Except for the committee on EU affairs, however, all committees oversee just one ministry, so that the committee structure does not hamper the monitoring of government activity.

Audit office  
Score: 9

Hungary's supreme organ of state auditing, the State Audit Office of Hungary (ÁSZ), is accountable only to the parliament. Its president is elected by parliament for six years, with a two-thirds majority vote required, and the office reports to the parliament and its audit committee. Enjoying a broad range of responsibility, the ÁSZ has

played an important role in monitoring the government's activities. The fact that Árpád Kovács, its active, long-standing president, failed to get the required two-thirds majority needed for re-election in late 2009, stands as testimony to this body's independence and power.

Ombuds office  
Score: 9

Hungary has four separate ombuds offices, including the Parliamentary Commissioner for Civil Rights, the Parliamentary Commissioner for Data Protection and Freedom of Information, the Parliamentary Commissioner for the Rights of National and Ethnic Minorities and, since mid-2008, the Parliamentary Commissioner for Future Generations. All four commissioners are accountable exclusively to parliament. The requirement of two-thirds majorities has favored the selection of independent candidates.

## F Intermediary organizations

### Media

Media reporting  
Score: 5

The media cover government decisions only in a rudimentary manner. Public and private TV and radio stations alike largely limit themselves to infotainment and suffer from political bias. The sharp polarization of political life has favored a replacement of in-depth analysis by a preoccupation with scandals, be they real or alleged.

### Parties and interest associations

Party competence  
Score: 4

The coherence of party and electoral programs is low. This particularly applies to the two big parties. Fidesz has promised radical change for years, but has been silent on the details. Its calls for tax reductions and a flat tax have conflicted with its spending promises. The MSzP program is the lowest common denominator of its different platforms and factions. Due to the strong political polarization, political debates have focused on issues such as legitimacy and corruption rather than on policies.

Association  
competence  
(business)  
Score: 5

Most interest associations are very narrow-minded and lack solid expert support. Trade unions in particular have not made many innovative proposals for crisis management. Business associations have been more active. The Reform Alliance (Reformszövetség), an expert group sponsored by National Alliance of Entrepreneurs (Vállalkozók Országos Szövetsége, VOSZ), provided the blueprint for the fiscal reform package of the Bajnai government.

Association  
competence

Social interest associations and environmental groups are weak and largely lack the capacity to develop full-blown policy proposals. The

(others)  
Score: 6

religious communities are dependent on their respective denominational hierarchy and have narrow-mindedly focused on stabilizing, and expanding, the role of their churches in a basically secular society. Attempts by the government at strengthening the civil sector, most notably through the National Civil Fund (Nemzeti Civil Alapprogram, NCA), have shown only modest effects.



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