



# Hungary Report

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Sustainable Governance  
Indicators 2018

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## Executive Summary

Hungary has been governed by Viktor Orbán and his Fidesz party since 2010. In the April 2014 parliamentary elections, the government succeeded in maintaining its two-thirds majority – despite receiving 600,000 fewer votes than in 2010 – which allowed Orbán to be elected prime minister for the third time. Following a number of lost by-elections, the government lost its two-thirds majority in February 2015. In the period under review, the third Orbán government continued its dismantling of checks and balances and its “refeudalization” of the economy and society. With the April 2018 parliamentary elections approaching, the government’s agenda has increasingly been shaped by electoral considerations.

Throughout the period under review, the Orbán government has continued to hollow out the institutions of democracy. It has demonstrated little trust in the soft power of its huge propaganda industry and has stepped up efforts to weaken the opposition while undermining the remaining checks and balances. It has limited the opposition’s access to the public by restricting opposition parties’ use of billboards, which had played an important role in the 2010 and 2014 election campaigns. It has further tightened its control over the media, as the last four remaining regional dailies were bought by oligarchs close to Fidesz in July 2017; it has massively campaigned against independent, foreign-funded NGOs and introduced a new law that makes their work more difficult; and it has sought to close the Central European University (CEU), which is not only the country’s most prestigious institute of higher education but is also a stronghold of independent thinking. The assault on NGOs and the CEU has been part of a massive campaign, marked by anti-Semitism, against the Hungarian-American millionaire-philanthropist George Soros. As a centerpiece of Fidesz’s election campaign, these efforts have been closely linked to Fidesz’s ongoing anti-refugee and EU rhetoric.

Hungary’s political system, economy and society have been linked by pervasive corruption and a special variant of crony capitalism. Hungarian society has increasingly taken on the features of a proto-feudal system in

which the supporters of the regime benefit from corruption and nepotism. Economic policy has been characterized by an increasing “re-nationalization” of the economy and a “re-feudalization” of public procurement. In the war among the oligarchs, Lajos Simicska and Zoltán Speder have lost to Lőrinc Mészáros, István Garancsi and István Tiborcz (Orbán’s son-in-law). The Orbán government’s decisions are largely meant to provide investments and business opportunities for this network. As a result, the recovery of the Hungarian economy since 2013 has been strongly based on the influx of resources from European funds and on investment in stones rather than brains. Given the fact that the education and R&I systems have been subject to chronic underfinancing, political control and dubious organizational reform and that the shortage of qualified labor is growing, Hungary’s medium-term economic perspectives look bleak.

In the period under review, the Orbán government adopted a number of institutional reforms. To underline its reform commitment, it created a new Competitiveness Council and announced the creation of a cabinet committee on family affairs. In October 2017, in a campaign-driven move, it also appointed two new ministers, János Süli for the Paks-2 new nuclear station and Lajos Kósa for the Modern Cities Program, thereby continuing the government’s proclivity to create top-level positions for its allies. While Orbán back in 2010 emphasized the need for small government, the third Orbán government in fall of 2017 consisted of 178 ministers, state secretaries and deputy state secretaries, twice the number of the Bajnai government in 2010. At the same time, policymaking has continued to suffer from over-centralization, hasty decisions and the renunciation of public consultation and external advice.

Due to the fact that the Hungarian institutions meant to counterbalance the power of the government – such as the Constitutional Court, the media and the president of Hungary – have failed to fulfill their mandates, the EU is the last remaining veto player. Indeed, as the EU has repeatedly made a point of highlighting corruption, administrative shortcomings and illegal practices in the Hungarian government, Brussels is unsurprisingly increasingly attacked as an enemy in the eyes of the Orbán government. On October 23, 2017, an important national holiday, Orbán held a campaign speech in which he began by drawing a parallel between the former “homo sovieticus” and the “homo brusselicus” as a historical burden of Hungary and closed by stating that “true Hungarians” would vote for Fidesz. In its confrontation with the EU, Fidesz has focused primarily on two ongoing infringement processes in political matters and the European Court of Justice’s refusal of Hungary’s attempt to sue the EU on the issue of refugee allocation to demonstrate its commitment to an alleged fight for freedom. These campaigns, together with several other

anti-EU measures have deepened the conflict between the Hungarian government and the European Commission and the broad majority of EU members states. Even within the European Peoples Party, the patience with Orbán has worn thin.

## Key Challenges

Although the parliamentary elections of April 2018 fell outside the period under review, it is worth noting that Viktor Orbán's victory in the election marked an unexpected landslide. With 134 seats in the 199-seat parliament, Fidesz has regained the two-thirds majority it had lost in February 2015, thereby demoralizing the opposition even further. The strong position of the fourth Orbán government means that democracy in Hungary will continue to erode, pervasive corruption will undermine both democracy and economic growth, societal polarization will continue, the rift between liberal Budapest and the more traditional countryside will grow, qualified young people will continue to emigrate in high numbers and that the conflicts within the EU, not only over the issue of migration, will increase.

On the surface, Fidesz' strong showing is largely based on the party's tough position on refugees. When trying to explain the electoral success of Viktor Orbán and his party, however, one has to dig deeper and address broader fears in Hungarian society. In the World Happiness Report 2017, Hungary ranked only 75th out of 155 countries. This habitus is not new. Pessimism and a great extent of "dystopia," a negative future image, have always been a formatting power of Hungarian political culture. Many citizens have been exhausted by the ups and downs of the last decades; others fear that any changes might put the recent increases in wages and wealth at risk; some have lost their general orientation in a quickly changing world. Add Fidesz's media dominance and the lack of a convincing opposition candidate, and these fears have made it relatively easy for Fidesz to play the claviature of xenophobia.

Still, a Globsec survey in late 2017 found that the overwhelming majority of Hungarians supports liberal democracy (79%) and favor staying in the EU (71%). The democratic opposition tried to capitalize on this sentiment by formulating the issue at stake in the parliamentary elections as "Europe vs. Orbán," though without success. The key challenge of the future is to bring

this support to the forefront and to diminish the influence of right-wing populism in the country. In this process, the government will not be of help, but rather the target.

Citation:

Helliwell, J., R. Layard, J. Sachs (2017): World Happiness Report 2017. New York: Sustainable Development Solutions Network (<http://worldhappiness.report/wp-content/uploads/sites/2/2017/03/HR17.pdf>).

Milo, D., K. Klingová, D. Haydu (2017): Globsec Trends 2017: Mixed Messages and Signs of Hope from Central and Eastern Europe. Bratislava ([https://www.globsec.org/wp-content/uploads/2017/09/globsec\\_trends\\_2017.pdf](https://www.globsec.org/wp-content/uploads/2017/09/globsec_trends_2017.pdf)).

# Policy Performance

## I. Economic Policies

### Economy

Economic Policy  
Score: 4

The Hungarian economy returned to growth in 2013. Growth of real GDP slowed from 3.1% in 2015 to 1.9% in 2016 but reached almost 4% in 2017. Benefiting from the resumption of EU-funded investment, a fiscal stimulus, negative real interest rates and a strong increases in wages, economic growth was primarily driven by gross fixed capital formation and household consumption. Concerns about the sustainability of economic growth have been raised by the low potential growth rate, which is estimated at below 3% and has suffered from weak productivity growth. A general problem of economic policy is the high influence of so-called Fidesz oligarchs. Mega-projects such as the construction of the site for the 2017 World Championship in Watersports on the Pest side of the Danube, or the Paks-2 nuclear station, which have contributed to the rise in investment, have largely meant to provide business opportunities for this network. In order to improve the competitiveness of the Hungarian economy, the government established a National Competitiveness Council under the leadership of Minister of national economy Mihály Varga in March 2017. However, its initial measures have been largely confined to changes to registering firms and simplifications in construction permits and have thus failed to tackle the more fundamental problems of the Hungarian economy such as the lack of R&I, weak education outcomes, a growing shortage of skilled labor and a low transparency and reliability of policymaking. Echoing the government's new emphasis on improving competitiveness, the Hungarian National Bank has begun to publish annual Competitiveness Reports.

Citation:

European Commission (2018): Country Report Hungary 2018. SWD(2018) 215 final, Brussels (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-hungary-en.pdf>).

Hungarian National Bank (2017): Versenyképességi Jelentés 2017 (Competitiveness Report 2017). Budapest (<http://www.mnb.hu/letoltes/versenyke-pesse-gi-jelente-s-hun-digita-lis.pdf>).

## Labor Markets

Labor Market  
Policy  
Score: 4

Recorded unemployment has declined significantly since the resumption of economic growth in 2013. However, low unemployment has largely been achieved by controversial public-works programs and an increase in the number of Hungarians working abroad. The public-works programs, which still covered 4% of the workforce in 2017, have seldom resulted in the integration into the first labor market. Participants perform unskilled work under precarious conditions and for very modest remuneration. The main beneficiaries of the program have been local mayors who are provided with access to cheap labor to perform communal work. The number of Hungarians working abroad is estimated at 600,000, many of them highly educated and skilled. The resulting brain drain has become a major obstacle to the acquisition of FDI and to economic development in general. The salary boom in 2017 has been driven by the lack of qualified labor, arguably the main current challenge to labor market policy, and the resulting increase in competition among companies to find a qualified workforce.

Citation:

European Commission (2018): Country Report Hungary 2018. SWD(2018) 215 final, Brussels. 2-3 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-hungary-en.pdf>).

## Taxes

Tax Policy  
Score: 4

Hungary's tax system has become less equitable under the Orbán governments, as the tax burden has shifted from direct to indirect taxes. While the government adopted substantial tax reductions in 2016 and 2017, the tax-to-GDP ratio is still above the level of regional peers, and the tax wedge remains one of the highest in the EU. With the introduction of the lowest corporate income tax rate in the EU (9%), the tax burden especially on larger companies has substantially decreased. However, companies still struggle with frequent changes in taxation and complex tax regime, including the high sectoral taxes. The NAV's new scheme of classifying businesses as "reliable," "average" or "risky," combined with the promise of preferences for "reliable" taxpayers, has been criticized for its tendency toward favoritism. So has the government's attempt to induce companies to contribute to sport organizations by granting them tax deductions ("tao"), but also secrecy and a special taxpayer status.

Citation:

European Commission (2018): Country Report Hungary 2018. SWD(2018) 215 final, Brussels, 11-13 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-hungary-en.pdf>).

## Budgets

Budgetary Policy  
Score: 5

After exiting the European Commission's excessive deficit procedure in June 2013, Hungary has managed to keep the fiscal deficit below 3%. In the run-up to the 2018 parliamentary elections, however, the Orbán government has loosened fiscal policy. Despite the strong GDP growth, the headline deficit is set to increase from a long-term low of 1.9% of GDP to 2.1% of GDP in 2017 and 2.6% of GDP in 2018. As a result, the structural deficit will rise to 3.5% of GDP in 2018 and 2019, thus strongly exceeding the country's medium-term objective of 1.5% of GDP. The Orbán government's fiscal policy has also been criticized for its lack of transparency. Budgets have been rudimentary and have been passed already in May or June, when important information about the coming year is not yet available. Eurostat has continued to criticize the official Hungarian data on the public debt for not including some expenditures, for example, those of state-owned Eximbank. The Fiscal Council, with its uniquely strong constitutional power, has neglected its watchdog role.

Citation:

European Commission (2018): Country Report Hungary 2018. SWD(2018) 215 final, Brussels, 3-4, 15-15 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-hungary-en.pdf>).

## Research and Innovation

R&I Policy  
Score: 4

Hungary's research and innovation (R&I) sector is still fairly advanced but has suffered from chronic underfinancing and the emigration of many researchers and qualified workers. Public R&D spending has declined since 2008 and is among the lowest in the EU. From a comparative perspective, the country's capacity to attract and to retain talent is rather low. Under the second Orbán government, the public competencies for R&I were centralized, as the National Innovation Office (Nemzeti Innovációs Hivatal, NIH) was transformed into a more comprehensive National Research, Development and Innovation Office (Nemzeti Kutatási, Fejlesztési és Innovációs Hivatal, NKFIH) under the direct control of former Fidesz minister József Pálinkás and accountable only to the prime minister. The third Orbán government has sought to update the country's R&D strategy for 2013-2020 with the help of the European Commission but did not come up with a new strategy during the period of review.

Citation:

World Economic Forum (2017): The Global Competitiveness Report 2017-2018. Geneva (<https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>).



### Global Financial System

Stabilizing  
Global Financial  
Markets  
Score: 4

Being neither a member of the euro group nor a big lender, Hungary's role in international financial markets is limited. However, the stabilization of the Hungarian banking system continued in 2016 and 2017 and, in a way, contributed to the stability of the global financial markets. At the same time, the international reputation of the National Bank of Hungary has suffered from the involvement of its governor György Matolcsy in various scandals. Due to the coming parliamentary elections in April 2019, the issue of euro membership has come to the fore. While the democratic opposition, unlike Jobbik, has argued for a quick entry, the Orbán government has taken a more cautious approach.

Citation:

Józwiak, V. (2017): Prospect of Euro Adoption in Hungary. The Polish Institute of International Affairs, Bulletin No. 97, Warsaw (<http://www.pism.pl/publications/bulletin/no-97-1037>).

## II. Social Policies

### Education

Education Policy  
Score: 3

Since the beginning of the decade, the education system has undergone major changes. Spending has been cut, competencies and control have been centralized, private and religious schools have been strengthened, and secondary education has been restructured with a view to strengthening vocational education. Most international comparisons suggest that the relative performance of Hungarian students has worsened as a result of these changes. The World Economic Forum's recent "Global Human Capital Report" identifies an "inadequately educated workforce" as the single most importance obstacle to doing business in Hungary and puts Hungary on place 87 (111) with regard to primary (higher) education.

In the period under review, public debates on education policy have largely focused on the new act on higher education passed by parliament in April 2017. The act has targeted the Soros-founded Central European University (CEU), the most prestigious institute of higher education in the country in an

effort to force it out of the country. Massive protests both inside and outside Hungary, including threats of an infringement procedure on behalf of the EU, led the government to amend the act in October 2017, without really giving up on its goal of disturbing the work of the CEU.

Citation:

Bárd, P. (2017) The Open Society and Its Enemies: An attack against the CEU, academic freedom and the rule of law, CEPS, Policy Insight No. 2017/14, Brussels ([https://www.ceps.eu/system/files/PBard\\_Hungary%20and%20CEU.pdf](https://www.ceps.eu/system/files/PBard_Hungary%20and%20CEU.pdf)).

World Economic Forum (2017) The Global Human Capital Report 2017: Preparing People for the Future of Work. Geneva ([http://www3.weforum.org/docs/WEF\\_Global\\_Human\\_Capital\\_Report\\_2017.pdf](http://www3.weforum.org/docs/WEF_Global_Human_Capital_Report_2017.pdf)).

### Social Inclusion

Social Inclusion  
Policy  
Score: 4

The basic social message of the Orbán governments has always been that they would fight for upward mobility of “hard working people” in Hungarian society, representing the interests of both the middle class and low-income earners. Despite the economic recovery since 2013, however, both the impoverishment of people in the lower income deciles and the fragmentation and weakening of the middle classes have continued. Ranking 35 out of 38, Hungary trails behind in the OECD’s Life Satisfaction Index, and only one-third of Hungarian society can achieve a way of life similar to that in the developed EU countries. There are also strong regional disparities in terms of social inclusion, with big islands of poverty prevailing in Eastern Hungary, and a growing segregation of the Roma population. Some 80% of the Roma population have only a basic education level (first eight years), while this is true for only 20% of the rest of the Hungarian population. As a result, most Roma are low skilled and 42% of the “employed” Roma are stuck in the public works system. Since 2010, skyrocketing salaries for managers of public corporations and Fidesz officials’ high earnings have become a political issue. Before 2010, Fidesz had criticized the then-existing HUF 2 million monthly salary ceiling for managers of public corporations as being too generous. However, as of 2017, many top managers receive more than HUF 5 million a month.

Citation:

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

Szikra, D. (2018): Welfare for the Wealthy: The Social Policy of the Orbán-regime, 2010-2017. Budapest: Freidrich-Ebert Foundation (<http://library.fes.de/pdf-files/bueros/budapest/14209.pdf>).

TÁRKI (2016): Social Report 2016. Budapest.

## Health

Health Policy  
Score: 3

Health care has become the most conflict-ridden policy field in Hungary. A continuing series of scandals have made this issue a major Fidesz policy weakness and a subject of large-scale public protest. Health care policymaking has suffered from the absence of a ministry tasked with addressing health care issues and from a limited health care budget, which is one of the lowest in the OECD. The Orbán governments have failed to tackle the widespread mismanagement and corruption in the health sector, the large debt burden held by hospitals, the discretionary refusal of services by medical staffers, and the increasing brain drain of doctors and nurses to other countries. The main reform project of the third Orbán government has been a monstrous organizational reform in which those units of the National Health Insurance Fund (Országos Egészségbiztosítási Pénztár, OEP) dealing with cash benefits were merged with the Pension Insurance Fund (Országos Nyugdíjbiztosítási Főigazgatóság, ONYF), whereas the other units became the National Institute of Health Insurance Fund Management (Nemzeti Egészségbiztosítási Alapkezelő, NEAK). Inspired by the widespread feeling that health care is the worst public service in the country, the democratic opposition parties began the drafting of a common basic program for health care policy in mid-September 2017.

## Families

Family Policy  
Score: 5

Family policy has always been a rhetorical focus for the Orbán governments. In the context of the government's campaign against refugees, it has attached even greater importance to family policy. The government has repeatedly stressed its view that the ongoing decline in population must be tackled not by immigration, but by increasing birth rates in the country and has declared this to be a major political goal. Unlike in the past, the government has gone beyond measures to raise family assistance and other social benefits for families. Since 2016, it has paid more attention to expanding child care facilities. In 2017, it also established a network of 67 local counseling centers tasked with helping women find employment and combine parenting and employment. In institutional terms, family policy has been strengthened by the announced creation of a cabinet committee on family affairs that is scheduled to meet at least once a month and is chaired by the minister of human capacities.

## Pensions

Pension Policy  
Score: 4

Hungary introduced a three-pillar pension system along World Bank guidelines in 1997 that featured a strong mandatory, fully funded second pillar. Upon coming to office, the second Orbán government abolished this second pillar and confiscated its assets. It also shifted disability pensions to the social assistance scheme, eliminated some early-retirement options and did not reverse the shift from Swiss indexation (which adjusts outstanding pensions by the average of the price and wage indices) to price indexation, as it had been introduced by the previous government in the context of the great recession. These changes have improved the financial sustainability of the first pension pillar but have also increased poverty among pensioners. The third Orbán government has failed to address this issue. Its main reform project has been the monstrous merger of the Pension Insurance Fund (Országos Nyugdíjbiztosítási Főigazgatóság, ONYF) and part of the National Health Insurance Fund (Országos Egészségbiztosítási Pénztár, OEP) adopted in June 2016. In a populist move, the government also sent to all pensioners vouchers worth HUF 10,000 (€3), accompanied by a letter by, and a portrait of, Orbán in the 2016 and 2017 Christmas season. With the parliamentary elections in April 2018 approaching, debates about pension reform intensified in 2017.

Citation:

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

## Integration

Integration Policy  
Score: 3

The refugee crisis has proven that Hungary is still primarily a transit country with only a small number of migrants who want to stay in the country. The fragile economic situation, low wages, a difficult language and a government-orchestrated xenophobic public climate are deterrents. While the integration of ethnic Hungarians from neighboring countries – above all from Romania, Serbia and Ukraine – has gone fairly smoothly, the integration of other migrants remains a controversial process. The Orbán government has fiercely refused the integration of non-Europeans and non-Christians as a lethal danger to Hungarian national culture and identity. In September 2017 the European Court of Justice refused the Hungarian – and Slovak – attempt to sue the EU over quota arrangements, but it is still uncertain how the Orbán government will react to this decision.

The Orbán government's tough stance on refugees contrasts with the government's Hungarian Investment Immigration Program. In this framework, non-EU citizens can get Hungarian passports for investing in the country. So far, the government has collected €403 million from these residency bonds issued for twenty thousand persons, many of them from China. This business has been organized by the Antal Rogán, the head of prime minister's cabinet office, and managed by Fidesz close offshore companies accumulating a large amount of private profit from this business. Because of protest against this intransparent scheme, the business was allegedly suspended in March 2017, but still seems to be going on in some ways.

Citation:

Helpers HU (2018): Hungarian Investment Immigration Program. Budapest (<https://helpers.hu/services/immigration/investment-program/>).

### Safe Living

Safe Living  
Conditions  
Score: 5

In Hungary, regular crime is largely within normal limits. While the number of registered crimes slightly increased in 2016, for the first time since 2013, Budapest is a rather safe capital city and the crime incident rate in the country remains relatively low. However, the government's attempts to prevent atrocities from being perpetrated against Roma, Jews and homosexuals, as well as to protect opposition demonstrators, have remained rather half-hearted.

### Global Inequalities

Global Social  
Policy  
Score: 3

Hungary pays only relatively little policy attention to developing countries. The Orbán government adopted a strategy for international development cooperation and humanitarian aid for the period 2014-2020 in March 2014. Hungary's development cooperation focuses on countries which have a large Hungarian minority and strong trade links with Hungary (Serbia, Ukraine) or in which Hungary has been militarily involved (Afghanistan). About 80% of all funds go to Serbia and Ukraine. Hungary's net ODA has fallen short of the official EU and OECD targets and has further declined relative to GDP in recent years.

Citation:

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

### III. Environmental Policies

#### Environment

Environmental  
Policy  
Score: 5

As the 2011 constitution incorporated “green” values, the constitutional basis for environmental policy in Hungary is strong. Comprehensive environmental regulations are in place, and the EU continues to serve as an important driver of policy action. However, environmental policy has suffered from a lack of commitment and institutional fragmentation. Ever since the second Orbán government, no separate Ministry of Environmental Policy has existed. In the third Orbán government, environmental issues have largely been dealt with by the Ministry of Agriculture, in a department led by a deputy state secretary. However, water management has rested with the Ministry of the Interior, and, the subnational environment authorities have become part of the newly created government offices at the county level. Due to the low importance attached to the protection of the environment, problems such as the frequent contamination of drinking water resources and the mismanagement of garbage sites (often inherited from the privatization period of the nineties and still poisoning the environment) have grown. The megalomaniac construction activities of the government have led to a serious “deforestation” in Budapest, as hundreds of big trees in many parts of the capital have been cut. The extension of the Paks nuclear power plant, eventually accepted by the European Commission in October 2017, but still contested by the Austrian government, has been one of the biggest bones of contention between the government and the opposition.

Citation:

Zalan, E. (2017): Commission still silent on Hungarian nuclear contract, in: euobserver, October 4 (<https://euobserver.com/energy/139183>).

#### Global Environmental Protection

Global  
Environmental  
Policy  
Score: 5

Issues of global environmental protection do not feature very prominently in Hungary. The Orbán government has stressed its commitment to the EU’s environmental policy but has not been a driving force. The controversial extension of the Paks nuclear power plant will help reduce carbon-dioxide emissions but has raised other environmental issues such as the storage of nuclear waste. Moreover, it has prompted conflicts with neighboring countries.

The decision to expand the reliance on nuclear energy has gone hand in hand with a neglect of renewables. As a result, Hungary has experienced a sharp drop in the non-profit Germanwatch ranking on climate change policy.

Citation:

Burck, J., F. Marten, C. Bals (2017): Climate Change Performance Index: Results 2017. Berlin: Germanwatch/ Climate Action Network Europe (<https://germanwatch.org/en/download/16484.pdf>).

## Quality of Democracy

### Electoral Processes

Candidacy  
Procedures  
Score: 6

The far-reaching changes to Hungary's electoral law in the run-up to the April 2014 parliamentary elections included amendments to registration procedures. The combination of decreased registration requirements and generous public funding for candidates and party lists led to a surge in candidacies. A record-high 53 parties took part in the elections, 18 of which were able to form a national list. The governing Fidesz party actively promoted this associated fragmentation with the evident aim of confounding voters and weakening the opposition. The registration process suffered from a lack of transparency. Election commissions at both the central and constituency level largely failed to address cases of alleged signature fraud. Since the 2014 elections, the controversial procedures have been left unchanged. At the same time, the number of registered parties has further grown. In autumn 2017, there were 219 registered parties and 171 parties under registration.

Media Access  
Score: 2

As a result of the Orbán government's takeover of the media, access to the media has become highly uneven. In the period under review, Fidesz has completed the control of the print media and local radio stations in the countryside. All county-based dailies have been purchased by Fidesz oligarchs. Klubrádió – on air only in Budapest – has remained the one and only independent radio station. Since fall 2016, the “media war” has also turned into a “billboard war” in which the government has sought control over political ads on billboards, which have played an important role in the 2010 and 2014 elections and in the government's campaigns against refugees, “Brussels” and George Soros. As many billboards have been owned by the former Orbán associate – now political enemy and Jobbik supporter – Lajos Simicska, they have been heavily used by the opposition. In order to weaken the visibility of the opposition, parliament passed a controversial law in June 2017 that has prohibited party advertising outside the official campaign period, while allowing the government to continue its “public interest advertisements.” Although the law, as a regulation on parties, would have required a two-thirds majority in parliament, it was adopted by a simple majority only. Simicska has managed to circumvent the new regulations and has intensified the billboard war pretending that the new ads have been private initiatives. As a reaction to the narrowing media access, about eight opposition



Voting and  
Registrations  
Rights  
Score: 3

parties have established an Agóra (agora) as an open forum for public discussion near the parliament building in early September 2017.

In Hungary, the registration and voting procedures are heavily tilted in favor of the governing Fidesz party. The single most important problem has been the unequal treatment of three groups of eligible voters: (1) Hungarians living in Hungary, (2) Hungarians with dual citizenship in neighboring countries and (3) Hungarian citizens working abroad. While the first group can vote without registration, the others have to register beforehand through a complicated procedure. Hungarians living abroad and in possession of dual citizenship – who usually demonstrate a strong political affinity for Fidesz – can vote by mail. In contrast, Hungarian citizens working abroad, who are often opposed to the Orbán government can vote only at diplomatic missions which are often far away. These biased procedures gave a big advantage to Fidesz in the 2014 elections and contributed to its victory.

Party Financing  
Score: 3

The Orbán government has kept the public financing of bigger, parliamentary parties low. An amendment of the law on party financing in 2013, shifted funds toward individual candidates and smaller parties, thus contributing to the record-high number of candidates in the 2014 parliamentary elections. While it has become easier for small parties to enter the political arena, the political landscape has got more fragmented, to the detriment of bigger opposition parties. The financial gap between Fidesz and the opposition has been large. With membership declining, the non-governing parties have lost revenues from membership fees and have become dependent on rich donors. While Jobbik has benefited from the support by Simicska, the time of tycoons with leftist leanings has passed. Even more importantly, Fidesz has been able to circumvent the restrictions on campaign spending by involving formally independent civic associations.

Popular Decision-  
Making  
Score: 6

The 2011 constitution has limited the scope for popular decision-making by abolishing popular initiatives, expanding the set of issues exempt from referendums and raising the thresholds for referendum success to a 50% participation threshold. For the weak and fragmented opposition, referendums could have become the most important means of mobilizing support and expressing dissent. A case in point is the successful mobilization for a municipal referendum in Budapest against the 2024 Olympic Summer Games. In January 2017, a group of young activists organized a movement called Momentum and launched a campaign against the unpopular Olympic Games, a prestige project of the Orbán government. All opposition parties joined the NOlimpia campaign and Momentum succeeded in collecting 266.000 signatures in a short period of time, much more than needed to have a referendum. Realizing the resistance of the citizens, the Orbán government withdrew its bid for the games in February 2017. Inspired by this success, proposals for referendums have become a fashionable instrument for the opposition. The opposition parties have tried to organize referendums or at

least collecting signatures for pressuring the government on highly unpopular government project such as the deforestation of Budapest City Park (Liget) or the Danube Dam in Northern Buda.

However, almost all initiatives have been refused by the government-controlled National Election Committee (NVB), which enjoys considerable discretion in deciding whether the issues are eligible for a referendum or not.

### Access to Information

Media Freedom  
Score: 2

In Hungary, media freedom exists only on paper, since more than 90% of media are controlled by the government, either directly, as in the case of the public media, or indirectly, as in the case of private media owned by Fidesz oligarchs. The second Orbán government pushed through highly controversial media laws in 2010/11. These laws have effectively involved a “media capture” by the state since they have strengthened government control over the media by vesting a Media Council (staffed entirely by Fidesz associates) with media-content oversight powers and the right to grant broadcasting licenses. Since then, media freedom has been further restricted by the takeover of formerly independent media by oligarchs close to Fidesz, supported through the strategic allocation of government advertisements. After the acquisition of the last four remaining independent regional newspapers in July 2017, Fidesz oligarchs now control all regional dailies, which still have a large readership, and almost all local radio stations. While Lajos Simicska, an enigmatic oligarch that fell out with Orbán and now supports Jobbik, still controls some media and while there are some minor independent print and other media, the internet has become the central forum for public discourse and information. However, the internet does not reach the society as a whole, as public TV and radio did until the government maximized its influence on them. Moreover, society is vulnerable to disinformation campaigns and fake news. In recent years, the Hungarian media has been penetrated by around 100 locally operated, Russia-linked disinformation sites which have supported the Fidesz agenda.

Citation:

Szicherle, P., V. Wessenauer (2017): A Média és a politika új viszonya Magyarországon (The new relationship of media and politics in Hungary). Budapest: Political Capital/ Friedrich-Ebert-Foundation ([http://www.politicalcapital.hu/pc-admin/source/documents/FES\\_PC\\_A\\_media\\_es\\_a\\_politika\\_uj\\_kapcsolata%20\\_171004.pdf](http://www.politicalcapital.hu/pc-admin/source/documents/FES_PC_A_media_es_a_politika_uj_kapcsolata%20_171004.pdf)),

Győri, L., P. Krekó, J. Jakub, B. Weidinger (2017): Does Russia interfere in Czech, Austrian and Hungarian elections? Budapest: Political Capital ([http://www.politicalcapital.hu/pc-admin/source/documents/western\\_experiences\\_eastern\\_vulnerabilities\\_20171012.pdf](http://www.politicalcapital.hu/pc-admin/source/documents/western_experiences_eastern_vulnerabilities_20171012.pdf)).

Media Pluralism  
Score: 3

Media pluralism in Hungary has suffered further both from increasing government control over the public media and a process of concentration of

private-media ownership in the hands of companies close to Fidesz. Some media pluralism has been maintained, as a result of the rifts within the right-wing camp, by the media outlets owned by Simicska, including Hír TV (TV), Magyar Nemzet (daily), Index (the largest information website) and Heti Válasz (weekly). There are also some independent media, but they work under very difficult financial and political circumstances and reach only 10% of the overall population. Klubrádió, the one and only independent radio station, is on air only in Budapest. Népszava, the only national-wide independent daily, has a small circulation and the role of the former opposition daily Népszabadság, purchased by Fidesz affiliates and shut down in October 2016, cannot be compensated for by the remaining independent weeklies, as those address predominantly highly educated readers.

Citation:

Bayer, J. (2016): Media Pluralism in Hungary, in: P. Bárd, J. Bayer, A comparative analysis of media freedom and pluralism in the EU Member States: Study for the LIBE Committee. Brussels: EU, 120-139 ([http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571376IPOL\\_STU\(2016\)571376\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571376IPOL_STU(2016)571376_EN.pdf)).

Access to  
Government  
Information  
Score: 4

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

### Civil Rights and Political Liberties

Civil Rights  
Score: 4

The Orbán governments have formally respected civil rights. However, the rule of law has suffered from the government’s politicization of the courts, its failure to protect Roma and other minorities from harassment and hate speech and its attempts to criminalize the (former) left-wing elite. The Prosecutor General has acted more and more as a shield protecting Fidesz affiliates and initiating fake legal processes against opposition actors, damaging their economic situation and private life. In the context of the EU refugee crisis, the Orbán government adopted emergency legislation that has raised fears of an

emerging police state both inside and outside Hungary. The forced detention for all asylum-seekers introduced in March 2017 has prompted harsh criticism by the international community. So has the government's new legislation on NGOs adopted in June 2017 which obliges all NGOs receiving more than 7.2 million HUF (around Euro 24.000) annually from abroad to register with the courts and to present themselves to the public as "foreign-funded NGOs." Like the Russian "foreign agent" legislation, it has especially aimed at stigmatizing those organization and activists which get resources from the international networks to protect civil rights, including Amnesty International or the Red Cross. The leading professional NGOs have declared that they would not abide this law and turned to the Constitutional Court. The European Commission triggered an infringement process against the Hungarian government, which is an ongoing process. The Commissioner for Human Rights of the Council of Europe criticized the law sharply and addressed a letter to the president of Hungary and the Parliamentary Assembly of the Council of Europe asked the government not to pass the bill.

## Citation:

Amnesty International Hungary (2017): We do not register. Budapest (<http://www.amnesty.hu/news/2377/nem-regisztralunk-megyunk-a-birosagra>).

Political Liberties  
Score: 4

The Orbán government has shown little respect for political liberties. In Putin style, Orbán and other Fidesz leaders have defamed opposition activists as traitors to the Hungarian nation and as foreign agents paid by George Soros. In September 2017, Antal Rogán, the influential head of the prime minister's cabinet office accused the democratic opposition of planning to turn to violent actions before the elections. The vice-president of Fidesz, Szilárd Németh, has called Márton Gulyás, Gábor Vágó and Árpád Schelling, three well-known public activists subscribing to peaceful public disobedience, "terrorists." Moreover, the government has used "soft violence" against demonstrators at public or political events by relying on aggressively acting "private" security services (e.g., Valton Security). The most notorious cases of "baldheaded aggression," as the behavior of the frequently baldheaded security people has been called in popular parlance, took place during the Putin visit and Orbán's national holiday speech on October 23. Finally, the new NGO-legislation passed in June 2017 has aimed at further weakening civil society.

Non-discrimination  
Score: 4

Hungary has a comprehensive anti-discrimination legal framework in place, but in practice, little is done to enforce it. Fidesz's traditional family concept corresponds with strong discrimination against women in the areas of employment, career and pay, although there are some steps to reverse this policy. However, there are no female ministers or top-level leaders in Fidesz. The failure is even greater regarding the Roma minority. By trying to create a separate school system, the Orbán government has aggravated segregation. The government has also continued its hate campaign against Muslims and

refugees. As a result, xenophobia has grown among Hungarians, with a spillover to all kinds of minorities, including Jews. The government's campaign against George Soros invoked anti-Semitic stereotypes.

### Rule of Law

Legal Certainty  
Score: 3

As the Orbán government has taken a voluntaristic approach toward lawmaking, legal certainty has strongly suffered from chaotic, rapidly changing legislation. The hasty legislative process has regularly violated the Act on Legislation, which calls for a process of social consultation if the government presents a draft law. The government's instrumental use of the law is illustrated by the Act on the Protection of Settlements' Images (Act CIV 2017 on 23 June 2017), since in order to ban the use of billboards by the other parties this act was passed as a simple majority law, even though most experts deemed a two-third majority necessary. As many laws are contradictory, it is increasingly difficult to implement them in the system of deconcentrated state administration and the institutions of municipal self-administration.

Judicial Review  
Score: 4

The independence of the Hungarian judiciary has drastically declined under the Orbán governments. While the lower courts still make in most cases independent decisions, the Constitutional Court, the Kúria (Curia, previously the Supreme Court) and the National Office of the Judiciary (OBH) have increasingly come under government control and haven't often been criticized for making biased decisions. The same goes for Péter Polt, the Chief Public Prosecutor and a former Fidesz politician, who has persistently refrained from investigating the corrupt practices of prominent Fidesz oligarchs. As the Alliance of Hungarian Judges (Magyar Bírói Egyesület) has repeatedly criticized, OBH President Tünde Handó has no formal power to promote judges to a higher position, but has in fact used her position to influence decisions. As a result of the declining independence and quality of the Hungarian judiciary, more and more court proceedings have ended up at the European Court of Human Rights (ECHR) in Strasbourg. Hungary is among the countries generating the most cases, and the Hungarian state often loses these lawsuits.

Appointment of  
Justices  
Score: 2

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

Corruption  
Prevention  
Score: 3

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

Widespread corruption has been a systemic feature of the Orbán governments, with benefits and influence growing through Fidesz's informal political-business networks. Members of the Fidesz elite have been involved in a number of corruption scandals, with many people accumulating substantial wealth in a short period of time. After the conflict with Lajos Simicska, the previous "Czar" of business and media, Orbán has made a radical rearrangement in the camp of the Fidesz-linked oligarchs by pushing out all Simicska-related businessmen from public procurement and promoting new oligarchs, most notably Lőrinc Mészáros, István Garancsi and István Tiborcz (the son in law of Orbán). According to Forbes Hungary, Mészáros, for example, has tripled his fortune in 2017. Corruption has become so pervasive that even some senior Fidesz figures have begun openly criticizing the Fidesz elite's rapid wealth accumulation. Corruption in Hungary has to be seen through the prism of oligarchic structures and is strongly linked to public procurement, often related to investments based on EU funds and facilitated by the new public procurement law of 2012. A general problem here is that there is comparably little competition in this field, with Poland and Hungary ranking last. Its political power has allowed the Orbán government to keep corruption under the carpet. De-democratization and growing corruption are thus mutually reinforcing processes. As a result, the fight against corruption has largely rested with the political opposition and some independent NGOs. In addition to Transparency International Hungary and Átlátszó (Transparent), Á. Hadrázy, the co-president of the opposition party Politics Can Be Different (LMP), has been very active and effective in investigating the corruption by the leading Fidesz politicians and oligarchs.

Citation:

Tóth, I., M. Hajdú (2016): Korrupciós kockázatok, átláthatóság, közbeszerzések. Magyar közbeszerzések 2009–2015 közötti adatainak elemzése, in: T. Kolosi, I.G. Tóth (eds.): Társadalmi szemle 2016, Budapest: Tárki, pp. 33-53.

# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 3

The Orbán governments have subordinated all political actions to the goal of consolidating their power and have reacted to problems and challenges on a day-to-day basis, without reference to an over-reaching plan. The economic and fiscal priorities have frequently shifted, and not much effort has been invested in building institutional capacities for strategic planning. After the 2014 local elections, Orbán promised to elaborate a long-term development strategy for the country but has failed to do so thus far. In late 2016, the government announced the adoption of the third Széll Kálman Plan, a new plan for economic development in the tradition of two strategic documents adopted in 2011 and 2012. Instead of drawing up such a plan, however, the Orbán government became increasingly preoccupied with the campaign for the parliamentary elections in April 2018 and switched to a “campaign government” modus in fall 2017. As it stands, the government has no clear-cut strategy addressing the implications of digital society and the digitalization of the economy. Nor is there an understanding where and how Hungary should position itself in the reform debate of the European Union.

Scholarly Advice  
Score: 2

The Orbán governments have shown no interest in seeking independent advice and have alienated many leading experts who initially sympathized with them politically. The third Orbán government largely relies on two lavishly sponsored major policy institutes, Századvég and Nézőpont. Whereas Századvég has traditionally focused on the mid-term issues, Nézőpont has supported the government in everyday decision-making. In the period under review, there have been some scandals surrounding the financing of Századvég and the quality of its products. There is a relatively new, pseudo-professional Institute, Center for Fundamental Rights (Alapjogokért Központ), which tries to deliver legal arguments against the criticism of Orbán government by the EU institutions and/or the Hungarian professional NGOs as watchdog organizations.

### Interministerial Coordination

GO Expertise  
Score: 7

The Orbán governments have steadily expanded both the competencies and the resources of Prime Minister's Office (PMO). The number of state secretaries and undersecretaries in the PMO has been further increased, and now stands at about 30. More than 1,500 persons are employed in the PMO and in its surrounding expert groups. The PMO is supported by five background institutes with about 200 employees. Three of them, the Veritas Institute (an institute of contemporary history), the Institute for Linguistic Strategy (for language guidelines for Fidesz media) and the Institute for National Strategy (Hungarians in neighboring countries) deal with "strategic" issues. The Institute of Systemic Change and Archives and the Institute of National Heritage focus on documentation (31-29 people respectively). However, the quantitative expansion of the PMO has come with a decline in expertise, as political loyalty has been the main principle of recruiting. In addition to the PMO, there is the prime minister's cabinet office. Under its head Antal Rogán, it has developed into a ministry with state secretaries and undersecretaries responsible for government communication.

GO Gatekeeping  
Score: 10

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

Line Ministries  
Score: 9

Under the Orbán governments, line ministries have mostly acted as executive agencies which are following orders from above and whose activities have been subject to detailed oversight by the PMO. In practice, however, ministers have been unable to oversee their portfolios, especially in the huge Ministry of Human Resources (EMMI) with its ten state secretaries and 20 deputies. The regular involvement of the PMO has led to delays, disorientation and frequent policy failures.

Cabinet  
Committees  
Score: 7

Given the dominant role of the PMO and the small number of ministries, cabinet committees have for long played a much less significant role under the second and third Orbán governments than under previous governments. In 2016, however, two important cabinet committees were created, the strategic committee led by János Lázár and the economic committee led by Mihály Varga. These committees have a clear profile, but an uncertain mandate, since it has not been decided whether they are advisory-preparatory or decision-making bodies. However, their function is certainly to relieve Orbán from the



everyday burden of management and to create a new rivalry in the government between the two important personalities. In the period under review, György Matolcsy, the Governor of the National Bank has been the main player in economic policy, so Varga has been pushed to the second row. As part of its stronger emphasis on family policy, the government announced in the fall of 2017 the creation of a cabinet committee on family affairs.

Ministerial  
Bureaucracy  
Score: 5

Given the small number of ministries in Hungary, inter-ministerial coordination has, to some extent, been replaced with intra-ministerial coordination, especially within the Ministry of Human Resources (EMMI), the biggest super-ministry, and also in the Ministry of National Economy (NGM). In addition to policy coordination by the PMO, senior ministry officials meet in order to prepare cabinet meetings. There is also a special Inter-ministerial Coordination Committee for European Affairs (EKTB), a committee consisting of senior ministry officials tasked with coordinating EU-related issues that is also under the auspices of the PMO.

Informal  
Coordination  
Score: 10

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

### Evidence-based Instruments

RIA Application  
Score: 4

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

Quality of RIA  
Process  
Score: 2

The quality of the RIA process in Hungary has always been poor, since the stakeholder participation is usually lacking. While rhetorically emphasized in

many official documents, the very idea of consultation has been alien to the Orbán governments. RIA performance has rarely or only partially made available to political actors on the special website for RIA ([hatasvizsgalat.kormany.hu](http://hatasvizsgalat.kormany.hu)).

Sustainability  
Check  
Score: 2

The Hungarian parliament passed a National Sustainability Strategy in March 2013 and afterwards the environmental committee was transformed into the Committee of Sustainable Development (consisting of parliamentarians) and supported by the National Sustainability Council (consisting of experts across all policy fields). This strategy is a long document that surveys relevant international documents and provides some Hungarian applications. However, the Sustainability Strategy and RIA processes have not yet been coordinated because sustainability checks are not an integral part of RIA.

### Societal Consultation

Negotiating  
Public Support  
Score: 2

The Orbán governments have largely refrained from consulting with independent societal actors. Orbán has argued that the government's strong parliamentary majority has vested it with sufficient legitimacy to carry out profound changes without consulting stakeholders. The second Orbán government abolished the former tripartite National Interest Reconciliation Council (OÉT) and replaced it in October 2011 with a new National Economic and Social Council (NGTT), having very limited competencies. Unlike its predecessor, this body meets very rarely and cannot make any decisions, thus primarily serving the goal of showing the government's commitment to some sort of social dialog. In response to the continuing mass demonstrations in the health and education sectors, the government has convened some meetings with selected stakeholders, but has firmly avoided to grant any competence to independent groups of experts or civil organizations. Instead, the government's main means of "listening" to society and citizens has been the so called national consultations, fake referendums held twice a year since 2010. Within this framework, the government sends out letters with misleading and manipulated "partisan" questions and the citizens are supposed to send back these questionnaires (free of charge) with their answers. Usually about 1 out of 8 million citizens do so, almost all of them supporting the views of the government. In March 2017 there was a national consultation on the EU ("Stop Brussels") that received only 920.000 answers. On 1 October 2017 the government launched a new national consultation about the so called "Soros Plan," which allegedly means supporting the invasion of Europe by Muslim migrants. Here, more than two million questionnaires were sent back. While the government justifies the national consultations as evidence that it is listening to the people, their real functions are the mobilization of Fidesz voters on a permanent basis and the preparation for the election campaign.

## Policy Communication

Coherent  
Communication  
Score: 7

The government tries to have coherent communication through drastic disciplinary measures at all levels. Most Fidesz politicians avoid journalists, they do not give interviews and after their public performances they just read out texts written by the Cabinet Office of the prime minister headed by Antal Rogán. Coherent communication as the exercise of soft power appears initially in controlling agenda setting by launching new topics to divert the public attention from emerging problems in the media that can harm Fidesz politics. However, coherent communication sometimes fails at the top level because of the double-headed central communication scheme. On one side, the organization and supervision of the government and Fidesz party communication is in the hands of the ministry headed by Rogán. On the other side, PMO head Lázár has an important government press conference every Thursday, in which he often criticizes indirectly the Rogán-Habony group. Beyond this, confidential information has been increasingly leaked to the press from closer Fidesz circles, addressing the megalomania and luxury consumption habits of the new Fidesz aristocracy around Rogán and Habony.

## Implementation

Government  
Efficiency  
Score: 5

The Orbán governments have been quite successful in consolidating political power, centralizing policymaking and weakening the remaining checks and balances. At the same time, they have largely failed to meet broader goals such as fostering sustainable economic growth or increasing employment in the private sector. The low degree of government efficiency has been illustrated by frequent policy changes in all policy fields and by the lack of coordination of policy fields, caused also by selection of personnel based on party loyalty, not on merit. A central problem has been the implementation of new bills and regulations. Overhasty policymaking has led to incoherent and contradictory legal texts, causing extreme difficulties for local and county administrations. The government's low level of efficiency has been acknowledged by PMO minister Lázár himself several times.

Ministerial  
Compliance  
Score: 9

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

Monitoring  
Ministries  
Score: 10

policy compliance of ministers and senior officials. Another cabinet committee, on family policy, has been announced.

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

Monitoring  
Agencies,  
Bureaucracies  
Score: 10

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

Task Funding  
Score: 2

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

Constitutional  
Discretion  
Score: 3

The second government initiated a far-reaching reform of local government. The government has established new tiers of state administration at the county and district level that were given some of the functions previously exercised by local and other subnational self-governments. This stripping of competencies has been especially severe in the case of the city of Budapest, a traditional liberal stronghold which has since lost its special role in national politics. On the one hand, the reform lifted a significant burden from smaller

National  
Standards  
Score: 4

units, as it professionalized services in deconcentrated state bodies. On the other hand, the general shift of competences did not at all improve self-governments' performance flexibility in those areas remaining under their control. As a result, both the formal powers of subnational self-governments and their capacities to make full use of these powers have declined. Local Fidesz strongholds like Debrecen seem to have enjoyed special treatment in the process of allocating EU funds.

In Hungary, the quality of subnational public services has suffered as a result of the reorganization of subnational governments. The state administration's new subnational tiers have only gradually gained experience in providing services. The provision of those public services that have been left with subnational self-governments has in turn suffered from self-governments' lack of financial resources and administrative capacities, as well as from conflicting legal norms and the complexity of some regulations. The central government has exercised strong control but has not focused on quality issues. As a result, national standards have increasingly been undermined, especially in the fields of health care, education and social services.

Citation:

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

### Adaptability

Domestic  
Adaptability  
Score: 4

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

International  
Coordination  
Score: 3

Since the beginning of the EU refugee crisis, Prime Minister Orbán has looked for an international role for himself and has increasingly been elevated to one of Europe's "strong men" in the Fidesz press. He has intensified cooperation

within the Visegrád group, especially on migration policy and has boasted about his good relationship with Putin. However, all these activities have further undermined his standing with other European leaders. The conflict of the Orbán government with the EU has further deepened in the refugee crisis and by the “Stop Brussels campaign.” As a result, the strongest reaction has come from the European Peoples Party, from the Fidesz party family that led to the historical event when the European Parliament resolution called to invoke Art. 7, passed by a large majority on 17 May 2017, with many MEPs from the EPP voting in favor. On top of that, the European Court of Justice on 6 September 2017 refused the Hungarian – jointly with Slovakia and supported by Poland – claim against the allocation of refugees among the member states. But Orbán has not stopped attacking Brussels, he has declared that the Commission has been working according to the “Soros Plan.”

### Organizational Reform

Self-monitoring  
Score: 9

In Hungary, there is no regular formal monitoring of the institutional arrangements of governing in place. However, there is strong and rather comprehensive oversight of the working of the state apparatus from the top down, measured against the political will of the leadership, and the government has been quick to change any institutional arrangements it has deemed to be politically dangerous. The Orbán governments underperform with regard to coherent policy planning but react quickly to failures in individual political cases or in major policymaking mistakes. Public policy has often been very volatile, changing according to the government’s current needs. There is a relatively high number (11) of plenipotentiaries without the line-ministerial structures for specific issues. Overseeing them and integrating them into policymaking requires additional emphasis and may turn out to be counter-productive in the long run.

Institutional  
Reform  
Score: 2

From time to time, Orbán has reorganized the workings of his government with an open effort to get rid of managing smaller issues and promoting rivalry in the top elite to weaken them, but without improving the strategic capacity of government. In the period under review, the government created a new Competitiveness Council and announced the creation of a cabinet committee on family affairs. In October 2017, two new ministers were appointed for campaign reasons. János Süli, a former Fidesz mayor of Paks and an expert in nuclear physics became the minister in charge of defending the controversial new Paks-2 nuclear power plant; Lajos Kósa, the minister for the modern cities program, was vested with the power to allocate substantial public funds for city development. The appointment of the two ministers further increased the number of government members. While Orbán back in 2010 emphasized the need for small government, the third Orbán government in autumn 2017 consisted of 178 ministers, state secretaries and deputy state secretaries, twice

the number of the Bajnai government in 2010. The appointment of Süli and Kósa went hand in hand with a weakening of János Lázár, the head of the Prime Minister's Office, and is to further weaken coordination within government.

## II. Executive Accountability

### Citizens' Participatory Competence

Policy  
Knowledge  
Score: 5

While media freedom and the access to information have declined and the government has led huge disinformation campaigns, the policy knowledge of the Hungarian public has paradoxically increased. In the fields of health care and education, the protracted crisis has provoked social movements and everyday discussions within the larger public. There has been a vivid public discourse about the situation of these sectors and the reasons for their continuous decline with poor services. Political apathy still exists, reinforced by the biased information policies of the government and the lack of transparency characterizing policymaking. However, the everyday situation is so bad in these vital fields that ordinary people discuss policy issues in detail based on direct experiences. Independent policy institutes such as Policy Agenda, Political Capital and Policy Solutions have provided detailed policy knowledge for the public at large, as have many professional NGOs.

### Legislative Actors' Resources

Parliamentary  
Resources  
Score: 5

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

Obtaining  
Documents  
Score: 5

Traditionally, parliamentary committees in Hungary enjoyed far-reaching access to government documents. However, the new standing orders of the Hungarian parliament, as adopted under the 2012 Act on Parliament, do not regulate the access of parliamentary committees to public documents. The

<p>Summoning Ministers Score: 6</p>	<p>Orbán governments have used their parliamentary majority to restrict access to public documents, even for discussion within parliamentary committees.</p> <p>The standing orders of the Hungarian parliament stipulate that ministers have to report personally to the parliamentary committee(s) concerned with their issue area at least once a year. However, they do not guarantee parliamentary committees the right to summon ministers for other hearings as well. Since Fidesz lost its two-thirds parliamentary majority in autumn 2015, however, ministers have appeared more often in parliamentary committees.</p>
<p>Summoning Experts Score: 9</p>	<p>According to the standing orders of the Hungarian parliament, all parliamentary party groups can invite experts, and the sessions of the committees are open to the public. In practice, however, Fidesz's overwhelming majority and the hectic pace of legislation have reduced the involvement of experts to a mere formality. The real policy discussions, if any, usually take place not in the parliamentary committees but in the media or at conferences organized by opposition expert groups or NGOs.</p>
<p>Task Area Congruence Score: 4</p>	<p>The reduction in the number of ministries (originally to a total of nine) has not been accompanied by a reorganization of parliamentary committees. The result has been a strong mismatch between the task areas of ministries and committees. The fact that ministries have been covered by several committees has complicated the monitoring of ministries. Moreover, the real decision-making center, the PMO, is not covered by any parliamentary committee at all.</p>
<p>Audit Office Score: 6</p>	<p>The Hungarian State Audit Office is accountable only to the parliament. The Orbán government has used its parliamentary majority to take control of this body by appointing a former Fidesz parliamentarian to head the institution, and also by replacing the vice-president and other top officials. Nevertheless, the Audit Office has monitored part of the government's activities rather professionally in some detail. In an unprecedented move in autumn 2017, the government brought the Audit Office to start an investigation into the alleged fiscal irregularities of Jobbik, an opposition party which has become rather influential because of the huge support by Simicska.</p>
<p>Ombuds Office Score: 7</p>	<p>Hungary has an Ombudsman of Basic Human Rights, elected by parliament. Unlike its much-respected predecessor, the acting ombudsman, László Székely, has not served as a major check on the government and has not become an important public figure. The Ombudsman Office (AJBH) has been rather busy in small legal affairs such as the protection of children's rights, but it has not confronted the government about serious violations of civil and political rights.</p>



## Media

Media Reporting  
Score: 3

The Hungarian media landscape has undergone two different processes in the last years: depolitization and scandalization. Depolitization is the result of a new type of self-censorship, caused by the attacks of the government and their representatives on the press and civil society organizations. Scandalization is the result of polarization. The sharp polarization of political life in Hungary has facilitated a replacement of in-depth analysis by a preoccupation with scandals, whether real or alleged. There is relatively little in-depth analysis of government decisions and the performance of the government in the government-controlled public media, or in those private outlets close to Fidesz. As a reaction to the government's attempts at controlling the media, social media and internet editions of established print publications have gained in importance. The independent policy institutes and some expert based NGOs have regularly published policy analyses that have been widely discussed in the opposition media. The mass demonstrations, as well as the deepening rift within Fidesz, stemming from regular corruption scandals and provocative luxurious consumption habits, have elevated the significance of media reporting. The print media, including the tabloid press, such as *Blikk*, have been important in discovering the big scandals and policy failures. In the period under review, the significance of online media – *Index*, 444, *HVG*, *Átlátszó*, *Kettős Mércé* and even some right-leaning websites like *Mandiner* – has grown tremendously because they have been decisive in revealing the government's behind-the-scene activities. The websites of professional NGOs have also been very active and are closely followed by journalists.

## Parties and Interest Associations

Intra-party  
Democracy  
Score: 4

Intra-party democracy has been a rarity in Hungary. Although regulations for electing party leaders and for establishing candidacies for national, regional and local elections are formally in place, they do not play a dominant role in intra-party democracy. In the two most popular parties at the moment, *Fidesz* and *Jobbik*, the president of party is almost almighty. *Fidesz* is completely controlled by its president, and by pushing the transformation of *Jobbik* to become a moderate party forcefully, *Gábor Vona* has also become the strong leader. Among the left parties, *MSZP* (Hungarian Socialist Party) and *Együtt* (Together) are democratically organized and have a weak leadership, whereas *DK* (Demokratikus Koalíció) is dominated by former Prime Minister *Ferenc Gyurcsány*. *Politics Can Be Different* (LMP) and *P* (*Párbeszéd*) show a reasonable degree of intra-party democracy which reflects their origins as social movements.

Association  
Competence  
(Business)  
Score: 4

While the main domestic business associations have proved generally loyal to the government, some business associations, first of all the National Association of Entrepreneurs and Employers (VOSZ), have become rather critical of the government's lack of predictability in economic policy. Ferenc Dávid, its general secretary, has been the most outspoken critic of the government's economic policy. Moreover, the Orbán government has been criticized by the Hungarian European Business Council (HEBC). Representing Hungary's 50 most important export companies, HEBC in its latest Annual Report has urged the elaboration of a country strategy with the deep reconstruction of education system, taking the Fourth Industrial Revolution and the digital transformation into account. The trade unions have also adopted a critical position toward the government, but their membership is small (somewhat below 10%), they are still rather fragmented, and their voice is weak in the public debates. More recently, however, successful strikes for higher wages have helped to increase membership.

Citation:  
HEBC (2017): Annual Report 2016. Budapest ([http://www.hebc.hu/wp-content/uploads/2016/10/hebc\\_report\\_2016\\_values\\_to\\_be\\_sustained.pdf](http://www.hebc.hu/wp-content/uploads/2016/10/hebc_report_2016_values_to_be_sustained.pdf)).

Association  
Competence  
(Others)  
Score: 3

The Orbán government has created a big, lavishly financed pro-government network of fake civil society associations and foundations. In public life they have figured allegedly as independent and autonomous organizations, although they clearly support government positions and provide it a democratic façade. A series of scandals have arisen as it has become clear that these organizations have received financing from state-owned enterprise, but only some illegal-indirect party financing has become public. Szerencsejáték Zrt (Gambling or Gaming) has been the main sponsor, but the latest scandals have been around the Hungarian Electricity Works (MVM), which has given HUF 508 million to CÖF (Civil Union Forum), and HungaroControl has given HUF 320 million to the Unions for the Nation Foundation (Szövetség a Nemzetért Alapítvány), which in turn supports the House of Citizens (Polgárok Háza), itself a common venue for Fidesz events, including Prime Minister Orbán's annual address to the nation. By contrast, Hungary's genuine civil society has suffered from decreasing financial support and the pressures of legislative limitations. This has clearly infringed upon their capacity to formulate relevant policies.

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