

SGI Sustainable
Governance
Indicators

2014 Hungary Report

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Executive Summary

In the period under review, the Fidesz government continued its political and economic transformation of Hungary. Capitalizing on its two-thirds parliamentary majority gained in the 2010 elections, Fidesz has effectively overhauled the country's institutional framework and adopted a staggering number of laws. The changes have provoked outrage and protests movements within Hungary, as well as stoked conflicts between the Hungarian government and the European Union, the International Monetary Fund and other international organizations. Fidesz's reforms have not only compromised the quality of Hungarian democracy but also have resulted in poor policy performance. Moreover, the effects of the essential elimination of checks and balances under the government of Prime Minister Viktor Orbán on overall governance capacities are as of yet ambiguous.

Hungarian democracy has suffered through the government's control of the media, the further weakening of judicial review and new restrictions on access to government information. Frequent changes by the government have reduced legal certainty. The Orbán government has treated the law as an instrument for short-term solutions rather than as the reliable institutional framework it should be, making it difficult for parliamentary opposition parties to prepare for elections in 2014 by creating uncertainty over the rules of the game. The Fidesz government has also failed to end the intimidation of the Roma by the (New) Hungarian Guard, the paramilitary forces of the extreme-right party Jobbik, and to prevent growing anti-Semitism throughout the country.

While the Orbán government has been quite successful in consolidating its political power, it has largely failed to meet most of its broader policy goals, such as a resumption of economic growth, the consolidation of the state budget, the strengthening of the middle class or a reduction in unemployment. Its economic policy has been heterodox and unpredictable, and has been strongly criticized by the economic mainstream and by international organizations. Economic policy has been characterized by the growing role of the state, a strong rhetorical emphasis on the strengthening of national enterprises, a critical stance toward foreign direct investment (FDI), multinational companies and the banking sector, as well by regular government attacks against the

Hungarian central bank. As foreign investors have complained of additional burdens and unpredictable policy changes, FDI inflows have decreased. While Hungary eventually exited successfully from the EU's excessive deficit procedure initiated in 2004, fiscal adjustments have been accomplished through ad hoc measures rather than structural reforms. About two-thirds of the adjustment has been achieved through an increase in government revenue, the burden of which has fallen mostly on low-income earners. Research and innovation policies as well as education policy have suffered from a lack of funding. The government's inclination toward centralization and ideological control in education policy has generated conflict. As the Orbán government has repeatedly acted unpredictably and has employed double-talk in most international conversations, Hungary has found itself isolated in the international scene.

The Orbán government has adopted comprehensive institutional reforms. Among other things, it has overhauled interministerial coordination efforts, the process of consultation with interest groups as well as the relationship between central and subnational government. While these reforms have expanded the power of the Prime Minister's Chancellery and of central government in general, they have weakened rather than increased the government's strategic capacity. The over-centralization of decision-making as a result of reforms has not only created bottlenecks at the top but also has favored political patronage and frequently has led to the adoption of ideologically motivated decisions that have often turned out to be inadequate.

Key Challenges

Hungary has been trapped in a vicious circle of self-reinforcing negative political, economic and social development for some time. Its future development very much depends on parliamentary elections to be held in April 2014. At the time of writing, the outcome of the elections is still wide open.

The Fidesz-Hungarian Civic Alliance (Fidesz) started its election campaign relatively early. Its strategy is to mobilize its core supporters and to benefit from a large number of abstentions and the fragmentation of the opposition. If Fidesz were to win the elections, a change in the government's course, in particular an improvement in the quality of Hungarian democracy, looks unlikely. The government at the time of writing is deeply committed to its

policies, and an election victory is likely to give a further boost to the political hubris of Prime Minister Viktor Orbán.

In any case, the composition of the political elite will be altered by parliamentary reforms. The downsizing of National Assembly from 386 to 199 seats and a new provision that states that mayors cannot also serve as members of parliament will change considerably the membership of parliamentary groups of Fidesz and the Hungarian Socialist Party (MSZP). As most mayors will decide to keep their municipal offices, their influence in their parties may decline. This will widen the already existing gap between central government and subnational self-governments, which were deprived of a number of responsibilities under the Fidesz government, and will increase dissatisfaction with the government and politics overall at the local level.

The cooperation between Attila Mesterházy (MSZP) and Gordon Bajnai (Together 2014-Dialogue for Hungary) has made an opposition victory more likely. The future government's laundry list of needed changes is straightforward. First, they will need to restore the democratic order and the rule of law and to regain the people's trust in government. Second, the new government will need to design a sustainable macroeconomic strategy to restart the country's economic growth. Third, they will need to strengthen social inclusion, not just for the Roma and the poor, but also for the impoverished lower middle classes. And finally, the government will need to end cuts to programs and start investing in education. However, these challenges will not be easy to tackle. The constitution and numerous new qualified-majority laws, the so-called cardinal acts, protect the national-conservative priorities of Fidesz against future changes. So does the fact that key public positions will remain filled with Fidesz loyalists for some time. As for economic and social policy, an umbrella government will find it difficult to agree on some inevitably tough policy decisions. Thus, the scenario of a rainbow coalition of opposition parties paralyzed by internal differences and eventually falling apart cannot be ruled out. To prevent such a dire scenario, strong external support for a center-left government, most notably from the European Union, might be helpful.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 2

The government under Prime Minister Orbán has pursued a heterodox and unpredictable economic policy that has been strongly criticized by the economic mainstream and by international organizations and what's more, has not been particularly successful. Economic policy has been characterized by the growing role of the state, a strong rhetorical emphasis on the strengthening of national enterprises, a critical stance toward foreign direct investment, multinational companies and the banking sector, as well by regular government attacks against the Hungarian central bank. As foreign investors have complained about additional burdens and unpredictable policy changes, foreign direct investment inflows have decreased. The special levies on the banking sector have infringed upon financial intermediation. While the Orbán government did engage in negotiations with the IMF over economic assistance, it never did so seriously, so that eventually no agreement was forged. As a result of its weak economic policy, Hungary lost ground in almost all international rankings and vis-à-vis most other countries in the region. The market sentiment toward Hungary somewhat improved in 2012. However, this improvement was not sufficient to prevent a contraction in real GDP in 2012 and general economic stagnation in 2013.

Labor Markets

Labor Market Policy
Score: 4

When taking office, the Fidesz government promised 1 million new jobs in 10 years. In 2010, it introduced a new “public work” program under which unemployed persons, under the control of retired policemen, would do unskilled work under precarious conditions and for very modest remuneration. With the help of this program and increased employment abroad, overall employment has slightly risen since 2010. However, the unemployment rate

has remained unchanged, and 50,000 jobs have been lost in the private sector between 2010 and 2013. In 2012, the government adopted a new Labor Code with a lower level of dismissal protection. In 2013, a new Job Protection Act went into effect that halved or reduced the social contribution tax and vocational training contribution up to a gross wage of HUF 100,000 for selected groups of employees.

Taxes

Tax Policy
Score: 3

The Orbán government has sought to increase revenues without touching the flat personal income tax rate of 16%, one of its key reform projects introduced in January 2011. In January 2012, the government raised the main value-added tax (VAT) rate from 25% to 27%, making it the highest in the European Union. In addition, it increased a number of excise duties in 2012 and 2013, and introduced a new telecommunications tax in 2012 and financial transaction duty in 2013. As the tax burden has shifted from direct to indirect taxes, the tax system has become less equitable. The taxation of corporate income has been characterized by a high degree of differentiation and frequent changes. While most of the “crisis taxes,” sectoral surcharges on corporate income tax that were adopted in 2010 and largely targeted multinational enterprises, were gradually phased out, new optional tax schemes for small business were introduced in 2013.

Budgets

Budgetary Policy
Score: 3

The predominant goal of budgetary policy in Hungary has been to keep the fiscal deficit below 3% of GDP and to exit from the EU’s excessive deficit procedure originally initiated in 2004. The Economic and Financial Affairs Council of the European Union eventually closed the deficit procedure in June 2013. As evidenced by the recurring reliance on short-term austerity packages, however, fiscal adjustment has been accomplished through ad hoc measures rather than through structural reforms. Moreover, about two-thirds of the adjustment has been achieved by government revenue increases. The short-term orientation of fiscal policy was favored by the reform of the Fiscal Council in 2010, which limited its remit, its resources and its independence. Even the current council, however, has criticized the government’s haphazard fiscal policy and its lack of sustainability. Hungary is also still far away from meeting the debt ceiling of 50% of GDP enshrined in the new constitution. It fits to the lack of a long-term fiscal strategy that Hungary has ratified the European Fiscal Compact, but has insisted that its consolidation requirements apply only after its membership in the euro zone.

Citation:

Curristine, Teresa, Jason Harris, Johann Seiwald 2013: Case Studies of Fiscal Councils: Functions and Impacts. Washington, D.C.: IMF (<http://www.imf.org/external/np/pp/eng/2013/071613a.pdf>)

Research and Innovation

R&I Policy
Score: 4

Hungary's research and development (R&D) sector is fairly advanced but chronically underfinanced. Under the Fidesz government, the situation has further worsened. Public funding for universities and research has been cut. The Hungarian Academy of Sciences has been put under the control of a former Fidesz minister and has suffered from a radical and politically motivated reorganization. The European Institute of Technology and Innovation (EIT), which had been established by the European Union in Budapest in March 2008, has not had much effect on R&D in Hungary so far, largely because of missing resources on the Hungarian side.

Global Financial System

Stabilizing Global
Financial Markets
Score: 4

Despite its frequent attacks on the financial sector, the Orbán government has not shown much interest in enacting better regulations for the financial sector. Its plan to merge the National Bank of Hungary with the State Authority for the Supervision of Financial Institutions (PSZÁF) was motivated primarily by the goal of getting rid of the governor of the National Bank of Hungary, who had strongly defended the central bank's independence. Because of its confrontational stance with the European Union, Hungary has not played a role in EU debates over reforms of the international financial architecture. However, the Hungarian government has supported the idea of a European tax on financial transactions.

II. Social Policies

Education

Education Policy
Score: 4

The government under Prime Minister Orbán has radically revamped Hungary's education system. Municipalities have been deprived of their functions in primary and secondary education, and the autonomy of universities has been reduced. A central government agency has become the employer of all

teachers in Hungary, and the choice and provision of school books has been centralized as well. Justified as a means to increase efficiency and to reduce the hitherto strong regional disparities, centralization has created its own problems. For instance, the Klebelsberg Institute, the new central government agency office in the field of primary and secondary education, has struggled with the complex task of enrolling all pupils six years of age into schools nationwide. The centralization of education has been accompanied by increasing political-ideological pressure on teachers and students and by drastic cuts in funding. The budget for higher education is now around only 0.5% of GDP, less than half of the EU average. In December 2012, the government declared its intention to further cut spending on tertiary education. The planned reduction in the number of state-funded study grants from 30,000 to 10,000 has triggered a wave of student protests. The cuts in funding of higher education have partly been compensated by increased spending for vocational education. A further important change has been the increasing role of churches in education. As a result of these reforms, the quality of education, the access to education and the efficiency of the education sector have worsened.

Social Inclusion

Social Inclusion
Policy
Score: 5

The basic social message of Fidesz in the 2010 election campaign was that a Fidesz-led government would struggle for upward mobility in Hungarian society and represent the interests of the middle class and of low-income earners. In fact, however, the impoverishment of people in the lower-income deciles and the fragmentation and weakening of the middle classes have continued. The poorest strata of the population, first of all the Roma, have become more isolated from other strata and more dependent on state support. The plight of the hundreds of thousands of individuals holding foreign currency debt testifies to the struggle of the middle classes. The Orbán government has provided some relief by shifting part of the debt burden to foreign banks, but has done little for the poor. The government has also failed to reduce the significant gap in economic and social development between Western and Eastern Hungary.

Health

Health Policy
Score: 4

Health care has been one of the most conflicted policy fields in Hungary. Policy-making has suffered from the lack of a separate ministry dealing with health care concerns. The Orbán government's organizational reforms have been largely confined to the nationalization of hospitals, which were previously run by municipalities. This move has made it easier to reduce overcapacity and

to reduce regional and local disparities, but has also raised the danger of over-centralization. The Orbán government has failed to tackle mismanagement and corruption in the health sector, the discretionary refusal of services and the increasing brain drain of doctors to other countries. The severe cuts in public spending on health care have further aggravated these problems.

Families

Family Policy
Score: 4

The family policies of the Orbán government have not aimed at improving opportunities for women to combine parenting and employment, but instead have worked to strengthen traditional family models. The new constitution defines only married couples with children as a family. As a result, non-married couples have lost entitlements. The Orbán government has introduced a new family tax allowance and has extended the maximum period for parental leave from two to three years, thereby luring women away from the labor market. There are still only a few part-time jobs for highly skilled women, and the female employment ratio is one of the lowest in the Organization for Economic Cooperation and Development (OECD) and the European Union.

Pensions

Pension Policy
Score: 4

Hungary introduced a three-pillar pension system along World Bank guidelines, with a strong mandatory second pillar in 1997. Between 2010 and 2011, the Orbán government abolished the second pillar. It then used the nationalized capital, worth almost 10% of GDP, for reducing the budget deficit and for financing tax cuts, thereby drastically reducing the sustainability of the pension system. The final nail in the coffin of the second pillar was the decision in late 2011 to permanently divert pension contributions of the 3% of individuals that, despite considerable pressure, had decided to remain in the second pillar to the first pillar. To further improve the short-term fiscal situation of the pension system, the Orbán government also eliminated some options for early retirement. In doing so, it partly relied on retroactive legislation and thus deprived workers who had already retired of their pensions. At the same time, however, the Orbán government has allowed women who have worked or raised children at home for 40 years to retire without any reductions in benefits and has anxiously avoided any pension cuts for this group. The crackdown on the pension system's second pillar and on early retirement has strongly increased uncertainty over income in old age in Hungary.

Integration

Integration Policy
Score: 5

Hungary is still a transit country with only a small number of migrants who want to stay in the country. Due to legislation that allows double citizenship for ethnic Hungarians, the integration of ethnic Hungarians from neighboring countries – above all from Romania, Serbia and Ukraine – has been rather routine. By contrast, the integration of other migrants is still a controversial process, since the government does not allocate sufficient resources for their cultural and social integration.

Safe Living

Safe Living
Conditions
Score: 4

In Hungary, regular crime is largely kept within “normal” limits. However, there are strong security risks associated with violence perpetrated by extreme-right groups and the confrontation of opposing political camps on the streets. The government’s attempts to prevent atrocities against Roma, Jews or homosexuals and to protect opposition demonstrators have been rather half-hearted. For instance, in April 2013 some dozen clashes were reported with the involvement of the (New) Hungarian Guard, a paramilitary right-wing organization, trying to capitalize on conflicts between majority Hungarians and the impoverished Roma minority.

Global Inequalities

Global Social Policy
Score: 3

Hungary has always paid little attention to developing countries. In line with this tradition, the Orbán government has shown only limited interest in international efforts to promote equal socioeconomic opportunities in developing countries. In the case of trade policy, it has not developed its own policies, but has followed the position European Union, albeit with some hesitation.

III. Environmental Policies

Environment

Environmental
Policy
Score: 6

In Hungary, comprehensive environmental regulations are in place, and the European Union continues to serve as an important push factor. However, the

enforcement of environmental standards has suffered from the country's tight budgetary situation. Moreover, the integration of the former Ministry of the Environment and of Water into the Ministry of Rural Development, one of the super-ministries of the Fidesz government, has reduced the political weight and independence of environmental policy. The government under Prime Minister Orbán has neglected the issue of arsenic in the country's drinking water.

Global Environmental Protection

Global
Environmental
Policy
Score: 5

Similar to its predecessors, the Orbán government has shown typical free-riding behavior. It has stressed its commitment to international efforts and has supported the EU's environmental policy but it has not independently initiated reforms. Moreover, global reforms have not been part of the official public discourse in Hungary.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 8

The far-reaching changes in Hungarian electoral law have included amendments to candidate registration procedures. As the number of signatures required for the registration of parliamentary candidates has been raised from 750 to 1,000, and the period for collecting signatures has been shortened, registration has become more difficult. However, it seems that the strategy of the Fidesz government for the 2014 elections aims at encouraging rather than at discouraging candidates, primarily through changes in campaign financing laws. The government hopes that a greater fragmentation of the opposition will make it easier for Fidesz candidates to win a majority.

Media Access
Score: 4

Media access has become uneven during the review period. The government under Prime Minister Orbán has exerted strong control over public media, and private electronic media outlets, which enjoy a high market share, are also more and more controlled by the government's political camp. The situation however is more balanced with print media and online media. In late 2012, the governing coalition passed a law limiting the duration of an election campaign and also introduced a ban on election ads in private media. Justified as an attempt to ensure a level playing field and to reduce campaign costs, this ban was criticized broadly for demobilizing voters and for rendering it more difficult for the parliamentary opposition to make itself heard. When the Constitutional Court declared the ban unconstitutional in January 2013, the Orbán government responded by changing the constitution. In response to criticism from the European Commission, the government exempted elections to the European Parliament from the ban. In a final about-face in September 2013, the ban was abolished completely.

Voting and
Registrations Rights
Score: 7

As part of its overhaul of electoral law, the government under Prime Minister Orbán has also tried to alter provisions on voter registration. Legislation adopted in late 2012 required voters to register online or in person at least two weeks before an election. Officially justified the change as a way of ending discrimination of Hungarians living abroad (who have always had to register

before elections), the new registration requirement was broadly perceived as an attempt to disenfranchise core constituencies of the opposition, such as the elderly or the poor. Similar to the ban on campaign ads in private media, the change in registration rules was declared unconstitutional by the Constitutional Court in January 2013. Controversies also exist with regard to Hungarians voting abroad. As some neighboring states do not support dual citizenship, the Fidesz government wants to keep such voting secret, which thus opens the possibility of vote manipulation. The Fidesz government has not addressed the restrictions on voting rights associated with the disenfranchisement of convicts and the absence of voting by mail.

Party Financing
Score: 3

Regulations over party and campaign financing are outdated and incomplete. Limited public funding and weak monitoring have allowed corruption to fester. While the Fidesz government often has promised to reform the system, it has postponed its decisions frequently, possibly with the goal of maintaining uncertainty among opposition forces ahead of the 2014 parliamentary elections. One government proposal envisaged a public subsidy of HUF 5 million for all registered candidates, but did not specify how the money could be spent or how spending would be monitored. This proposal too has been criticized as an attempt to fragment the opposition.

Popular Decision-Making
Score: 6

In Hungary, citizens can initiate referendums; there have been previously successful initiatives for referendums at the national and local level. However, the new 2011 constitution has limited the scope for popular decision-making by abolishing the possibility of popular initiatives, by expanding the set of issues exempt from referendums and by raising the thresholds for the success of a referendum. Unlike in the past, for a referendum to be successful, at least 50% of voters were required to participate. In the period under review, the opposition tried to initiate several national referendums, but all initiatives were refused by the government-controlled National Electoral Commission (OVB), which enjoys a high level of discretion in deciding whether issues are eligible for a referendum. For instance, the OVB has refused two initiatives of the Hungarian Socialist Party (MSZP) President Attila Mesterházy against the retrospective legislation and the building of a high-cost soccer stadium in Felcsút (OVB decisions 139/2011 and 93/2012) and two initiatives of Democratic Coalition (DK) Vice-President Tamás Bauer against the merger of the Hungarian central bank and the State Authority for the Supervision of Financial Institutions (PSZÁF) (OVB decisions 16/2012 and 17/2012).

Citation:

Kocsó, Zsanett 2013: Direct Democracy in Hungary - Still a Powerful Instrument?

(<http://www.democracy-international.org/direct-democracy-hungary-still-powerful-instrument-0>)

Access to Information

Media Freedom
Score: 4

The government under Prime Minister Orbán pushed through highly controversial media laws in 2010 and 2011, which were only slightly changed following stringent criticism from the European Commission and other international and national actors. The new laws strengthened government control over the media by vesting a Media Council, exclusively composed of persons affiliated with Fidesz, with the control of media content and the granting of broadcasting licenses. The council as just one example used its discretion for cancelling the license of the leading independent radio station, Klub Radio. New provisions on “balanced reporting,” along with mass layoffs in public media, has fostered a climate of fear and self-censorship among journalists. Government representatives have criticized independent media, while indirectly supporting media with an extreme-right bias.

Media Pluralism
Score: 5

Media pluralism in Hungary has suffered not exclusively from increased government control over public media. In addition, a process of concentration of private media ownership in the hands of companies close to Fidesz has also had a negative impact on the diversity of views and freedom of expression. While there are still working independent media outlets, they are strained by difficult financial and political pressures, so that opposition voices turn more and more to the online media, which is more difficult to control.

Access to
Government
Information
Score: 6

The government under Prime Minister Orbán has tried to severely limit public access to government information. It has frequently stretched and violated existing law, which provides extensive access to government information, by making it difficult for the public or the media to get information, especially on public procurement. It has made the enforcement of access more difficult by shifting in 2011 the oversight responsibility from an independent Data Protection Commissioner to a Data Protection Office (Adatvédelmi Hivatal) within the state administration. In doing so, it even ended the term of the commissioner before its official date, a move strongly criticized by the European Commission. Finally, the government initiated an amendment to the Freedom of Information Act in 2012 explicitly limiting public access to government information by restricting important information to the care of the State Audit Office. The national and international protest against this amendment was so strong that Hungarian president János Áder refused to sign the new act in May 2013.

Civil Rights and Political Liberties

Civil Rights
Score: 6

The Hungarian state largely respects and protects civil rights. However, Roma and other minorities have become frequent targets of harassment and of hate speech. Additionally, the government has failed to end the intimidation of Roma by the (New) Hungarian Guard, the paramilitary force of the extreme-right party, Jobbik. In some cases, the police have used torture against individuals under arrest. The biggest abuse in this respect was in April 2013 when an individual who was allegedly tortured died while under arrest. Moreover, foreign investors have complained that the government has violated their property rights by pressuring them into providing debt relief to households that are carrying a large amount of foreign currency debt and by threatening to renege on local public debt obligations.

Political Liberties
Score: 7

In Hungary, the freedom of expression, assembly rights and other political liberties are largely protected. The fact that racist and anti-Semitic forces have benefited from these protections has become a controversial issue. In April 2013, for instance, a Budapest court annulled the ban on an anti-Semitic motorcycle parade that was actually imposed by Prime Minister Orbán in an attempt to counter critics of his government's ambiguous policy toward extreme-right groups. Infringements on political liberties by state institutions have been rare, but have occurred. In a number of cases, the police have tolerated right-wing attacks on demonstrators from the left, for instance, in March 2013 when soccer hooligans posing as security guards twice attacked demonstrators at Fidesz party headquarters. Legislation passed in 2011 over the registration and public support of religious communities, which has privileged the Catholic Church and, to a minor extent, other "historical" churches, has raised concerns over the freedom of religion.

Non-discrimination
Score: 5

Hungary has a comprehensive legal framework against discrimination. During Hungary's EU presidency in the first half of 2011, the country played a key, and broadly praised, role in the development and adoption of the EU's new Roma strategy. In practice, however, state anti-discrimination efforts have shown only limited success. According to estimates, about half of all Roma children in Hungary are still segregated from other pupils and receive substandard education. In many cases, court rulings against segregation are not enforced. Other groups have suffered from discrimination as well. The growing anti-Semitism in Hungary led the World Jewish Congress to convene its 2013 annual congress in Budapest. The discrimination of women in employment opportunities, career paths and pay is illustrated by the small number of women who participate in Hungarian politics.

Rule of Law

Legal Certainty
Score: 3

Legal certainty in Hungary has strongly suffered from chaotic, rapidly changing and sometimes even retroactive legislation. In May 2013, the new Hungarian constitution, which went into effect on 1 January 2012, had already seen four rounds of extended amendments. In 2011, a total of 225 bills were passed. In 2012, the hectic pace continued with 213 bills passed. Some laws, for instance the Civil Service Act, were amended a dozen times. Poorly and hastily prepared draft bills have produced sub-standard laws that require subsequent amendments. Such legal activism has partly resulted from the frequent changes in the Fidesz government's political strategy. Moreover, the government has treated the law as an instrument for short-term fixes rather than a long-term institutional framework. The frequent and often surprising changes in the legal environment and in the tax system have provoked fierce criticism from businessmen and investors and, as documented by declining foreign direct investment figures, have dramatically reduced Hungary's attractiveness as a place for investment.

Judicial Review
Score: 5

While the Constitutional Court and other courts have played an important balancing role and have decided against the government in a number of cases, the role and the independence of the Hungarian judiciary have declined under the Orbán-led government. A controversial constitutional amendment in March 2013 continued the curtailment of competencies of the Constitutional Court that started in 2010 and 2011. The Constitutional Court is now no longer allowed to reject constitutional amendments on matters of substance or to base its rulings on its decisions before the enactment of the new constitution in January 2012. Parallel to the weakening of the Constitutional Court, the government's decision to staff the Constitutional Court with Fidesz loyalists, sometimes not even specialists in constitutional law, has continued. Concerns about the independence of the judiciary were also raised by a temporary decrease in the retirement age for justices, which resulted in the forced retirement of 194 justices in March 2012 and their subsequent replacement with justices close to Fidesz. Moreover, the presidents of the National Judicial Office (OBH) and of the Kúria (Curia, the earlier Supreme Court), the two bodies in charge of appointing justices and overseeing the court system since January 2012, have been very close to the government and have been widely criticized for taking biased decisions. The European Commission has strongly criticized the OBH's right to shift proceedings from one court to another.

Appointment of
Justices
Score: 2

The new constitution left the rules for the selection of Constitutional Court justices untouched. Justices are still elected by the National Assembly with a two-thirds majority. Given the strong Fidesz majority in the legislature and the

Corruption
Prevention
Score: 4

government's lack of self-restraint, however, the two-thirds threshold has failed to limit the political control of parties over judicial appointments. Fidesz has used its parliamentary majority to appoint loyalists, individuals who sometimes are even without special expertise in constitutional law.

The government under Prime Minister Orbán has done a lot to fight – real or alleged – corruption under previous governments, but has done little to improve deficient legislation. Moreover, it has been involved in a number of questionable deals with investors and persons with close ties to the ruling political elite. Two cases, which have attracted particular public attention, have been the large-scale lease of public land in 2012 and the tender for public licenses to sell tobacco in 2013. In both cases, valuable rights went to a small number of bidders close to Fidesz and did so in a very non-transparent way. The land-lease scandal led to the resignation of József Ángyán, state secretary in the Ministry of Agriculture, who criticized the government for its cronyism. As a reaction to the tobacco lease scandal, Transparency International and other NGOs resigned from the government's anti-corruption working group.

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 3

The Orbán government has emphasized its long-term view with regard to strategic planning and has produced a large number of strategy papers, including the two Széll Kálmán Plans adopted in 2011 and 2012. However, these and other plans have suffered from the government's short-term focus and a lack of consistency. As the Orbán government has subordinated all political actions to the goal of consolidating power, economic and fiscal priorities have frequently shifted and not much effort has been invested in building institutional capacities for strategic planning.

Scholarly Advice
Score: 2

The political polarization in Hungary has resulted in a deep conflict between the government and non-governmental academic experts. The government under Prime Minister Orbán has shown no interest in independent advice. During the country's time holding the EU Presidency, in the first half of 2011, the government excluded non-governmental experts from all EU-related activities, although most of them had already participated in preparations and had good contacts abroad. Some eminent experts close to the Orbán government at the beginning of its term have since turned against the government. Two cases in point are Tamás Mellár, former president of Central Statistical Office, and Frigyes Solymosi, a leading member of the Hungarian Academy of Sciences.

Interministerial Coordination

GO Expertise
Score: 9

Prime Minister Orbán has steadily expanded both the competencies and the resources of his personal Chancellery. As the latter has become ever more powerful, the former Prime Minister's Office has been moved to the Ministry of Public Administration and Justice. Orbán has been able to draw not only on his official staff, but also on a network of three research institutes lavishly

financed by the Chancellery and a number of personal confidants and advisors with no official functions. The three research institutes were established when Fidesz was still in opposition. Századvég (The End of the Century), a political think-tank originating from the 1990s, has increasingly influenced economic policy. The government's key spin factory is the Nézőpont (Viewpoint) Institute, which observes day-to-day politics and media coverage for the government, usually preparing public opinion surveys both for influencing the public and for the use within government. The Institute for Public Policy Research (KKI) is ex officio a government agency that collects information and statistical data for policy analysis in all fields. Given this expertise, the top decision-makers in the Chancellery sometimes have access to more information than do ministers or their state secretaries.

GO Gatekeeping
Score: 10

Under the Orbán government, the Chancellery has played a dominant role in policy coordination. The autonomy of line ministries has been limited, and all important personal, political and policy decisions are taken by the prime minister and his confidants. In the case of foreign affairs, for instance, Péter Szijjártó, state secretary of foreign policy and foreign trade in the Chancellery, exerts more power and influence than the foreign affairs minister.

Line Ministries
Score: 10

Building on the approach of its predecessor, the second government of Prime Minister Gyurcsány, the government under Prime Minister Orbán has radically limited the role of line ministries to favoring decisions taken by the prime minister. Line ministries have mostly acted as executive agencies following orders from above, and their activities have been controlled in detail by the Prime Minister's Chancellery and the Ministry of Public Administration and Justice (KIM), a special ministry that grew out of the former Prime Minister's Office and headed by Deputy Prime Minister Tibor Navracsics. To ease central control, the number of line ministries has been limited to seven, with portfolios for foreign affairs, defense, interior, national economy, national development, human (earlier national) resources (EMMI) and rural development (VM). The small number of ministries has complicated their representation on the various EU councils, and created additional confusion with regard to coordination efforts during the Hungarian EU presidency in 2011.

Cabinet Committees
Score: 6

Given the dominant role of the Prime Minister's Chancellery, cabinet committees have played a much less significant role than under previous governments. The main exception is the Government Committee for National Development, consisting of the prime minister, the state secretary of the Chancellery, the minister of national development (NFM) and the minister of national economy (NGM). The committee was established in July 2012 when the government had realized that it had failed in its goal to spend EU transfers in a timely fashion.

Ministerial
Bureaucracy
Score: 5

Given the small number of ministries in Hungary, interministerial coordination has partly been replaced with intra-ministerial coordination. In addition to policy coordination by the Prime Minister's Chancellery, there is some coordination by ministry officials. Senior ministry officials meet for the preparation of cabinet meetings, and there is an Interministerial Coordination Committee for European Affairs (EKTB), a committee in charge of coordinating EU-related issues, consisting of senior ministry officials.

Informal
Coordination
Score: 10

The strong formal role of Prime Minister Orbán and his Chancellery has been complemented by informal coordination mechanisms. There are about 150 top decision-makers within the Hungarian government that are appointed directly by the prime minister. Within this group there are two circles of informality and confidence. First, Orbán meets his closest 20 to 30 people regularly, and many important decisions stem from these personal encounters. Second, Orbán from time to time convenes some officials from the larger circle to whom he gives instructions. Many decisions originate from these meetings, and such decisions are processed through the system informally before any formal decision is taken. These informal coordination mechanisms make rapid decisions possible. Given the pivotal role of the prime minister, however, such a process also creates a bottleneck in decision-making.

Evidence-based Instruments

RIA Application
Score: 4

Hungary has a long history of implementing regulatory impact assessments (RIAs) for legislation. However, the RIA process has suffered from sluggish implementation and is applied only in some cases. The Orbán government amended an act on lawmaking that includes RIA provisions, creating the position of deputy state secretary in the Ministry of Public Administration to be responsible for feasibility studies as well as establishing the ECOSTAT Government Feasibility Center to assist in the preparation and implementation of RIAs. In practice, however, RIAs have been almost exclusively applied for environmental issues or in cases where international obligations have demanded it. One reason why RIAs have not been applied meaningfully, and sometimes not even formally, to economic, fiscal and social policies has been the hectic pace of creating austerity packages.

Quality of RIA
Process
Score: 2

The quality of the regulatory impact assessment (RIA) process in Hungary is poor. Even though government documents emphasize the need for stakeholder participation as part of an RIA, the very idea of outside consultation is alien to the Orbán government and thus this element is lacking. Even if a comprehensive RIA is completed, its results are rarely or just partially made available to politicians. A case in point is the limited information available on the government's special website for regulatory impact assessments, which was

Sustainability
Check
Score: 2

created by the Orbán government (hatasvizsgalat.kormany.hu). Third, the evaluation of legislation is usually a closed process and is not really used for improving the RIA process.

Hungary's National Assembly only passed a national sustainability strategy in March 2013. This lengthy document surveys related international documents and provides Hungarian-centric applications for major issues, with a detailed list of goals in closing. However, there is only a small paragraph related to regulatory impact assessments (RIAs) in the document; what's more, the sustainability strategy and the RIA process have yet to be coordinated. Sustainability checks are not an integral part of the RIA process, and the set of indicators used for RIAs are in general limited and are lacking long-term thinking.

Societal Consultation

Negotiating Public
Support
Score: 2

The government under Prime Minister Orbán has largely refrained from consulting with independent social actors. It has argued that its two-thirds majority in the National Assembly has vested it with sufficient legitimacy to carry out profound changes without consulting stakeholders, and has stated a clear preference for “majoritarian” over “consensus democracy.” It has regularly circumvented the legal requirement to consult with societal actors during the legislative process, as stipulated in the 2010 Act on Social Consultation, by letting individual members of parliament submit bills. Moreover, the government abolished the former tripartite National Interest Reconciliation Council (OÉT) and replaced it with a new National Economic and Social Council (NGTT) with more limited competencies in October 2011. The new council includes not only trade unions and employer associations, but also civil society organizations, churches, organizations representing Hungarians abroad and scientific-academic organizations. Unlike its predecessor, it meets only once or twice a year and cannot take any independent decisions, and thus serves a goal of mainly showing the government's commitment to some form of social dialogue.

Policy Communication

Coherent
Communication
Score: 10

The Prime Minister's Chancellery largely coordinates and controls government communication. Ministers tend to follow the prime minister's message; and for this reason, the Chancellery has often been derided as a “chorus of parrots.” Contradictory statements by individual ministers are rare. If they do occur, the statements are corrected quickly by the prime minister and his staff or aides. In December 2012, for instance, an improvised statement by Prime Minister

Orbán in Brussels ended a period of confusion over the government's position on university enrollment.

Implementation

Government
Efficiency
Score: 5

The Orbán government has been successful in consolidating its political power, in centralizing policy-making and in weakening the government's democratic system of checks and balances. However, it has largely failed to meet most of its broader goals, such as a resumption of economic growth, a consolidation of the budget or a reduction in unemployment. Low government efficiency is explained by frequent policy changes. Policy performance has suffered from the government's short-term focus and an over-centralization of policy-making.

Ministerial
Compliance
Score: 10

Prime Minister Orbán and his Chancellery closely monitor the activities of all ministries and ministers and have largely succeeded in ensuring the implementation of the government's program. The high level of ministerial compliance has been made possible by Orbán's strong and uncontested position as party leader and prime minister and the strong capacities of the Prime Minister's Chancellery. A case in point of the prime minister's control over line ministries is the forced resignation of József Ángyán, the state secretary of the Ministry of Rural Development, who had dared to criticize the government's 2012 land lease tenders.

Monitoring
Ministries
Score: 10

The Prime Minister's Chancellery successfully monitors line ministries in all stages of the implementation process. As all core executives are Fidesz party loyalists, control has been maintained largely through party discipline. Those who have failed to keep discipline, even in the face of tough stakeholder resistance during implementation, have risked losing their positions. New civil service legislation has made it easier to dismiss public employees without cause, and large number of public servants has been since forced out of ministry work.

Monitoring
Agencies,
Bureaucracies
Score: 10

Upon taking office, the government under Prime Minister Orbán changed the heads and core executives of all state agencies at the national level. The weakening of subnational self-governments and the centralization of administration further extended the government's control over agencies. 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

In Hungary, there is a long tradition of national governments shifting unfunded tasks to the subnational level. Under the Orbán government, the situation has worsened. The shift of competences from the subnational to the national level has gone hand in hand with an even stronger reduction in the revenue sources of subnational governments. As a result, the latter have lost competencies and

Constitutional
Discretion
Score: 3

now have fewer funds for the remaining tasks than previously. The Orbán government's inclination to shift costs to subnational governments is nicely illustrated by a cap on energy prices and the costs of other services for households imposed by the government in spring 2013, as an early campaign promise ahead of the 2014 elections. By limiting the profits of public service providers, the cap has had severe implications for local budgets. However, municipalities were not compensated for this loss by the central government.

Hungary has experienced far-reaching reforms of local government during the period. The Orbán government ended mayoral elections in municipalities with less than 2,000 inhabitants and fostered the combining of smaller municipalities. It also reduced the original functions of local self-government, especially in the realm of education, and established new tiers of state administration at the county and district level that have assumed functions that had previously been exercised by local and other subnational self-governments. As a result, not only the formal powers of subnational self-governments, but also their capacities to make full use of these powers, have declined.

National Standards
Score: 3

In Hungary, the quality of subnational public services has suffered from the reorganization of subnational government. The new subnational tiers of state administration lack experience in providing services. Preoccupied with start-up concerns, officials have not paid much attention to service quality. The provision of those public services left with subnational self-governments has suffered from self-governments' lack of financial resources and administrative capacities. The central government has failed to address these problems.

Adaptability

Domestic
Adaptability
Score: 3

The government under Prime Minister Orbán has paid little attention to the adaption of domestic government structures to international and supranational developments. In public, Prime Minister Orbán has stressed Hungarian independence and has argued that his government must fight for its freedom and national sovereignty against the European Union and the International Monetary Fund. Major institutional reforms have even made domestic government structures even less compatible with international and supranational developments. The radical reduction in the number of ministries, for instance, has created huge problems in EU affairs, as the organization of ministries does not mirror those in most other EU countries. Hungary has also performed relatively poorly with regard to the absorption of EU transfers. By December 2012, Hungary had used only 43.02% of EU transfer funds, compared with an average of 45.1% for the EU-27.

International
Coordination

The government under Prime Minister Orbán has acted in a self-centered

Score: 3

fashion and has been almost exclusively inward-looking. It has had neither the interest nor the capacity to engage in global collective efforts and to contribute to them with its own initiatives. As it has repeatedly acted unpredictably and has used double-talk at international conventions, the country has essentially become isolated in the international scene. The Hungarian EU Presidency in the first half of 2011 was however the exception that proves the rule. On the one hand, the Orbán government successfully took the initiative in some fields (e.g., the Danube or the Roma Strategy); on the other, it undermined its own international position by launching highly controversial domestic reforms. Thus, the presidency was characterized by a contrast between the anti-European adventurism of politicians and the Europeanized professionalism of the administrative staff.

Citation:

Ágh, Attila, 2012: "The Hungarian Rhapsodies: The Conflict of Adventurism and Professionalism in the European Union Presidency", in: *Journal of Common Market Studies* 52(s2): 68-75.

Organizational Reform

Self-monitoring
Score: 10

In Hungary, there is no regular formal monitoring of the institutional arrangements of governing. However, there is a strong and rather comprehensive control of the workings of the state apparatus from the top, and the government has been quick to change institutional arrangements that it deems to be ineffective.

Institutional Reform
Score: 2

The Orbán government has adopted comprehensive institutional reforms. Among other things, it has overhauled interministerial coordination, the consultation of interest groups as well as the relationship between central and subnational government. However, reforms have tended to weaken rather than to increase the government's strategic capacity. The over-centralization of decision-making resulting from most reforms has created bottlenecks at the top, has favored political patronage and has led to the adoption of decisions based on ideology that have often turned out to be inadequate.

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge

The policy knowledge of Hungarian citizens is poor. Reasons include a

Score: 3

growing political apathy among citizens, the biased information policies of the government through an ever-growing propaganda complex and the increasing centralization and non-transparency of policy-making. The media on both sides of the political spectrum have concentrated on making scandals of political issues and on reporting on persons rather than on policies. The strong political polarization means that many citizens are not really interested in policy details. The governing Fidesz party, for example, can count on a large number of hard-core followers, estimated at up to 20% of the electorate, who will support the party almost unconditionally.

Legislative Actors' Resources

Parliamentary
Resources
Score: 5

Members of parliament have access to funds to consult with outside advisors, and the National Assembly has a good library and even a small research section. However, these resources have not been sufficient to keep up with the government's hectic manner of policy-making. In the parliamentary term at the time of writing, the National Assembly adopted more than 500 bills and made hundreds of other decisions. Moreover, some laws have been amended dozens of times, and the Orbán government has often sent draft bills to be voted on a Monday to parliamentary members as late as Friday afternoon. For the small and ideologically fragmented opposition, it has been difficult to monitor the frenetic legislative activity of the Orbán government.

Obtaining
Documents
Score: 6

Traditionally, parliamentary committees have enjoyed far-reaching access to government documents. However, the new standing orders of the National Assembly, as adopted with the 2012 Act on Parliament, do not regulate the access of parliamentary committees to government documents. In practice, the Orbán government has sometimes used its parliamentary majority to restrict access to government documents. For instance, getting access to documents in the committee for the oversight of secret services has become a point of contention.

Summoning
Ministers
Score: 5

The new standing orders of the National Assembly as of the review period stipulate, as before, that ministers have to report personally to the parliamentary committee(s) concerned at least once a year. However, they no longer mention the right of parliamentary committees to summon ministers for other hearings as well. Departing from previous practice, committees have rarely invited ministers to committee hearings under the Orbán government.

Summoning Experts
Score: 9

According to the new standing orders (as of the review period) of the National Assembly, all parliamentary factions can invite experts, and the committee sessions are open to the public. In practice, however, the overwhelming majority of Fidesz in the National Assembly and the hectic pace of legislation

Task Area Congruence Score: 4	<p>have reduced the involvement of experts to a mere formality.</p> <p>The reduction in the number of ministries has not been accompanied by a reduction in the number of parliamentary committees. The result has been a strong mismatch between the task areas of ministries and committees. The fact that ministries are covered by several committees, sometimes with large overlaps, has complicated the monitoring of ministries.</p>
Audit Office Score: 6	<p>According to law, the Hungarian State Audit Office is accountable only to the legislature. However, the Orbán government has used its parliamentary majority to take control of it. It has made a former Fidesz member of parliament head of the institution, and has also replaced the office's vice president and other top officials. Still, the office has acted relatively independently and has monitored the government's activities in some detail.</p>
Ombuds Office Score: 10	<p>On 1 January 2012, the Ombudsman Office was reorganized. Instead of four ombudsmen, just one has remained to now be called the Ombudsman of Basic Human Rights. Ombudsman Máté Szabó has been active in his independent role of not just protecting human rights but also the democratic constitutional order in general. By strongly monitoring government activities, he has turned regularly to the Constitutional Court, asking for control of parliamentary acts, decisions and government rulings. His activities have represented some of the few remnants of a system of checks and balances in government, but his time in office will end in 2013. Szabó's tenure and the office itself can be considered one of the last strongholds of Hungarian democracy.</p>
Media	
Media Reporting Score: 5	<p>The sharp polarization of political life in Hungary has witnessed the replacement of in-depth analysis with a preoccupation with scandals, be they real or alleged. There is relatively little in-depth analysis of government decisions and of government performance in media that is under the control of the government or maintains close ties to Fidesz. Save for party bias or a weak coverage of international affairs, however, some print media close to the parliamentary opposition have maintained a relatively high standard of balanced reporting. As a reaction to the government's attempts at controlling the media, social media and the online versions of established print media have become more influential and are now frequently used as sources of information.</p>

Parties and Interest Associations

Intra-party
Democracy
Score: 4

Hungary's former party system collapsed during the 2010 elections. Only three parties received more than 10% of the votes. Fidesz, the party of Prime Minister Orbán, is officially democratically organized, but is in fact completely controlled by the party leadership. The same applies to Jobbik, an extreme-right political party. The Hungarian Socialist Party (MSZP) has a more inclusive system, which is based on political platforms.

Association
Competence
(Business)
Score: 4

The analytical capacity of economic interest associations in Hungary has differed. The main business associations have been loyal to the central government. They have confined themselves to criticizing policy details and have largely refrained from formulating policy alternatives. This applies to the Hungarian Chamber of Commerce and Industry (Magyar Kereskedelmi és Iparkamara), the reorganized Hungarian Agrarian Chamber, the National Association of Entrepreneurs and Employers (VSOZ) and the Confederation of Hungarian Employers and Industrialists (GYOSZ). The trade unions have adopted a more critical position toward the Orbán government. However, their analytical capacity has suffered from the strong fragmentation of the unions. The merger of three of Hungary's six trade union federations, announced on 1 May 2013, is likely to raise their capacity to formulate relevant policy suggestions.

The three federations – the National Federation of Hungarian Trade Unions (MSZOSZ), the Alliance of Autonomous Trade Unions (Autonómok) and the Cooperation Forum of Trade Unions (SZEF) – represent the majority of trade union members, and some trade unions from other federations have also joined them.

Association
Competence
(Others)
Score: 3

The analytical capacity of non-economic interest associations has suffered from the government's control of the sector. The National Civil Fund (NCA), a body in charge of monitoring and supporting civic organizations and NGOs, was taken over by the Orbán government and transformed into the National Cooperation Fund (NEA). As the latter has financed only associations loyal to the government, independent associations have struggled with a lack of funding. However, there have been some small, but very important NGOs with substantial policy expertise. One is the Hungarian Civil Liberties Union (TASZ) that has documented and evaluated in detail the anti-democratic actions of the Orbán government.

This country report is part of the Sustainable Governance Indicators 2014 project.

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