

# Hungary

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*Capital:* Budapest  
*Population:* 10.1 million  
*GNI/capita:* US\$17,470

The data above was provided by The World Bank, *World Bank Indicators 2009*.

## Nations in Transit Ratings and Averaged Scores

	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Electoral Process	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.75	1.75	1.75
Civil Society	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.50	1.50	1.75
Independent Media	2.00	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50
Governance*	2.50	3.00	3.00	2.50	2.50	n/a	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	n/a	2.00	2.00	2.25	2.25	2.50
Local Democratic Governance	n/a	n/a	n/a	n/a	n/a	2.25	2.25	2.25	2.25	2.50
Judicial Framework and Independence	1.75	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Corruption	2.50	3.00	3.00	2.75	2.75	2.75	3.00	3.00	3.00	3.25
<b>Democracy Score</b>	<b>1.88</b>	<b>2.13</b>	<b>2.13</b>	<b>1.96</b>	<b>1.96</b>	<b>1.96</b>	<b>2.00</b>	<b>2.14</b>	<b>2.14</b>	<b>2.29</b>

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

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

## EXECUTIVE SUMMARY

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The year in Hungary was marked by voters' rejection of government reforms at the March 9 referendum, the subsequent breakup of the ruling Socialist-Liberal coalition leading to the first minority government since 1990, and the early effects of the global financial crisis in the autumn. The state's involvement in Hungary's otherwise free-market economy appears unsustainable, yet the public does not indicate a readiness to rearrange these sectors.

Hungary is a parliamentary system dominated by two parties—the Hungarian Socialist Party and the right-wing Fidesz—Hungarian Civic Association—with three minor parties having independent factions. Democratic institutions are robust and likely to hold despite reckless party politics, illiberal rhetoric, high-profile corruption, and radicalization on the political Right aimed at the minority Roma population. The political elite appear consumed with an inbred competition for power and a disregard for the need for substantial reforms, losing touch with the voting public.

The long-standing social tensions released since 2006 stem from the country's lack of fundamental reforms, the central government's provision of services beyond its capacity, and public reliance on the state instead of private and nongovernmental sectors. Hungary's unresolved Communist legacy, including the role of the secret services prior to transition and the management of privatization, still haunts the sociopolitical landscape.

**National Democratic Governance.** In 2008, Hungary had a minority government for the first time since 1990. While this limited the government's space to maneuver, the country continued to function. The global financial crisis reached Hungary's already weak economy early on and could potentially reduce extreme partisanship, a staple of Hungarian politics, at least in financial and economic policy. The rejection of government reforms at the March referendum created a risky precedent that may result in the country's long-term inability to reform. The growing radicalization of Hungarian nationalists took a progressively racist turn, with serious and sometimes deadly attacks against the already marginalized Roma community. *While radicalization of politics is a major concern, it does not threaten the country's constitutional order and did not prompt undemocratic measures to suppress it. The March referendum, however, may undermine the country's ability to govern. Hungary's rating for national democratic governance worsens from 2.25 to 2.50.*

**Electoral Process.** Hungary's electoral system ensures free and fair elections in which political parties may alternate in power at both national and local levels. The March 9, 2008, referendum on the government's social reforms was conducted

successfully and according to accepted democratic standards, with a majority of voters rejecting the proposed reforms. *Hungary's rating for electoral process remains unchanged at 1.75.*

**Civil Society.** Hungary's legal framework is generally hospitable to civil society, but tax regulations and other administrative requirements may threaten the sector's long-term sustainability and development. The presence of extreme illiberal views among civil society groups and the population continued to intensify in 2008, with the far-right Hungarian Guard becoming increasingly visible and active. Some positive developments include the grassroots response to the Guard by diverse civil society organizations and segments of the general public. The banning of the Guard by the courts in December is unlikely to stem the country's growing tide of radicalization. *Owing to increased radicalization and continuing challenges to sustainability, Hungary's civil society rating worsens from 1.50 to 1.75.*

**Independent Media.** Hungarian media are generally free and diverse. The market is dominated by commercial outlets in both broadcast and print media. Public service media continue to struggle with lack of funding and occasional political meddling, but some signs point to increasing stability and sensible reforms in programming on public TV and radio. A new draft media law presented at the end of 2008 indicated renewed desire among political parties to increase their influence over the media, but the draft was withdrawn following massive criticism from all corners. The public television chair remained empty after the board's party delegates were unable to agree on a suitable candidate, highlighting the continuing politicization of public service broadcasting. *Hungary's rating for independent media remains at 2.50.*

**Local Democratic Governance.** The local governance system in Hungary struggles with inefficiency, overfragmentation, and a lack of human and financial resources in many small municipalities. Despite nominally significant independence, local self-governments are overdependent on the central redistribution of local taxes and other revenues, and many distressed municipalities required repeated government assistance in 2008. Although there was widespread agreement on the need for change, no reforms were implemented to improve the structure and performance of the sector, as the required two-thirds parliamentary consensus was largely out of reach in the polarized domestic climate. An intensifying standoff appeared to develop between some municipalities and the government over laws regulating social services. *Owing to the lack of substantial reforms and recurring local corruption associated with municipal governance, Hungary's rating for local democratic governance worsens from 2.25 to 2.50.*

**Judicial Framework and Independence.** Fundamental civil and political rights in Hungary are guaranteed by an independent judiciary, the Constitutional Court, and the ombudsmen. There are no reports of systematic torture or ill-treatment of

defendants. Parliament was unable to vote on a new Supreme Court president until the end of 2008 following the expiration of Zoltán Lomnici's six-year mandate. The long due debate on judicial accountability, which may improve the practices and transparency of the judiciary, continued throughout the year. *Hungary's rating for judicial framework and independence remains unchanged at 1.75.*

**Corruption.** While continuous legislative efforts have brought Hungary's anticorruption legal framework closer to international standards, the lack of effective implementation and political will in such areas as party finance reform demonstrates the country's continued struggle with high-level corruption. The government launched an ambitious and comprehensive anticorruption initiative in 2007, but the effort had fizzled out by the second half of 2008, with many prominent civil society partners resigning from the top anticorruption coordination body in protest. Investigations into scandals from previous years did not progress in any meaningful way, and new scandals came to light with distressing regularity, mostly involving public procurement. *Owing to lack of progress on the government's much-touted anticorruption initiative, the lack of political will to resolve party and campaign financing, and continuing scandals in public procurement, Hungary's corruption rating worsens from 3.00 to 3.25.*

**Outlook for 2009.** The top issue in 2009 will most likely be the global financial crisis and its effects on the Hungarian economy. This is expected to force the government and the opposition to cooperate on economic matters and ensure that the minority Socialist government stays in power until the 2010 elections. The crisis also opens a narrow opportunity to carry out much-needed reforms with lower political cost. The year will be characterized by intense campaigning for the Summer European Parliament elections, perceived by many as a litmus test for the 2010 general elections.

# MAIN REPORT

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## National Democratic Governance

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
n/a	n/a	n/a	n/a	n/a	2.00	2.00	2.25	2.25	2.50

Hungary's constitutional system overall ensures democratic governance. Following the general elections, which are held every four years, Parliament elects the prime minister by absolute majority. Ministers cannot be subjects of no-confidence votes, and the Parliament may remove the prime minister and cabinet only through the process of “constructive no confidence,” which requires not only a vote of no confidence, but the prior nomination of and vote on a new prime minister. This method ensures that the new head of the executive will also hold the support of the majority of members of Parliament (MPs). As a consequence, the opposition has little chance of ousting an incumbent prime minister between general elections. This difficulty was well demonstrated in 2008 after the breakup of the ruling Socialist-Liberal coalition, the first serious opportunity for the opposition to either force an early election or use the no-confidence vote.

The top legislative organ in Hungary is the unicameral National Assembly (Parliament). The government and ministries may pass lower-level legislation that must conform to laws in force. The work of the Parliament is mostly transparent, with easy access to information through the media, interactions with MPs, and a frequently updated, easy-to-use Web site, albeit with some restrictions on live television broadcasting. The Constitutional Court, with its broad powers to control legislation and the executive's decisions, provides effective checks. The president of the National Audit Office, the president of the Supreme Court, the chief prosecutor, and members of the Constitutional Court are elected by the Parliament, usually after reaching a broad consensus.

The March 9 referendum on key elements of the government's reforms proved the primary domestic political event in 2008. Following considerable wrangling in the long run-up to the poll, the Constitutional Court finally gave a green light to three questions on hospitalization fees, doctor consultation fees, and partial tuition fees in higher education. The Constitution does not permit holding referenda on matters that have a direct bearing on the national budget, but the Court deemed these three questions permissible. With a turnout of just over 50 percent, the referendum was valid, and as expected, the electorate rejected the government's reforms by a large margin (over 80 percent voted against the reform measures on all three questions).<sup>1</sup>

The government's crushing defeat at the referendum allowed long suppressed tensions among the ruling parties to boil over, leading to the breakup of the coalition

government on April 30. From May 1, Hungary had a minority government headed by Ferenc Gyurcsány. Until the end of 2008, Gyurcsány proved able to repel attacks both from inside the Hungarian Socialist Party (MSZP) ranks and from the opposition led by Fidesz–Hungarian Civic Union (Fidesz). While Fidesz tried to force an early election, the now opposition Liberals did not partner in this pursuit. The autumn crisis within the Hungarian Democratic Forum (Magyar Demokrata Fórum; MDF), which almost led to the disappearance of the faction, made an early election even less likely. While the referendum could be seen as a valuable democratic exercise, the scuttling of the reforms not only created a lame duck government, but also put the prospect of reforming Hungary’s unsustainable social structures in question. The latter may be a destabilizing factor in Hungarian politics in the future.

The global financial crisis beginning in the autumn of 2008 appeared to stabilize the government’s position, according to a Vision Consulting analysis. Yet despite the seeming stability of the country’s political system and democratic institutions, public confidence in the political elite remains low. According to a Szonda Ipsos survey published in September 2008, the only politician with an approval rating higher than 50 percent is President László Sólyom. Over the 18 years since the first free elections in Hungary, two major parties (MSZP and Fidesz) emerged to dominate the political landscape, and the high costs of forming a viable new political party have effectively inhibited any challenge to the status quo. The result of this reduction in political competition has been that politicians do not engage in substantive matters or feel compelled to answer to voters.

Public confidence was further eroded in 2008 when MDF leader Ibolya Dávid disclosed a recording indicating that a private security company, UD Inc., had tried to collect incriminating information on her. The scandal appeared to involve some of Hungary’s most influential businessmen, while UD Inc. was already under investigation for alleged spying at the National Security Office. Disillusionment in mainstream politics was also demonstrated by the media attention given to a new movement, *Lehet Más a Politika!* (Politics Can Be Different!; LMP). Presenting a mostly environmentalist/humanist platform, the movement is organized partly by civil society and plans to run in the 2010 elections.

#### Electoral Process

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.75	1.75	1.75

The 386 members of Hungary’s unicameral Parliament are elected for four-year terms in a two-round mixed electoral system. In the first round, citizens cast their votes for candidates running in 176 single-seat constituencies and regional party lists. Only those constituencies where no single-seat candidate was able to secure a

seat with an absolute majority in the first round hold the second round of elections. Another 152 candidates may win seats based on proportional representation. The remaining 58 seats are filled from the national party lists on a proportional basis. Parties must reach a 5 percent threshold to gain seats from the regional and national party lists. Hungarian elections are considered fair and free.

Following the 2006 national elections, the MSZP formed a coalition government with the Alliance of Free Democrats (Szabad Demokraták Szövetsége; SZDSZ), controlling 54 percent of assembly seats. Following the spring 2008 collapse of the coalition, the Socialist Party continued as a minority government. The center-right Young Democrats Alliance–Hungarian Civic Association (Fiatal Demokraták Szövetsége–Magyar Polgári Szövetség; Fidesz) is the largest opposition faction. Fidesz ran in an electoral coalition with the Christian Democratic People's Party (Kereszténydemokrata Néppárt; KDNP). Their close relationship raises questions as to the independence of the KDNP faction. The MDF has the smallest faction. With 85 percent of seats held by the two major parties, coupled with KDNP's symbiotic relationship with Fidesz, Hungary has become a *de facto* two-party system.

While political parties are active and often successful in mobilizing supporters, actual membership encompasses only about 1 percent of the population. Forming parties in Hungary is relatively easy, and approximately 200 political parties are registered. Most of them, however, do not have enough support or the material means to run in elections. Representation of minorities at the national level is still unsatisfactory. In the 2006 spring elections, only 40 women and 3 Roma succeeded in entering Parliament. By constitutional requirement, the assembly should have ensured real representation for ethnic minorities by 1992.

The president of the republic is elected by the Parliament for a five-year term and may be reelected once. In the first two rounds of the presidential election, a qualified majority is required, and if it cannot be reached, then a third round is held in which the candidate with a simple majority is elected. Presidential elections are usually heated but fair. The last presidential elections were held in 2005 and resulted in the election of László Sólyom, former president of the Constitutional Court and an outsider in politics from the civil society organization Védjegylet (Protect the Future), nominated by Fidesz. While the Constitution limits the president to mostly ceremonial functions, Sólyom has tried to stretch these boundaries with a mixed record.

The March 9, 2008, referendum on the government's proposed social reforms was conducted successfully and according to accepted democratic standards. With just over 50 percent of voters participating, the results of the referendum were valid, with an overwhelming majority of voters rejecting the reforms.

## Civil Society

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.50	1.50	1.75

Hungarian law effectively facilitates the registration and administration of nongovernmental organizations (NGOs), and there are no legal obstacles to the work of civil society groups. At the same time, tax regulations put a significant burden on NGOs and in the long run may threaten their viability and sustainability.

In 2007, the Hungarian nonprofit sector consisted of 50,890 foundations and associations and 7,352 public benefit companies, public foundations (those established by the Parliament, government, or municipalities), and trade unions.<sup>2</sup> The NGO sector as a whole remains quite weak financially. High payroll taxes make human resource development more and more difficult, and some international NGOs based in Hungary, such as Habitat for Humanity, have relocated to Slovakia and other neighboring countries to lower operational costs.

Volunteers are increasingly seen by NGOs as an attractive addition to paid labor, and the public's interest in volunteering is also growing. However, the percentage of Hungarians who volunteer is still only half of the European Union (EU) average of 33 percent, according to the U.S. Agency for International Development (USAID) 2007 NGO Sustainability Index. One discernible and potentially worrisome trend is the steady increase in state funding for the nonprofit sector, which continued in 2008. While between 2000 and 2005 state funding grew by 8 percent for private foundations and 18 percent for private associations, it increased by 85 percent for government or municipality-founded nonprofit organizations. Even more worrying, the share of private funding dropped in the same period from 16 to 13 percent. These numbers underscore the disproportionate reliance of Hungarian civil society on central or local government funding and the still feeble nature of private philanthropy in Hungary.

A progressively important source of funding for NGOs is the annual 1 percent donation citizens may designate from their income tax. In 2007, the growing amount of 1 percent donations to civil society organizations reached 8 billion forint (US\$46 million), according to USAID. These contributions, however, represent supplementary revenue for the majority of beneficiaries and are a dominant source of income for only a small segment of the sector. With only about half of taxpayers actually designating their 1 percent deduction for NGOs, further publicity is needed to utilize the full capacity of the law.

The trend in politicization and radicalization of NGOs observable in 2006 and 2007 continued in 2008, and the increasingly difficult economic and political environment spurred new civic initiatives that pointed to the diversity and resilience of the sector. Following the March referendum, which torpedoed many of the government's key reform initiatives, various civil society formations continued policy proposals for sweeping reforms in the health care, pension, and tax systems. In early 2008, a group of economists, associated with the private equity

group Oriens, published a plan entitled *Recovery*. It was the first of a number of initiatives emanating from the civic and business sectors aimed at influencing the debate on reforms, which in early 2008 was hijacked by the politicized battles of the government and opposition in the run-up to the referendum.

The most important of these groupings was the *Reformszövetség* (Reform Alliance), which was formed in November by nine employers associations and headed by the chairman of the Hungarian Chamber of Commerce and Industry, Péter Futó, and the president of the Hungarian Academy of Sciences, József Pálinkás. The professed aims of the initiative were to develop comprehensive policy proposals for economic reform in all key sectors and thereby improve Hungary's chances for economic recovery and long-term competitiveness. As the worldwide economic crisis reached Hungary with shocking speed and intensity in the last months of 2008, both the government and the opposition seemed ready to allow the influential group a seat at the table.

The radical tendencies detectable in parts of Hungarian civil society during 2006 and 2007 continued and, in fact, intensified in 2008. The openly xenophobic, anti-Semitic, and anti-Roma Magyar Gárda (Hungarian Guard) continued to recruit members and increasingly presented itself as a self-defense organization against what it termed “*Cigánybűnözés*” (Gypsy criminality). Guard units marched in various towns and villages around Hungary, where Guard leaders claimed that local criminals belonging to the Roma community intimidated ethnic Hungarians with the police standing idly by.

There were some attempts by civil society to counter the worrying rise in right-wing radicalism and the Guard's popularity. Some of these efforts, like *Tarka Magyar* (Colorful Hungary)—an ad hoc coalition of dozens of diverse NGOs and associations that organized a protest march against racism and discrimination in October—were genuine grassroots initiatives, while others, like the *Demokratikus Charta* (Democratic Charter), were projects closely associated with the government and viewed by many as inauthentic and politically partisan. In early April, a spontaneous counterdemonstration deterred a large group of far-right protesters marching in downtown Budapest. Following a Hungarian Guard march in the town of *Tatárszentgyörgy* in December, the Budapest Circuit Court moved swiftly to ban the organization, which none-the-less continued to make its presence widely known.

The new movement LMP has clearly tried to place itself outside the dominant left-right divide characterizing Hungarian politics and has received significant positive media coverage since its appearance in October 2008. LMP has presented policy proposals on a range of issues from party financing to energy security to environmental protection. Currently, LMP is a civic initiative without registered legal status, although it has announced its intention to enter the 2009 European parliamentary elections if given sufficient political and financial support.

There are six major trade union alliances in Hungary. With the economic situation worsening and the government on the defensive following the March referendum, many unions appeared emboldened to aggressively push demands related to wages and benefits. In 2008, notable strikes included the April walkout

by staff at the Budapest Transport Company and the Democratic Union of Railway Workers and the airport employees' strikes in December.

#### Independent Media

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2.00	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50

Hungarian media are mostly free and reflect a variety of views and interests. The vast majority of media outlets are controlled by private companies, many of them multinational, although a growing number of media are owned by Hungarian corporate interests, such as the influential Index, InfoRadio, and *Napi Gazdaság*, as well as the smaller outlets Echo TV and *Magyar Hírlap*. Despite the diverse media scene, political interference is not uncommon, although it is practiced in less direct and obvious ways than in the late 1990s.

While the 1996 Law on the Media introduced commercial broadcasting and broke up the state-controlled broadcasting monopoly, it has been criticized for not creating the proper legislative and financing framework for developing genuine public service broadcasters. Upon the expiration of chairman Zoltán Rudi's mandate in March 2008, the board of the public broadcaster failed to reach a consensus on a new appointee. Haggling among the board's 14 party delegates led to a yearlong deadlock and once again highlighted the dysfunctional oversight of public broadcasting in Hungary.

The National Television and Radio Board (ORTT), a regulatory body with a board comprising party delegates, monitors the programs of public and commercial broadcasters and also grants licenses and broadcasting frequencies. In 2008, the election of former privacy ombudsman László Majtényi as ORTT chairman was hailed as a positive development given Majtényi's reputation for political independence and principled interpretation of the relevant legal framework.

In November 2008, Parliament presented a controversial new media law that drew widespread criticism. Drafted behind closed doors, reportedly by representatives of the governing Socialists and the opposition Fidesz, the draconian bill proposed a new body, the National Media Authority, to replace ORTT. The bill would also empower the Authority with court order and police assistance to conduct searches at media outlets. The bill would have strengthened direct political control over public service broadcasters through a separate oversight body, the Public Service Financing Council, with members directly delegated by parliamentary parties. Under scathing criticism, including from Miklós Haraszti, the Organization for Security and Cooperation in Europe Representative on Freedom of the Media, the ruling parties withdrew the draft law but pledged to reintroduce it in 2009.

In December, an amendment to the Law on the Media was passed that would have enabled ORTT to extend the licenses for national TV and radio channels without a formal application. Many, including new ORTT head László Majtényi, criticized the decision as being tailored for two large national commercial radio

stations, Sláger Rádió and Danubius. The amendment was not signed by President Sólyom, who sent it to the Constitutional Court for review with a statement that the law contradicted the Court's practice on freedom of information issues as well as the constitutional right to equal treatment.<sup>3</sup>

Libel and state secrecy laws are among the most noticeable burdens on the press, and court rulings have consistently demonstrated the weaknesses of the system. The Hungarian judiciary has effectively curtailed the ability of journalists to quote controversial remarks about public figures, since, according to the criminal code, libel constitutes not only statements that damage an individual's reputation, but also the act of publicizing derogatory statements.

When television reporter Géza Polgár exposed the widespread bribing of officials to obtain handicap parking permits in 2008, he was charged by police with "aiding and abetting" the illegal practice by going undercover in order to purchase a permit and document the process. Following widespread condemnation by NGOs, including the Hungarian Civil Liberties Union and Freedom House Europe, the decision to charge Polgár was reversed.

While Hungarian journalism generally strives for high standards and journalists are trained professionals, the lines between factual information, analysis, and commentary are often blurred. The media scene largely mirrors the deep political divisions of the country, often impairing journalistic objectivity. Though leading media figures have argued that Hungarian journalism lacks ethical standards and norms, some media outlets, both left- and right-leaning, are more and more successful in revealing corruption or unethical behavior among politicians and public servants. For instance, a series of articles by András Pethő, a journalist for the online news portal Origo, detailed questionable practices at the National Development Agency. The agency oversees the expenditure of EU structural funds and in 2008 paid 4.9 billion forint (US\$21 million) to a company without tendering the contract.<sup>4</sup>

Internet use in Hungary reached 2.2 million by the end of 2008, up almost 10 percent from 2007. Still, Hungary's Internet penetration rate is 46 percent compared with the European average of 48 percent and the EU average of 60 percent.<sup>5</sup> There are no restrictions on Internet access, and the government does not monitor usage. News sites such as Origo, Index, and Hírszerző are among the most cited and reliable sources among all mainstream media.

#### Local Democratic Governance

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
n/a	n/a	n/a	n/a	n/a	2.25	2.25	2.25	2.25	2.50

Meaningful decentralization was essential to the transformation of Hungary's political system after the fall of the Communist regime, and its core element was a highly devolved local self-government system. The system's main pillars are enshrined in the Constitution and the Law of Local Self-Governance of 1990, whereby local communities may directly elect self-government to manage local affairs. At the

regional level, 19 counties serve as the main administrative units, while cities and villages with their own elected legislative bodies and executive organs function as the local units of self-government.

This process of decentralization, however, led to a dramatic increase in the number of local political units that can elect their own representatives and executive. Hungary currently has approximately 3,200 local municipalities, complete with mayor, elected council, and administration. As a result, the local governance sphere in Hungary struggles with inefficiency owing to overfragmentation. Most small villages with populations under 1,000 maintain full-fledged municipalities and suffer from a lack of human and financial resources. Despite their legally enshrined autonomy, local self-governments suffer from overdependence on the central government's redistribution of local taxes and other revenues.

Hungary's local and regional self-government structure has been further complicated by successive waves of reform since the mid-1990s, some related to Hungary's EU accession and distribution of EU development funds. On the one hand, there are small regions, or cooperative associations of small municipalities within the same county. These manage local public services, state administration tasks where local expertise is necessary, and development functions. On the other hand, the formation of regions—seven in total, six of which comprise three counties each, while one includes the capital and Pest County—was intended to bring Hungary in line with existing EU policies, which envision “a community of regions,” and enable large-scale, EU-funded regional development programs.

But the designation of 174 small regions (subcounty units) and 7 development regions (supracy county units) created additional levels of self-governance without sufficiently elaborating their competences. Counties therefore remain important political factors thanks to their elected county assemblies and the county electoral lists in the national elections. Yet as functional components of local governance, they have little influence or jurisdiction. The capital, Budapest, presents a unique challenge: The city is divided into 23 districts, each with an elected assembly, mayor, and rights equal to those of other municipal self-governments. This dramatically complicates citywide policy making and governance.

In 2008, no significant reform initiatives were presented by the new minister for local governance and regional development, István Gyenesi, who was appointed by Prime Minister Ferenc Gyurcsány following the dissolution of the coalition government in April. Comprehensive reform is difficult to implement since changing laws requires a two-thirds majority in Parliament, almost impossible to guarantee in the polarized political atmosphere that continues to plague the country.

In May, the town of Monok introduced a new local bylaw requiring public work from those who receive welfare and unemployment benefits. The municipality also sought to tie child welfare payments to mandatory school attendance. The issue quickly gained national attention as the new bylaws were initially declared unconstitutional by the regional Public Administration Authority, but were subsequently supported by dozens of municipalities that pledged to introduce similar bylaws. In the ensuing heated debate, many, including the country's

ombudsman for minorities, accused those supporting the tougher welfare criteria of thinly veiled racism, as the vast majority of beneficiaries belong to Hungary's sizable and disadvantaged Roma minority. The case highlighted the complex relationship between Roma and ethnic Hungarian communities in many parts of Hungary, where municipalities are unable or unwilling to ease the increasing tension between the local majority and minority communities. This in turn has fed a legal-political standoff between municipalities and the central government, which is viewed as being unconcerned about local grievances.

Hungary's 13 recognized national and ethnic minority groups have the right to establish national and local minority self-governments. Financed by the state budget, minority self-governments may maintain institutions that help to preserve their culture and ethnic identity. Candidates for minority self-governments may now run only with the nomination of minority civil society organizations and are required to declare their familiarity with the language, culture, and traditions of the given minority. The amendments were instituted to prevent non-minorities from holding positions in minority self-governments as a way to gain personal or business advantage.

#### Judicial Framework and Independence

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.75	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75

The Hungarian Constitution recognizes the equality of citizens before the law and protects fundamental political, civil, economic, and social rights. The Hungarian justice system includes local courts, county courts, the highest appeals courts, and the Supreme Court. Local and county courts have jurisdiction over territorial districts, and county courts also serve as appeals courts for minor local cases. The high appeals courts have regional jurisdiction, with seats in Budapest and four other cities across the country. The Supreme Court serves as the country's highest appeals court and issues abstract judgments to ensure the uniform application of laws, developing a limited form of case law.

Citizens may turn to four independent ombudsmen (elected by the parties in Parliament) who protect privacy rights, the rights of ethnic and national minorities, citizens' rights in general, and the right to life and a healthy environment. Ombudsmen have no legal authority, but through their reporting to the Parliament they provide an effective complementary mechanism to protect human rights. The Ministry of Education and Culture employs a commissioner to protect student rights within the educational system.

The 11-member Constitutional Court, working since 1990, has shaped the legal framework of Hungary. Its members are elected by Parliament from among the country's most prestigious legal scholars. The Court's primary function is to safeguard human rights through its interpretation of the Constitution and control of

legal norms. Lacking effective enforcement mechanisms, however, some decisions, most notably on the representation of minorities in the legislature, have not been implemented by Parliament.

The judiciary functions as an independent branch of power. Since the reform of 1997, it is self-governed by the 15-member National Judicial Council, whose head is the president of the Supreme Court. Nine members are elected by and from among judges; the other members are the minister of justice and law enforcement, the chief prosecutor, the chairman of the Hungarian Bar Association, and one delegate each from the Parliament's judicial and financial committees. The chief prosecutor is nominated by the president of the republic and elected by the Parliament.

In recent years, the judiciary has come under serious criticism, with experts urging reforms to overcome the courts' alienation from society, intolerance of criticism, and lack of transparency and accountability. While there has been no visible improvement, the matter is being more frequently discussed in civil society. Another area lacking transparency is the judiciary's recruitment mechanism. Relatives of judges are reportedly privileged in filling vacancies, and promotions depend on personal connections rather than merit. Additionally, judges are not permitted to talk to the press about their cases, which not only reduces court transparency, but also strips judges of the ability to publicly defend themselves and their decisions.

The most crucial issue in the judiciary in 2008 was the election of the new president of the Supreme Court, who is nominated by the president of the republic and elected by the Parliament. Owing partly to the uneasy relationship between President László Sólyom and the parliamentary parties, particularly the governing Socialists, and partly to the power struggles within the judiciary, none of the president's nominees was elected.

Intolerant views against minority groups are well entrenched in Hungarian society. Most alarmingly, intolerance against Roma led to violence on various occasions in 2008, including the fatal shooting of two individuals in Nagycséc, just one of over a dozen armed attacks. Also, the extreme right-wing civil society groups Jobbik and the Hungarian Guard successfully thematized the public discourse around the issue of "Gypsy criminality." Although the Budapest Circuit Court abolished the Hungarian Guard association in December, it cannot effectively outlaw the movement, which lacks any legal form, organized around it.

### Corruption

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2.50	3.00	3.00	2.75	2.75	2.75	3.00	3.00	3.00	3.25

Hungary's institutional anticorruption framework was shaped largely by the reforms and legislative initiatives needed to reach EU standards. In 2001, the government adopted the Comprehensive Strategy Against Corruption, introducing a range of

mandatory instruments on conflicts of interest and financial disclosure along with a host of punitive measures to deter corrupt practices.

Since then, the State Secretariat on Public Finance was created to monitor public procurement, and the Glass Pocket Act was passed unanimously in Parliament to provide additional mandatory disclosure mechanisms on public spending. In 2006, the Law on Lobbying was enacted to inject transparency into lobbying efforts by interest groups. However, the implementation of anticorruption laws and regulations in Hungary has been patchy at best, owing to a lack of human and financial resources and political will.

Parliamentarians, judges, and other public officials are required to declare their assets annually, although many are suspected of transferring assets to family to avoid this legality. MPs are not restricted from engaging in business activities or assuming positions at state-owned companies before or after their mandate.

Instead of a designated independent body, a number of state institutions are empowered to fight corruption. The main investigative law enforcement body is the police, while high-level corruption and organized crime cases fall under the jurisdiction of the Central Investigation Department of the National Office of the Prosecutor. Additional institutions with enforcement authority, such as customs and tax agencies, also have separate units to combat corruption.

The State Audit Office (Állami Számvevőszék; ÁSZ), the financial and economic audit organization of the Parliament, is ultimately responsible for monitoring public spending and ensuring transparency. The president and vice president of the ÁSZ are elected by a two-thirds vote among MPs for 12-year terms. The Constitution requires a two-thirds vote from a parliamentary quorum to pass (and amend) an act on the ÁSZ and its operational guidelines. Because of its mandate and high level of independence, the ÁSZ plays a key role in anticorruption efforts. However, its recommendations are not binding and are often ignored by lawmakers and law enforcement authorities.

In its 2007 National Integrity Systems study, Transparency International identified critical weaknesses in Hungary's anticorruption legislation, such as a lack of protection for whistle-blowers, improper and weak conflict-of-interest regulations, lack of transparency in recruitment at public institutions, and restrictions on the availability of public information. The study pointed to party financing, corruption among police and other law enforcement authorities, and public procurement as the most acute areas of corruption.

In late 2007, the government launched an ambitious initiative to tackle corruption in a comprehensive and strategic manner and tasked the minister of justice and law enforcement to elaborate a long-term strategic document and a short-term program of action. The Anticorruption Coordination Body (AKT) was established in August of that year to coordinate this latest effort. Including civil society representatives in its deliberations, the AKT designated four priority areas for combating corruption: EU development funds, party financing, public procurement, and the administrative authorization process. While the AKT did produce a detailed Strategy and Action Plan in the first half of 2008, its work

thereafter slowed to a crawl as the government appeared less enthusiastic about adopting its recommendations. As a result, prominent civil society members of the AKT, including the executive director of the Hungarian chapter of Transparency International, resigned from the body.

In 2008, there was no discernible progress in any of the AKT's four priority areas. In contrast, yet another series of corruption scandals erupted, while previous ones—like that of former Socialist MP János Zuschlag and his accomplices, who used NGOs to channel government grants for party-related expenses—continued to drag on in the courts, giving further evidence to the widespread perception of impunity in high-level corruption cases.

In one case involving the construction company Strabag, documents were published in Austrian papers suggesting that the company paid over 13 billion forint (US\$56 million) to Hungarian political parties in return for lucrative highway contracts. Though the investigation commenced in April 2008, the central investigative prosecutor delayed the request to transfer the incriminating documents to the court until October. In another case related to the purchase of Gripen fighter jets by the Hungarian military, the Hungarian investigation was terminated in spite of continuing investigations in the United Kingdom, Sweden, and Austria. The government also withheld information on the use of reinvestment funds paid by Sweden as part of the Gripen fighters contract, which required Sweden to reinvest an amount equivalent to the price of the jets in Hungary. After two court cases, the Hungarian Civil Liberties Union resorted to an innovative public awareness campaign to force the hand of the Ministry for Industry and National Development to reveal the list of companies that benefited from the funds, which totaled nearly 192 billion forints (US\$700 million).<sup>6</sup>

The issue of party campaign financing remained unresolved in 2008, despite repeated attempts by civil society organizations to urge political parties to adopt a comprehensive reform package. This area of corruption is proving to be particularly corrosive, as it involves all parties in the democratically elected Parliament and leads to widespread public disillusionment with the democratic process as a whole.

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  - <sup>2</sup> Hungarian Statistical Office.
  - <sup>3</sup> “Alkotmánybíróság előtt a médiatörvény” [Media law goes to the Constitutional Court], *Népszabadság*, December 29, 2008, [http://nol.hu/belfold/az\\_alkotmanybirosag\\_modosit\\_hatja\\_a\\_mediatorvenyt](http://nol.hu/belfold/az_alkotmanybirosag_modosit_hatja_a_mediatorvenyt).
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  - <sup>5</sup> TNS-NRC Interbus Survey—Magyarországi Internet Penetráció 2008 Első Félév, [www.internethungaria.hu/wp-content/uploads/ftp/Prezentaciok/NRC\\_Internet\\_penetracio\\_2008.ppt](http://www.internethungaria.hu/wp-content/uploads/ftp/Prezentaciok/NRC_Internet_penetracio_2008.ppt).
  - <sup>6</sup> [www.aktivpolgar.net](http://www.aktivpolgar.net).

