

# Hungary

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*Capital:* Budapest  
*Population:* 9.86 million  
*GNI/capita, PPP:* US\$23,630

Source: World Bank *World Development Indicators*.

Nations in Transit Ratings and Averaged Scores

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	2.25	2.25	2.50	2.50	3.00	3.50	3.50	3.75	3.75	<b>4.00</b>
Electoral Process	1.75	1.75	1.75	1.75	1.75	2.25	2.25	2.25	2.75	<b>2.75</b>
Civil Society	1.50	1.50	1.75	1.75	2.00	2.00	2.25	2.25	2.50	<b>2.50</b>
Independent Media	2.50	2.50	2.50	2.75	3.25	3.50	3.50	3.50	3.75	<b>3.75</b>
Local Democratic Governance	2.25	2.25	2.50	2.50	2.50	2.50	2.75	2.75	3.00	<b>3.00</b>
Judicial Framework and Independence	1.75	1.75	1.75	2.00	2.25	2.75	2.50	2.50	2.75	<b>3.00</b>
Corruption	3.00	3.00	3.25	3.50	3.50	3.50	3.50	3.75	3.75	<b>4.00</b>
<b>Democracy Score</b>	<b>2.14</b>	<b>2.14</b>	<b>2.29</b>	<b>2.39</b>	<b>2.61</b>	<b>2.86</b>	<b>2.89</b>	<b>2.96</b>	<b>3.18</b>	<b>3.29</b>

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. If consensus cannot be reached, Freedom House is responsible for the final ratings. 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. The opinions expressed in this report are those of the author(s).

# EXECUTIVE SUMMARY

In a year dominated by the refugee crisis, both on the European and domestic level, democratic governance further deteriorated in Hungary. The ruling coalition of Fidesz–Hungarian Civic Alliance and its minor partner, the Christian Democratic People’s Party (KDNP), ran a ferocious anti-immigrant campaign and regained its popularity after a significant slip in late 2014 and the loss of its supermajority in early 2015.

Following three successful elections in 2014, corruption scandals and policymaking bottlenecks led to two defeats in early 2015. The results of the February and April by-elections showed that protest voters had learned to articulate their views under the new electoral system. Unlike in 2014, when opposition votes were divided between several parties, voters in 2015 supported whomever they saw as capable of challenging Fidesz. An independent candidate won in February, while in April the victory of a Jobbik candidate suggested that the Fidesz government is not a stable guarantee against the electoral success of the right-wing radical party. It remains to be seen whether these patterns will emerge outside the national by-elections where they occurred. Problematic legal provisions from the 2014 elections, such as those discriminating against Hungarian expatriates and in favor of the Hungarian minority living in neighboring countries, remain unresolved.

The formal loss of power to amend the constitution barely constrained the coalition’s legislative and governance capabilities. The previous years’ constitutional engineering process resulted in a self-sustaining system, where the Constitutional Court and Commissioner for Fundamental Rights no longer serve as independent checks in politically sensitive cases. In one particular case, the lack of a supermajority led to the adoption of potentially unconstitutional legislation. In August, the parliament created a new category of state of emergency in reaction to the refugee crisis. Lacking the required two-thirds majority, and refusing Jobbik’s support for political reasons, the government decided to pass a legal amendment, which created constitutional concerns. Additionally, in June, the legislature further narrowed the right to access public information by extending the grounds on which the authorities may refuse to comply with requests.

To counter their loss of popularity, the governing parties tried to reestablish dominance over the political agenda. Their first initiative early in the year on the re-introduction of capital punishment failed due to instant and strong opposition from European institutions. By late summer, however, Fidesz-KDNP had regained its popularity and neutralized its biggest contender, Jobbik, through the politically expedient exploitation of the refugee crisis and latent xenophobia. The price paid for this political success was the loss of virtually any difference between the public messages of Fidesz and Jobbik on the refugee crisis, and Fidesz seems to be advancing with great steps toward the right-wing end of the political spectrum.

Last year’s aggressive government rhetoric against nongovernmental organizations (NGOs) carried on but softened in 2015, and administrative measures against NGOs were mostly discontinued. Despite hostile government statements, the refugee crisis led to a remarkable flourishing of Hungarian civil society. Thousands of activists were involved in helping refugees, migrants, and asylum seekers, and Hungary’s first large-scale crowdfunded civil campaign produced numerous billboards across the country that countered the government narrative.

Attempts to introduce a punishingly high advertisement tax in late 2014 and early 2015 caused a major rift between Prime Minister Viktor Orbán and his most important supporter, the oligarch Lajos Simicska. While the initial expectations that Simicska—who had handled Fidesz’s finances in the 1990s and was a close personal friend of Orbán—would try to bring down his former party did not materialize, the falling out significantly altered existing corruption patterns as well as the media landscape. The plethora of media outlets owned by Simicska changed their government-friendly tones, and Fidesz-KDNP struggled to replace them. The restructuring of public television was unsuccessful in filling the gap but played a crucial role in political agenda-setting and proliferated a negative view of refugees, migrants, and asylum seekers. Businessmen close to Fidesz acquired several smaller outlets, including the financial

daily *Napi Gazdaság*, which was transformed into a strongly progovernment newspaper under the new name *Magyar Idők*, and the online news site 888.hu. At the end of 2015, the Hollywood producer and government commissioner for film, Andrew Vajna, purchased one of the two biggest private television channels, TV2. The acquisition was facilitated by a loan from the state-owned Eximbank.

Following a radical change in corruption patterns after 2010, the year 2015 showed a quantitative rather than qualitative increase. Several scandals unveiled both nontransparent and politically biased behavior of public bodies, as well as an increase in corruption linked to Russia. In the so-called brokerage scandal, public companies and the Ministry of Foreign Affairs and Trade invested public funds in a loss-making private investment firm with links to governing party circles. The firm went bankrupt in March. In July, the Russian company Metrovagonmash won a subway car tender after its only competitor, an Estonian company, was excluded despite offering a lower price. And in November, the European Commission declared the lack of public procurement in the Paks nuclear deal incompatible with European Union (EU) regulations. The investment, which will be financed from a Russian loan, amounts to more than 10 percent of annual GDP.

Hungary's foreign policy in 2015 was dominated by the refugee crisis, which led to mounting tensions with Germany and neighboring Austria, Croatia, Serbia, and Slovenia. The government's decision to build a fence on the Serbian and Croatian border isolated Hungary but revitalized the Visegrád cooperation. As a growing number of countries began to adopt Hungary's restrictive approach, and with international attention shifting to Poland after radical reforms by a newly elected party in October, the country's international isolation eased in the second half of the year.

#### **Score Changes:**

- **National Democratic Governance rating declined from 3.75 to 4.00** due to the government's politically expedient use of the refugee crisis to reestablish control over the political agenda and stir up nationalist and intolerant sentiment. Such policy decisions contravene international human rights standards and undermine democracy.
- **Judicial Framework and Independence rating declined from 2.75 to 3.00** due to changes in asylum policy that contradict international commitments, a potentially unconstitutional expansion of emergency situations to include "mass immigration," and the fact that institutional guarantees of checks and balances on government powers ceased to function in an impartial manner.
- **Corruption rating declined from 3.75 to 4.00** due to several scandals—including nontransparent procurement cases of high value—that show a quantitative rather than qualitative change in corruption.

**As a result, Hungary's Democracy Score declined from 3.18 to 3.29.**

**Outlook for 2016:** The governing coalition Fidesz-KDNP will undoubtedly remain firmly in power in 2016. Despite successfully consolidating its position and temporarily neutralizing its right-wing contender, Jobbik, Fidesz will likely continue to move further to the right. Both the party's success and the regime's stability are now strongly linked to taking Euroskeptic and anti-immigrant positions in the refugee crisis. Since the crisis looks set to dominate both European and domestic politics in 2016, it is unlikely that the governing parties will tone down their anti-immigrant rhetoric, especially with their approach gaining ground in other European countries. Should any significant shift take place in the political agenda, Fidesz-KDNP will likely see a decrease in electoral support due to the coalition's low policy performance and stalled reforms in areas like education and healthcare.

# MAIN REPORT

## National Democratic Governance

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2.25	2.25	2.50	2.50	3.00	3.50	3.50	3.75	3.75	4.00

- Electoral support for the governing coalition consisting of Fidesz–Hungarian Civic Union (Fidesz) and its subordinate partner, the Christian Democratic People’s Party (KDNP), dropped 14 percentage points between October 2014 and January 2015.<sup>1</sup> This drop in popularity can be traced to the government’s inefficiency and corruption scandals, which led to the loss of its supermajority in the February by-elections (see “Electoral Process” and “Corruption”). In an effort to regain control over the political agenda, which at the time was dominated by the above issues, Prime Minister Viktor Orbán announced in April that Hungary would consider reintroducing capital punishment.<sup>2</sup> While the initiative was met with surprise, it drew significant public support.<sup>3</sup> Orbán, however, had to abandon the proposal within a matter of days due to strong and explicit opposition from the European Union (EU).<sup>4</sup>
- Throughout the year, the governing parties used the refugee crisis to secure their position in power and promote a xenophobic discourse in the public sphere. In the early months of the crisis, the government spent billions of forints on a billboard campaign and “national consultations” that critics labeled hateful and misleading.<sup>5</sup> The May “National Consultation on immigration and terrorism,” for example, was criticized as “manipulative” by members of the European Parliament.<sup>6</sup>
- While Hungary later indeed became a main transit country on the “Western Balkan route,”<sup>7</sup> the government’s efforts during the summer seemed geared toward drumming up support for the Fidesz-led coalition instead of humanely managing the crisis. The public communications campaign was successful, and Fidesz’s support increased considerably; by October, the party was polling around 50 percent among likely voters.<sup>8</sup> The price paid for this political success was that there remained hardly any difference between the political goals and public messages of Fidesz and Jobbik—also shown by the fact that the radical right-wing party failed to capitalize on the refugee crisis and, in fact, lost one-third of its supporters between September and November.<sup>9</sup>
- On September 15, Hungary completed a 164-km razor-wire fence along its border with Serbia to prevent illegal border crossings and to channel the flow of migrants and asylum seekers toward Croatia.<sup>10</sup> In October, after the Croatian authorities started sending asylum seekers to Hungary, the government decided to extend the fence along the border with Croatia as well. Closing the borders led to protests and a clash between riot police and people trying to cross. On September 16, several hundred asylum seekers clashed with special units of the Hungarian police.<sup>11</sup> During the so-called Battle of Röszke, officers wielded batons, fired tear gas, and used water cannons to disperse the crowd. Seven journalists claimed they were also beaten by police. In a number of other cases, authorities denied journalists access to refugee camps and detention centers housing asylum seekers.<sup>12</sup>
- The government used an isolationist and nationalist strategy on the European and international level as well. Hungary opposed the introduction of a Europe-wide quota system during the summer and, together with the other Visegrád countries, hindered the adoption of a comprehensive European solution to the refugee crisis.<sup>13</sup> By year’s end, Orbán was hailed as a symbolic figure of nationalist resistance by various right-wing radical groups across the continent.<sup>14</sup>

## Electoral Process

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1.75	1.75	1.75	1.75	1.75	2.25	2.25	2.25	2.75	2.75

- Problematic legal provisions from the 2014 elections—including changes in the allocation of excess votes, discrimination against out-of-country voters, and the allegedly politicized delineation of districts—remain in force.<sup>15</sup> According to the 2011 Law on the Election of Members of Parliament, the Hungarian National Assembly has 199 seats, out of which 133 are necessary to pass constitutional amendments.<sup>16</sup> When Fidesz-KDNP won the general elections in 2014, it received the exact same number of seats.
- The most important electoral event of the year, therefore, was the February by-elections, which resulted in the loss of the governing coalition’s two-thirds-, or supermajority in the parliament. Support of the governing parties decreased sharply after the local elections in October 2014,<sup>17</sup> and Fidesz-KDNP lost three consecutive by-elections between November 2014 and April 2015. There were various reasons behind the falling numbers, including an unsuccessful plan to introduce an internet tax in November 2014,<sup>18</sup> dissatisfaction with the healthcare system and protests by healthcare workers in spring 2015,<sup>19</sup> and a generally low policy performance by the government.
- The three constituencies where the by-elections took place differ significantly in their political embeddedness. The November 2014 by-election was held in a traditionally left-leaning constituency of Budapest, where the Hungarian Socialist Party (MSZP) had won a seat earlier and defeated Fidesz’s candidate again, this time increasing its margin by 10 percentage points.<sup>20</sup> The February and April 2015 by-elections in Veszprém and Tapolca, however, were held in constituencies where Fidesz had won earlier. Both by-elections, therefore, had a strong symbolic character and serious political consequences. In Veszprém, an independent candidate supported by an alliance of opposition parties beat Fidesz,<sup>21</sup> while in Tapolca, the winner was a Jobbik candidate. The first loss destroyed the governing parties’ two-thirds majority, while the second resulted in the first-ever Jobbik victory in a single-mandate constituency and thus the first directly elected Jobbik MP in the National Assembly.<sup>22</sup>
- Contrary to expectations, the loss of the supermajority did not significantly alter Hungary’s political landscape or the functioning of legislation. Nevertheless, there were a few cases where the government was unable to secure the required two-thirds majority. In the case of the new “state of emergency” laws (see “Judicial Framework and Independence”), it had to opt for an arguably unconstitutional solution. The loss of a supermajority also ended the practice of unilateral appointments to the Constitutional Court.

## Civil Society

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1.50	1.50	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50

- The hostile government rhetoric and restrictive administrative measures used against nongovernmental organizations (NGOs) in 2014 carried over into 2015. While the administrative measures were mostly discontinued by October, the prolonged investigation process, often without any particular aim, contributed to an environment of uncertainty for the affected NGOs. In February, the National Tax and Customs Administration (NAV) and the Prosecutor General launched investigations against four NGOs that had been at the center of a previous probe by the Government Control Office (KEHI).<sup>23</sup> The NAV investigation into the finances of Ökotárs Foundation—the NGO targeted in 2014 for allegedly “politicized” distribution of funds from the Norway Grants program—and 17 organizations supported by it ended on October 20 without prosecution.<sup>24</sup> KEHI appealed the

decision,<sup>25</sup> but the government agreed in December not to interfere with the distribution of funds in this financial period. The case of the NGOs' suspended tax identification numbers had been also resolved by year's end.

- Grassroots organizations actively involved in helping migrants and asylum seekers, such as Migration Aid, were the targets of hostile government rhetoric.<sup>26</sup> The government appears to employ the same rhetoric against all organizations it is “uncomfortable” with, whether they be watchdog NGOs, environmental organizations, or human rights NGOs assisting asylum seekers and protesting government policies. Similar to last year, these organizations were branded “agents of Soros” (the Hungarian-born U.S. billionaire and philanthropist George Soros) during the summer and fall.
- Juxtaposed with government attempts to stoke xenophobia, the refugee crisis led to an unexpected outpouring of help and increase in grassroots and civil society activism. From June to September, hundreds, and in some cases thousands, of volunteers helped refugees, migrants, and asylum seekers in temporary hotspots, including at Keleti Railway Station in Budapest and the Röszke village refugee camp on the Hungarian-Serbian border. Volunteers distributed essentials and clothing collected from private donations and provided basic healthcare services in place of the practically nonexistent government support. They appeared undeterred by the xenophobic and anti-NGO rhetoric.<sup>27</sup>
- Piggybacking on the government's controversial anti-immigrant billboard campaign, the satirical “Two-tailed Dog Party”<sup>28</sup> and the anti-corruption NGO “Vastagbőr”<sup>29</sup> collected more than HUF 33 million via crowdfunding and initiated a successful counter campaign with 500 billboards across the country.<sup>30</sup> This was the first crowdfunded large-scale civil campaign in Hungary and captured the new phenomenon of grassroots social resistance organized online.
- In September, the government published a draft amendment to the Law on Churches and Religious Communities.<sup>31</sup> Changes became necessary after the European Court of Human Rights (ECtHR) ruled in April 2014 that several provisions of the law violate freedom of religion.<sup>32</sup> The law had stripped close to 90 percent of churches of their legal status and associated tax benefits, and vested the parliament with the power to recognize them fully under the new status of “incorporated churches.” Following the ECtHR argumentation, the Constitutional Court also declared important points of the law unconstitutional in July 2015.<sup>33</sup> The draft law aimed to ease registration requirements and assigned the Budapest-Capital Regional Court the task of registration. However, it was unexpectedly rejected by the parliament on December 15 when nearly all Fidesz deputies voted against it.<sup>34</sup>

## Independent Media

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2.50	2.50	2.50	2.75	3.25	3.50	3.50	3.50	3.75	3.75

- Although no important regulatory changes took place in 2015, a rift between Prime Minister Orbán and his close friend, the oligarch Lajos Simicska,<sup>35</sup> significantly altered the media landscape. The daily *Magyar Nemzet*, station HírTV, and Lánchíd Rádió—all owned by Simicska and once leading outlets of the right-wing conservative side—changed their political orientations and editorial staffs, and their progovernment discourse was replaced by a moderate, conservative, neutral-critical tone.<sup>36</sup> This change prompted businessmen close to Fidesz to initiate a number of acquisitions in private media. In September, the financial daily *Napi Gazdaság*, acquired by the former editor in chief of *Magyar Nemzet*, took a strongly progovernment turn under the new name *Magyar Idők*.<sup>37</sup> In December, Andrew Vajna, government commissioner for film and a Hollywood producer, purchased the second biggest private television channel, TV2. The acquisition was facilitated by a HUF 6.7 billion loan provided by the state-owned Eximbank, a bank aimed at boosting Hungarian exports.<sup>38</sup> The purchase had not gone through by year's end because Simicska's business partner, Károly Fonyó,

apparently had preemptive rights over the channel’s sale, but the move left no doubts about Fidesz-KDNP’s strategy to control a sizeable share of the television market.

- As planned in 2014, the government reorganized the portfolio of public television stations and launched the new format on March 15, 2015. To counter the loss of HírTV, the general-interest channel M1 was turned into a news-only platform. In the days following the launch, the new channel was criticized for its unprofessional performance<sup>39</sup> and lost a significant chunk of viewers. Despite this, the audience share of the five public channels, especially the new main channel Duna TV, grew moderately and reached 15 percent in May.<sup>40</sup> Due to several instances of explicitly biased news editing by both M1 and the Hungarian News Agency (MTI), these outlets are still seen as “propaganda machines” by the public.<sup>41</sup>
- The annual budget of the Media Service Support and Asset Management Fund (MTVA), an umbrella institution established in 2011 to oversee public media, increased to HUF 80.5 billion in 2015 from HUF 77.9 billion in the previous year.<sup>42</sup> While public channels do not draw many viewers, their influence, together with MTI, should not be underestimated. They play a crucial role in political agenda-setting and framing public opinion. This was demonstrated in connection with the refugee crisis, when constant reporting by public media initially characterized the crisis as nothing but “economic migration,” then later as a significant threat that would engulf Hungary. Both representations soon became dominant in the public discourse.
- Government conflict with the popular private TV channel RTL Klub over the advertising tax, which was aimed mostly at RTL Klub and led to critical coverage by the channel, ended with a compromise in March. RTL Klub executive Dirk Gerkens was dismissed by the channel’s German owners, and the government lowered the advertising tax to a uniform rate of 5 percent in May.<sup>43</sup> While government-friendly outlets can expect to be compensated by public advertising contracts, the tax is still a significant burden for major outlets and contributed significantly to the falling out between Orbán and Simicska.<sup>44</sup> Gerkens later reemerged as an executive for TV2 in December.
- Leading left-leaning outlets, such as the daily *Népszabadság* and station Klubrádió, also experienced changes in their ownership structures in 2015. In July, American investors represented by the Brit Europe Foundation bought a 5-percent share in Klubrádió and expressed their interest in acquiring controlling rights but did not plan to change the channel’s orientation.<sup>45</sup> One month earlier, in June, the MSZP-owned Szabad Sajtó Alapítvány (Free Media Foundation) sold its 28-percent share in *Népszabadság* to the majority shareholder Mediaworks, an Austrian company that now owns 99.99 percent of Hungary’s best-selling daily and several other newspapers.<sup>46</sup> Some expressed fears that the new owners might sell *Népszabadság* to FHB Bank chairman Zoltán Spéder, who maintains good connections with the government, but the sale was yet to go through at year’s end.<sup>47</sup>
- Online news portals and blogs have created a vibrant environment for political debate and analysis, and a number of sites publish investigative pieces. The online sphere is not free of partisan bias, however, and the internet also provides room for extreme right-wing content that promotes nationalism, xenophobia, and anti-Semitism. Fidesz made several attempts at establishing government-friendly sites in 2015. The first attempt, a blog written by public figures on hirado.hu, the website of the public broadcaster, was rather unsuccessful. The second attempt, 888.hu, caters to a significantly bigger audience and gained some traction, although the website’s articles were often criticized as exceedingly manipulative and propagandistic.<sup>48</sup> The outlet is owned by Orbán confidante Árpád Habony and managed by the government “spin doctor” Gábor G. Fodor.

### Local Democratic Governance

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2.25	2.25	2.50	2.50	2.50	2.50	2.75	2.75	3.00	3.00

- Local governments enjoyed a high level of political independence in Hungary after 1989. Recent steps to centralize public administration and education, however, have led to serious confusion around competencies and undermined the performance of local governments. The distribution of roles between district and municipal offices in the 2013 public administration reform took place in a rather arbitrary manner, which hampered citizens’ access to local services.
- Similar trends are identifiable in primary education. Although the state effectively nationalized the schoolbook market, the performance of the Klebelsberg Institution Maintenance Center (KLIK), which is responsible for supplying teaching materials as well as operating primary schools, has been disappointing. While in 2015, unlike in the previous year, KLIK did not explicitly prescribe which schoolbooks may be used, it limited teachers’ free choice by funding only the purchase of the government-preferred schoolbook package for first and second grade.<sup>49</sup>
- KLIK has also suffered from mismanagement. Financial transfers to schools are frequently late,<sup>50</sup> and the institution accumulated an overall debt of HUF 9.6 billion by June.<sup>51</sup> Additionally, financial burden-sharing schemes between KLIK and local municipalities responsible for the maintenance of schools led to problems in municipalities with more than 3,000 inhabitants.<sup>52</sup> After these municipalities realized that cooperation with KLIK did not decrease their maintenance costs, only their management competencies, they decided to retake institutional control.<sup>53</sup> These frequent changes led to instability in the management of many primary schools.
- Despite the fact that centralization was supposed to end segregation and discrimination in schools, certain patterns of ethnic segregation, for example in religious education, returned in 2015.<sup>54</sup> According to an April decision by the Curia, Hungary’s supreme court, as long as the creation of dominantly Romany classes or schools serves the goal of “Romany pastoralism” and schools fulfill the requirements of equal treatment in other respects, such acts do not constitute illegal ethnic segregation. Statements by Human Resources Minister Zoltán Balog<sup>55</sup> also suggested that the decision conformed with the government’s policy agenda. In a separate case in September, the County Government Office approved the establishment of a segregated school in Komádi by the Reformed Church—despite objections from both KLIK and the Ministry of Human Resources.<sup>56</sup>

### Judicial Framework and Independence

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1.75	1.75	1.75	2.00	2.25	2.75	2.50	2.50	2.75	3.00

- Hungary’s process of constitutional engineering in previous years stopped in 2015, due mainly to the governing coalition’s loss of its two-thirds legislative majority. However, the events of 2015 show that institutional checks and balances, like the Constitutional Court and the Commissioner for Fundamental Rights, are already successfully occupied by the governing parties and have ceased to fulfill their roles as impartial arbiters.
- Overall, the court system, especially the lower courts, can be considered mostly independent, while Constitutional Court judgments have often served Fidesz-KDNP interests. The court’s track record is largely acceptable in cases with little relevance to day-to-day politics, but its judgments in politically significant cases show a remarkable bias towards the government’s alleged political interests.<sup>57</sup> By 2014, the number of judges nominated unilaterally by the governing parties had reached 11 out of 15; however, one spot remained vacant for most of 2015 due to the government’s lack of a supermajority.
- There were several politically sensitive cases in 2015. In September, the Constitutional Court overturned the Curia’s decision on a referendum on equal rules of early retirement for men and women. The referendum would have been the first plebiscite held since 2008, when votes against medical and tuition fees dealt a serious blow to the previous MSZP-led government.<sup>58</sup> The court also ruled in the government’s favor in other key domestic issues, such as the regulation of foreign



currency loans.<sup>59</sup> In June, however, the court ruled against government interests by striking down a law giving control over environmentally protected areas to the National Agricultural Soil Management Fund (NFA).<sup>60</sup> This decision, in effect, excludes protected areas from renting and privatization schemes.<sup>61</sup> The constitutional check was initiated by President János Áder; it was his second constitutional veto since his election in 2012.

- Commissioner for Fundamental Rights László Székely remained conspicuously silent on several important issues. He did not initiate an investigation into the harassment of NGOs in 2014–15, while on the issue of the refugee crisis, he argued in a government-friendly newspaper in September that the government’s steps had been appropriate.<sup>62</sup> Despite his extensive competencies, including the ability to initiate constitutional checks, Székely argued that he lacked the powers to engage with the cases at hand and on several occasions emphasized the non-investigative character of his mission.<sup>63</sup>
- Hungary’s legislative branch restricted fundamental rights and freedoms in two important steps during the year. First, it further limited and complicated access to public information, one of the most important tools against corruption. Second, it extended emergency situations and made it practically impossible for refugees to obtain asylum in Hungary if arriving through the Balkan route.<sup>64</sup> In June, the parliament adopted an amendment that barred anonymous requests for public information and allowed for the rejection of repeated requests without further consideration. The amendment also introduced cost reimbursement rules, which might enhance transparency and limit arbitrary pricing but could also discourage requests.<sup>65</sup>
- In August, the parliament created a new category of state emergency: “emergency situation caused by mass-immigration.”<sup>66</sup> Lacking the required two-thirds majority, and refusing the radical right-wing Jobbik’s support for political reasons, the government opted for a simple amendment to the current laws on the military and police—despite the fact that the changes allow for the deployment of the military within the country. Several experts claimed that the government broke with constitutional traditions that require laws related to the deployment of armed forces on the territory of Hungary to be regulated in the constitution.<sup>67</sup>
- In September, the parliament amended the Criminal Code and made illegal border crossing a crime punishable with up to three years’ imprisonment and expulsion from the country.<sup>68</sup> Illegal border crossing had been a crime during communism, but its prosecution was suspended in 1989. In addition, since the government declared Serbia a “safe country of origin” in July, asylum seekers’ claims were automatically denied. This meant that between the October border closings and December, no one was granted refugee status.<sup>69</sup> Human rights NGOs criticized the adopted changes, arguing they clearly go against international standards.<sup>70</sup>

## Corruption

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
3.00	3.00	3.25	3.50	3.50	3.50	3.50	3.75	3.75	4.00

- Following a radical change in corruption structures after 2010, corrupt practices in 2015 showed a quantitative rather than qualitative change. Compared to the period before 2010, Hungary now clearly shows characteristics of “reverse state capture,” where politics and a strong state set up corruption networks and use laws to reward friendly oligarchs.<sup>71</sup> While the government increased the prosecution’s capacity for corruption-related cases and made efforts to constrain low-level, everyday corruption,<sup>72</sup> high-level corruption has become increasingly centralized and an organic part of the regime’s functioning. Different indicators by various international organizations underline this development and show a continuous increase in nontransparent policymaking and misuse of public funds.<sup>73</sup>

- Following the rift between Orbán and oligarch Lajos Simicska, corruption patterns in public procurement changed. Instead of a single person in a dominant position, a circle of reliable oligarchs, such as Lőrinc Mészáros, mayor of Felcsút (Orbán’s birthplace) or the prime minister’s son-in-law, István Tiborcz, started receiving generous public procurement contracts.<sup>74</sup> Companies owned by Simicska were mostly disqualified from public tenders, and while the oligarch was able to seek effective legal remedy, the Public Procurement Authority was reluctant to implement the courts’ decisions.<sup>75</sup>
- According to EU and Transparency International reports, approximately half of all tenders in Hungary have only one bidder, and some 70 percent of public procurement involves corruption, with costs rising by up to 25 percent.<sup>76</sup> These figures are especially worrying if one takes into account the total sum of public procurement amounted to more than 6 percent of annual GDP in 2014—which means the financial damage caused by corruption could account for up to 1 percent of GDP.<sup>77</sup>
- There were a number of high-level corruption scandals in 2015. The so-called brokerage scandal revealed that several state-owned companies and the Ministry of Foreign Affairs and Trade invested public funds in a loss-making private investment firm, Quaestor Zrt, connected to governing party circles.<sup>78</sup> The firm went bankrupt in March, but the ministry cashed in its portfolio just before the announcement. The scandal unveiled nontransparent and politically biased behavior by public bodies during the investigation.<sup>79</sup>
- The European Commission voiced concerns about the Paks nuclear plant deal on several occasions during 2015. The deal between the Hungarian government and the Russian energy company Rosatom was signed in January 2014 and involved a €10 billion loan package from Russia. In March 2015, the European Commission criticized Rosatom’s monopoly in supplying fuel cells as incompatible with European competition rules.<sup>80</sup> After some consideration, the Euratom Supply Agency finally approved the technological and fuel supply construction in April, but the European Commission ruled the deal incompatible with EU regulations in November and initiated infringement proceedings against Hungary.<sup>81</sup>
- The public tender for upgrading train cars in Budapest’s subway line 3 also had Russian links. In July, the Budapest Public Transport Company excluded an Estonian company Skinest Rail, the only remaining competitor, from the tender and declared Metrovagonmash, a Russian company, the winner of the HUF 69 billion deal. The decision drew heavy criticism from the public and NGOs, since Skinest Rail offered a technologically more advanced modernization package for a lower price as well as a longer maintenance guarantee. Independent experts found official arguments behind the exclusion technologically irrelevant.<sup>82</sup>

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