## Hungary

*Capital:* Budapest  
*Population:* 9.82 million  
*GNI/capita, PPP:* $25,360

Source: World Bank *World Development Indicators.*

### Nations in Transit Ratings and Averaged Scores

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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

Following seven years of “creative compliance” with European Union (EU) rules and values, while using cosmetic changes to hide the erosion of democratic institutions, in 2017, certain moves by the Hungarian government more overtly resembled those of authoritarian regimes, unveiling a disturbing direction for the country’s future political development.

Emulating Russian and Israeli “foreign agent laws,” the Hungarian law on nongovernmental organizations (NGOs) passed in June stigmatizes a significant part of Hungarian civil society, intimidating those critical of the government. The ruling party Fidesz’s attack on foreign funding of NGOs aims to strategically weaken civil society and advocacy groups, the last uncompromised pillar of institutional checks and balances against an increasingly unconstrained executive power. The legislation spurred civil disobedience by leading watchdog NGOs, first and foremost, the Hungarian Civil Liberties Union (HCLU/TASZ) and Hungarian Helsinki Committee.

The government’s communication strategy has remained essentially unaltered since early 2015. It dominates the country’s political agenda by mobilizing against imagined foreign enemies. Following the largely monothematic year of 2016, with its strong xenophobic focus on allegedly “illegal migration” of refugees and asylum seekers, in 2017, the Fidesz government—fearing exhaustion of the anti-immigrant discourse with practically no immigration to the country—multiplied its “enemies” and launched a massive public campaign against the EU and the Hungarian-American philanthropist George Soros, claiming that a “fifth column” of “Soros agents” aims to undermine the country’s national security by fostering illegal immigration to Europe. The media campaigns were complemented by two so-called national consultations with the titles “Let’s Stop Brussels!” and “National Consultation on the Soros Plan.” The visual design of the “anti-Soros” campaign also exploited traditional motifs of anti-Semitism, instigating unsuccessful protest attempts by Hungarian Jewish organizations to have the campaign billboards removed.

The anti-Soros campaign was introduced in Hungarian politics by an unprecedented attack against academic freedoms, in particular, on the Central European University (CEU). The NGO and CEU laws both prompted infringement procedures against Hungary by the European Commission. Furthermore, in May, the European Parliament voted in favor of triggering the so-called Article 7 TEU procedure due to Hungary’s alleged serious breach of EU fundamental values. Hungary’s noncompliance with its obligations under international law has risen significantly during the past years, and implementation of several important judgments by the European Court of Human Rights (ECtHR) is still pending.

In 2017, the Fidesz-led government and its associated oligarchs consolidated their dominant position in the Hungarian media market and, with few exceptions, acquired the last bastions of independent print media in the country. The content and messages published in government-friendly outlets seem to be directly coordinated by the prime minister’s cabinet office led by Cabinet Chief Antal Rögán, often labeled by investigative media as the “propaganda ministry.” Due to support from the deeply biased public media and important acquisitions in the television, online, and print segments, pro-government outlets have come to dominate the media market to an overwhelming degree, unimaginable even a year earlier.

Recent developments confirm the existence of a “reverse state capture” in Hungary, where politics and a strong state set up corruption networks and use public power and resources to reward friendly oligarchs. While in 2017 several court decisions contributed to an increased transparency around corruption allegations, high-level corruption remains uninvestigated and unpunished due to political control over the State Prosecutor’s Office.

With the governing parties’ ever-growing media dominance, an increasingly uneven political playing field, and the misuse of public resources for political and private purposes, Hungary’s political system inches further away from constitutional and liberal democracies and closer toward hybrid regimes in the region.
Score Changes:

- **National Democratic Governance rating declined from 4.25 to 4.50** due to the government’s imitation of straightforward authoritarian practices with its attack on NGOs and academic freedoms, as well as its publicly funded negative campaigns legitimizing hatred, racism, and anti-Semitism.

- **Electoral Process rating declined from 3.00 to 3.25** due to manipulation of the campaign environment and the State Audit Office’s decision to hand out arbitrary fines to opposition parties just months before the parliamentary election in April 2018.

- **Civil Society rating declined from 2.75 to 3.00** due to an increasingly hostile atmosphere for NGOs and adoption of legislation that aims to intimidate and weaken civil society organizations that receive funding from abroad.

- **Independent Media rating declined from 4.25 to 4.50** due to the complete control and domination of the regional newspaper market and increasing verbal attacks on individual journalists.

- **Corruption rating declined from 4.50 to 4.75** due to large-scale and unpunished corruption involving not only government-friendly oligarchs but also high-ranking politicians and officials.

As a result, Hungary’s Democracy Score declined from 3.54 to 3.71.

**Outlook for 2018:** Preparing for the 2018 parliamentary elections, the governing coalition Fidesz-KDNP will likely amplify its hostile rhetoric during the run-up and manipulate electoral and campaign rules to create more favorable conditions for the coalition. Due to a weak and disorganized opposition, a constitutional two-thirds majority is again within arm’s reach for Fidesz.

International partners will mostly refrain from harshly criticizing the regime to avoid charges of political intervention in Hungary’s domestic affairs in an election year. With the government’s media dominance and economic advantage as a consequence of its abuse of public funds, the Fidesz-KDNP alliance might continue governing essentially uncontested, even in the long term. However, considering that the regime has been growing out of touch with large segments of the population, and its survival depends on constantly dominating the political agenda and mobilizing large segments of the society, its stability might come under threat in the face of any fast-emerging, challenging events.
**Main Report**

**National Democratic Governance**

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- In its eighth consecutive year, support for the governing coalition of Fidesz–Hungarian Civic Union (Fidesz) and its subordinate partner, Christian Democratic People’s Party (KDNP), remained strong, mainly due to the country’s good economic performance benefiting both from the European economic boom and the European Cohesion Fund transfers to Hungary. In contrast to its previous “peacock dance”1 strategy, in 2017, the government led by Prime Minister Viktor Orbán adopted measures employed by authoritarian governments—like the “Lex CEU,” the “Lex NGO,” and the related anti-NGO and “anti-Soros” campaigns—to preserve its dominance over the political field.
- While the coalition’s popularity declined between late 2015 and early 2016 as a result of demonstrations linked to social issues, it picked up quickly once the government latched onto the refugee crisis as its central topic in 2016 and was effectively maintained with the government-organized negative campaigns in 2017. As of November, 31 percent of all voters and 49 percent of those certain to vote supported Fidesz-KDNP.2
- The center-left/liberal/green opposition parties were unable to consolidate their electoral support one year before the next parliamentary elections in 2018. Following the withdrawal of László Botka, prime minister candidate of the Hungarian Socialist Party (MSZP), on 2 October,3 hope for a coordinated electoral list and a common candidate for prime minister seemed to be fading. The end of Botka’s candidacy left MSZP, formerly the biggest party of the center-left opposition, in political and institutional chaos. Yet, in December, the nomination of Gergely Karácsony, co-chair of Dialogue for Hungary (PM) as MSZP’s new prime minister candidate allowed for new cooperation among the opposition parties.4 Based on the success of its “NOlimpia” referendum campaign (see “Electoral Process”), Momentum established itself as a next-generation youth party with a center-right liberal program in March 2017. Although the shooting-star-like emergence of Momentum was widely seen as an important sign of the party system’s organic renewal, its electoral support remained between 2 and 3 percent during the year.
- The Hungarian government’s communication strategy remained essentially unaltered since early 2015. It dominates the country’s political agenda by mobilizing against imagined, largely foreign, enemies. Following the largely monothematic year of 2016 with a strong focus on “illegal migration” of refugees and asylum seekers, in 2017, the Fidesz government—fearing exhaustion of the anti-immigrant discourse with practically no immigration to the country—multiplied its “enemies” and launched a massive public campaign against the European Union (EU) and the Hungarian-American philanthropist and businessman George Soros. The campaign argued that a “fifth column” of “Soros agents” is undermining the country’s national security by fostering illegal immigration.5 The media campaigns were complemented by two “national consultations” with the titles “Let’s Stop Brussels!”6 and “National Consultation on the Soros Plan.”7 The visual design of the anti-Soros campaign exploited traditional motifs of anti-Semitism. Hungarian Jewish organizations unsuccessfully protested to have the campaign billboards removed.8 The PR and advertising costs of the “Let’s Stop Brussels!” campaign totaled HUF 7.2 billion ($27.32 million),9 while the printing and delivery costs of the related national consultation amounted to HUF 947.6 million ($3.6 million).10 The government contracted MediaWorks, a publishing house owned by the Orbán-friendly oligarch Lőrinc Mészáros, to the value of HUF 2.16 billion ($8.2 million) to prepare the materials (see “Corruption”).11
- The year also signaled an important turning point in the government’s political strategy. After seven years of “creative compliance” with EU rules, in 2017, certain moves by the government clearly imitated authoritarian policies. As such, the Fidesz-government passed the “NGO law” stigmatizing and intimidating watchdog nongovernmental organizations (NGOs) receiving financial support
from abroad and playing a crucial role as the last uncompromised pillar of checks and balances in Hungary (see “Civil Society”). Furthermore, following in the footsteps of Russia, which has been trying to shut down the European University of Saint Petersburg, the Hungarian government also launched an unprecedented attack against academic freedom and the Central European University (CEU), as the first move of its anti-Soros campaign.12 Despite immediate and intense international criticism, the Hungarian parliament adopted the Lex CEU in April in just one week.13

- Hungary faced immense international criticism in the first half of the year, even coming from the European People’s Party (EPP)—the European political family of right-conservative parties traditionally safeguarding its member, Fidesz, from European sanctions. On 26 April, the European Commission launched an infringement procedure against Hungary due to the so-called Lex CEU and its noncompliance with internal market freedoms, namely, the freedom to provide services, freedom of establishment, and academic freedom.14 On 17 May, the European Parliament voted, with the support of several EPP MEPs (European Parliament members), in favor of triggering the Article 7 procedure against Hungary.15 These proceedings, theoretically, could result in sanctions against the country and ultimately stripping it of its EU voting rights.

- Hungarian refugee policy was characterized by systemic abuses of the legal environment in 2017. In March, the parliament introduced mandatory forced detention for all asylum seekers, including minors, for the period of the asylum procedure.16 The step provoked harsh criticism by the international community, including the UNHCR,17 and triggered the next step in an ongoing infringement procedure by the European Commission against Hungary.18 In June, the Commission introduced further infringement proceedings against the Czech Republic, Hungary, and Poland due to their failure to implement an EU Council decision from September 2015 on the relocation of asylum seekers.19

**Electoral Process**

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- In the past few years, the ruling Fidesz-KDNP coalition has gradually shaped Hungary’s electoral laws and legal framework to its advantage.20 In 2017, it continued to manipulate the campaign environment and electoral system by adopting the so-called billboard law. Fines handed down to opposition parties at year’s end by the State Audit Office raised further concerns about the playing field ahead of the 2018 parliamentary elections.

- The electoral agenda in 2017 was mostly dominated by referendum initiatives. In February, the Momentum movement submitted 266,151 signatures endorsing a municipal referendum in Budapest against hosting the 2024 Olympic games in the Hungarian capital.21 The threshold required to referendum was 138,000 valid signatures.22 The so-called “NOlimpia” referendum, which was endorsed and supported by all parties of the center-left opposition, dominated the country’s political agenda and finally led to a tactical withdrawal of the governing party Fidesz. With public opinion surveys showing little support for the Olympic games, the Municipal Assembly of Budapest withdrew from the competition in order to avoid a serious political defeat at the referendum. Representatives of Momentum claimed that by canceling the vote, officials had deprived citizens of the right to democratically decide about one of the most important public affairs of the capital city and entire country.23

- Authorities tried to hamper signature collection for the NOlimpia referendum. There were also occasional incidents of violence against the signature collectors. On 11 February, Tamás Jakabffy, a local politician of LMP was physically attacked while gathering signatures in the campaign.24 On 16 February, an LMP activist was attacked on the street and hit in the head with a wine bottle.25 In other cases, people damaged collection posts;26 additionally, the authorities attempted to hinder the
work of activists by stationing policemen next to the posts\textsuperscript{27} or deploying a sewage sludge collector truck nearby.\textsuperscript{28}

- Another potentially challenging referendum initiative was also preempted by the governing Fidesz to avoid political defeat in a large-scale campaign. Following a Hungarian Supreme Court (Kúria) decision that approved a referendum on crimes related to corruption in September,\textsuperscript{29} the parliament passed the same initiative as an amendment to the Criminal Code in order to avoid a possible political debacle at the referendum.\textsuperscript{30} The initiative was first opposed, but during the parliamentary voting supported by the governing party.

- The National Election Commission (NVB), the appeal board for election irregularities, rejected several referendum initiatives during the year, raising significant doubts about its independence.\textsuperscript{31} While judicial control over its decisions is guaranteed by the Kúria, the politically biased character of the electoral body raises the question of whether potential irregularities will be investigated in an impartial, honest, and professional manner during the parliamentary elections in April 2018.

- Reacting to a coordinated antigovernment billboard campaign by the opposition party Jobbik and the formerly Fidesz-friendly oligarch Lajos Simicska, Fidesz passed a so-called billboard law in June 2017. The law prohibits party advertising outside the official campaign period, undermining opposition parties’ ability to reach out to undecided voters but leaving a loophole for the government to continue its “public interest advertisements”—billboards, radio, and television ads that are present everywhere in the country. Lacking the required two-thirds majority, the party failed to pass certain provisions of the bill, rendering the text of the law incomprehensible.\textsuperscript{32} Although President János Áder sent the law back to the parliament for reconsideration,\textsuperscript{33} the Fidesz majority incorporated the provisions—that previously required a two-thirds majority—into the law on the protection of the cityscape and passed them with a simple majority.\textsuperscript{34} The opposition parties Jobbik, LMP, and the Hungarian Socialist Party (MSZP) turned to the Constitutional Court with their complaint,\textsuperscript{35} but the law came into force on 15 July.\textsuperscript{36}

- Following its investigation into the party and campaign finances of Jobbik, in December, the State Audit Office fined the biggest opposition party HUF 331 million ($1.32 million) for allegedly accepting “illegal financing” in the period 2015–16. In addition to the fine, the financial contribution paid to the party by the state budget will decrease by the same amount, potentially stripping Jobbik of most of its funding before the election.\textsuperscript{37} The State Audit Office also fined almost all other opposition parties—i.e., Democratic Coalition (DK), Green Party, Politics Can Be Different (LMP), Együtt (Together), Dialogue for Hungary (PM), and the Hungarian Liberal Party)—to lower funding for the same reason.\textsuperscript{38} According to a law adopted in 2014 by the current government, there is no legal appeal against the decisions of the State Audit Office.

### Civil Society

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- The year 2017 turned out to be the darkest year for Hungarian civil society since 1989–90. Following last year’s anti-refugee campaign, the government switched its focus to nongovernmental organizations (NGOs) funded from abroad and allegedly serving “foreign interests.”

- Throughout the year, Fidesz politicians consciously framed watchdog NGOs and their foreign funding as a national security threat and proposed several policy steps to restrict their activities.\textsuperscript{39} In January, István Hollik, a KDNP MP, proposed the introduction of compulsory asset declaration for NGO leaders, allegedly to make transparent the influence of their economic connections.\textsuperscript{40} As Hollik said in a press conference, “the existence of watchdog NGOs is pointless” as they do not contribute to the development of the country.\textsuperscript{41} Also in January, Szilárd Németh, vice-chair of both
Fidesz and the parliamentary National Security Committee, stigmatized the Hungarian Civil Liberties Union (HCLU/TASZ), Hungarian Helsinki Committee, and Transparency International Hungary—the country’s three leading watchdog NGOs—as national security threats serving only the interests of foreign powers and international business. “This threat must be opposed and the NGOs should be swept out of the country,” argued Németh. On several occasions, government spokesperson Zoltán Kovács accused NGOs helping refugees of cooperating with terrorists and organized crime. Finally, in February, Prime Minister Viktor Orbán officially proclaimed the fight against foreign-funded NGOs in Hungary in his state of the nation speech.

- Government attacks on NGO foreign funding was aimed first and foremost at organizations supported by the Hungarian-American philanthropist George Soros and his Open Society Foundation (OSF). The foundation traditionally supports human rights and transparency watchdogs in the region. OSF plays a uniquely important role in maintaining the functioning of NGOs by providing advocacy services and key public goods for Hungarian society in an increasingly restrictive domestic political and financial environment.

- Following the refusal of HCLU’s request to hold public consultation on planned legislative steps, in April, the government submitted a draft law on foreign-funded organizations. On 12 April, the umbrella organization “Civilizáció” organized a large protest against the law, where several thousand people participated by forming a single heart shape in Budapest’s Heroes Square. Despite this, and the domestic and international criticism, the parliament adopted Act LXXVI of 2017 on the Transparency of Organizations Receiving Foreign Funds, or the so-called NGO Law, in June. The law requires NGOs receiving more than HUF 7.2 million ($27,000) annual funding from abroad to register with the courts as a “foreign-funded NGO,” use this label on their website and in all publications, and report the foreign funding in their financial declarations. Furthermore, a government website will also publish the list of foreign-funded NGOs. Noncomplying organizations can be sanctioned: they can be put under legal scrutiny by the state prosecutor’s office, fined (for which NGO representatives are personally liable), or, ultimately, dissolved. Religious and sport organizations are exempt from the scope of the law. It is important to mention that all NGOs registered in Hungary were already required to submit a comprehensive annual financial declaration that makes their finances transparent.

- “Civilizáció” fell short in negotiating terms for a unified strategy against the law, thus the affected NGOs followed various strategies to adapt to the new political and legislative situation. On 13 June, HCLU and the Hungarian Helsinki Committee announced that they would refuse to register under the law and proclaimed civil disobedience against its implementation. A number of other NGOs followed suit in the following weeks. In November, the Kúria approved a referendum initiative by Momentum aimed at withdrawing the law. Several activists complained that while Momentum’s aim is legitimate, it seems to exploit the topic as part of the election campaign. Nevertheless, it is highly unlikely that a referendum will be held prior to the parliamentary elections in spring 2018.

- The NGO law, which is similar to foreign-agent laws adopted in Russia and Israel, was harshly criticized by international organizations. On 14 July, the European Commission launched an infringement procedure against Hungary due to the violation of the right to association and an unjustified and disproportionate restriction of the free movement of capital. The Council of Europe’s Venice Commission adopted its opinion on the draft law on 20 June. The commission recognized that the law may pursue a legitimate aim of enhancing transparency of civil society organizations, but it underlined that the political context of the legislation is highly problematic and goes beyond this legitimate aim. Furthermore, the commission argued that the NGO Law results in a disproportionate and unnecessary interference with the freedoms of association and expression, the right to privacy, and the prohibition of discrimination.

- In April, the parliament adopted the so-called Lex CEU as an amendment to Act CCIV of 2011 on National Higher Education. The law introduced new requirements for Hungarian universities with foreign accreditation that targeted CEU and rendered the continued operation of the university impossible. Lex CEU provoked significant protests both from Hungarian society and the international academic community. Thousands demonstrated in the streets of Budapest in April.
demanding the bill’s withdrawal, and over 500 prominent international academics, including 20 Nobel laureates, urged the government to withdraw the legislation. Although several rounds of negotiations were held between CEU representatives and the government to find an agreement that would secure CEU’s operations in Budapest, none was achieved by year’s end. On 13 October, the parliament amended the Law on National Higher Education and extended the deadline for complying with the requirements for one year. Irrespective of the prolongation, the future of CEU in Hungary remains uncertain.

- The government’s legislative steps were also accompanied by intimidation and incitement to violence. Following a demonstration against the approval of Lex CEU on 10 April in front of the president’s office, two activists throwing dye-filled balloons at the building were sentenced to 300 and 200 hours public work by the court. Another participant was arrested for the same reason during the night in his home under intimidating circumstances, violating the rules of police arrest. On 25 April, Zsolt Bayer, a radical right-wing journalist and founding member of Fidesz, argued in a radio broadcast that “demonstrating NGO activists should be pulled in their blood and snot out of the parliament’s building.” LMP co-chair Bernadett Szél filed a lawsuit against Bayer, and the case was pending at year’s end.

- Concerning the rights of religious groups, implementation of the 2014 ECtHR ruling in “Hungarian Christian Mennonite Church and Others v. Hungary” was still pending in 2017. The new Hungarian law on Churches and Religious Communities adopted in 2011 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.” Although both the ECtHR and the Hungarian Constitutional Court ruled that several points of the law contradicted the European Convention on Human Rights and Fundamental Freedoms and the Hungarian Basic Law, the Hungarian parliament failed to amend the Church Law to conform with ECtHR or the country’s Basic Law itself.

- Partially legitimized by the government’s negative propaganda and supported by disinformation campaigns orchestrated in Russia, extreme-right ideas are firmly present on the fringes of Hungarian society. In December, the Prosecutor General charged 17 members of the paramilitary group Hungarian National Front, previously also supported by the Russian military intelligence agency GRU, with illegal possession of weapons and preparation for violent acts. During coordinated house searches, the police confiscated more than a hundred weapons, including assault rifles, machine guns, and RPG launchers, and eighteen thousand ammunition rounds from members of this extreme-right organization. István Győrkös, former front man of the National Front, remained in custody for murdering a policeman in October 2016.

### Independent Media

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- The government-led takeover of the media market has been ongoing since 2011. Extending its control over a large part of the Hungarian media landscape in 2016, the Fidesz-led government and associated business persons consolidated their positions in 2017 and, with few exceptions, acquired the last bastions of independent print media in Hungary.

- Due to the ongoing centralization of the entire Hungarian media market, public media plays a less central role for Fidesz than in 2015 and 2016. But its agenda-setting role and coverage, especially among older age groups and in the countryside, is undoubtedly significant. The annual budget of the Media Service Support and Asset Management Fund (MTVA), an umbrella institution established in 2011 to oversee public media, totaled HUF 79.9 billion ($303.215 million) in 2017, which is roughly equivalent to the financing in previous years.

- With public media, the second-largest private TV channel, and several online and print outlets (including all regional newspapers) now in the hands of government allies, progovernment media dominates the market. Although there are several opposition outlets, their circulation and
geographical coverage are limited, like Klubrádió that broadcasts only in Budapest.\textsuperscript{67} Nevertheless, the year featured a number of quality in-depth articles and reporting, including about the politically biased functioning of the State Prosecutor’s Office and the government’s systemic entanglement in high-level corruption.

- Following the acquisition of MediaWorks and Pannon Lapok Társasága (PLT) in October 2016 by Lőrinc Mészáros, preceded by the infamous liquidation of Népszabadság, Hungary’s leading print daily and traditional left newspaper, Fidesz-related oligarchs continued their offensive on the Hungarian media market. Film Commissioner Andrew Vajna, also owner of the second-largest private television channel TV2, in October acquired Lapcom Media Group, publisher of the second-largest daily tabloid, Bors, and two additional regional newspapers, Délmagyarország and Kisalföld.\textsuperscript{68} In July, Mészáros acquired the regional newspaper Nógrád Megyei Hírlap.\textsuperscript{69} In the same month, Heinrich Pecina, the businessman involved in maneuvering Népszabadság and MediaWorks into Mészáros’s hands, acquired the last three independent east Hungarian regional newspapers from the Austrian company Russmedia. These steps established total control over the market of regional newspapers, extending Fidesz’s reach to approximately one million Hungarian voters.\textsuperscript{70} The Hungarian Competition Authority and the Media Council approved the acquisitions without any expressed concern.\textsuperscript{71} Both deals were financed by loans provided by MKB Bank, a financial institution partly owned by Mészáros.\textsuperscript{72}

- Following the falling-out between oligarch Zoltán Spéder and Prime Minister Orbán in 2016, Spéder was forced to sell his media assets, including Hungary’s leading online newspaper Index.hu. In 2017, it was revealed that businessman Lajos Simicska had bought the outlet. A day after the purchase, Simicska transferred ownership rights to a newly established, allegedly independent foundation.\textsuperscript{73} Journalists at the paper claimed that the deal guarantees the outlet’s substantial editorial independence but admitted the financial dependence remains.\textsuperscript{74}

- According to investigative articles, the content and messaging produced by government-affiliated outlets are directly controlled by the prime minister’s cabinet office led by Cabinet Chief Antal Rögán.\textsuperscript{75} The cabinet office, often labeled by critical media as the “propaganda ministry,” controls all communications and advertising spending by the government, allegedly funding friendly outlets. Regional papers, for example, underwent a striking uniformization, suggesting a complete lack of editorial autonomy and the centralization of politically relevant content at print media with the current largest reach in Hungary.\textsuperscript{76} Government-friendly outlets, for example, seemed to spread fake news, misleading, or false information related to the refugee crisis.\textsuperscript{77}

- Progovernment media engaged in a smear campaign to discredit journalists and NGOs in 2017. During the anti-Soros campaign, the online news site 888.hu published lists of alleged “Soros agents,” naming Hungarian think tanks, advocacy NGOs, and their employees, as well as journalists.\textsuperscript{78} On 4 May, the local Fidesz politician László Szabó verbally assaulted a journalist from the online newspaper 444.hu, seizing her cell phone and deleting the photos she had taken.\textsuperscript{79}

### Local Democratic Governance

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- 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 local government competences and have undermined their performance. Almost five years after introducing the 2013 public administration reform, the distribution of responsibilities between district and municipal offices is still not entirely transparent.

- The division of competences in areas like construction and engineering are unclear, often leading to confusion and mismanagement of projects at the local level. The intentional strengthening of the state administration’s position over municipal self-governments continued in 2017, as the legal powers of county-level government offices were extended over municipalities, allowing government offices to fine municipalities without binding judgments of the competent courts.\textsuperscript{80}
As of 1 January, the maintenance of all public primary schools was centralized and nationalized under the reorganized Klebelsberg Institution Maintenance Center (KLIK), which is now solely responsible for the supply of teaching materials as well as operation of more than 5,100 primary schools in the country. This resulted in the nationalization of more than 2,800 primary schools still maintained by municipal self-governments, the establishment of 59 school districts at an interim management level, and the transfer of employment rights of nearly 9,700 employees. In spite of the complete nationalization of primary education and related municipal property, the government introduced a new solidarity tax paid by municipalities to finance primary education. This step revealed the financially unsustainable character of primary education’s nationalization and put significant financial burden on municipalities with high tax income. Several municipalities demonstrated against the current reorganization of the country’s education system and its financial consequences, peaking in the lawsuit brought by Budaörs, a small but well-developed town in the agglomeration of Budapest, against the Hungarian state. The Metropolitan Court of Budapest decided in favor of the plaintiff in its interim ruling from 23 June and obliged the Hungarian state to pay back to Budaörs HUF 765 million ($2.875 million) and the relevant interest, the amount of solidarity tax the state illegally collected from the municipality.

The European Commission launched an infringement procedure against Hungary due to school segregation in May 2016, since, according to the commission, the widespread segregation of Romany children constitutes a breach of EU regulations. In order to ensure compliance with European antidiscrimination standards, in June 2017, the Hungarian parliament amended the Equal Treatment Act and extended the prohibition of school segregation even to entities of religious education. This step effectively eliminated the loophole in Hungarian legislation allowing for the segregation of Roma children, if it serves the purpose of “Roma evangelization.” The European Commission had yet to close the infringement case by the end of the year. In October, the Kúria agreed with the judgment of the Pécs Regional Court of Appeal, which ordered the closure of a segregated primary school in Kaposvár last year. The decision will serve as important case law for the future.

In June, the parliament adopted the so-called Lex Taygetus, discontinuing previous provisions that allowed for separate exam procedures for children with special education needs. Furthermore, contrary to the previous regulation, the law allowed teachers lacking specialized training to work with children with special needs. Professional organizations and associations of parents with children with special needs harshly criticized the legislation, while according to government representatives, both the goal and scope of the legislation were misunderstood by the public.

In March, the government announced a plan to expand physical education in primary and secondary schools with the option of martial arts or shooting, and to establish 197 new shooting ranges across the country, including in schools. The Hungarian Teachers’ Federation sharply criticized the initiative as dangerous and allowing the “forgotten spirit of militarism” back into Hungarian schools.

Judicial Framework and Independence

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Overall, Hungary’s court system, especially the lower courts, can be considered mostly independent, whereas Constitutional Court judgments in politically significant cases have often shown a remarkable bias towards the government and its alleged political interests. Furthermore, Hungary’s noncompliance with international court judgments and obligations under EU law grew significantly in 2017.

Out of the Constitutional Court’s 15 justices, 11 were unilaterally nominated by the governing parties, and 4 nominated and elected in 2016 following a deal between Fidesz and LMP. The court’s idleness regarding the NGO Law and Lex CEU raised questions of a potential political intervention,
and several journalists argued that the court aimed to avoid interference in the campaign prior to the parliamentary elections in spring 2018.\textsuperscript{96} Constitutional complaints and requests for judicial review were submitted in both cases to the Constitutional Court, but the length of these procedures is not limited by Hungarian law, allowing the court to postpone the decision in these urgent and politically sensitive cases.\textsuperscript{97} President Áder’s approval of both laws, despite clear concerns regarding their constitutionality, further contributed to the perception that there is a lack of constitutional checks and balances on substantial issues in Hungary.

- Yet, in other cases, the Constitutional Court demonstrated independence. In January, the court struck down the new administrative court law, which would have established a new Administrative High Court and was widely criticized for circumventing existing judicial structures and further undermining rule of law in Hungary.\textsuperscript{98} The law was sent to the court by President Áder due to concerns of formal unconstitutionality, as the parliament passed it with a simple majority, despite addressing issues requiring a two-thirds constitutional majority.\textsuperscript{99} Nevertheless, the new appointment and promotion system of administrative judges regulated in a decree by the justice minister in October 2017 prefers the appointment of administrative judges who arrive from the state administration but have no experience as judges.\textsuperscript{100} Bearing in mind the role that political loyalty plays in Hungarian public administration careers, the new regulation opens the door for the political packing of administrative courts and undermines the independence of administrative courts.\textsuperscript{101}

- Hungary’s noncompliance with obligations under international law has increased significantly over the past years. Implementation of several important judgments of the European Court of Human Rights (ECtHR), like the case of Hungarian Christian Mennonite Church and Others v. Hungary\textsuperscript{102} from 2014, or Ilias and Ahmed v. Hungary\textsuperscript{103} from 2017, was still pending at year’s end. The Interior Ministry’s proposal about the use of intelligence measures in criminal proceedings\textsuperscript{104} also contradicts the 2016 ECtHR judgment in the case of Szabó and Vissy v. Hungary. While the ECtHR reinforced that the deployment of intelligence measures without judicial oversight is contradictory to Article 8 of the European Convention on Human Rights and Fundamental Freedoms (ECHR), the proposal allows such deployment based on the joint approval of the Ministry of Justice and the Data Protection Authority.

- In the case of Ilias and Ahmed v. Hungary, the ECtHR declared the Hungarian practice of forced detention of asylum seekers incompatible with ECHR’s Article 3 on inhuman and degrading treatment. As a response, several people in official circles, including government spokesperson Zoltán Kovács, KDNP MP Imre Vejkey,\textsuperscript{105} and Miklós Szánthó, director of the government-friendly think tank Alapjogokért Intézet (Institute for Fundamental Rights), called for Hungary to withdraw from the ECHR.\textsuperscript{106} In April 2017, the government submitted a request to the ECtHR for referral to the Grand Chamber\textsuperscript{107} that was approved by the Grand Chamber in September.\textsuperscript{108}

### Corruption

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- Corruption has been a constant concern in post-communist Hungary, but the situation has deteriorated further since 2010. While basic corruption patterns remained largely the same as in previous years, consolidation of the new key players—the regime’s most-favored oligarchs—increased in 2017.

- The break up between Lajos Simicska, former Fidesz-treasurer and the party’s top oligarch, and Prime Minister Orbán in early 2015 triggered tectonic shifts in the economic background of Fidesz. By 2017, Lőrinc Mészáros, mayor of Orbán’s hometown, Felcsút, and the Prime Minister’s personal friend, unquestionably occupied the top position of politically engaged oligarchs, although the government tries to support a more pluralistic network of friendly oligarchs compared to prior to...
2015. Thanks to generous public procurement contracts, Mészáros’s fortune has grown in an unprecedented way. According to Forbes, in 2015, Mészáros was reported to be worth an estimated HUF 24.4 billion ($86.28 million),\(^{109}\) which increased to HUF 35.4 billion ($125.445 million) in 2016,\(^{110}\) and practically tripled during a single year to HUF 105.7 billion ($395.1 million) in 2017,\(^{111}\) as he skyrocketed from 30\(^{th}\) to 8\(^{th}\) place on a list of wealthiest Hungarians. In March, Mészáros lost in a case before the Budapest–Capital Regional Court of Appeals against the liberal-centrist opposition party Együtt, which claimed that Mészáros is a proxy of Prime Minister Orbán.\(^{112}\)

- The fact that key economic figures, like Mészáros, István Tiborcz (Orbán’s son-in-law), or István Garancsi, cultivate close personal relationships with Prime Minister Orbán underlines the “reverse state capture” happening in Hungary, where politics and a strong state set up and coordinate corruption networks. While low-level corruption is prosecuted, politically organized high-level corruption has become a key feature of the regime. Similar to previous years, corruption indicators by international organizations highlight this development and show a constant level of opaque policymaking and misuse of public funds.\(^{113}\)

- According to the annual report of the Public Procurement Office, the total value of public procurement amounted to 5.7 percent of Hungarian GDP.\(^{114}\) While the share of public procurements with only one bidder was 18.96 percent in 2016—below the 20 percent recommendation set by the European Commission—according to Transparency International data, the political influence on public procurement remained significant. According to TI, some 70 percent of public procurement involves corruption, with costs rising by up to 25 percent.\(^{116}\) The financial damage caused by corruption could account for up to 1 percent of Hungary’s GDP.

- The country’s exposure to nontransparent and suspicious business deals remained significant in 2017. The European Commission suspended its investigations and approved the Paks nuclear power plant project, even if not unconditionally, in March 2017.\(^{117}\) Investigative journalists revealed that the government received advice from Dominique Ristori,\(^{118}\) head of the European Commission’s Directorate General for Energy, an argument that could be used by Budapest to justify the absence of a public tender in the Paks project.\(^{119}\) Ristori’s support can be seen in direct connection to the involvement of Günther Oettinger,\(^{120}\) former European Commissioner for Energy, and Klaus Mangold in the Paks nuclear power plant extension.\(^{121}\) Mangold acted as matchmaker between the Russian and Hungarian administrations in forging the bilateral Paks-agreement in 2014, and continued to serve as one of the project’s key lobbyists.\(^{122}\) The revealed details show the entanglement of Russian and German business lobbying, and their roles in convincing the European Commission to approve the highly debated nuclear power plant investment in Hungary.

- Hungary was also involved in the Europe-wide scandal of Azerbaijani corruption networks bribing members of the Council of Europe Parliamentary Assembly, the European Parliament, and other politicians.\(^{123}\) According to information from the Hungarian investigative journal Átlátszó, $9 million was transferred to the Hungarian bank account of an offshore company controlled by a politically exposed Azerbaijani person in 2012, which corresponded with the release of the “axe murderer” Ramil Safarov.\(^{124}\) Safarov, a Lieutenant of the Azerbaijani armed forces, killed an Armenian officer in 2004 in Hungary while participating at a NATO Partnership for Peace exercise. Safarov was sentenced to life imprisonment in Hungary but, surprisingly, was released to Azerbaijan in 2012, where he received a presidential pardon.

- In May, investigative journalists revealed that the state-owned Hungarian electricity company MVM provided a HUF 500 million ($1.87 million) subsidy to the NGO CÖF, a strong supporter of the government.\(^{125}\) Since CÖF had earlier contributed significantly to Fidesz’s election success during the 2014 parliamentary elections, including billboards supporting the government, the scandal raises the possibility of illegal campaign financing. In October, the Data Protection Authority obliged CÖF to disclose how it used its resources.\(^{126}\)

- There were several court decisions that contributed to increased transparency during the year. In January, the Metropolitan Court of Budapest obliged the Government Debt Management Agency (AKK) to disclose information about residency bond acquisitions as public data.\(^{127}\) As a consequence of the judgment and growing political pressure on the government, the AKK suspended issuing further residency bonds in March.\(^{128}\) The residency bond program, launched in 2012, offered European residency permits for third-country nationals in exchange for significant

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investment, under dubious circumstances and financial conditions ultimately unfavorable to the Hungarian state. And in October, the Kúria ruled in favor of Transparency International Hungary’s claim in the so-called TAO funding case. According to the judgment, the funding provided by companies for sport associations (mainly soccer clubs), making those companies eligible for corporate tax deduction (“TAO funding”), must be publicly disclosed and cannot be protected by tax confidentiality.\(^1\) According to TI, TAO funding is rarely distributed according to sport performance; rather, state-owned companies and Fidesz-friendly entrepreneurs use it to finance soccer clubs, such as the Puskás Soccer Academy in Prime Minister Orbán’s hometown, Felcsút, or soccer clubs related to other high-level politicians.\(^2\) Nonetheless, the government submitted an amendment to the draft law on taxation in September, which, if passed, would extend tax confidentiality over the TAO funding by legislation.\(^3\)

- In September, the government declined to join the new EU initiative on the European Public Prosecutor’s Office.\(^4\) This step clearly highlights the lack of political will to fight corruption or enhance the transparency of EU-funds-related expenditures, a crucial source of economic growth as well as politically organized, systemic corruption in Hungary.

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1. In June 2012 Orbán made at a conference negative remarks about European politics and described his concept of European politics as a complicated game, a kind of “peacock dance” of deception and diplomatic manoeuvring. See: Pávatánc [Peacock dance], Népszabadság Online, 4 June, 2012, http://no.hu/velenym/20120604-pavatanc-1312137
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12. The timeline of CEU-related events in 2017 is available at: https://storify.com/WESPicks/lex-ceu
20 Ahead of the 2014 elections, the government adopted a number of problematic legal provisions, including changes to allocation of excess votes, discrimination against out-of-country voters, and changes to district sizes. 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. When Fidesz-KDNP won the general elections in 2014, it received exactly 133 seats. Two of these were lost in 2015, ending the coalition’s supermajority and its legislative power to change the constitution on its own. For details, see Nation in Transit Report 2015: https://freedomhouse.org/report/nations-transit/2015/hungary
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