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**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

# **STRATEGY FOR HUNGARY**

**REPORT ON THE INVITATION TO THE PUBLIC  
TO COMMENT**

PUBLIC

## 1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Hungary was posted on the EBRD website in English and Hungarian for 45 calendar days, starting from 12 January 2016 until 29 February 2016. The previous Strategy was also made available on the website in English and Hungarian at <http://www.ebrd.com/downloads/country/strategy/hungary.pdf>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country. The start of the review process was also advertised through social media platforms (e.g. Facebook and Twitter).

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with civil society organisations on 9 July 2014 in Budapest to gather civil society's feedback during the preparatory phase leading to the draft strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD senior staff involved in the Strategy preparation process.

The meeting with civil society was chaired by the Head of the Resident Office in Hungary. The workshop attracted civil society representatives from six local civil society organisations. The summary of the meeting and list of participating organisations are provided in the Annex to this report.

During the consultation period no comments were received by the Bank in written format.

## ANNEX 1

**Summary of EBRD meeting with civil society – 9 July 2014, Budapest**

On 9 July 2014 the EBRD Resident Office in Hungary hosted a consultative meeting with civil society representatives in Budapest. The event was attended by six participants from local civil society organisations, including NGOs working on transparency and good governance, think tanks and economic research institutions. Following a presentation of the Bank's activities and key operational priorities in the forthcoming EBRD Strategy, a discussion with CSOs ensued on a wide range of topics, including recent political and economic developments, economic competitiveness, transparency and good governance, economic and social inclusion, as well as the civil society landscape in the country.

Participants welcomed the Bank's approach in consulting civil society at an early stage of the country strategy process and encouraged the Bank to pursue dialogue with civil society as part of institutional decision-making processes. CSO representatives furthermore broadly endorsed the main operational priorities set forth in the upcoming country strategy for Hungary.

***Transparency and good governance***

Transparency and corruption were among the main concerns for civil society representatives, who pointed to the 2014 Corruption Perceptions Index (CPI) according to which Hungary was ranked 47th out of the 177 surveyed countries. This rating remained unchanged from 2013, leaving Hungary in the bottom third among EU member states. Participants claimed that despite positive steps taken by the Hungarian authorities to address the issue of corruption, concerns remained regarding the practical implementation of anti-corruption legislation. CSO representatives moreover raised questions about the strength of democratic checks and balances in the political system, the commitment to guarantee the freedom of expression, inclusive political decision-making, as well as the independence of the judiciary.

***Private sector competitiveness***

Civil society participants expressed concern about private sector competitiveness and the business climate in Hungary, which scored poorly in many competitiveness surveys, such as the World Bank's Doing Business Report and the World Economic Forum's Global Competitiveness Report in which Hungary has been downgraded and its ranking remains low compared to other advanced transition countries in the region. According to CSO representatives, this was mainly due to bureaucratic obstacles to doing business, frequent legislative changes, tax increases and ownership acquisition by the state which have resulted in a more uncertain regulatory and business environment. Participants claimed that this had contributed to dampen confidence of both domestic and foreign investors. CSO representatives furthermore considered that significant structural challenges remain in many sectors, such as energy and public utilities, banking, labour market policies, as well as education. To help address challenges in the banking sector, the Bank concluded a Memorandum of Understanding with the Government of Hungary in February 2015, which

contains important commitments to creating a predictable and business-friendly tax and policy environment, indicating a welcome change of direction in policies in the area of good governance. The Bank also will help to re-energise and support reforms in well-defined areas through investment and policy reform dialogue, and thus contribute to sustainable economic growth. The EBRD will also actively support Hungarian companies' investments that strengthen their competitiveness and thus their capacity for export and cross-border transactions. In so doing, the Bank will selectively consider engagement with local companies that have strong growth potential and a sound core business model, yet require financial and operational restructuring alongside other financiers, to unlock new investments. It will also seek opportunities to support the local corporate sector, and to stimulate foreign direct investment with the overall aim of bolstering domestic competitiveness.

### ***Economic and social inclusion***

Civil society participants raised concerns over certain provisions of the new Hungarian Constitution, media law and several laws relating to fundamental rights and freedoms. They also pointed to various civil society reports highlighting discriminatory practices against various minority, ethnic and religious groups, in particular the Roma minority. The proliferation of vigilante groups and hate crimes against the Roma and other minority groups was believed to lead to a climate of increasing social and economic exclusion. CSO participants also raised questions about the large regional inclusion gaps, with over 30 per cent of the Hungarian population at risk of poverty and social exclusion. They also pointed to the lack of access to employment, healthcare, housing and education, with significant challenges in the area of inclusive mainstream education for disadvantaged groups. The Bank will explore ways, in consultation with the government and engaging the private sector, to help address youth, gender and regional inclusion gaps in relation to equal economic opportunities, in particular access to employment. The EBRD will also look for opportunities to integrate youth and gender inclusion components in its own investments in the country, and will pay particular attention to companies operating in the less developed regions.

### ***Civil society enabling environment***

According to participants, civil society organisations are facing substantial challenges in the area of access to funding and contributing to decision-making. CSOs representatives expressed concerns that civil society sustainability and organizational capacity are slowly deteriorating, particularly in relation to the legal environment governing CSOs and their financial viability. In particular, they pointed to the 2012 comprehensive new law regulating the functioning of nongovernmental organisations, according to which NGOs have to specify their purpose in their statutes, have a listed membership and be registered by the court. Since the adoption of the law, civil society organisations are increasingly disconcerted regarding how to adhere to what they perceive as unclear and contradictory provisions, including the newly required format for annual reports. CSO participants also claimed that the media in Hungary has become less pluralistic in so far as it provides less room for critical voices to be aired in the mainstream media and subject to increased control from the state, thus reducing opportunities for public oversight over government policies.

**List of participating organisations to the consultation meeting in Budapest on 9 July 2014**

1. Transparency International Hungary
2. Hungarian Helsinki Committee
3. Political Capital
4. Open Society Foundations
5. Nézőpont Intézet
6. Central European University