

PN-ACT-451

Lessons Learned Paper
Progress on the Development
of a Democratic Society
in Hungary
(Excerpted for Media Development)

ENI Local Government
Indefinite Quantity Contract
EEU-I-00-99-00010-00

Volume One
FINAL REPORT

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Submitted to:

USAID/Hungary
U.S. Agency for International Development
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Submitted by:

Abt Associates Inc.
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June 18, 1999

EXECUTIVE SUMMARY

“Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.”

UN Universal Declaration of Human Rights, Article 19

In early November of 1989, upon the East Germany Communist Party announcement that the border with West Berlin would be opened, hammers and chisels were used to knock out pieces of the Berlin Wall. So began the massive emigration of East Germans to the West. Within weeks the U.S. Support for East European Democracy (SEED) Act was signed into law to "provide cost-effective assistance to those countries of Eastern Europe that have taken substantive steps toward institutionalizing political democracy and economic pluralism." After nearly ten years of SEED funded support through the U.S. Agency for International Development (USAID), Hungary has reached basic targets marking the goals of political democracy and economic pluralism and will "graduate" from the SEED program.

The Hungarian experience on establishing democratic institutions was reviewed for lessons learned through the USAID democracy and governance programs of rule of law, independent media, civil society organizations (NGOs), and local government. The purpose of this effort, which relied heavily on the opinions, experiences, and observations of Hungarians who implemented and participated in the USAID funded projects, was to guide democracy and governance programming in Hungary in the near term and into the future. The Hungarian experience may also be appropriate to democracy and governance development in other Central and East European countries.

Democracy is seldom a serious topic of discussion in many relatively advanced democracies. In Hungary democracy is discussed, on the streets, at business, and at home. The question heard is, "Has Hungary reached democracy yet?" To the extent this is a serious question that continues to be asked, despite obvious advancements, the appropriate conclusion is that democracy still has a way to go in Hungary.

DEMOCRACY PROGRAM STRATEGY AND DEVELOPMENT

The USAID effort in Hungary was part of a broad U.S. Government and even larger international effort to assist Hungary in achieving the objectives of a market economy and democratic government that Hungarians established in 1989. In the initial period of the 1990s, a broad range of programs was undertaken in order to quickly mobilize resources to support the emerging democracy in Hungary. Regional projects for the countries of Central and Eastern Europe were developed and implemented while engaging in an ongoing dialog with individual countries to determine their priorities and the individual programming to meet those priorities. The programs were funded primarily through annual U.S. Congressional appropriations to USAID with the participation of the Department of State, U.S. Information Agency, Department of the Treasury, Environmental Protection Agency, Department of Energy, and the Department of Labor. The early years of democracy programming development were characterized, in addition to the participation of U.S. federal agencies, by the utilization of established U.S. NGOs, and academic institutions with technical capabilities in democracy programming. In the Summer of 1991, a USAID Representative Office for Hungary was opened in Budapest.

In accordance with the strategic objectives, as stated in the SEED Assistance Strategy Paper, USAID/Hungary assessed the state of Hungarian democracy in April of 1994. In summary, many of the institutions of Hungarian democracy were in place and functioning. U.S. assistance was provided in strengthening democracy and ranged from election procedures, campaign strategies, local government operations, participation in democratic decision-making, effecting change at both national and local levels, introducing civics education in the school

system and an independent media, to dealing with the myriad problems of democratic pluralism including local housing and environmental protection.

In 1996, the Hungarians had succeeded in establishing a successful, recognized democracy. The Mission saw that to complete the process, both the rewards and responsibilities of the new democracy should be brought to the local level. The concepts of self-help, local initiatives in problem solving, and the special roles that non-governmental organizations can play in areas previously assumed to be the responsibility of government were introduced. The USAID Strategic Plan for 1996-1999 was developed from the previous six year experience and the assessment of the situation existing in the Spring of 1996. The distinctions of economic, democratization, and social areas were seen as diminishing. New opportunities were perceived for important synergies between business and non-governmental associations; between NGOs and local governments; and between government and business.

The March of 1998 USAID/Hungary Results Review stated that Hungary's democracy is strong and irreversible. Hungary is completely democratic with a representative political system based on free and fair elections. From national survey information collected in 1996 and 1997, all of USAID/Hungary's strategic objectives were either accomplished, or on track for meeting acceptable results programmed for 1999. The USAID program to support democracy and governance in Hungary impacted on local government, media, and NGOs by demonstrating programs that worked, supporting and developing viable and replicable institutions, and affecting the legal framework of democracy and governance. Sustainability was an explicit objective for all democracy and governance programming and sustainability activities were included in the work plans.

The primary democracy and governance program areas that were implemented to June 30, 1999 were local government, NGO's, and media. Program extensions to September 2000 were given to the NGO and media programs. The Hungary Office of the USAID Representative was scheduled to close on June 30, 1999. The continuing NGO and media programs will be managed from the USAID Regional Office in Budapest.

PROGRESS ON TRANSITION TO DEMOCRACY

In 1991, at the beginning of SEED funded assistance to Hungary, basic legislation was in place for local government and NGO development. Media, both broadcast and print, was still basically in the hands of central and local government. While progress had been made in establishing the independence of the judiciary, Hungarian rule of law required attention in basic human rights and the administration of justice. Uniformity and reliance on central government was the operative description of municipal government.

In 1999, substantial progress is evident in local government operations and there is independence of the media through private ownership of broadcast stations and newspapers. The NGO sector has demonstrated a vibrancy and ability to sustain operations into the future. At the local government level, there is a diversity of approaches in matters ranging from waste disposal to local government control of media. Local government activities more closely reflect the local needs and the extent of involvement of local citizens. There remains a general skepticism regarding the judicial system's commitment to fair and equal justice and human/minority rights is the major democracy issue now facing Hungary.

Recipients of USAID technical assistance and training adopted new approaches and ways of thinking in local government, NGO development, local media development, and rule of law. These USAID programs can serve as replicable models to be adopted in other Central and East European countries and can be adapted to meet the requirements of other emerging democracies and nations in economic transition.

The basic transition story of USAID funded support is that the democracy and governance programming succeeded in introducing democratic ideas and principles, initially to national elected officials and later in the program period to targeted segments of local government, NGOs, local media, and the legal community. Over the ten year period, program emphasis was adjusted to meet newly perceived priorities. While the technology and methods were derived from U.S. experience, Hungarians participated in creating programs that fit more closely to their needs and requirements for democracy and governance development. Summarized below are selected lessons learned related findings and recommendations on impact, implementation, and sustainability within the developing Hungarian democracy and governance environment with an emphasis on media.

CIVIL SOCIETY ORGANIZATIONS/NGOS

The *Democracy Network (DemNet)* program of grants and technical assistance to Hungarian NGOs began in 1996 and provided training to NGO personnel. The emphasis was on support to local NGOs outside of Budapest and a successful satellite program of NGOs across Hungary was developed. The program also established Telecottages, community-based centers equipped with computers and internet access to encourage information acquisition and communications, as well as a network of Regional NGO Resource Centers.

According to NGO respondents, the USAID supported Democracy Network (DemNet) program of assistance to NGOs successfully stressed decentralization beyond Budapest and the dissemination of NGO related information. The Regional Resource Centers and Telecottages were viewed as effective in strengthening NGOs throughout Hungary. External relations and the public image of NGOs as well as organizational strengthening were also positive aspects of the USAID DemNet. Areas that reflect the continuing needs of Hungarian NGOs and that require more attention are advocacy, finance, transparency and accountability, legal framework, and NGO leadership.

The non-profit or third sector in Hungary is expected to survive, even as bilateral and multilateral funding declines. The private sector appears to be the most promising source for future NGO revenues and support through volunteerism.

INDEPENDENT MEDIA

The media component of the USAID democracy and governance program had two distinct thrusts over the past ten years. The initial program focused primarily on establishing a journalism center that worked with ELTE University in Budapest and utilized U.S. technical expertise and the services of a U.S. institution of higher education. The program since 1995 focused on training of broadcast media at the local level through the Hungarian NGO, the Center for Independent Journalism (CIJ) and introduced a training/internship program for Roma journalism participants.

Through funding by USAID and other international donors and foundations, CIJ has contributed to the professionalization of local broadcast journalists, technicians, and management. Training has covered the topics necessary to convey information to viewers in an efficient and highly visual fashion. The upgrading of skills has allowed these local stations to compete more effectively for viewership and become more economically viable. Training participants have become sensitive to democracy and access to information concerns as well as to other democracy issues like human rights. Program elements also included support to NGOs and the relationship of media with local government.

The major issue confronting local and regional media is sustainability. Economic viability is considered the determinant of survival for these new media organizations. This is also an issue for many non-governmental organizations. The economic viability of local media stations may be enhanced through training in management and marketing for station personnel. Ultimately, the viability of these stations will rest on market forces.

Progress in the development of independent media has been substantial since 1989, with market forces, dedicated Hungarians and local organizations, and some donor support from private foundations and bilateral agencies being important factors. Much remains to be done in Hungary, and by this standard of achievement, very much is needed in other Central and East European countries.

DEMOCRACY STRATEGY DEVELOPMENT

The key lesson derived from the lessons learned exercise to aid citizens, government agencies, and development specialists in developing and implementing democracy and governance programming was that democracy is neither a concrete object nor an array of possible program areas. Democracy is a set of ideas and derived principles. The ideas of democracy have demonstrated their unusual power and have profoundly influenced the shape of the world today. In the conduct of democracy and governance programming, it is the dissemination and practice of democratic principles that directly result in the development of democratic institutions and processes.

The nature of democracy programming, recognizing the importance of democratic ideas and principles, requires more generalized objectives and usually less tangible measures of performance. Sound program development requires that specified strategic objectives be addressed and that interim and final results be defined in order to be appropriately monitored and assessed. The linkage of programs and projects to the strategic objectives should be defined where possible.

In the USAID experience, linking of measures to strategic objectives did not come about easily in democracy and governance programming. Measures were identified, however, that did give indications of results and a basis for appraising program effectiveness in achievement of objectives. Adjustments were made by USAID personnel following the experience of the first two years. The areas selected for attention, seen from today's perspective, were the key areas to address and the adjustments made to programming resulted in a sharper focus for subsequent program development.

DEMOCRACY PROGRAM IMPLEMENTATION

The USAID ten year experience in Hungary highlighted the importance to recipients of changes in “ways of thinking” that had occurred as a result of the democracy and governance program. In effect, the USAID effort had succeeded in educating and training of Hungarians in the concepts and application of democratic ideas and principles. The concepts can be utilized within program implementation as a technology to be consciously conveyed and in actual program application to demonstrate their relevance and value. A consideration for future program development in democracy and governance is the relationship of democratic principles to the provided technical assistance.

Principles, Theory and Practice

Democratic and governance principles in theory can be distinguished from principles in practice to support program development. It is not contended that the leap to practice from theory is automatic. The potential value of distinguishing theory/practice is to support project design, identify related and perhaps unexpected results, and enable final assessment of project performance.

Sustainability

The USAID experience in Hungary demonstrated that supported projects can achieve sustainability and/or increase their effectiveness at the completion of USAID funding and program involvement. The Autónoμία Lapítvány (Hungarian Foundation for Self-Reliance, an NGO that addresses Roma issues) and the Center for Independent Journalism are two examples. These NGOs have received needed financial assistance and generated revenues for meaningful programs which will continue without additional aid from USAID. A related lesson learned was the value of keeping sustainability as a criterion for implementing programs and making program adjustments. The objective of sustainability is more likely to be accomplished if it is a conscious element in the ongoing program implementation process.

Public Information

The USAID experience in Hungary, especially in the implementation of economic and housing finance reforms, indicated that public information is critical to program success. The democratic principle of access to information was instrumental to obtaining public and, consequently, policy maker support for necessary and sometimes difficult reforms. An effective public information program requires a professional approach in order to convey messages that are seen as unusual and/or complex. Audiences need to be targeted to optimize the use of media and to appropriately allocate time and resources effectively. Many recipients of USAID assistance in democracy and governance have learned the importance of public information and relations. A key finding is that democracy and governance programming can be more effective by including public information as a key component in strategic planning and allowing for the required resources for an effective public information program.

SECTION 1

INTRODUCTION

“Establishing democratic institutions, free and open markets, an informed and educated populace, a vibrant civil society, and a relationship between state and society that encourages pluralism, participation and peaceful conflict resolution--all of these contribute to the goal of building sustainable democracies.”

United States Agency for International Development
Strategic Plan, 1997

On November 9, 1989 the East Germany Communist Party leader, Gunter Schabowski, announced that the border with West Berlin would be opened for "private trips abroad." Hammers and chisels were used to knock out pieces of the Berlin Wall and a massive emigration of East Germans to the West began. This single event symbolized the expressions of freedom that began much earlier in the Twentieth Century and were marked by the Hungarian Revolution of 1956 and the Prague Spring of 1968.

Several weeks later, on November 28, the Support for East European Democracy (SEED) Act was signed into law to “provide cost-effective assistance to those countries of Eastern Europe that have taken substantive steps toward institutionalizing political democracy and economic pluralism.” After nearly ten years of SEED funded support through the U.S. Agency for International Development (USAID), Hungary, along with seven other Central and Eastern European countries, has reached basic targets marking the goals of political democracy and economic pluralism and will “graduate” from the SEED program.

The initial SEED programming, Fiscal Years 1990 through 1995, stressed a regional and coordinated approach for the technical assistance provided to the countries of Central and Eastern Europe. In Hungary, privatization, business development, and commercial banking were the initial priority areas. USAID/Hungary obligations for democratic initiatives through the six year period, 1990 through 1995, averaged \$5.1 million per year with the peak year being 1992 at \$7.5 million. During that six year period, democratic initiatives funding totaled \$20 million and constituted 10 % of the total SEED obligations for Hungary of \$206.9 million.

In May, 1996, the Office of the USAID Representative in Hungary finalized a country-specific Mission Strategy for 1996-1999. The strategy focused on completing the final stages of key macro level programs of previous strategies and on assisting Hungarians with the final stage of bringing both benefits and responsibilities of the country’s transformation to a level closer to the average Hungarian in business, government, and non-governmental organizations.

For the three year period, 1996 through 1999, overall SEED obligations were greatly reduced and totaled \$36.8 million. Democratic initiatives accounted for an average annual obligation of \$2.9 million, totaling \$8.8 million for the three year period. This doubled the

proportion allocated to democratic initiatives from the previous period to 23.9% of the total SEED obligation.

Of the total \$29 million for democracy and governance programming over the ten year period, funding for Local Government accounted for 55%; NGO Development, 28%; Independent Media, 3%; and Rule of Law, 2%.

The USAID approach to democracy programming, unlike that of many international donors, looked beyond the national government ministries for counterpart organizations. An early decision made was to move beyond Budapest and focus on local organizations in the Hungarian countryside. After an emphasis on parliament in 1991 and 1992, USAID programming concentrated on local government. NGOs became a large part of the democracy effort. Development of local media was emphasized.

DEMOCRACY DEVELOPMENT SUMMARY

Over the past ten year period, Hungary has held three elections at the national and local levels. There was a remarkable governmental stability over this ten year period, within the Hungarian parliamentary structure of government, in which there were no crises of confidence and therefore no need to call new elections. The current center-right ruling coalition with a 54% majority in Parliament is composed of the FIDESZ-Hungarian Civic Party in alliance with the Hungarian Democratic Forum and the Independent Smallholders' Party. The three opposition parties are considered liberal, social democratic, and nationalist-conservative.

The new government which took office in July of 1998 reaffirmed former policy priorities of NATO membership which occurred in April, 1999, accession to the European Union (planned for 2002), and sound international relations with the six countries with mutual borders, of which four have substantial Hungarian populations. Hungarian troops have already served with NATO troops in Bosnia. EU accession is apparently on track and Hungary enjoys good bilateral relations with the neighboring countries.

Democratic reforms are a priority for Hungary and targeted areas are legislation and regulations to address organized crime, drug trafficking, and terrorism; and court system reforms. Amendments to existing legislation and refinements through regulations and implementation are being discussed within the democracy and governance community of NGOs, local government officials, and interested citizens with improvements being proposed to the parliament and responsible Ministries. Basic indicators of citizen participation and interest, largely responsive national and local governments, a diverse and independent press, and a large number of viable and engaged civil society organizations point to a Hungary that is a successful and vibrant democracy.

ECONOMIC DEVELOPMENT SUMMARY

While agricultural collectivization and state ownership of production followed the occupation of Hungary by the Red Army in 1945, traces of free enterprise remained. As a consequence, Hungary was relatively free of shortages of food and basic consumer goods and became known as the "merriest barrack in the Socialist camp." The agricultural and tourism sectors generated hard currency. In 1968, the "New Economic Mechanism" was introduced

which decentralized some economic decisionmaking, simulated market conditions, and led to devices such as market oriented prices and the use of interest rates and exchange rates.

By the beginning of the 1980s, 50% of the GDP was realized through foreign trade that was nearly equally divided between Western and COMECON countries. The economic structure was distorted in that heavy industry was overdeveloped and there was a reliance on reopened inefficient coal mines to compensate for the oil shortage and the lack of energy and basic raw materials from the Eastern Bloc. In 1982, without consulting with the Soviets, Hungary became a member of the World Bank and the International Monetary Fund. In the mid 1980s, inefficient factories and mines were closed and thousands of workers were displaced.

Economic adjustments starting in 1991 were accompanied by increased unemployment, decreasing GDP, and inflation. By 1994, real GDP began to increase and unemployment and inflation decreased.

In 1998, Hungary had a growth rate of gross domestic product (GDP) of 4.6% and Hungarian GDP is projected to be at 5.0 % for 1999. Over the past nine year period, foreign direct investment in Hungary was a cumulative \$1,667 per capita, double the second highest amount in the region for the Czech Republic, which was \$823.2 The private sector share of GDP for Hungary in mid-1997 as estimated by EBRD was 75% and was at the same level as the two highest other countries, the Czech Republic and Albania.

LESSONS LEARNED METHODOLOGY

As USAID/Hungary ended funding of various programs, selected evaluations were conducted to assess the effectiveness of specific projects in terms of their objectives and sub-objectives. While this lessons learned study provides a general appraisal of overall democracy and governance effectiveness, no attempt is made to itemize the achievement of targets and associated measures of effectiveness of all of the projects.

Some selection from the many USAID democracy and governance programs and projects was necessary, given the time and resources available for the lessons learned study. The selection was made with an eye towards optimizing the available information to conduct the analysis and to include key programs that were representative of the broad range of democracy and governance programming undertaken by the U.S. Government.

The collection of information, review of available democracy and governance project materials, and analysis focused on the identification of insights appropriate to forwarding future actions in Hungary to strengthen democracy for itself and for its support to continuing market-based economic development. The relationship between economic development and democracy programing was noted as appropriate. The complex of relationships between rule of law, NGOs, media, and local government was also a major focus of the lessons learned analysis. Human/Minority Rights, while not a specific USAID program area, was an important element in the democracy and governance projects from 1996 through 1999 and was also addressed.

The data collection set consisted of written materials and interviews. Written materials were primarily democracy and governance strategy statements, program and project reports, and evaluations. Interviews were conducted with development practitioners (primarily engaged with international donors), Hungarian professionals in democracy and governance, program and

project implementors, and recipients of technical assistance and training in democracy and governance. Interviews were conducted in Washington, DC, Budapest, Debrecen, Püspökladány, Órosháza, Jászberény, and Békéscsaba.

The lessons learned study was not intended to serve as a guide to best practices for general project design and implementation. Some attention was, however, accorded to mistakes and setbacks, as resulting from program strategy, project designs, and implementation as appropriate to inform future democracy and governance program development and project activities in Hungary and elsewhere in Central and Eastern Europe. The overall purpose of this attention is to reduce the risk of error and unnecessary and potentially negative program investments in democracy and governance and to improve the quality of future planning, design, and project implementation in this specialized arena. Several recommendations in project planning and implementation were stressed by Hungarian respondents. Some of these are included as relevant for future democracy and governance undertakings in Hungary and elsewhere.

USAID programming was implemented in the dynamic Hungarian democracy and governance environment. The major changes observed may have occurred in the absence of any international donor technical assistance and training. Interview information was gathered to gain insight into the impact of USAID programming within the context of ongoing trends in Hungarian democracy and economic reform.

Wherever possible, a historical perspective was utilized and major milestones were noted for each of the four areas: rule of law, media, civil society organizations (NGOs), and local government. The analysis addressed relationships between these four areas in order to optimize the lessons learned and take advantage of the reinforcing potential of coordinated programming. Given the broad scope of this lessons learned exercise and the complexities of democracy and governance programming, selected information relevant to the study methodology is presented in the body of the report. The intention is to inform the reader of the thinking of the lessons learned team on the linking of programs to the comprehensive USAID strategy to support the Hungarian development of a democratic society. This information may also provide a basis for future discussions on the design of assessments and analyses of democracy and governance programs. Additionally, anecdotal and other observational materials are highlighted to support findings, conclusions, and recommendations.

SECTION 2

DEMOCRACY PROGRAM STRATEGY AND DEVELOPMENT

The USAID effort in Hungary was seen by the Mission as part of a broad U.S. Government and even larger international effort to assist Hungary in achieving the objectives of transition that Hungarians established in 1989. The Mission Goal, as expressed in the Strategic Plan, 1996-1999, was to *assist Hungary in its national transformation to a democratic society, a market oriented and private sector led economy, integrated into key international systems and Western institutions*. The sub-goals were (1) to assist Hungary in achieving sustainable economic reform and (2) to assist Hungary in completing its democratization process.

In the initial period, 1990 through 1995, a broad range of programs were undertaken in order to quickly mobilize resources to support the emerging democracy in Hungary. In 1996, USAID/Hungary developed a strategy to consolidate program gains of the early years and structure continuing and revised programs towards the planned closeout date of June, 1999. The early six year period and the recent four year period provide the two timelines for democracy program strategy, description, and analysis to identify lessons learned.

HUNGARY DEMOCRACY PROGRAM, 1990 THROUGH 1995

The goal of SEED supported programming in Hungary was to assist in the completion of political and economic transformation to a democratic and prosperous nation. The three types of categories for assistance projects were:

- o Development of democratic institutions and pluralistic societies based on the values of human rights and individual freedoms;
- o The transformation of centrally planned economies to market-based economies led by the private sector and integrated into the world economy; and
- o Improvement of the basic quality of life while countries undergo the difficult process of political reform and economic restructuring.

Regional projects for the countries of Central and Eastern Europe were developed and implemented while engaging in an ongoing dialog with individual countries to determine their *priorities and individual programming to meet those priorities*. The programs were funded primarily through annual U.S. Congressional appropriations to USAID with the participation of the Department of State, U.S. Information Agency, Department of the Treasury, Environmental Protection Agency, Department of Energy, and the Department of Labor.

The early years of democracy programming development under funding provided by the Support for East European Democracy (SEED) Act was characterized, in addition to the participation of federal agencies, by utilizing established U.S. NGOs, and academic institutions with technical capabilities in democracy programming. USAID administration of SEED funded projects was the responsibility of the Washington, D.C. based Bureau for Europe and the New Independent States. In the Summer of 1991, a USAID Representative Office for Hungary was opened in Budapest.

Program Strategy, 1990 to 1995

In 1989, Hungarians at all levels were committed to economic restructuring and democratic institutional development. The democracy strategy for Hungary for 1990 through 1995 had USAID objectives as follows:

- Objective 1: Effective democratic institutions functioning at national and local levels.
- Objective 2: Population understands and participates in democratic process.
- Objective 3: Political process demonstrates tolerance and respect for human rights.
- Objective 4: Channels exist for free and open communication.

Program development emphasis was placed on Objective I: Effective democratic institutions. Priority was given to projects outside of Budapest. USIS played a major role with USAID in democracy building. USIS training and internship opportunities in the U.S. were coupled with USAID training, technical assistance, and material resources provided in Hungary.

Program Results, 1994

In accordance with the strategic objectives, as stated in the SEED Assistance Strategy Paper, USAID/Hungary assessed the state of Hungarian democracy in April of 1994. This assessment provided information that was used for the development of the subsequent Strategic Plan, 1996-1997. Selected observations from the assessment are presented below.

In summary, many of the institutions of Hungarian democracy were in place and functioning. Nevertheless, they were still not fully formed and some remained quite fragile. Hungarians were seeking and expecting U.S. assistance in strengthening democracy from election procedures, campaign strategies, local government operations, participation in democratic decision-making, effecting change at both national and local levels, introducing civics education in the school system and an independent media, to dealing with the myriad problems of democratic pluralism. The status, program activities, and recommendations for future program development according to the USAID objectives is summarized as follows.

1. Effective Democratic Institutions Functioning at National and Local Levels

The Parliament of 386 members included only 27 women and several minorities were represented. More authority and independence was given to local governments and little importance was accorded to the county level. Given the new powers vested in local government, the more than 3,000 municipalities were still in the learning phase and were faced with many new challenges. The judiciary, under the constitution, was responsible for the administration of justice. Roma and other minorities were reportedly not treated by the authorities in the same way as the majority of Hungarians and the judicial system was criticized for lenient treatment of persons convicted of violent assaults on members of minority groups.

Parliament: The State University of New York established the Center for Parliamentary Management. USIS coordinated the U.S. donation to parliament of equipment and parliamentary trips to the North Atlantic Assembly conferences.

Local Government: Expansion of this area was recommended. One ineffective project was terminated. USIS study USAID for local government officials and technical assistance provided by U.S. experts were seen as well targeted and effective. IESC enjoyed some success with public administration advice to local government, but on a limited scale.

Election Process: The National Republican Institute and the National Democratic Institute helped to organize and monitor local and national elections in 1990. Equipment and materials were furnished to opposition political parties prior to elections. Seminars were conducted by the League of Women Voters on promoting voter turnout. Activities were seen as effective and completed.

Judiciary: Through USIS and the Central and East European Law Initiative (CEELI), judges and legal professionals went on U.S. study tours. A long-term legal advisor was provided by CEELI which was ongoing and appeared to be highly valuable.

Military and Security Assistance: DOD developed a range of relationships with the Ministry of Defense and Home Defense Forces. Civilian oversight and control of the military was encouraged to develop working relationships appropriate in a democratic society. A security assistance program was initiated in 1991. A bilateral military-to-military contact program was instituted. In addition to civilian control, topics included legal rights of soldiers and open and detailed review of the military budget.

2. Population Understands and Participates in Democratic Process

In 1994 the Hungarian economy had worsened for the average citizen as compared to 1989. There had been an increase in crime, hopelessness, and drug trafficking. The infrastructure of support once provided by the state was eroding. Political apathy was seen as likely to increase unless there was a deeper sense of involvement and participation in the process of change.

Grants were awarded to the National Endowment for Democracy to assist Hungarian organizations (independent cultural and publishing groups) in promoting the development of democratic forces. Under USIS, a variety of democratic principles courses were presented at the secondary and university levels, along with seminars and curriculum materials. These programs were modest in scope and were regarded as among the most effective in the assistance program. Citizen organizations supported were in areas such as environment, community based rehabilitation and volunteerism.

3. Political Process Demonstrates Tolerance and Respect for Human Rights

Human rights and civil liberties are provided for in the constitution and generally respected in practice. The government, however, was seen as only marginally improving its responses to ethnically, religiously, and minority motivated incidents. On the positive side, a new law on ethnic and minority rights established the concept of the collective rights of minorities, including Roma, stating that minorities need special rights in order to preserve their ethnic identities.

The importance of this strategic objective was not reflected in the attention it had received through initial SEED-funded programs. This issue through 1994 had been addressed primarily through ad hoc assistance projects and non-SEED funded USIS programs.

3. Channels Exist for Free and Open Communication

The Government's consolidation over the broadcast media demonstrated an unhealthy trend which could seriously affect the free flow of information in Hungary. A media law was passed in 1995 after the May, 1994 elections. While the Government exercised some control over at least three Budapest dailies, the print media enjoyed considerable freedom, in part by being largely foreign owned. Media personnel, however, need experience and training in objective, fact-based journalism, as opposed to opinion reporting.

The USAID International Media Fund established the American Journalism Center of Budapest through a grant to the University of Maryland. The Center, co-located with a local independent TV production company (NAP TV), worked closely with ELTE University to train its broadcast journalism students. USIS conducted a modest media training program on production techniques, marketing and advertising. A independent production with a broader view on domestic issues was supported for airing on cable television prior to elections.

Assessment Recommendations for 1996-1999

Based on the Hungary democracy program experience through April, 1994, the Mission recommended that strategic objectives remain the same with certain shifts in project emphasis as summarized below:

1. Effective Democratic Institutions Functioning at National and Local Levels: Assistance to Parliament was seen as effective and could be phased out in favor of other priorities. Efforts should focus on local government and, to a lesser extent, the judiciary.
2. Population Understands and Participates in Democratic Process: What was seen as most needed was a political culture that can make democratic institutions work in practice. Citizens need to shape their future rather than be passive recipients of decisions made by others. The problem was partly in attitudes and partly in organizational structure. Civics education was needed. Volunteerism and NGOs needed to be encouraged as mediators between individuals and government. Exchange activities were seen as highly valuable in developing potential leadership for local organizations.
3. Political Process Demonstrates Tolerance and Respect for Human Rights: An increased emphasis on human rights in the educational system was seen as a means to generate a higher level of consciousness and encourage greater tolerance. NGOs could also play a significant role in consciousness raising, support and advocacy, but were seen as in great need of material support.
4. Channels Exist for Free and Open Communication: The downward trend in media independence observed by the Mission in 1994 indicated a need for attention to strengthen this sector. Consultants were seen as important to support Parliament to pass a media law. Upon lifting of the frequency moratorium, training opportunities for be provided for new broadcasters at local and national levels.

Based on the Mission experience in democracy programming through to May, 1994, overall recommendations and a requests for new and continuing funding were made. To identify and support local NGOs, an umbrella NGO with grant-making authority was recommended. Peace Corps Volunteers and Fulbright Scholars could be oriented to democracy programming. Continuation was recommended for USIA and USAID travel and training grants. Continuing support for media development was recommended.

HUNGARY DEMOCRACY PROGRAM, 1996 THROUGH 1999

The USAID Strategic Plan for 1996-1999 was developed from the previous six year experience and the assessment of the situation existing in the Spring of 1996. The distinctions of economic, democratization, and social areas were seen as diminishing. New opportunities were perceived for important synergies between business and non-governmental associations; between NGOs and local governments; and between government and business. To support the Mission Goal "Assist Hungary in its national transformation to a democratic society, a market oriented and private sector led economy, integrated into key international systems and Western institutions" the democracy and governance subgoal was to assist Hungary in completing its democratization process.

In 1996, the Hungarians had succeeded in establishing a successful, recognized democracy. The Mission saw that to complete the process, both the rewards and responsibilities of the new democracy should be brought to the local level. A contribution to be introduced was the concept of self-help and local initiatives in problem solving and the special roles that non-governmental organizations can play in areas previously assumed to be the responsibility of a government that can no longer afford to provide them.

The three program areas that were implemented to June 30, 1999 were local government, NGO's, and media. Program extensions to September 2000 were given to the NGO and media programs. The Hungary Office of the USAID Representative was scheduled to close on June 30, 1999. The continuing NGO and media programs will be managed from the USAID Regional Office in Budapest.

The USAID program to support democracy and governance in Hungary impacted on local government, media, and NGOs by demonstrating programs that worked, supporting and developing viable and replicable institutions, and affecting the legal framework of democracy and governance. Sustainability was an explicit objective for all democracy and governance programming and sustainability activities were included in the work plans.

Program Strategy

The 1996-1999 strategy for democracy and governance was devised as consistent with Hungary's commitment to open and decentralize political decisions and increase participation by Hungarian citizens. The pertinent guiding elements of the strategy were:

- o Concentrate on those areas in which the United States has a comparative advantage in providing assistance.
- o Seek ways of keeping assistance flexible, timely and responsive.

- o See USAID's programs as catalysts for helping Government, other donors, and Hungarians identify and experience successful alternatives to previous approaches.
- o Use the democracy program as preparing groundwork or pilot phases for larger efforts in key areas of transition by other major donors or by the Government of Hungary and serving as a bridge to those larger efforts.
- o Given the size and complexity of Hungary's economy, the sophistication of its institutions, and the nature of transition, continue to exploit new targets of opportunity, if their timing fits with the overall strategy period.

The 1996-1999 democracy and governance program was guided by the following strategic objective: "Better informed citizens increase their participation in political and economic decision-making at the local level." This was adopted as the strategic objective because citizens must be better informed and increase their participation in decision-making at the local level in order for Hungary to complete the transition to, and consolidation of democracy. The following three subobjectives were seen as supporting achievement of the strategic objective and forming the framework for program development.

1. Increased Flow of Useful Information: In the former regime in Hungary the flow of information had been tightly controlled by the central government. This was true both vertically where local governments were not privy to decisions handed down to them from centralized powers; and horizontally where citizens were not given the information nor the opportunity to take part in decision-making within their own communities. Under the transition to democracy, formal controls on information had largely been lifted, yet the avenues and mechanisms were not fully in place at the local level to foster the participation of an informed citizenry. In addition, independent media and NGOs had a greater role to play in both disseminating information and promoting public debate of relevant issues. Progress towards this result was to be supported by: a) ensuring that local government provides citizens with access to information and b) strengthening independent media at the local level.

2. More Active and Responsive Civil Society: Civil society is defined as the citizenry at-large and the myriad of NGOs (institutions and organizations) that provide services, information, and advocate for issues on behalf of the public interest. In the early stages of democratic consolidation, civil society inevitably undergoes a degree of deflation as the tremendous energies that were expended during transition give way to the realities of household economic survival. Many Hungarian NGOs that were initially concentrating on global social and environmental issues in 1990 were, in 1996, focusing on local economic transition issues. Correspondingly, USAID's focus shifted to the local level. As USG assistance had helped to establish and strengthen state institutions vital to Hungary's democratic transition, there was no greater long-term challenge in the post-transition period than the establishment of a strong civil society capable of participating with government in the public realm of local-level, community-based decision making. An equally important challenge was to assist in bridging differences in class, ethnicity, and ideology which naturally existed among and between individuals and organizations but were subordinated to achieve a common purpose during the transition. Progress towards this result was to be supported by: a) fostering cooperation between local governments and NGOs to deliver key services; b) helping local governments and NGOs to create mechanisms for collaborative decision-making; c) training NGOs to advocate for issues more effectively; d) increasing NGO cooperation, and e) increasing NGO capacity, in part through the creation of NGO policies, laws and regulations.

3. Local Government More Effective and Responsive to Citizens: This was the third necessary and sufficient result for increasing citizens' participation. While NGOs and advocacy groups provide a means for citizen action in their communities, it is equally important for local governments themselves to establish efficient and transparent processes for managing their numerous responsibilities. Local governments must also be receptive and responsive to citizen concerns, and encourage more communication through the creation of mechanisms which foster participation. Local governments can achieve this result through improved service delivery, more effective management, increased cooperation with other localities, increased numbers of mechanisms for receiving citizen input, and through contributing to a national level framework which itself is conducive to effective local governments. Progress towards this result was to be supported by: 1) encouraging local governments and NGOs to cooperate to deliver key services; and 2) working to ensure that the general management capacity is improved, financial administration is improved, inter-local cooperation increases, and there is an improved national level framework for effective local government.

Program Results

In March of 1998, USAID/Hungary completed a Results Review on the five strategic objectives including the democracy and governance strategic objective of "Better informed citizens increase their participation in decision-making at the local level." The review overview stated that Hungary's democracy is strong and irreversible. Hungary is completely democratic with a representative political system based on free and fair elections. All of USAID/Hungary's strategic objectives were either accomplished, or on track for meeting acceptable results programmed for 1999. These conclusions were based on national surveys conducted in 1996 and 1997 which were compared with the baseline year, 1995.

The achievement of the democracy and governance strategic objective was based on the increase in citizen satisfaction with local government and other measures. In 1995 the proportion satisfied with local government was 35%. In 1997, this had increased to 49% and exceeded the target for 1998 which was 45%. The rating of opportunities to participate in local decisions was 39% in the base year and was 49% in 1997. A summary on the three results and selected USAID projects, according to the 1998 Results Review, is presented below.

Increased Flow of Useful Information

The basic premise is that the free and unencumbered flow of information is a fundamental element of a stable democracy and a means to maintain democracy through informed, pluralistic decision-making. After formal controls on information were lifted and two national television channels privatized in 1997, the amount and diversity of information increased substantially.

Respondents to all USAID surveys conducted in 1997 reported a substantial increase in how well-informed they feel about local issues. Results from the 12-city survey met the target of 35%. A nationwide survey, which includes citizens from smaller communities, reported a higher 45% rate. USAID made important contributions in increased motivation on the part of information providers to make information available, for dissemination mechanisms to be in place, and for the information itself to be presented in objective and easily digestible ways.

In general, local municipalities were not very proactive in providing information to their communities. Active involvement does increase in smaller communities, where a full 25% (compared to 14% nationally) report receiving information from public hearings or other public fora, either in person or through local television broadcasts of events.

In targeted communities, USAID activities succeeded in inspiring local governments with the importance of informing their constituencies, in particular in the area where citizens feel most underinformed: the budget.

USAID supported the launching, in October 1997, of a mechanism that assisted 13 municipalities to disseminate information. The computer database and information network of the micro-regional municipal association in the south-east of Hungary provided information on communities, local governments and local economic data. The increased availability of computer technology and telephone lines facilitated a deluge of local government web sites. Estimates are that fully 10% of local governments now have their own information sites.

A very successful and integral part of all of USAID democracy and governance activities was the telecottage program, a communal building outfitted with internet connected computers and office equipment which residents can use for educational or small business purposes by paying nominal fees. Telecottages served as meeting places for citizens and NGOs, and have the effect of bringing a community together. Unemployed job-seekers can use telecottages to consult job databases without traveling long distances to a county seat, and small businesses do not need to rely on cities for value-added services. Brain-drain is reduced by giving rural areas many of the advantages previously available only in large cities. USAID partner Democracy Networks took the lead in supporting the telecottage movement in Hungary, and provided primary support for 14 of 17 telecottages operating in 1996 with plans to build 17 more such facilities.

To strengthen independent media at the local level, individuals at the local level need the necessary tools. It helps, of course, if individuals want to obtain and use the tools. László Szudár is the owner of Csaba Radio and manager of Csaba TV. As a TV technician and cable TV engineer in the late 1980's, he thought that there was a better way to do things in broadcasting, both technically and organizationally. In 1994 he owned both a TV, one of the very few privately owned in this size market, and a radio station in Békéscsaba, a community of 30,000 in the Southeastern corner of Hungary. The new media law, however, made him choose between the two stations since it had become unlawful to own two electronic media stations. (Apparently this law was considered necessary to minimize monopoly at the national level with five national TV stations.) Mr. Szudár made an economic decision. Radio has certain cost advantages and can be more profitable compared to TV, so he retained ownership of his state-of-the-art radio station. However he transferred ownership of the TV station to another individual while arranging a management contract that allowed him to continue to devote some of his energy in sustaining local TV broadcasting. Mr. Szudár has participated in USAID supported Center for Independent Journalism (CIJ) technical and managerial training. His broadcast faculties have served to provide locally based CIJ media training to journalists and media personnel in the Southeast region of Hungary. He is an example of entrepreneurial spirit, organizational creativity, and commitment to local community broadcasting.

Although the moratorium on commercial networking of local television stations called for by the 1995 Media Law ended with the privatization of two national television channels in 1997, the issuance of licenses--a vital condition for financially viable television networking--had not occurred. Networking would increase local media potential for receiving larger shares of

available advertising revenues and for developing programs that would attract increased viewership. Until closeout of the program, ProMedia will focus resources on consortium building techniques and business management in the form of on-site consultations.

More Active and Responsive Civil Society

USAID civil society activities made substantial contributions to the sector's progress in organizational capacity and inter-organizational cooperation. In 1997, USAID partner, Democracy Networks Hungary, worked with its network of six satellite organizations and 14 telecottages to provide hands-on support and training at the local level.

After years of debate, comprehensive NGO legislation was approved in December, 1997. Democracy Networks Hungary contributed substantially to this landmark legislation by organizing town-hall meetings in the run-up to passage to brief NGOs and citizens on the impacts of the law so that legislators and drafters could hear reactions from the grassroots. This legislation contributes to the stability of the non-profit sector and increases credibility by reducing the number of associations and foundations that exist solely on paper as tax dodges.

A major concern during USAID closeout period, and an important issue against which the success of civil society development in Hungary will be gauged, is the relationship between NGOs and the public and private sectors. With increases in legitimacy and capacity of the "third sector" as a partner in service delivery and decision-making, there must be reciprocal increases in levels of cooperation and support from local governments and businesses to insure sustainability. Promising examples already exist. In 1997, an innovative NGO incubator house established, with USAID assistance, by a local government in Pécs provided important support to NGOs in its community.

The USAID program addressed three key issues in NGO development: organizational capacity, advocacy and cooperation. The Trust for Civil Society in Central and Eastern Europe, a joint initiative of USAID and several large foundations, was scheduled to begin activities in 1999, just as USAID closes its bilateral program in Hungary. The USAID last year of activities in civil society development was structured to provide a logical and functional run-up to the Trust and utilize a Hungarian NGO for the final NGO program.

NGO assistance activities during 1997 focused training efforts on basic capacity-building in the areas of proposal writing, project planning and financial management. Democracy Networks Hungary reported greater than expected progress towards increased NGO capacity. Improvements in the expertise of NGO leadership was evidenced by substantial advances in the quality of grant proposals received as well as sector-wide increases in the demand for longer, more sophisticated and more specialized courses concentrating on areas such as fundraising and management skills.

While the organizational capacity of bona fide associations and foundations grew more sophisticated, problems with financial sustainability threaten long term institutional sustainability. A "one percent law" in Hungary allows citizens to redirect 1% of their taxes to NGOs. This mechanism offers several potential benefits. In addition to empowering citizens to choose how to distribute resources, NGOs will be compelled to better communicate with their communities. This may lead to spill-over in other areas of fundraising. However, there are problems with how the legislation is being implemented. There are considerable gaps between collections by tax authorities and subsequent funding of chosen NGOs. Also, NGOs are not

informed which citizens choose to support them. This makes it difficult for recipient NGOs to thank donors, or to develop more targeted fundraising strategies.

The Democracy Networks satellite network provided training, consultation and support services on a regional level to grassroots NGOs. Regional monitoring meetings were designed not only to ensure that grants are appropriately executed, but also encourage NGOs to share experiences with each other. Democracy Networks Hungary initiated efforts to establish a special mechanisms to promote increasing levels of transparency and accountability in the sector.

The most prominent example of NGOs as public policy advocates on the national level was their active participation in the regional debates prior to passage of the comprehensive NGO legislation. Democracy Networks involved over 250 NGOs in debates held at their satellite locations.

Such an example is an exception, however. Although the number of NGOs engaged in advocacy increased from 5,061 in 1993 to 6,500 in 1994, the weakest element of NGO activities in their local communities was their relative ineffectiveness as advocates. The concept of advocacy in the context of local governance and how it differs from basic organizational development is not yet well articulated. USAID will increase support for advocacy activities in training and grant programs for the final NGO program.

SECTION 3

LESSONS LEARNED: STUDY FRAMEWORK AND FINDINGS

“Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.”

Bill of Rights, First Amendment to the Constitution
Ratified by the U.S. Congress, December 15, 1791

Lessons can be derived from the USAID ten year experience at several levels, considering the target audience and the broad range of the USAID democracy program. The democracy and governance strategy, evolving objectives over the program period, program and project implementation, and assessments were reviewed for lessons learned. The analytic approach included an inductive phase of extensive data collection through interviews and written materials. The deductive phase consisted of review of the collected data base with the explicit objective of, first, deriving key lessons learned for the target audience and, second, providing a selected view of the sweep of the democracy scene in Hungary over the past ten year period to be perused for other possible insights.

Lessons learned are intended to guide democracy development, a road map, for continuing use by the citizens of Hungary. This report is also for practitioners of democracy and governance development including international donors, and USAID personnel who may undertake similar programs in other locales in Central and Eastern Europe.

LESSONS LEARNED APPROACH

The starting point for lessons learned within the context of Hungary and the programs undertaken by USAID/Hungary, was the democracy and governance categories of Rule of Law, Civil Society Organizations/NGOs, Independent Media, and Local Government. Elections and Political Processes constituted a program area in 1990 and the period immediately following the local and national elections in Hungary. This program area was discontinued by 1992 and prior to the 1994 elections.

In practice, democracy is an invisible fabric that permeates all areas of social, political, and economic life. Democracy can be embodied in a set of principles (e.g. equality, transparency) that are practiced to varying degrees in all countries. The concept of democratic principles was included for consideration to derive lessons learned. The extent to which these principles exist in application can be a gauge of the state of democracy.

Defining democracy for program development: Political democracy and economic pluralism are not fixed concepts with concrete measures or gauges. Emerging democracies around the world, as well as established Western and Asian democracies, will continue to engage with political, social, and economic constraints to basic freedoms. While democracy can be established, and a framework of

democratic process generally understood and accepted in a country, there is no end to the development of democracy, the assuring of basic rights to all citizens, and the quest to increase citizen participation.

Democracy is not a thing. To a large extent democracy is difficult to detect in many democratic societies. That is, democracy so permeates life in many countries that it is taken for granted, like the air we breathe. In some places it is so unemphasized and taken for granted that a 25% participation rate of the electorate is considered a good sign. Where freedoms have not been fully extended to citizens as in pre Civil Rights Act times in the United States, one can historically see that some part of democracy was missing.

Democracy could be envisioned as an end state or as a means to some objective such as for "life, liberty, and the pursuit of happiness." The conscious planning and implementation of democracy and governance development programming may benefit from explicit consideration of definitions of democracy and possibly from an expanded sense of what democracy can be or become.

To be true to the democratic principle of broad participation, the lessons learned approach relied heavily on the opinions, experiences, and observations of Hungarians who implemented and participated in the USAID democracy and governance projects. Specific findings are presented as offered by respondents or derived from the reviewed materials. The findings are intended to be relevant for deriving key lessons learned that pertain to program strategy, general project design and implementation, and overall assessment.

How have the democracy and governance programs undertaken in Hungary impacted upon the attitudes, knowledges, and behaviors of individuals and organizations? What elements in democracy program strategy, design, implementation, and evaluation have contributed to achieving program goals. Have these efforts aided Hungarians in achieving their own objectives for their society, economy, organizations, and individual citizens? What are the lessons learned? These were the questions asked in this lessons learned exercise consisting of study design, data collection, analysis, and report preparation.

Interviews were conducted with USAID program implementors in Budapest and with officials of four local governments and NGO organizations in Püspökladány (population: 17,000), Órosháza (33,000), Szentés (32,000), and Jázberény (30,000). The collected database, including written materials and reports, was first organized to address the areas of local government, NGOs, media, and rule of law. Additional interviews, data collection, and analysis were added on human/minority rights with Roma as the key minority group when it became clear that this was a priority for later USAID democracy programs and will be a priority for future democracy program development in Hungary and possibly other CEE countries.

Memoranda were written by the members of the Lessons Learned team that presented key items of information regarding program description, issues addressed, program impact and effectiveness, relevant developments, and current issues. The information was structured to show the changes from 1989 and indicate major milestones and external factors where appropriate and consistent with the collected data. The memoranda, included in Volume Two, presented detail on potential lessons learned from which were generated the key findings of this report.

PROGRESS ON TRANSITION TO DEMOCRACY

In 1991, at the beginning of SEED funded assistance to Hungary, basic legislation was in place for local government and NGO development. Media was still basically in the hands of central and local government. While progress had been made in establishing the independence of the judiciary, Hungarian rule of law required attention in basic human rights and the administration of justice. Uniformity and reliance on central government was the operative description of municipal government.

In 1999, substantial progress is evident in local government operations, there is increased independence of the media, and the NGO sector has demonstrated a vibrancy and ability to sustain operations into the future. There remains a general skepticism regarding the judicial system's commitment to fair and equal justice and human/minority rights is the major democracy issue now facing Hungary. At the local government level, there is a diversity of approaches in matters ranging from waste disposal to local government control of media. Local government activities more closely reflect the local needs and the extent of involvement of local citizens.

The initial SEED strategy relied on a broad presentation of U.S. technical assistance for democracy and governance programs that was subsequently refined to target local government, NGOs, and independent media. The USAID funded democracy and governance programs of the past four years achieved and exceeded their objectives. Recipients of the technical assistance and training adopted new approaches and ways of thinking in local government, NGO development, local media development, and rule of law. These USAID programs can serve as replicable models to be adopted in other Central and East European countries and can be adapted to meet the requirements of other emerging democracies and nations in economic transition.

The intention of USAID funded democracy and governance programming was to facilitate Hungarian transition from the previous regime towards their own defined state of democracy within the European community. The basic transition story of USAID funded support is that the democracy and governance programming succeeded in introducing democratic ideas and principles, initially to national elected officials and later in the program period to targeted segments of local government, NGOs, local media, and the legal community. Over the ten year period, program emphasis was adjusted to meet newly perceived priorities. While the technology and methods were derived from U.S. experience, Hungarians participated in creating programs that fit more closely to their needs and requirements for democracy and governance development. Below are selected lessons learned with emphasis on media development. Related findings are provided on impact, implementation, and sustainability within the developing Hungarian democracy and governance environment.

LOCAL GOVERNMENT

This area received the most USAID attention and funding of the four areas of democracy and governance. Three local government components reviewed. Urban Development (included Local Housing and Municipal Financial Management), Public Administration Program (PAP), and Labor Market Transition were funded over the ten year period at approximately \$5 million each. Selected lessons learned findings are presented below.

Program Impact

The former regimes of Central and Eastern Europe administered government at all levels from the top down. Almost all aspects of political, economic, and social life were controlled so that centrally planned policies and programs were uniformly administered at the local level with

little or no consideration of local needs and requirements. Prior to 1990 and the passage of the Local Government Act, cities and villages in Hungary were administratively clustered into about a thousand municipalities which included groupings of up to seven settlements. Cities and towns viewed the counties as the immediate source of party controlled centralized government. Immediately after passage of the 1990 Act, local government consisted of 3,112 entities (270 cities with populations over 5,000, 2,800 villages, the national capital of Budapest that is divided into 23 districts, and 19 counties). With one stroke, and international donor encouragement for local elections, Hungary emphatically embraced the basic democratic principle of local government.

In 1994, the Act on Local Governments was broadly modified, following the four year experience of the newly created system of local government. Major changes included the direct election of mayors in all settlements, the obligations of local representatives were more clearly established, and the county became territorial local government with the body of county representatives directly chosen by the local electorate. Local government is two tiered: municipal local government in the settlements of villages and cities (the capital has a special legal status) and the middle local government tier of 19 counties. Counties are local governments with elected officials that do not direct the municipalities. The difference is in tasks and services provided by each tier with municipalities responsible for basic services and counties basically providing services of a regional nature.

In practice, local governments still have expectations that the national ministries will provide some program direction and guidance on program priorities. National grants to the local governments where the interviews were conducted constitute from 30% to 90% of the local budgets. Very little is raised in local property taxes. Business taxes and rents on municipal-owned residential and business properties provide most of the locally generated revenues. There is a sense that the amount contributed by the national government is decreasing and doesn't cover the tasks assigned by the national government to local government entities.

Local government diversity: It is generally thought that municipal governments in Hungary control local radio and TV stations by either owning them or contributing substantially to their revenues. Interviews in four municipalities revealed diversity in many issues ranging from treatment of the Roma minority regarding access to government services to citizen participation in council deliberations. In the question of local government control of media, the range of responses was so wide that the only finding was that there is a diversity of approaches.

One municipality owns its own TV station and paper. In this city there is no other local paper and there is one other local TV station.

In 1988, another municipality did not own its own TV station. In 1993, prior to the 1994 election, the city council decided to buy a TV station in order to let people know about local government.

One municipality has no local TV station and the council voted against establishing and owning a TV station. This municipality does own a radio station and a newspaper.

In the fourth municipality, the local government owned a radio station, a TV station, and a newspaper. In 1998, the municipality sold the radio and TV stations to a private company and kept the newspaper. This TV station provides one hour per week for a local government program at no charge.

Proactive local government that is responsive to local citizens is a work in progress. The impact of USAID local government program has been on approximately 40 primary local government participants and an estimated 100 additional local governments that have been associated with regional local government projects. Through the introduction of democracy concepts on local government such as responsibility, transparency, and citizen participation, the USAID local government program has directly affected the planning and operations of the participating local government organizations. Through demonstration and dissemination programs, additional local governments were affected.

Participatory Process in Government

The Labor Market Transition program introduced a successful collaborative approach in both the Rapid Response effort to place dislocated workers and the Economic Development component to assist communities in creating new jobs. Participating organizations in both efforts included local government, employers, workers and labor unions, community organizations, and national governmental agencies. A key result of the Municipal Finance project was the development and acceptance of a rational, participatory process of local government. The financial officers, most of them women, were empowered along with other financial office workers, council members, and department heads.

Dissemination

At the final conference of the municipal finance program held in May of 1999, of the 200 cities invited, 80 sent representatives. The information dissemination project funded by USAID/Hungary distributed software and related instruction and information on local government budgeting systems and concepts.

Council of Local Government Associations

The program objective of an improved national level framework had mixed success. The seven existing local government associations, two of which were organized vertically including all types and sizes of local governments and five of which were organized horizontally, had formed a Council of Local Government Associations that dissolved itself after two years. A legacy of this effort is the Foundation for Local Government Training that was formed by six of the seven associations.

CIVIL SOCIETY ORGANIZATIONS/NGOs

Total funding for NGO development was approximately \$6.5 million over the ten year period with closeout extended to September, 2000. The current USAID support to NGOs (TANGO) funding of \$1.5 million under a cooperative agreement with the Budapest-based Foundation for the Development of Democratic Rights (FDDR) will provide support to 70 to 80 NGOs at approximately \$15,000 per organization. A major feature of the FDDR program is mentoring, the provision of ongoing administrative and organizational technical assistance to grantee NGOs.

Support to NGO development in the late 1980s and the early 1990s was provided by international private foundations such as Soros Foundation and the European Foundation Center of Brussels. The early international donor organization was Phare that supported regional and county enterprise development foundations. In recent years, the World Bank conducted NGO workshops and conferences and the European Union instituted a program of grants to NGOs.

The Democracy Network (DemNet) program of grants and technical assistance to Hungarian NGOs began in 1996 and provided training to NGO personnel. The emphasis was on support to local NGOs outside of Budapest and a successful satellite program of NGOs across Hungary was developed. The program also established *Telecottages*, *community-based centers* equipped with computers and internet access to encourage information acquisition and communications, as well as a network of Regional NGO Resource Centers.

Program Impact

According to NGO respondents, the USAID supported Democracy Network (DemNet) program of assistance to NGOs successfully stressed decentralization beyond Budapest and the dissemination of NGO related information. The Regional Resource Centers and Telecottages were viewed as effective in strengthening NGOs throughout Hungary. External relations and the public image of NGOs as well as organizational strengthening were also positive aspects of the USAID DemNet. Areas that reflect the continuing needs of Hungarian NGOs and that require more attention are advocacy, finance, transparency and accountability, legal framework, and NGO leadership. Selected aspects of USAID impact on NGO development are outlined below.

Cooperation/Coordination

Donor Forums were conducted around the country which provided local NGOs with the opportunity to meet with international donors and obtain information on donor support programming.

Ways of Thinking

The program encouraged NGOs to promote transparency and accountability of NGOs. Donor requirements of budgeting and broad participation in planning have resulted in the design of sound work plans and supported NGO viability.

Innovation

Through creation of initiatives such as the Telecottage Network, the program has encouraged innovation among NGOs.

Support Services

Organizational capacity of participating NGOs was strengthened through associated training, networking, publications, and mentoring activities that complemented the grants.

3.4.2 Implementation

Respondent comments on international donor support to NGOs reinforced the observations of the local government respondents on program length. The customary one year period for grants was considered too short a time frame and three years was mentioned as an appropriate timeline. Other implementation considerations are outlined below.

Donor Restrictions

The requirement of most international donors to fund NGO projects rather than organizational and administrative requirements did not serve to strengthen NGO organizational capacity.

NGO Characteristics

Most international donor guidelines did not adequately take into consideration different needs of NGOs according to organizational maturity, size, mission, and location.

Regional Network Refinements

Effectiveness of the network, regional or telecottage, would be enhanced through strategic planning of the partner organizations, definition of cooperation objectives, communication about networks to target groups, and addressing leadership and staff development needs.

3.4.3 Sustainability and Related NGO Issues

The non-profit or third sector in Hungary is expected to survive, even as bilateral and multilateral funding declines. In 1999 international donor funding, including donations by international private foundations, constituted approximately 6% of total NGO revenues. Revenues from local government has been at the 5% level in recent years and national government funding has been approximately 17%. NGO revenues constitute 54% and Hungarian private sector contributes 18%. The private sector appears to be the most promising source for future NGO revenues and support through volunteerism. In addition to financing concerns, Hungarian NGOs are facing other issues that have sustainability ramifications as outlined below:

- o NGO Sector Capacity: Local NGO capacity to provide technical assistance and training to emerging NGOs is limited.
- o Advocacy: There is no comprehensive, structured program to develop open and creative advocacy for Hungarian NGOs.
- o Operational Support: The lack of operational support to NGOs restricts the development of organizational capability.
- o Local Needs/Perceptions: Some citizens see the Telecottage program as providing motivation to youth to leave their communities in contrast to the potential expansion of educational opportunities.
- o Legal Requirements: Laws and regulations on NGOs provide an administrative burden to many NGOs. Professional legal advice and support are needed.

- o Donor Coordination: Cooperation and coordination within the international donor community involved with NGOs is lacking.
- o Leadership: There is a scarcity of indigenous leadership in the NGO community. Training and introduction to innovative approaches in the conduct of NGO activities and administration are needed.
- o Media/Public Relations: NGOs lack the ability to communicate with the general public and to target potential groups for funding and other programmatic support. NGO personnel have no experience with current public information methodologies.

INDEPENDENT MEDIA

The media component of the USAID democracy and governance program had two distinct thrusts over the past ten years. The initial program focused primarily on establishing a journalism center that worked with ELTE University in Budapest and utilized U.S. technical expertise and the services of a U.S. institution of higher education. The program since 1995 focused on training of broadcast media at the local level through the Hungarian NGO, Center for Independent Journalism (CIJ).

Through funding by USAID and other international donors and foundations, CIJ has contributed to the professionalization of local broadcast journalists, technicians, and management. Training has covered the topics necessary to convey information to viewers in an efficient and highly visual fashion. The upgrading of skills has allowed these local stations to compete more effectively for viewership and become more economically viable. Training participants have become sensitive to issues of democracy and access to information as well as to other democracy issues like human rights including minority and gay rights. Program elements also included support to NGOs and the relationship of media with local government.

Program Impact

Over the past ten years, the media environment has changed dramatically in Hungary and pluralism has been achieved. Print and broadcast media have been divested from state control. Key milestones in media development are summarized below:

- o In the early 1980's there were 70 state and local government owned local TV stations. In 1989 all of the regional papers were linked to the county governments.
- o The Media Law passed in 1995 allowed two independent, Western managed television networks (TV2 and RTL-Klub) to be in direct competition with Hungarian National Television (state owned MTV). A third independent station (TV3) was restructured adding more competition for the former MTV monopoly.
- o At the end of 1998, the National Radio and Television Commission (ORTT) began the licensing process for local and regional media, as well as the renegotiation of licenses for satellite and cable broadcasters.

- o Hungarian print media in 1999 is almost entirely privatized. Broadcast media is still a mix of privately owned stations with or without local government funding and stations owned and controlled by municipalities.
- o In 1999, there are ten national newspapers, all privately owned. The nineteen counties have regional newspapers that apparently are succeeding, perhaps better than the national papers.
- o At the national level there is one Government owned radio with three frequencies and two privately-owned national radio stations. At the regional level there are approximately four privately held radio stations. At the local level there are 35 to 40 privately held radio stations. There are 165 local TV stations linked to cable with 28 of those local stations actually broadcasting.

The CIJ program made contributions in introducing the media to the participation of Roma and in providing an extensive, 11 month training/internship program to prepare Roma participants for journalism and media careers. Through the training programs for personnel in TV and radio stations, CIJ increased the flow of broadcasted public information, particularly at the local level beyond Budapest, and strengthened independent media at the local level.

Sustainability

The major issue confronting local and regional media is sustainability. Economic viability is considered the determinant of survival for; these new media organizations. This is also an issue for many non-governmental organizations and is an issue for CIJ itself, although the staff is confident that the reductions in funding from international donors over the next year will be managed with new initiatives to increase revenues from other sources. Findings that affect sustainability of independent journalism include the following:

- o The economics of the limits to use of the Hungarian language constrains the absolute size of the total market for Hungarian language media.
- o The broadcast business is subject to principles of microeconomics. Small local stations with small markets have difficulty generating advertising revenues. Radio broadcasting is more cost effective and profitable in comparison to TV broadcasting.
- o The economic viability of local media stations may be enhanced through training in management and marketing for station personnel. Ultimately, the viability of these stations will rest on market forces.

Other Issues

Progress in the development of independent media has been substantial since 1989, with market forces, dedicated Hungarians and local organizations, and some donor support from private foundations and bilateral agencies being important factors. Much remains to be done in Hungary, and by this standard of achievement, very much is needed in other Central and East European countries.

Media Legal Framework

The legislation and regulations governing, as well as the system of adjudication and enforcement, are critical to the viability and growth of independent media at the national, regional and local levels. For example, the 110 local stations may be an excessive amount for a nation of 10 million. However, should ORTT, the broadcast regulatory agency, place a ceiling on the number of stations? What are the market factors (orderly development or free entry to the market) and other considerations for appropriate legislation? Other legal issues are:

- o Media law constrains ownership to one electronic media station and should be reconsidered to allow possible scale efficiencies. Also needed is the ability to establish networks for participating or associated local TV stations.
- o Parliament has only dealt with national TV. Local and regional broadcasting issues are seldom considered. The Board (ORTT), in its final year, is considered by one respondent to now be open to suggestions and may be responsive to local concerns.
- o Respondents contended that there are too many laws and regulation dealing with media that create a complicated legal environment.
- o The Media Law of 1996 differentiated between electronic and print media.
- o Local broadcasters have little or no real impact on media legislation. The Association of Local TV Stations was able to make only minor suggestions on drafted media legislation.

Independence of Media

Governments at the local and national level, and potentially of increasing importance at the regional level, realize they have to influence public opinion. Control and manipulation as well as provision of information of potential interest to the citizenry are now more difficult with a pluralistic and relatively independent media.

The issues of control and undue influence of the media remain even in what are considered advanced democracies. If a station depends on private funds, it may accede to the wishes of advertisers. If a station is funded by government, it may accede to the wishes of government. Independence is not necessarily only from government since other institutions may desire control of information to the public. Some items pertaining to media independence are summarized below:

- o An independent media may be one criterion for accession to the European Union.
- o A measure of the level of independence is if politicians are satisfied with media, then something must be wrong with media.
- o Local government will have some control over local media as long as stations are dependent on local government for part or all of their revenues.
- o Cable networks are privatized. Many local TV studios rely on local government funding and may lose a measure of independence.

o Local government funded stations tend to change the management when new officials are installed after elections. This can also impact on professional development since it interrupts careers of affected personnel.

Media Professionalism

In today's changing world with organizational and technical innovations common, even more so in the field of communications, increasing the professionalism of broadcast personnel, especially at the regional and local levels, needs to be addressed. Management and marketing are not well understood by broadcast media personnel. Station management and marketing skills are needed to increase the ability to operate broadcast organizations efficiently and increase station revenues. With increased and diversified revenues will also come less dependency on local government funds or large advertisers.

Minorities

In Hungary open prejudice is not possible, not acceptable. However discrimination, as in all societies, is well documented for Hungary. There are not enough Roma journalists nor many minority publications. Roma have no direct impact on general public opinion. Journalists, as is true for the general population, generally are not sensitive to Roma issues and don't know about Roma issues. One bright light is that it is relatively easy to obtain grants and donor funds for Roma projects. CIJ will keep Roma as a priority area and will support the production of diversity programming.

SECTION 4

LESSONS LEARNED: CONCLUSIONS AND RECOMMENDATIONS

“It is not only the right, but also the duty of a person to be free.”

Petofi Sándor, 1823-1849
National Poet of Hungary

Democracy is seldom a serious topic of discussion in many relatively advanced democracies. In Hungary democracy is discussed, on the streets, at business, and at home. The question heard is, “Has Hungary reached democracy yet?” To the extent this is a serious question that continues to be asked, despite obvious advancements, the appropriate conclusion is that democracy still has a way to go in Hungary.

Despite the inherent differences in the Hungarian settings for local government, media, and NGO programming, there was a remarkable similarity in the lessons learned in these components. The consistency indicated to the lessons learned team that Hungarians are facing the same issues in all three arenas and that the findings regarding democracy and governance, while clearly applicable to these groupings, may have important ramifications for other Hungarian endeavors such as in economic reform programming.

APPLICABILITY OF THE HUNGARIAN EXPERIENCE

The USAID Central and East European (CEE) regional experience showed that approaches were transferable among the countries of the region. For example, the USAID local government programs in these countries were intended to support decentralization of authority and decision-making to the local level and to establish replicable, viable local government that is responsive to the needs of citizens. National and even local differences will affect the program and project designs. The USAID local government decentralization activities varied throughout the CEE region. The substantial commonality of issues and possible solutions for the countries in the Central and East European region was demonstrated by the successful transfer of elements of USAID local government housing programming between these countries. The democracy and governance lessons learned in Hungary can be reviewed for general and specific applicability in other countries in the region.

The differences between country settings, of course, will require serious consideration for the adaptation of the successful elements of Hungarian democracy and governance programming. For example, the Hungarians thoroughly embraced U.S. offers for technical assistance and training programs. Major enabling legislation for NGOs, local government, and economic reform was quickly passed. Several countries in Central and Eastern Europe are not at the same high level of development and interest in democracy and market-based economy. The design of democracy and governance programming in such settings may need to be, in comparison, more basic. The realization of the potential for impact on democracy will still necessitate careful attention to sound design, using the Hungarian experience as appropriate to the specific country situation.

USAID DEMOCRACY AND GOVERNANCE EFFECTIVENESS

The USAID democracy and governance program met and exceeded its targets for results. As can occur in innovative programs, some results exceeded expectations and there were beneficial impacts on democracy that were unexpected. Since these results were not explicitly planned in strategic statements they were consequently not documented in subsequent results analyses.

USAID/Hungary, in managing the democracy and governance program, used the sound concepts of identification of key leaders and influential organizations, addressing areas of community interest (e.g. housing), and taking appropriate action if projects were not performing adequately. The ten year experience of SEED/USAID programming benefited from the ongoing project assessments, mid-term program reviews, and the strategic planning for the last four years leading to the USAID closeout. A major and explicit program consideration in the later years of the ten year period was the sustainability of USAID supported democracy and governance programming.

USAID democracy and governance programming relied on three principles from 1990 through 1995. These were 1) timely action/fast mobilization which influenced the other two program design principles: 2) use available government, private sector, and non-government resources and 3) use a regional approach. The USAID/Hungary Strategic Plan for 1996-1999 used a Hungary specific approach and the democracy and program decisions changed accordingly. For future program planning and design, it is recommended that this latter approach be followed and recommendations here-in are premised on this recommendation.

The USAID experience in programming in Hungary, for the development of democratic institutions and processes, is also instructive for what was not undertaken, as demonstrated specifically in elections and voter participation. After providing support in the organization and monitoring of the national and local elections in Hungary in 1990, no further USAID funded activities were undertaken for the subsequent election in 1994. Support clearly was not needed, nor possibly, desired by the Hungarians. The presence of international observers would have been superfluous. Hungary had already achieved free, fair, and open elections. USAID chose what was appropriate to the democracy and governance setting, using a process of clarification of needs and assessment of opportunities to better allocate the reduced USAID funding resources for the final four years of programming.

The project experience through the ten year period was used to reassess USAID strategy, project approaches, and project options. Changes were made in accordance with his information. The achievement of basic democratic institutions in place by the end of the first six year period, allowed the Mission to focus on refinements and the instigation of innovative programs that advanced the thinking in these areas.

DEMOCRACY STRATEGY DEVELOPMENT

The key lesson derived from the lessons learned exercise to aid citizens, government agencies, and development specialists in developing and implementing democracy and governance programming was that democracy is neither a concrete object nor an array of possible program areas. Democracy is a set of ideas and derived principles. The ideas of

democracy have demonstrated their unusual power and have profoundly influenced the shape of the world today. In the conduct of democracy and governance programming, it is the dissemination and practice of democratic principles that directly result in the development of democratic institutions and processes.

Democracy Objectives and Strategy

It is ordinarily recommended and considered good program development practice to explicitly state program objectives and identify associated measures of performance. This recommendation is repeated with the qualification that the nature of democracy programming, recognizing the importance of democratic ideas and principles, requires more generalized objectives and usually less tangible measures of performance. Nonetheless sound program development requires that specified strategic objectives be addressed and that interim and final results be defined in order to be appropriately monitored and assessed. The linkage of programs and projects to the strategic objectives should be defined where possible. Actual indications of eventual impact on democracy and governance will be nebulous and generally not conducive to measurement. Achievement of sub-objectives, e.g. demonstration of open hearings to inform drafting of legislation, can be measured by more concrete indicators. Acknowledgement of these program development realities will assist in the design and implementation of realistic and practical assessments and evaluations of progress.

In the USAID experience, linking of measures to strategic objectives did not come about easily in democracy and governance programming. Measures were identified, however, that did give indications of results and a basis for appraising program effectiveness in achievement of objectives.

Adjustments were made by USAID personnel following the experience of the first two years. The areas selected for attention, seen from today's perspective, were the key areas to address and the adjustments made to programming resulted in a sharper focus for subsequent program development.

Transition and Development

In Western planning to support the Central and East European countries following the dramatic changes of the late 1980's, there was the tendency to think in terms of a transition from the centrally planned economies and central government decisionmaking to market-based economies and democratically determined governance. The basic transition in democracy and governance came relatively quickly in Hungary and raised the question regarding subsequent program refinements and developments in democracy.

In approaching subsequent democracy and governance programming in Hungary and in the undertaking of initial efforts in other Central and East European countries, a lessons learned recommendation is that the distinction of transition and development be considered. Based on the Hungarian experience, there should be ramifications for program development, as well as for implementation and assessment.

Definition of Democracy Terms

A principle in democracy is freedom of expression and the related free access to information. Clear expression of terms and agreement with counterparts on objectives, timelines, and measures would contribute to sound democracy and governance programming.

The terminology of democracy and governance is specialized and has certain nuances in English that may not faithfully be reproduced through direct translation in certain countries. These differences may be similar to those that resulted in the recognition of the need for special foreign language dictionaries of legal terms. An example is “governing” as compared to “governance.” Other terms emerged in the conduct of the lessons learned study. The derived recommendation is that specialized democracy and governance terms be discussed with country public administration/political science and other scholars to identify necessary modifiers in order to clearly communicate the terms relevant for the democracy program activity.

Misunderstanding of terms and negative consequences. The NIS experience on the definitions of free markets and democracy can be instructive. In certain areas of the NIS and within certain segments of those societies, capitalism (as interpreted by the principles of Marxism) has been considered to be the unfettered exploitation of the weak and the laboring classes. Introducing such a capitalism would seriously deter a transition to participatory and equitable democracy. The Hungarian democracy and governance experience was notable for the lack of such an interpretation of capitalism.

In certain politically unsettled areas in Central Asia, the expression has been heard, “We have had enough of democracy.” For some, democracy meant the overthrow of stable government, continuing civil strife, and struggle for power between political factions. Some exposition in meaning of terms can support the reevaluation of basic objectives in such situations and result in a reexamination of the potential offered by democracy and governance programming.

In Hungary, the lessons learned team noted that there was a general conversation regarding constructive capitalism and destructive capitalism. Hungarian respondents and some program implementors noticing the existence of a tendency for guarding turf, suspicion of associations, and excessive competition for grants, and other instances of non-cooperative individual and group behavior. The inability to develop an umbrella association for local government associations was the major example of several.

Application of principles of democracy can ameliorate the negative consequences of competition. The rule of law framework defines limits of unfair competition and monopolistic tendencies. Principles of transparency and accountability similarly support restraint of competitive tendencies. The potential for association and cooperation as principles of democracy need additional exploration and review in order to be useful in democracy and governance programming.

Targeting Program Areas

For program planners, there is the dilemma of what to include or exclude from a democracy effort. Some donors may have automatic limitations such as dealing with national government level counterparts only, a formal policy of no involvement in political processes, customary limits on program areas based on experience and a preference to operate in areas of previous involvement, and comparative advantage considerations vis-a-vis other donors. A

broad assessment of opportunities and issues in democracy and governance would support the identification of potential programs that would be consistent with the existing environment and potentially offer the optimum impact. Discussions with potential counterparts can uncover democracy and governance possibilities unique to the country (e.g. judges need training in use of computers, street youth problems).

DEMOCRACY PROGRAM IMPLEMENTATION

The USAID ten year experience in Hungary highlighted the importance to recipients of changes in “ways of thinking” that had occurred as a result of the democracy and governance program. In effect, the USAID effort had succeeded in educating and training of Hungarians in the concepts and application of democratic ideas and principles. The concepts can be utilized within program implementation as a technology to be consciously conveyed and in actual program application to demonstrate their relevance and value. A consideration for future program development in democracy and governance is the relationship of democratic principles to the provided technical assistance.

Principles, Theory and Practice

Democratic and governance principles in theory can be distinguished from principles in practice to support program development. Examples were noted in the Municipal Financial Management program experience (budget transparency, explicit municipal contracts). A Public Administration Program experience of theory into practice was the agreement of municipalities to associate for the purpose of a joint landfill. It is not contended that the leap to practice from theory is automatic. The potential value of distinguishing theory/practice is to support project design, identify related and perhaps unexpected results, and enable final assessment of project performance.

Principles of democracy are generally understood and accepted according to experience, cultural norms, and other factors. A lesson learned by program implementors in the Municipal Finance Management project was that the presenting and eventual accepting of a democratic principal (transparency as in the case of budgeting, conflict of interest as addressed by formal contracts for goods and services purchased by local government) requires a focused and often intensive and lengthy process. The value of “transparency” is not readily apparent. In the application of such principles in real situations, distinctions can be made and the value assessed by democracy and governance program participants.

Resources/Technology

USAID and other donors have access to technologies that can be introduced to support democracy and governance. Examples of technology, in addition to hardware, include methods such as budgeting, consensus in planning economic development, and presentation of public information. Training methodologies that encourage participation of recipients are democratic in nature. These and similar democratic concepts can be incorporated into the planning and implementation of democracy and governance programming.

Participation/Persuasion in Democracy and Governance Programs

Development programs work best when the technical assistance and training recipients are in agreement with the program objectives. Many Hungarians have accepted that their largest minority group, the Roma, requires attention. Acceptance in some other country settings of similar human rights issues through conscious programs may or may not benefit from the spelling out of the potential benefit. Use of subterfuge and the forcing of participation in democracy and governance programming are contrary to the democratic principle of free choice. Herein lies another challenge for the designers of democracy and governance programs.

The principles of human rights and equality of treatment under the law may be seen by some as having value when their own rights are threatened. Some form of enlightened self interest may also be utilized (the city council wants an educated labor force to attract industry, so unemployed Roma are provided access to education). Other means of presenting the possibility of value of democratic principles may need to be invented.

Democratic/Economic Principles

Democratic and free market principles can be used to reinforce each other. A democratic principle embedded in the principles for market based economies is that of consumer or individual choice. There is also the responsibility of consumer payment for goods or services received. At the local government level, there is the choice to provide services and also the choice to allocate resources for those services with the service and cost explicitly linked. An example of behavior contrary to this linkage, as noted by several Hungarians in the interviews, is the tendency for city council members to separate an entitlement or service from the requirement that it be paid for.

Another variation on this concept from the local government housing program is the absence of linkage between taxes/revenues and subsidies/services. When the bulk of revenues arrives in the form of a grant from the national government, there is a tendency to see this as a general source from which to draw funds for services. When revenues specific to housing or education are linked to the goods and services that are provided, other possible ways of thinking emerge. The budgeting training course under the Municipal Financial Management program related specific outlays to specific services so that, for example, utilities costs and facilities repair and maintenance expenditures in education could be associated with that activity.

Local Government Ethics

A tendency in local government to not address the potential of conflict of interest was observed by program implementors. To many local government officials, government ethics and the need for transparency and accountability were not well formed as concepts to support good governance. As a consequence, many elected officials also serve as paid directors of boards of organizations that have agreements, usually oral, with the municipalities. The perception by local officials is that it is permissible to act as an individual in such activities and not as an elected official with a commitment to the electorate. Ramifications of these conflicts of interest can have ever-widening impacts. Citizens may be more reluctant to pay taxes or commit to new financial obligations of the local government if they feel that the funds are not spent for the good of the community.

The introduction of an open and transparent process of contracting for local government services has legal and public acceptance issues. According to some local government officials, formal contracting is unnecessary. Procedures in the past relied on personal contacts and trust.

Protection of the public through information about the provision of services was not seen as very necessary nor a high priority. Contracts for municipal services can be used to introduce the concepts of adherence to agreed upon goods and services, accountability, and public access to information.

Sustainability

The USAID experience in Hungary demonstrated that supported projects can achieve sustainability and/or increase their effectiveness at the completion of USAID funding and program involvement. The Autonómia Lapítvány (Hungarian Foundation for Self-Reliance) and the Center for Independent Journalism are two examples. These NGOs have received needed financial assistance and generated revenues for meaningful programs which will continue without additional aid from USAID.

Another related lesson learned was the value of keeping sustainability as a criterion for implementing programs and making program adjustments. The objective of sustainability is more likely to be accomplished if it is a conscious element in the ongoing program implementation process. Selected examples of sustainable elements of democracy and governance resulting from the USAID program experience in municipal financial management include:

New Institution

The Association of Municipal Financial Officers with participation from the thirty-five local governments is recruiting new membership. The Association can set standards for municipal financial management, provide courses and workshops, and promote professionalization of the membership. At the Association conference in the Spring of 1999, 200 persons from approximately 125 cities participated.

Trainers

The Hungary-based Metropolitan Research Institute has been involved in the local government program and will offer training in municipal finance. In addition, a total of 20 individuals, not directly associated with local government finance, were recruited through advertising to participate in the training program. Seven completed the program and can serve as regional consultants for municipal financial management.

Dissemination

At the final conference of the municipal finance program held in May of 1999, of the 200 cities invited, 80 sent representatives. The information dissemination project funded by USAID/Hungary distributed free software for local government budgeting.

Independence, Competition and Cooperation

According to Hungarian respondents there is a preoccupation and concern regarding independence, competition, and cooperation. Success in the governmental, economic, and societal arenas under the previous regime apparently was dependent upon a certain level of distrust in most relations with individuals and organizations. Local government officials expressed a need for additional independence from the national government while

acknowledging a dependency on national grants and program guidance. NGOs respondents expressed a concern on the excessive competition among NGO organizations for international donor grants. Cooperation among individuals and organizations was marked for its unusual occurrence, such as the cooperation among local governments for a waste land fill development project in Eastern Hungary.

The importance of a continuing explicit dialog on the value of cooperation for the achievement of common goals with policy makers, involved officials, and interested citizens can not be overemphasized. The value of trips to the U.S. and other countries, and the use of conferences, workshops, and consultations are essential for transforming attitudes and outlooks on the democratic principles of openness, communications, and cooperation.

Counterpart Selection

International donors have traditionally developed and implemented programs solely through the central government and by relating to the counterpart ministries involved in the program area of interest. This had also been the approach basically used by USAID throughout the world until the early 1980s. An innovation broadly applied in SEED Act funded programming, and critical to supporting pluralism and decentralization, has been the targeting of organizations outside of the central government.

In the other categories of USAID/Hungary programming--fiscal reform, small and medium enterprises, financial reform, and energy--central government ministries were the major counterparts in many of the program elements. In democracy and governance, no single central government ministry was directly targeted for program planning, development, coordination, nor implementation. The Ministries at the national level were seen as resources to be engaged and to participate in achieving program objectives.

Democracy Development Resources

While USAID was supportive and necessary, many U.S. foundations played a role in Hungarian NGO development: Soros, Mott, Ford, Rockefeller Brothers. International NGO organizations, bilateral agencies, and multilateral agencies made contributions to democracy and governance program in the four categories of rule of law, local government, NGOs, and independent media.

There was no evidence of substantial overlap or an excess of resources made available from international donors. For example, a relative handful of NGO's numbering about 100 of the estimated 30,000 to 40,000 active NGOs received international donor support. The same is true for the almost 3,000 local governments of under 5,000 population. In this nation of 10 million, much work remains to strengthen democracy and governance.

Demonstration Projects

The several pilot projects of the USAID Urban Development/Housing program demonstrated new ways of thinking to generate solutions. Democracy for nations in transition requires that there be shifts in thinking about values.

A common approach in local government was that entitlements should be the same for rich and poor, irrespective of ability to pay or need. Similarly there is no consideration of access

to education for those who cannot afford the costs of meals and other school associated costs that are levied on all irrespective of ability to pay. The means tested housing allowances approach, tried and accepted in the Szolnok demonstration project, introduced the possibility of differential entitlements. Several other communities, upon seeing the approach tested in Szolnok also adopted means tested housing allowances.

The Szolnok pilot project also highlighted the value of conferences to introduce participants to new ideas and approaches. At a USAID regional conference on housing in Krakow, the Mayor of Szolnok liked the idea of a pilot project that would introduce some of the innovative elements of the conference. His interest resulted in the development of the three year USAID program on municipal budgeting.

Public Information

The USAID experience in Hungary, especially in the implementation of economic and housing finance reforms, indicated that public information could be critical to program success. The democratic principle of access to information was instrumental to obtaining public and, consequently, policy maker support for necessary and sometimes difficult reforms.

An effective public information program requires a professional approach in order to convey messages that are seen as unusual and/or complex. Audiences need to be targeted to optimize the use of media and to appropriately allocate time and resources effectively. Many recipients of USAID assistance in democracy and governance have learned the importance of public information and relations. A key finding is that democracy and governance programming can be more effective by including public information as a key component in strategic planning and allowing for the required resources for an effective public information program.

Relationships Between Media, Local Government, and NGOs

The presentation of local government and NGO information to the public would benefit from media training. Local governments and NGOs in Hungary have virtually no staff trained and experienced in public information and public relations. Inroads in awareness of the importance of media relations were made though USAID funding. Respondents indicated that much more was needed.

The media was seen as generally passive at the local level regarding local government and NGO concerns and issues. The USAID training to media personnel has sensitized participants to issues such as minorities and other concerns of democracy and governance. Such training could be intensified and expanded to provide media journalists with broader understanding of issues and reach a larger group of media personnel.

Local government contributions and payments constitute between 4% and 5% of NGO revenues. NGOs recognize the potential of providing services to local governments and one area which is now being developed is NGO services for the disabled.

Organizational, Management, and Leadership Development

The NGO sector has limited capability for the leadership and management that is required to assure viability and expansion. International donor guidelines ordinarily restrict funding to NGOs to program activities and don't provide for the support that could assure some

measure of sustainability when such donor funds are reduced. The USAID NGO program mentoring component provided technical assistance to address leadership and organizational needs.

Similarly, there is a recognized need for management and marketing training for local media executives and personnel. Providing such training will support development of these organizations and assure some level of sustainability.

European Union Accession

Hungary is committed to the possibility of admittance into the European Union. Along with the achievement in the Spring of 1999 of membership in NATO, this would further the integration of Hungary into key international systems and Western institutions.

EU accession may support additional reforms in local, regional, and national governmental relationships. Reforms in the rule of law such as defendants rights may also be required to meet EU standards. Accession, accordingly, may provide a spur for changes and the incentive to undertake needed democracy and governance improvements. Support from the international donor community would be investments in a global economy and would provide additional demonstration of the national advantages that await other interested Central and East European countries.