



Corruption Risks in Hungary

Part One

National Integrity System Country Study

Summary

Hungary 2007

Acknowledgements

We would like to thank the following institutions for financial support of the project: the American Chamber of Commerce, Austrian Embassy, British Chamber of Commerce, British Embassy, Canadian Chamber of Commerce, Canadian Embassy, German Ministry for Cooperation (BMZ), Embassy of the Netherlands, Hungarian-German Chamber of Commerce, Japanese Business Council, Transparency International Secretariat.

Special thanks are due to Kriszti Kocsis from the British Embassy for her kind assistance in the course of preparation of the report. We would also like to thank Miklós Marschall, Eszter Márkus, Norbert Puskás and Sarah Repucci for their valuable feedback and support.

We are grateful to Map Merchant Hungária Ltd. for providing us paper necessary for this publication free of charge.

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About the NIS

What is the National Integrity System?

The National Integrity System (NIS) consists of key institutions, specific sectors (the 'pillars') that contribute to integrity, transparency and accountability in a given society. When it functions properly, the NIS combats corruption as part of the larger struggle against the abuse of power, malfeasance and misappropriation in all its forms. Strengthening the NIS involves promoting good governance in all aspects of a particular society.

The NIS concept has been developed and promoted by Transparency International (TI) as part of its holistic approach to countering corruption. While there is no blueprint for an effective system to prevent corruption, there is however a growing international consensus about the salient features of anti-corruption/pro-integrity systems that work best. Country studies are based on qualitative assessments of the institutions involved in the anti-corruption system.

Why produce NIS country studies?

The aim of each study is to assess the National Integrity System in theory (laws and regulatory provisions) and in practice (the extent to which these work). Via these studies, Transparency International aims to provide an overview of the National Integrity Systems in countries in all regions of the world. These studies provide both benchmarks for measuring further developments in these countries and also a basis for cross-country comparison. In terms of establishing benchmarks, the studies offer a starting point for identifying the areas in need of priority action. They also constitute the basis on which the relevant parties can assess the initiatives involved in the fight against corruption. The NIS country studies highlight, for example, the pillars that have proved most successful and why, whether the pillars are mutually supportive and the factors supporting or hindering their effectiveness. The country studies also assess the areas that must be addressed to improve the system and the factors required to support the overall development of the NIS.

Regarding cross-country comparisons, the country studies create a strong, empirical basis that contributes to our understanding of how countries with strong and weak performance records are governed. Within regions or among several countries sharing a similar political, economic and social structure, the results of the study can create a type of peer pressure for implementing reforms or create opportunities for learning from countries at comparable stages of development.

The country studies are an important measuring tool for Transparency International. They complement TI's indices and surveys such as the Corruption Perceptions Index (CPI), the *Indice de corruption des pays exportateurs (ICPE)* [index of corruption in exporting countries] and the Global Corruption Barometer, or the national surveys that explore the specific practices and constraints within each country, to produce empirical, qualitative results on the rules and practices governing the integrity systems. As of August 2007, more than 70 of these studies have been carried out.

TI believes it is necessary to understand the regulatory provisions for and the capacity of the NIS pillars, as well as their interaction and practices, in order to be in a position to diagnose the risks of corruption and to draw up strategies to counter these risks. The NIS country studies are a unique TI product inasmuch as they reflect the systemic approach adopted by TI to counter corruption and the independence of analysis the world's leading anti-corruption NGO can offer.

Methodology of NIS studies

The NIS country studies provide a qualitative assessment of a country's integrity system. These studies are based on both objective and subjective information sources, which differ in quantity depending on the country being assessed. The studies therefore require both desk and field research.

There is at least one focus group convened for each country study. Focus groups participants include governance and anti-corruption experts from the public and private sectors, representatives from the liberal professions (for example lawyers, accountants and engineers), from among moneylenders if need be, the media and civil society. The aim of the focus group is to bring together a wide range of actors to assess the NIS and discuss the first draft of the country study, which is then revised on the basis of the conclusions of the focus group meeting.

Each country study is revised by an independent external expert.

The Hungarian NIS study

NIS country studies are usually composed by one single author, however we could not follow this methodology. In Hungary research activities on corruption concentrate on certain segments and lack cross-sector approach, therefore each chapter was written by experts of that certain area.

In Hungary private sector plays essential role and has key responsibility in countering corruption. Since corruption in the business sector is a less researched field and anti-corruption activities still concentrate exclusively on the public sector the business environment needs special analysis. TI Hungary dedicates a separate research to reveal corruption mechanisms in the private sector; it will be completed in 2008. The current study is therefore titled Part One of the National Integrity System country analysis; it will be completed by the findings of the research about the business sector (Part Two) in April 2008.

The research provides an analysis of the functioning and interaction of the 'pillars' of the NIS therefore does not necessarily cover in details all areas which are perceived as corrupt in a given country. In the case of Hungary the health care system – which is perceived as one of the most corrupt fields – could not be covered by the scope of this analysis due to methodological constraints.

Transparency International Hungary initiated the analysis of the Hungarian NIS in April 2007 in order to find the roots and causes of corruption and provide recommendations on how to tackle them. We truly hope that the diagnosis of the strengths and weaknesses of the integrity system will contribute to the implementation of adequate anti-corruption reform efforts in Hungary.

Executive Summary

Hungary is a [Central European](#) country with a population of approximately 10 million. After decades of a Soviet-style political system, it became a Western-style democracy in 1990, joined NATO in 1999, and has been a member state of the European Union since 2004.

A shortage or faulty allocation of resources and over-bureaucratisation of the legal and administrative system have remained structural causes of corruption, notably exacerbated by changes associated with economic, political and social transition.

Hungarian anti-corruption programmes have increasingly been based on the recognition that a comprehensive arsenal of legislative and non-legislative measures needs to be developed including not only criminalisation of a broader range of behaviours, but also e.g. stricter regulation on conflicts of interest and the organisation of information campaigns. The successful implementation of these programmes however, requires a strong political will on the part of government, and a solid consensus among political parties accompanied by continuous support from civil society.

Although the Government is politically responsible to the Parliament, the executive has become the most powerful branch of the constitutional system. To put effective limits on the dynamic growth of the Government, internal control mechanisms (disclosure of assets, conflicts of interest) need to be strengthened, and a comprehensive code of conduct for civil servants needs to be adopted. The external control mechanisms provided by organisations independent of the Government and political parties (the State Audit Office [SAO], the proposed Budgetary Office) also need to be improved.

Hungary's multiparty system lacks a proper and comprehensive set of financial regulations. Spending on electoral campaigns has been soaring, and for several years it has been an open secret that party expenditure exceeds the outdated limit. The State Audit Office only examines invoices submitted by the political parties, and does not assess real expenditure by using other sources of information. Financial accounts in their present form do not give a reliable picture of the parties' financial management, and there are no sanctions for delay in submission or for inclusion of false data. Comprehensive reform in this area, based on a political consensus of government and opposition parties is strongly advisable.

The recent changes to the law on the composition of electoral commissions could open the way for certain political parties (with a majority in Parliament or local government assemblies) to exercise a covert influence on the work of such commissions. Nonetheless, mutual supervision by delegates, the role of the media, and in the last resort legal remedies in the ordinary courts or the Constitutional Court ensure the fairness of parliamentary or local elections.

The State Audit Office is a professional body of the Parliament set up to control the legality, integrity and transparency of the financial affairs. The integrity and efficiency of the SAO could be improved by modification of defective regulations on conflicts of interest, limitation of the practice of advance notifications and introduction of post-employment restrictions. Governmental agencies should be urged to accept the recommendations of the SAO.

The Judiciary gained structural independence from the government and the parliamentary majority in 1997, but it is still vulnerable to pressure via the manipulation of its budget. The National Judicial Council (with a majority of judges) is responsible for the administration of the judicial system, but overlaps of personnel could weaken the integrity of its internal oversight mechanisms. Independence rather than transparency and accountability were the main focus of the recent reforms of the judiciary.

Poor career prospects and low admission requirements together with a lack of specialised expertise have been structural causes of corruption in law enforcement agencies since the transition. The weakness of technical and professional resources hampers the investigation and prosecution of high-level corruption cases.

The administrative regulation of public procurement cannot in itself prevent corrupt practices, since not only a wide range of discretionary powers and imprecise legal definitions, but even the actual abuse of strict formal requirements can result in systemic corruption. Strengthening the rules on civil law remedies, education, consciousness raising and stronger civil participation could reduce the unnecessarily high expenditures in public procurement proceedings.

In Hungary the institution of ombudsman is not a sector with a priority function in the fight against corruption, but the tasks of the ombudsman on data protection and freedom of information are of

vital importance for transparency of governance. The soft powers of the ombudsmen would have a greater impact if the organisations the ombudsmen address would be more open to, and ready to accept professional criticism, and if the ombudsmen's findings would be more effectively communicated towards the wider public.

Tasks and powers in the fight against corruption are distributed between the executive, legislative committees and law enforcement agencies. No specialised agency has been created solely for the investigation or prosecution of corruption, and bodies with only consultative powers have been established to co-ordinate and facilitate strategic planning.

In Hungary the situation of the media can be characterised as one of strong foreign ownership, a serious political press that is losing ground in the face of the growing circulation of tabloids, more commercial radio and television channels, a weak public media, a very low market share, and a deep divisions in the journalist profession. The legal basis for free and responsible journalism exists, and legislation in this sector is progressive, but the implementation of laws is imperfect, the licensing procedures are not transparent, political battles overflow into the media and many media outlets are openly biased towards one or the other political camp.

Recent legislative changes have considerably improved the position of the civil sector, especially with regard to accessibility of information of public interest, but only rarely are its organisations invited to be involved in the decision-making process of government organs, and then only on an arbitrary basis.

A very fragmented local governmental system has been established in Hungary as a reaction to the earlier forced amalgamation of localities under soviet-type local government authorities (In a country of ten million people there are 3,187 local government authorities.) Because of the heavy fiscal pressure on these bodies, weak regulation on conflict of interest and no satisfactory local control and auditing, there is a high risk of corruption in contracting out practices and utilisation of community assets.

Hungary is a party to conventions adopted against corruption, and participates in the work of every relevant international institution. International monitoring bodies, however, often reveal discrepancies of a minor nature between treaty-based obligations and internal legislation.

Corruption Profile

Roots and Causes

The political and economic transition in Hungary has been accompanied by widespread corruption. Shortage or bad allocation of resources, an over-bureaucratized legal system and public administration¹ and networks based on mutual favours² have remained structural causes of corruption. Society has undergone significant changes that have undermined generally accepted norms of behaviour (anomie) and strengthened tendencies towards corruption.³ In some sectors the change from planned economy to a liberal market system has altered the underlying structure of corrupt behaviour. In the shortage economy of socialism, the direction of corruption was from buyer to seller as buyers sought to obtain goods and services in short supply (quality food and imported goods). After the change of regime, the direction of corruption in several sectors (business, public contracting etc.) is from seller (entrepreneur) to buyer (client).⁴

Empirical Data

The Unified Criminal Statistics of the Police and Prosecution Service contain data on corruption offences (namely bribery and trading in influence) defined in Chapter XV Title VII and VIII of the Hungarian Criminal Code (HCC). During the last 15 years the number of detected corruption offences has fluctuated between 400 and 1000 per year, with sudden 'jumps' in the figures (e.g. 344 in 1991 and 782 in 1992, 955 in 2005 and 480 in 2006).⁵

These data, however, are misleading as a basis for any far-reaching or unambiguous conclusions on the actual situation of corruption in Hungary, and should be approached with the following factors in mind: a) Some categories of offences (e.g. breach of trust⁶ or official duties⁷) committed as a result of corruption are not registered as such in the system. b) Given the very high latency of corruption,⁸ figures on bribery and trading in influence (e.g. 480 in 2006) reflect only a fraction of the actual number of such offences.⁹ c) The sudden 'jumps' of the figures (e.g. 955 in 2005 and 480 in 2006) are usual associated with small statistical sets,¹⁰ and do not reflect general trends in the incidence of corruption. Just one case involving multiple offences (e.g. a serial bribery of custom and excise guards) can influence the statistical data disproportionately.¹¹ d) Yearly figures reflect only the number of corruption offences on which data is provided in the given year (the year in which e.g. criminal charges were brought).¹² Altogether, these limitations of the available data suggest that cases of corruption that have come to light represent only a small proportion of corrupt practices actually taking place, the majority of which remain undetected.

In the Transparency International (TI) Corruption Perceptions Index (CPI) Hungary's ranking and scores have remained almost unchanged in the last six years (see Table 1).

Table 1: TI Corruption Perceptions Index (CPI) Hungary¹³

	Score*	Confidence Range	Ranking	Number of countries on the list
2001	5,3	4.0-6.2	31	91
2002	4.9	4.0-5.6	33	102
2003	4.8	4.0-5.6	40	133
2004	4.8	4.6-5.0	42	146
2005	5.0	4.7-5.2	40	159
2006	5.2	5.0-5.4	41	163
2007	5.3	4.9-5.5	39	180

* on a scale from one to ten, a country completely free from corruption could get 10 points

According to the 2006 Gallup Corruption Index (GCI) Hungary is ranked 78th (with a score of 84 on a scale of 1 to 100).¹⁴ Hungary is perceived as less corrupt than other Central and East European

transition countries covered by the surveys,¹⁵ except Estonia, Slovenia and the Czech Republic.¹⁶ According to the Business Environment and Enterprise Performance Survey (BEEPS) conducted by the World Bank, 10 per cent of firms say that unofficial payments are frequent (half of the figure of 2002), and 25 per cent of firms indicated corruption as a problem when doing business (20 per cent in 2002).¹⁷

Main Areas of Corruption

The most common forms of corrupt practice in Hungary are of an administrative nature or stem from the symbiosis of political and economic interests.

Public officials, such as police or customs officers are often reported and caught on fraud charges. In the public health-care system a number of state-employed doctors use public hospital equipment and facilities for private profit. 77 per cent of survey respondents thought it was 'typical' for patients to give a gratitude payment or tip to hospital doctors¹⁸ for services to which they are entitled, and in most cases this practice is not viewed as unlawful either by patients or doctors themselves. The public associates policemen (especially in relation to traffic control, policing tax fraud and drugs¹⁹) and tax, custom and excise administrators with corrupt behaviour. 39 per cent of respondents consider it normal practice to pay a bribe to avoid a fine for traffic offences,²⁰ and 28 per cent think it 'typical' to pay extra for importing or exporting goods.²¹ It is common to pay for speedy registration at the land registry²² or for faster service from licensing authorities especially in traffic administration.²³

Parties, politicians, and mayors have also been reported for illegal and corrupt deals. Various studies have pointed out evidence highly suggestive of illegal campaign and political party funding.²⁴ In return of funding, parties when elected may repay 'donors' through favourable government policies and contracts.²⁵ Irregularities and non-transparent practices in privatisation, concessions, and public procurement tenders often come to light²⁶ and there are concerns that public funds can end up with political parties when businesses close to the parties win tenders and contracts.

The methodology employed in this report (see About the NIS) means that the fields analysed in the NIS study are not necessarily the ones that are perceived as most corrupt by the general public.

Anti-corruption Activities

The various government-initiated anti-corruption programmes in Hungary are partially the result of international pressure. The most influential source of pressure is the European Union (EU). While seeking EU membership, Hungarian governments participated in several anti-corruption actions initiated by the EU.

In 1992 a modern Law on the Protection of Personal Data and Publication of Data of Public Interest²⁷ was passed, the first in the post-communist region. This was followed in 2001 by the adoption of a comprehensive Governmental Strategy Against Corruption.²⁸ It included a wide range of proposals including a wide range of legislative instruments mainly concerned with conflicts of interest, property declarations, money-laundering, terrorism, and public procurement.²⁹ Many of these were embodied in legislation and partially implemented.³⁰ The strategy, however, took the 'traditional approach' to combating administrative corruption by focusing primarily on punitive measures instead of prevention.³¹ The largely formalistic solution of increasing maximum sentences³² was combined with provision of immunity for bribers or bribed who revealed the case to the authorities.³³ The strategy rather overestimated the power of legal regulations,³⁴ but also involved non-legislative measures including the introduction of ethics codes for public administration³⁵ (implemented only by some agencies³⁶).

Anti-corruption activities continued in 2002 with the establishment of the State Secretariat of Public Finance, designed to monitor public procurement procedures and ensure transparency in the handling of public finances. In 2003 the Parliament unanimously adopted the Glass Pockets Act to curb corruption by reinforcing guarantees of honest management of public expenditure and public property.³⁷ The initiative was in general positive but the subsequent implementation of the Act has been patchy. It brought several new legal provisions. The introduction of the concept of 'data of public interest' made available information that would allow the State Audit Office to trace and check public expenditure even in the private sphere, reducing the scope of the business confidentiality exceptions previously used to block investigation.³⁸ The programme also enlarged the category of individuals required to declare their personal assets. The regulations were amended to restrict the definition of business secrets in the case of private companies involved in the public contracting system,³⁹ made a wide range of data accessible on the Internet⁴⁰ and modernised the public finance information system.⁴¹ In 2003, a short-lived anti-corruption Ethics Council of the Republic was set up by the prime minister to propose anti-corruption legislation and a code of conduct for the civil service. A year later the State Secretariat of Public Finances and the Ethics Council were disbanded.

In 2005 a new Law on Freedom of Electronic Information was introduced, requiring public offices to make information of public relevance freely available on-line, but it has been implemented only partially. An amendment to the Law on Public Procurement banned local authorities from entering into contractual relations without prior open tender.⁴² Even though a Law on Lobbying was enacted in 2006 it has failed to make a significant contribution to the transparency of lobby activities, being too restrictive in scope⁴³ and in any case only partly implemented.

In 2007 the Government initiated a new approach to combating corruption by requesting the Minister of Justice to draw up a long-term 'strategic document', and a short-term 'programme of action'.⁴⁴ These documents are due to be formulated in detail by the Anti-corruption Co-ordination Body (ACB) established in August of 2007.⁴⁵ In view of the involvement of non-governmental public organisations and representatives of civil society in the work of the body (including TI Hungary), the new anti-corruption programme is expected to be an important step towards a widely accepted national strategy against corruption. The Anti-corruption Co-ordination Body is scheduled to produce an Anti-corruption Strategy by the end of 2007, and the government plans to make a decision based on its strategy by February 2008. On the basis of our experience so far, we reserve judgement on the effectiveness of the work of this organ. We must also mention the crucial role of non-government organisations in the fight against corruption.

Apart from the EU, multilateral donors, international institutions and NGOs have also played a part in forming the country's anti-corruption profile. These international institutions have promoted various anti-corruption initiatives demanding legal reforms aimed at transparency, accountability and the development of democratic institutions since the mid-nineties. They have established incentives to combat corruption and have targeted corruption either indirectly as part of attempts to ensure the effectiveness of their programmes, or directly as part of their main mission. Their

anti-corruption work ranges from providing technical or financial assistance to supporting the development of strategies and law.

Summarising the anti-corruption activities in Hungary up to the present, we can conclude that most of the efforts have been ad hoc measures responding to international requirements (EU, GRECO) or led by political interests. Most have been window-dressing actions which avoid tackling key issues. The absence of a comprehensive strategic approach that would guarantee steps going beyond the lifetime of any one government highlights the need for the real political will to combat corruption.

Evaluation of the NIS

Hungary has an institutional and regulatory system in conformance with EU standards to ensure transparency and accountability and minimise the risk of corruption. Conditions for EU membership placed a heavy burden on the country to reinforce the NIS to the point it is at today. Since the transition, important bodies have been set up (e.g. Anti-corruption Co-ordination Body), strategies have been elaborated (e.g. Governmental Strategy Against Corruption). Legislation has also been adopted in key areas (e.g. Glass Pocket Act, Act on Lobbying). However, the efficiency of these is questionable as necessary institutional structures and resources are often lacking or weak. Consequently strategies mostly remain documents and laws and regulations are not always implemented consistently.

A summary and evaluation of the main findings of this study must note that certain issues of crucial importance appear under almost every pillar as the most important deficiencies to be addressed for a better anti-corruption system. (For detailed information see Table 2 below.) These are:

1. There is no effective protection of whistle-blowers.
2. Codes of ethics and conduct are lacking in most institutions, and as a result rules on conflicts of interest, post-employment restrictions, gifts and hospitalities are also often missing or not rigorous enough.
3. Recruitment procedures are not transparent in several public institutions, leaving room for discretionary decisions instead of open competition.
4. Political influence is still too great in public administration structures.
5. Not all information that should be disclosed under freedom of information legislation in force is disclosed in practice.
6. At times, the findings of institutions playing a crucial role in anti-corruption procedures do not have much weight and are not implemented.

The most sensitive issues uncovered in this study are as follows.

Funding of political parties is the most important issue. Based on campaign cost analyses, a large proportion of financial resources political parties use, seem to originate from off-the-books contributions. Campaign and party finance regulations are not appropriate and monitoring and auditing of campaign finance leave considerable scope for abuse.

The State Audit Office is one of the most important anti-corruption institutions, but it does not always use its full authority and because of limited organisational and human resources, audits are not sufficiently frequent or broad. Moreover, the recommendations of the SAO are not always acted upon.

The performance of law enforcement agencies as pillars of the NIS is weakened by what appears to be high level of internal corruption (in the case of the police and the Customs and Finance Guard) and the lack of professionals specialised in the investigation of corruption-related crimes.

The system and regulation of public procurement is highly and perhaps overly complicated, and it leaves room for manipulation. A simpler system that is better enforced and monitored would improve the situation.

Not all data of public interest is made public. The Government Control Office plays a crucial role in anti-corruption measures, but its reports are not publicly accessible.

In the case of local governments, the areas of highest risk for corruption are public contracting and utilisation of community assets, basically due to fiscal pressure.

From regime change until the present day corruption has been tackled on an ad hoc basis and at the administrative level, avoiding politically sensitive issues indicating the absence and the weakness on behalf of the political class to seriously engage with the issue.

Table 2: Strengths and Weaknesses of the Hungarian National Integrity System

	Strengths	Weaknesses
Executive	Appropriate rules of functioning, checks and balances secured by the Constitution	Missing or weak regulations (civil co-operation, acceptance of gifts, uniform codes of conduct, post-employment and whistle-blowing provisions)
Legislature	Supreme power of the Hungarian Republic, exercising its rights based on sovereignty, secured by the Constitution	Missing or not sufficiently strict regulation of MPs (code of ethics, fees and accommodation cost compensation, conflicts of interest)
Political Parties	Freely formed, the main actors of free elections, formally and in practice independent	Public perception of high level of corruption; party campaign financing non-transparent. Possibility off-the-books contributions, campaign finance regulations not appropriate, monitoring and auditing of campaign finance unsatisfactory
Electoral Commissions	Independent authorities, working openly, public resolutions	Weak guarantees of independence in election procedures, electoral sanctions ineffective, no rules on gifts and hospitality
Supreme Audit Institution	Independence guaranteed by the Constitution, perceived as objective and impartial	Not pro-active enough, limited organisational and human resources for necessary frequency and efficiency of audits, proposals and recommendations are not always acted on by institutions addressed
Judiciary	Independence in procedural and institutional terms provided by Constitution	Recruitment process not sufficiently transparent (leaves space for discretionary decisions), uneven workload within judiciary, no ethical norms in cases of gifts being offered, no anti-corruption strategy within the judiciary
Public Sector Agencies	Regulations ensure legal basis of working for the state, special provisions intend to prevent political interference	Recruitment policies are not competitive enough, no code of ethics, no comprehensive gift and hospitality policy, no regulation on whistle-blowing
Law Enforcement Agencies	Legal authorisation to detect corruption cases	Unsatisfactory performance, reorganization since 1990 not far-reaching enough, weak technical capacities at the police and the prosecution office to investigate complicated cases of corruption
Public Contracting	Electronic procurement system introduced, all documents not containing business secrets are public	Highly complicated acts on public procurement, discretionary power to set special provisions or conditions in tender invitations, anti-corruption clauses missing in tendering documents, unclear definition of abuse of business secrets can be misapplied and is often used to illegitimately deny public access to contracts

	Strengths	Weaknesses
Ombudsman	Legal foundation for general and specialised parliamentary commissioners set in the Constitution, independence guaranteed by rules of incompatibilities, immunity and property declaration	Selection process can be influenced by political intentions of parties, no post-employment restrictions, decisions of ombudspersons not necessarily taken into account
Government Anti-Corruption Agencies	A number of government agencies vested with control, supervisory and auditing functions	Reports of GCO not publicly accessible, no whistle-blowing protection, ACB's work not public enough
Media	Legal foundation for free and reliable work of journalists, progressive legislation	Imperfect implementation of legislation, licensing procedures not transparent, political battles and influence overflow into the media
Civil Society	Significant growth and development since the change of the political regime	Dependent on state resources, can be used for tax evasion or money laundering
Regional and Local Governments	Small size, wide-scale public service management, economic development and public administration functions created at the local level	No standard local conflict of interest regulations and codes of conduct, no specific agencies to deal with corruption, highest-risk areas of corruption are contract practices and utilisation of community assets
International Institutions	Crucial role (especially the EU) in setting the institutional and regulatory system of anti-corruption	Often over-bureaucratised

Priorities and Recommendations

Detailed recommendations for each pillar of the NIS appear below.

The most important recommendations are:

More rigorous regulation of political party funding is necessary.

The simplification and better enforcement of public procurement legislation is recommended.

Effective protection of whistle blowers should be introduced.

The role and performance of law enforcement agencies should be strengthened.

Transparency in the functions and mechanisms of local governments should be strengthened and political influence over their work should be reduced.

Implementation of the proposals of the State Audit Office should be enhanced.

A code of ethics, including rules on conflicts of interest, gifts, hospitality and post-employment restrictions should be established and implemented in all pillars of the NIS.

Disclosure of data of public interest should be enhanced, and sanctioning mechanisms for non-compliance should be considered.

A consistent, long-term anti-corruption programme should be developed and implemented.

Executive

A code of ethics should be adopted for the civil service as soon as possible, including detailed regulations on receipt of gifts and post-employment (including in parties) for civil servants working in the executive.

A functioning whistle-blowing structure and effective protection for each whistle blower civil servant and public employee should be introduced

The impact of the introduction of the new evaluation and remuneration system on the operation of the executive and the work of civil servants must be rethought.

More transparency is needed concerning the process for drafting legislation as well as a more proactive approach to the implementation of the Electronic Information Act.

The control powers of the Parliament over the execution of the budget should be strengthened.

A well-formulated and functioning framework should be developed to give voice to civil society organisations through consultation in policy making.

The prime minister's office should publish all asset declarations on its website – as is prescribed by law.

The asset declaration system must be revised in general. More transparency, monitoring and sanctions for non-compliance are needed to make it effective.

Legislature

Ad hoc committees and select committees should be provided with the necessary tools in order to fulfil their tasks.

In the case of fact-finding committees established on the subject of corruption, trading in influence or the use of public funds, an effort must be made for political compromise in order that the committees are not used to disguise inactivity and instead demonstrate a true willingness to investigate.

The salary system for MPs should be more transparent and the practice of compensating without appropriate documentation should be stopped.

A code of ethics for MPs is necessary and a general awareness-raising campaign should target MPs to clarify issues related to offering and accepting gifts and favours and lobbying.

Parliament should ensure that MPs do not abuse their immunity to prevent legitimate investigations and that evidence is gathered in a timely manner.

Due consideration should be given to the idea of amending legislation so as to enable investigations in cases concerning parliamentarians as alleged offenders.

With respect to areas of legislation that must be adopted by absolute majority, serious consideration should be given to better and more meaningful co-operation among political forces, both from the government and opposition, so as to give true power to the Parliament.

The scope of the Act on Lobbying should be extended to include any person or organisation that seeks to influence legislation or its implementation on behalf of a private interest.

Political Parties

An new effective, transparent and rigorously enforced regulation of campaign and party financing should be the top priority, including rigorous regulation of the use of government advertising/public relations.

The unrealistic 386 million-forint campaign spending limit, which drives campaign financing off the books, should be eliminated and a more specific definition of what should be considered as campaign costs should be provided.

The disclosure of campaign costs should be far more detailed to enable effective monitoring of revenues and expenditures.

Third-party payment of campaign costs should be banned.

The SAO should be authorised to conduct actual investigations of parties' finances.

Stricter conflict-of-interest rules for local government representatives should be introduced (at a minimum, comparable to those applying to MPs).

Binding limits and disclosure rules on hospitality should be introduced and monitored.

Rules on gifts should introduce annual caps as well as reduce the value of gifts acceptable per occasion.

Electoral Commissions

It should be considered that an independent institution have the right to nominate elected members of the committee on elections procedure in order to improve members' independence and thus diminish political/governmental influence.

Consideration should be given to rules requiring non-public property declarations in the case of the elected members of election committees.

The system of sanctions in election procedures should be revised as in practice it is not effective.

Supreme Audit Institution

The SAO should use its powers and authorities in a more pro-active manner.

Better organisational and human resources should be allocated to the SAO for more frequent and efficient audits.

The present practice of notifying concerned organisations in advance of audits should be discontinued.

The possibility of re-electing the president of the SAO should be eliminated.

Consequences of SAO's proposals and recommendations should be clarified and strengthened.

Confidentiality obligations should be introduced as post-employment restrictions.

Judiciary

A list of objective criteria for recruitment should be set and made publicly available before the recruitment process begins. Transparency rules should be further elaborated and respected in the process of selecting legal clerks as well as judges.

At local courts employing only a small number of judges, special emphasis should be placed on avoiding the possibility of outside influence due to the fact that judges are, in practice, often acquainted with local legal professionals.

The powers of the presidents of the courts should be reviewed so as to clearly identify rules to facilitate effective administrative control while maintaining independence and impartiality of judges in the relevant court. Improving accountability should include strengthening transparency in internal election processes and giving more power to democratic bodies such as judicial councils.

The workload within the judiciary should be balanced and fair so as to facilitate the consideration necessary in important cases. This should also be reflected in the evaluation of a judge, placing less emphasis on statistics in cases of excessive workload.

Clear ethical norms should provide guidance on cases in which judicial officials are offered gifts, including small-value gifts.

The efforts of the Academy to provide anti-corruption training should be made a priority. The NJC should urgently take steps to ensure that possible cases of corruption do not remain hidden within the judiciary by developing an anti-corruption strategy, making existing polls public and, if necessary, conducting further research to assess potential sources of risks and patterns of corruption. The database of the NJC is a significant opportunity to improve transparency, and therefore enhancing the database should be a priority, including in financial terms.

Civil Service/Public Sector

Political and non-political functions within the civil service should be clearly separated: the practice of filling senior civil service positions with political appointees should be discontinued. A code of ethics should be adopted for the civil service as soon as possible, including a comprehensive gift and hospitality policy and regulation on post-employment, so that civil servants are prevented from using insider knowledge for private business ventures. A functioning whistle-blowing structure and protection for all whistle-blowers within the civil service should be introduced. Implementation by ministries of the e-FOI Act is problematic, and therefore it should be reinforced. Steps have been taken towards competitive recruitment policies in the civil service, but these should be strengthened in terms of the transparency of discretionary decisions and the results of each procedure. Further measures are necessary in order to make the new system of performance reviews effective, such as familiarising civil servants with the systems' goals and background and instructing them on the confidential nature of surveys. The tradition and regulations concerning short-term employment in a given timeframe should be reconsidered, as they weaken the integrity of the civil service. Frequent amendments to the Civil Servants Act and the Public Employees Act should be avoided.

Law Enforcement Agencies

The technical competence and resources of units investigating corruption and financial crimes should be reinforced. Corruption within law enforcement agencies should be reduced. Confidentiality of law enforcement data must be revised to ensure maximum transparency. Government Decree 16/1999 (II. 5.) Korm. on providing private security services by public police should be repealed.

Public Contracting System

The Public Procurement Act should be simplified and at the same time it should be more vigorously enforced and its implementation monitored. After simplification, frequent amendments to the law, as has been the practice in the past, should be avoided to avoid legal uncertainty. As several unreasonable formal and material requirements can lead to some tenderers being excluded from competition, the law should be reviewed to avoid restriction of competition. Tendering companies should be obliged to implement a code of ethics. By current regulations, the public procurement procedure can be declared unsuccessful if the higher authority withdraws financial support. Abuse of this authority, which favours one company, should not be permitted by law. A monitoring system for public procurement procedures should be developed. There must be guarantees of the independence of the Public Procurement Arbitration Committee. The present appeals system is not sufficiently effective, as under the existing regulations the company searching for remedy and damages may have to turn to five different forums. The number of forums should be reduced and those remaining should be provided with the necessary financial support in order to settle disputes more efficiently.

Ombudsman

All findings and recommendations of the ombudsmen should be acted upon by the organisations to which they address.

The possibility of re-election of ombudspersons should be discontinued.

Post-employment restrictions should be instituted, especially in connection with positions in which appointment depends on governing parties.

The budgetary process should be changed in order to guarantee the budgetary independence of the ombudspersons. Consideration should be given to the possibility of enabling the ombudsperson to determine his/her own budget and obliging the government to provide justification before Parliament of any modification.

In accordance with the autonomy of the specialised ombudspersons, the budget should be determined separately.

Similar to the practice of the general ombudspersons, the specialised commissioners should publish their cases (except for personal data) on their website. This obligation could be prescribed in the Act.

Government Anti-Corruption Agencies

The GCO should immediately implement the recommendations of the data protection and freedom of information commissioner issued at the end of 2005. Among the recommendations, the following is to be reiterated: 'I ask the president of GCO to pick out those passages of the reports that do not contain classified information, and to make them available to anyone desiring to access such data of public interest.'

In addition to the Commissioner's recommendations, all GCO reports should be published online. Any proposals for the government that are regarded as preparatory data for governmental decision may be blacked out, while all post facto assessments should be public.

Hungary has no whistle-blower protection at all. A new Act on Classified Information is to be adopted in 2007, but its drafts do not contain whistle-blower measures. Protection should be provided to civil servants who learn of acts of corruption by handling classified information and are willing to disclose it to responsible independent bodies through a clearly defined procedure.

The publicity of the ACB's work should be monitored. The ACB should involve the broadest possible public in its work by disclosing all information. It should request participation by accepting the opinion of anyone who is willing to provide expertise on ACB strategies and proposals. The ACB should publish all studies, documents and reports created or commissioned by any state institution over the past few years.

Cooperation among government agencies vested with control, supervisory and auditing functions should be improved.

Media

Implementation of media-related legislation should be enforced.

Regulations on state and service secrets must be amended to avoid governmental abuses in which data of public importance is classified for excessively long periods.

Regulations on using material from third parties should be revised to enhance investigative journalism.

Rules on disclosure of data of public interest (disclosure of public information) should be more efficient in order to ensure a real possibility for the public, including journalists, to request and receive information within a short period of time. Sanctions should be developed applying to cases when regulations are not fulfilled.

Licensing procedures of the National Radio and Television Board, media contracts and the work of the Complaints Committee should be more transparent.

Court procedures should be more consistent so that all parties (journalists, lawyers, judges) have a clear picture of the application of existing regulations.

Civil Society

Control of performance of public benefit organisations' tasks should be strengthened.

A central and publicly available database on registered organisations is necessary. NGOs should adopt conflict of interest rules, particularly in the case of civil society organisations that receive public funding.

Regional and Local Governments

The conflicting positions of elected politicians and the chief administrative officer should be reconciled through more administrative and professional/technical support to CAOs, who are the local 'guardians of legality'.

In the market environment, local government with significant business property of its own needs technical support and improved professional capacity to deal with issues of public-private partnerships, assessment of complex business models and managing cost-benefit analysis.

Local government influence over growing public utility companies and holdings of community service provision must be increased by introducing controlling and management information systems by cost/profit centres.

Public procurement practices should be improved by making the entire decision-making process over tendering more transparent and by using e-procurement techniques.

Standard local conflict of interest regulations and codes of conduct should be disseminated among local governments. On the basis of these, codes tailored to local circumstances and specificities should be adopted.

Administrative accountability should be improved through horizontal networks: technical support to professional associations for establishing systems of performance and financial benchmarks.

A fiscal information system should support local decision-making. At the local level, public fiscal reports should be made available for independent policy research and policy design by the Ministry of Finance or the State Treasury.

Internet-based information-sharing should be supported in small towns and villages.

Design and extended use of citizens' charters should be initiated and publicised.

Rules of post-public employment must be adjusted to local conditions.

International Institutions

Additional technical and financial assistance is necessary from IIs for the successful implementation of anti-corruption laws.

Websites of IIs active in Hungary should have relevant pages translated into the local language; codes of ethics and conflict of interest regulations should be widely accessible for Hungarians.

Notes

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