Corruption and Anti-corruption Policy in Hungary
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Corruption and anti-corruption policy in Hungary

EXECUTIVE SUMMARY

Hungary has been perceived as one of the least corrupt post-communist states on various international measures. Official statistics show more convictions in Hungary than in other candidate countries, although this probably indicates more effective enforcement rather than more corruption. Domestic surveys of perception indicate widespread corruption in healthcare in particular, followed by traffic police, customs and central State administration. This report identifies three negative trends under the 1998–2002 Government of Viktor Orbán, notably diminishing accountability and openness, increasing politicisation of appointments to key institutions and a tendency to violate the spirit if not the letter of public procurement regulations. While many of these developments are not direct evidence of corruption, reduced openness and weaker accountability mean that corruption has become harder rather than easier to monitor and that individuals may face fewer disincentives to engage in corruption.

In the period since 1998, the Hungarian Government has introduced a number of changes to anti-corruption legislation that meet international criteria, and adopted a resolution on anti-corruption strategy in March 2001. The measures adopted under the Orbán Government seek to prevent opportunities for corruption in the civil service and punish more strictly particular types of corrupt acts. The legislation has had some positive effects, particularly at the lower level. However, at the same time the Government has neglected to create a more transparent overall environment in which corruption is less likely to occur.

The European Commission has identified corruption and organised crime as one of the main institutional problems facing Hungary, and has recently focused on public procurement in particular. The Commission has not provided financial support to anti-corruption policy specifically.

Anti-corruption legislation in Hungary is advanced, and the country has ratified all international conventions on corruption with the exception of the Council of Europe Civil Law Convention on Corruption. There is no general law on conflict of interest or asset declarations, but individual laws exist for the executive, civil service, MPs, judges and prosecutors. Hungary has made significant progress towards establishing an
integrated system of State financial control, although the Commission has identified a number of areas where further progress is required. Three parliamentary ombudsmen exist and have been independent and critical, although their findings are not always respected.

Civil service reform has been in progress since 1994. However, the legal framework has not prevented continuing political appointments, and candidates with strong connections to FIDESZ-MPP, the governing party from 1998 to 2002, were increasingly appointed as heads of various governmental bodies, State-owned companies and quasi-governmental organisations. Procedures for appealing against administrative decisions are in place. Conflict of interest provisions forbid civil servants from holding executive positions in private companies, but not from being employed by them. Since 2001 civil servants and senior functionaries have had to submit declarations of interests, income and assets. However, there are still gaps in the conflict of interest provisions, while the asset declaration provisions rely on a dysfunctional procedure for submitting complaints, and there are no sanctions for submitting false information. A Code of Ethics for civil servants was under preparation as of May 2002.

The openness and accountability of the executive has diminished since 1998: access to information has been increasingly restricted, especially in the area of public procurement. Evidence of corruption is sporadic, although there have been several important scandals in recent years involving ministers, and particularly the allocation of public contracts through the Hungarian Development Bank.

Parliament’s role in scrutinising the executive has been undermined since 1998 in several ways, notably through the introduction of a two-year State budget (a practice to be ended from 2003), and reductions in plenary sessions and time for parliamentary questions. MPs are subject to limited conflict of interest provisions and must declare business interests, income and assets. However, the mechanisms for scrutinising assets are weak, there are no sanctions for providing false information, and the provisions do not appear to command much respect among MPs. Immunity provisions for MPs have been increasingly undermined in a way that threatens parliamentary debate, through increased defamation and civil law suits against MPs. There is little direct evidence of corruption of MPs.

Hungary has made major progress in putting in place the legal framework for a truly independent judiciary. However, the Government’s commitment to judicial independence has been suspect, and there have been indications that some court and prosecution decisions have been politically influenced. In particular, the resignation and replacement of the Prosecutor-General in 2000 has raised concerns about the independence of the institutions responsible for investigating corruption.
There is significant evidence that covert funding of political parties is widespread. Although funding regulations are relatively strict, supervision of party funding is largely formal and State subsidies are regarded as insufficient. The use of Government advertising to promote the governing party appeared to be a particular problem prior to the 2002 elections.

Public procurement has been subject to increasing criticism in recent years. The Government has extensively made use of the Hungarian Development Bank to allocate major contracts – in particular massive public investment in the motorway construction programme – thereby avoiding public tenders. While acknowledging that procurement legislation is largely aligned with EU directives, the European Commission has strongly criticised this practice. In general, while mechanisms of supervision of procurement are relatively well established, corruption appears to remain widespread.

Corruption is an important problem in a number of Hungarian public services, in particular healthcare and the allocation of licenses and permits. Corruption in the police has been regarded as widespread, particularly in the traffic police, although recent reforms may have improved the situation. The Customs and Finance Guard has been carrying out important reforms *inter alia* to reduce corruption. As far as the tax authorities are concerned, their extensive powers and discretion may be an important source of corruption. Corruption does not appear to be such an important problem in the education system.

Although press freedom is guaranteed, there are a number of serious concerns related to the ability of the media to perform its watchdog role. Freedom of information legislation is in place, but access to information in practice is problematic, and vague provisions on State secrets may have been used to intimidate journalists. Regulation of public broadcasting has been put in doubt by the dominance on boards of trustees by appointees from the governing party, while personnel policy at Hungarian Television has been strongly motivated by political criteria, and the allocation of private broadcasting licences has given rise to concerns about political influence. Between 1998 and 2002 the Government made concerted efforts to support the right-wing press, and foreign journalists have come under pressure after criticising the Government.
1. INTRODUCTION

Hungary is ranked as one of the least corrupt EU candidate countries on various international measures. Domestic surveys of perceptions indicate widespread corruption in healthcare in particular, followed by traffic police, customs and central State administration. This report identifies three negative trends under the 1998–2002 Government of Viktor Orbán, notably diminishing accountability and openness, increasing politicisation of appointments to key institutions and a tendency to violate the spirit if not the letter of public procurement regulations. While not direct evidence of corruption, these developments have contributed to an environment that may be more vulnerable to corruption.

1.1 The data and perceptions

Statistics show the number of persons convicted for bribery and trafficking in influence to be fairly stable over recent years (see table below).

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of detected crimes of bribery and trafficking in influence</th>
<th>Number of persons convicted for bribery and trafficking in influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>902</td>
<td>274</td>
</tr>
<tr>
<td>1999</td>
<td>609</td>
<td>289</td>
</tr>
<tr>
<td>2000</td>
<td>650</td>
<td>274</td>
</tr>
<tr>
<td>2001</td>
<td>836</td>
<td>not available</td>
</tr>
</tbody>
</table>

Source: Ministry of Justice.

However, such data are a notoriously poor guide to the actual level of corruption since they depend on factors such as the efficiency of the penal system. Other measurement methods rely heavily on the perceptions of respondents to surveys.

International surveys

Hungary has generally performed well in international surveys of corruption, especially relative to other transition countries. Transparency International’s Corruption Perception Index (CPI) ranked Hungary 31st out of 91 countries in 2001, with a score of 5.3 (on a scale where ten is least corrupt and 0 most corrupt). This marks Hungary out as a regional leader, less corrupt than all other Central and East European transition countries covered in the survey except Estonia. Hungary’s score has remained stable: 5.2 in 1997, 5.0 in 1998 and 5.2 in 1999 and 2000.

According to the EBRD/World Bank’s 1999 Business Environment and Enterprise Performance Survey, 32 percent of firms in Hungary report paying “irregular payments
to get things done” frequently, mostly or always.¹ Procedures to obtain licences and permits are identified as the area where unofficial payments are most frequent and highest, with around 25 percent of respondents reporting a need to make a payment sometimes, frequently, mostly or always. Eight percent of firms reported that they have to pay to influence the content of new laws, decrees and regulations. More than one-third of firms reported paying unofficial payments to public officials equivalent to one to 25 percent of revenues on average per year.²

**Domestic surveys**

There have been no surveys of citizens’ experience of corruption in Hungary. The Government commissioned the Gallup market research agency to carry out a number of surveys of perceptions of corruption from December 1999 to autumn 2000, within the framework of the Global Programme against Corruption. Gallup’s nationwide survey of the public in April 2000 (n=1839) found that payment of bribes is rife in the public services, particularly healthcare and the traffic police, and in local government authorities with responsibility for issuing permits and licences. Surveys conducted by another Hungarian research institute, Tárki, found that 81 percent of adults think it is necessary to break “the rules” to be successful, and 93 percent think that those who break the rules need not face judicial consequences.

Gallup’s focus groups with judges, mayors and business people in this period produced the following conclusions about the general situation:³

- Since 1990, “business interests have encroached upon politics. Attempts at separating the two spheres have failed so far. This is one of the main sources of large-scale corruption in the country.”
- Implementation of laws is weak: “even if the laws are consistent, institutions are not strong enough, and not dedicated enough, to implement the laws.” Moreover, “better law enforcement itself would not suffice. Even the best laws cannot be enforced if the economic and social conditions that would enable the citizens to observe the laws are not given.”
- The “over-bureaucratised legal system and public administration” is a “hotbed of corruption” and radical deregulation a priority. Participants felt that reforms were proceeding too slowly since they were not in the interests of the ruling elite.

² 29.4 percent of respondent firms report paying one to ten percent of revenues on average per year and 9.8 percent pay 10–25 percent.
The ruling elite sets a bad example for the rest of the population by ignoring laws and court rulings and failing to resign after being found guilty of corruption.

While privatisation had previously been the main area of high-level corruption, public tenders and the allocation of positions in the public administration are now becoming key loci of corruption.

In interviews with the managers of 520 small and medium-sized companies (hereinafter SMEs) in Budapest, Gallup found that the business operations of one-third of enterprises are significantly hindered by corruption and those of another one-third moderately hindered. Thirty-two percent of the SMEs reported receiving offers or requests for bribes.4

1.2 Main loci of corruption

The main institutions associated with corruption, according to the sources consulted in preparation of this report, are the healthcare system (see Section 8.4), the traffic police (Section 8.1), and the civil service (Section 3). These findings tally with the perceptions of respondents in a 2000 Gallup survey on public institutions cited in Table 2.5

Table 2: Public perceptions of the incidence of corruption in public institutions

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Budapest</th>
<th>county town</th>
<th>other town</th>
<th>village, farmstead</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital doctors</td>
<td>77</td>
<td>78</td>
<td>78</td>
<td>81</td>
<td>72</td>
</tr>
<tr>
<td>Hospital nurses</td>
<td>62</td>
<td>74</td>
<td>60</td>
<td>56</td>
<td>59</td>
</tr>
<tr>
<td>General practitioners</td>
<td>59</td>
<td>72</td>
<td>50</td>
<td>56</td>
<td>59</td>
</tr>
<tr>
<td>Children’s doctors</td>
<td>58</td>
<td>68</td>
<td>52</td>
<td>56</td>
<td>58</td>
</tr>
<tr>
<td>Traffic Police officers</td>
<td>39</td>
<td>53</td>
<td>35</td>
<td>33</td>
<td>37</td>
</tr>
<tr>
<td>Police – Traffic Police Authority</td>
<td>28</td>
<td>36</td>
<td>25</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>Customs and Excise Authority</td>
<td>28</td>
<td>23</td>
<td>30</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Ministries</td>
<td>20</td>
<td>14</td>
<td>18</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Police – other branches</td>
<td>19</td>
<td>24</td>
<td>13</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Market Supervision Authority</td>
<td>18</td>
<td>25</td>
<td>19</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Bank Credit Departments</td>
<td>16</td>
<td>14</td>
<td>11</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Traffic Supervision Authority</td>
<td>16</td>
<td>17</td>
<td>15</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Public Grounds Supervision Authority</td>
<td>14</td>
<td>24</td>
<td>16</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>State Public Health and Medical Officer Service</td>
<td>14</td>
<td>18</td>
<td>13</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Consumer Protection Authority</td>
<td>13</td>
<td>14</td>
<td>11</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>Courts</td>
<td>13</td>
<td>8</td>
<td>8</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Municipality – Technical Department</td>
<td>13</td>
<td>19</td>
<td>14</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Public notaries</td>
<td>13</td>
<td>13</td>
<td>10</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Inland Revenue Office</td>
<td>13</td>
<td>15</td>
<td>10</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>National Health Insurance Fund</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Court of Registration</td>
<td>11</td>
<td>8</td>
<td>8</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Municipality – Property Department</td>
<td>10</td>
<td>13</td>
<td>12</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Municipality – Social Department</td>
<td>10</td>
<td>14</td>
<td>10</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Land Registry</td>
<td>10</td>
<td>11</td>
<td>9</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Municipality – Housing Management</td>
<td>10</td>
<td>20</td>
<td>7</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Social Security Office</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Municipality – Client Relations</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Municipality – Education Department</td>
<td>6</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Municipality – other</td>
<td>6</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Gallup Hungary.

6 The numbers represent the percentage of given segments of the population that believed corruption of the groups listed in the left-hand column to be “typical” or “highly typical.”
Gallup’s April 2000 nationwide survey shows that, depending on the department, six to 13 percent of participants thought that local authorities were corrupt. However, Gallup’s survey of over 400 local authority employees in five municipalities revealed that 78 percent of respondents believed that “informal, unwritten rules” operate in at least 80 percent of municipal proceedings, and that gratuities are paid in one-fifth of proceedings within the authorities’ mandate.7

In addition, two activities which are associated with high levels of corruption are public procurement (Section 7) and the issue of licences (Section 8.6). A Gallup survey of 520 SMEs supports this (see Table 3).8

Table 3: Percentage of respondents (from SMEs) rating corruption levels as “high”

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage of “high” answers from companies surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>State investments</td>
<td>53</td>
</tr>
<tr>
<td>Public procurement</td>
<td>53</td>
</tr>
<tr>
<td>Obtaining technical (MOT) papers for a vehicle</td>
<td>46</td>
</tr>
<tr>
<td>Obtaining municipal permits</td>
<td>41</td>
</tr>
<tr>
<td>Obtaining business licenses</td>
<td>38</td>
</tr>
<tr>
<td>Customs clearance of goods</td>
<td>37</td>
</tr>
<tr>
<td>Obtaining goods and services from the Government</td>
<td>36</td>
</tr>
<tr>
<td>Environmental protection regulations and their fulfilment</td>
<td>30</td>
</tr>
<tr>
<td>Residence and work permits</td>
<td>26</td>
</tr>
<tr>
<td>Obtaining goods and services from private companies</td>
<td>20</td>
</tr>
<tr>
<td>Work safety regulations</td>
<td>18</td>
</tr>
<tr>
<td>Health care regulations</td>
<td>17</td>
</tr>
<tr>
<td>Court / legal cases</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Gallup Hungary.

In addition, public procurement has been identified as an area of concern by a number of international organisations, as discussed in Section 7.

1.3 Government anti-corruption policy

Hungary volunteered to be a test case in the UN Global Programme against Corruption in 1999. A Memorandum of Understanding signed by Hungary and the relevant UN organisations in June 1999 set out six aims. These amounted to the design and execution of an assessment of corruption, followed by evaluation, analysis and discussion at an international seminar. The Government adopted a resolution on its anti-corruption strategy in March 2001. The strategy identifies some circumstances that facilitate corruption and resolves to examine ways in which the scope for corruption can be reduced, primarily by altering the law. The measures adopted between 1998 and 2002 have sought to prevent opportunities for corruption in the civil service and punish more strictly particular corrupt acts.

The Government has made good progress in implementing its strategy. Of 14 measures identified as requiring legislative tasks, nine have been acted upon. The changes include amendments to the Public Procurement Act, a new act requiring public servants to submit property declarations and an increase in the penalties for bribery. Parliament has also adopted Act no. 83/2001 on combating terrorism and tightening provisions on money laundering. An important complement to the strategy is the Government’s 2001 decision to substantially increase the salaries of public officials and law enforcement officials.

These measures may have had some positive effects, particularly at the lower level of public administration. However, the strategy’s recommendation to improve monitoring of the sources of donations to political parties has not yet led to action. A Board against Corruption proposed in the strategy, with members to be invited by the Minister of Justice, Minister of Interior and the Minister leading the Prime Minister’s Office, is expected to be established in 2002.

The anti-corruption strategy is an important contribution and will help to exert pressure on the employees of public institutions and members of the public to conform to the law. Critics of the strategy have argued, however, that it concentrates on corruption in the private sector and public services, while failing to address high-level political corruption, and that it takes a rather conservative approach designed largely to address EU concerns. The Ministry of Justice initially consulted with the Hungarian

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10 Interview with Dr Zoltán Márki, Assistant Secretary of State, Ministry of Justice, 21 December 2001.
11 According to Dr Márki.
chapter of Transparency International, but did not include it in the drafting process. In particular, the Government has neglected the need to create a more transparent environment in which corruption would be less likely to occur, as individual sections of this report illustrate.

1.4 The impact of the EU Accession Process

The European Union has consistently noted the prevalence of corruption in Hungary as a problem. The 1997 Opinion on Hungary’s Application for Membership identified “the impact of organised crime on the state, including some corruption” as one of the main institutional problems. It recommended strengthening the system for training judges and commented that efforts to combat corruption needed to be made more effective. In 1998, the Commission noted that, “Hungary continues to be confronted with corruption problems.” In 1999, corruption was identified as one of two problems Hungary faced in meeting the Copenhagen political criteria. The report noted that the number of recorded cases of corruption had increased by four percent over the previous year. In 2000, the Commission found that, “despite a number of important measures taken to fight corruption, this remains a problem and renewed efforts should be made to address this issue.” In 2001, the Commission described “a continuous negative background of corruption which could undermine the trust of the citizens in the democratic institutions.”

Public procurement was first identified as an area of concern in the 1999 Accession Partnership, Hungary having been commended the previous year for its transparent application of public procurement rules. Even in 1999, the recommendations focused on harmonisation with the acquis communautaire and the abolition of national preferences, rather than on corruption. The 2000 Regular Report criticised public procurement practice more heavily, focusing on the area of motorway construction. The Commission found that, “the Hungarian authorities have not applied the normal public procurement procedures required under national law,” but instead negotiate

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12 According to the comments of TI Hungary’s President at OSI Roundtable Discussion, Budapest, 3 April 2002. Explanatory note: OSI held a roundtable meeting to invite critique of the present Report in draft form. Experts present included representatives of the Government, international organisations, and civil society organisations. References to this meeting should not be understood as an endorsement of any particular point of view by any one participant.


14 Commission, 1999 Regular Report, p. 76.

with a small number of companies, “suggesting a lack of transparency and giving the impression of corruption.”16 This problem had not been resolved by 2001, when the Commission stated its disapproval more forcefully:

A particular effort is needed to ensure transparency of public procurement at all levels, including at lower levels of Government, and in all sectors, in particular as regards major public infrastructure works such as road construction. The _acquis_ does not allow for the circumvention of basic procurement principles, including the obligation to tender, by the manner in which contracts are structured or by delegating the implementation of public works to nominally private but state-controlled agencies.17

Regarding the judiciary, the Commission noted in 1998 that new legislation had consolidated the separation of the judiciary from the executive and improved training for judges.18 The 1999 _Regular Report_ highlighted successful efforts to implement the 1997 judicial reform. The 2001 _Regular Report_ noted modernisation of the Court Information System and an improvement in overall efficiency of court procedures, but found that the courts were still overburdened. The Commission also found that funding for the judiciary had declined, “contrary to what would be needed in the light of the increased number of judges and their increasing tasks.”19

Overall, the Commission has tended to focus on the implementation and efficacy of governmental anti-corruption measures, rather than areas of corruption outside such strategies:

<table>
<thead>
<tr>
<th>Year of Report</th>
<th>Anti-corruption achievements noted by the Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>The introduction of stricter rules for economic crimes. Adoption of laws on the conduct of senior officials and on public procurement.</td>
</tr>
<tr>
<td>1999</td>
<td>Amendment of Penal Code to allow stricter punishment of corruption. Establishment of anti-corruption units at the national headquarters of the police and at regional border guard directorates. Conclusion of anti-corruption cooperation agreement between Hungarian and Romanian border guards. Review of legislation underway to identify “loopholes which provide potential for corruption.” Agreement on cross-border crime and corruption with South-East Europe Cooperation Initiative.</td>
</tr>
<tr>
<td>2001</td>
<td>Government approved anti-corruption strategy containing modifications to existing laws and recommending a new law on lobbying. High-ranking civil servants and their families required to make property declarations. MPs obliged to make asset declarations annually. New police unit created to combat bribery of officers on street duty.</td>
</tr>
</tbody>
</table>

The European Commission has not provided financial support specifically for anti-corruption activities. However, a new multi-country anti-fraud programme is to be set up by mid-2002, for which Hungary will receive €1m from the PHARE budget. This aims to strengthen capacity to fight against fraud, enhance cooperation and coordination activities and improve the exchange of information about frauds and irregularities affecting the financial interest of the European Community. The EU has helped Hungary strengthen administrative capacity and develop the administration through its twinning scheme under the PHARE financial assistance programme.

The most important international influence on anti-corruption policy in Hungary has been the United Nations (see Section 1.3). Hungary is a member of the Group of States against Corruption (GRECO), organised under the auspices of the Council of Europe. GRECO carried out a first evaluation of Hungary in October 2001, but the report had not been published as of July 2002.

2. INSTITUTIONS AND LEGISLATION

Anti-corruption legislation in Hungary is advanced, and the country has ratified all international conventions on corruption with the exception of the Council of Europe Civil Law Convention on Corruption. There is no general law on conflict of interest or asset declarations. Hungary has made significant progress towards establishing an integrated system of state financial control, although further progress is necessary in a number of areas. There are no specialised anti-corruption bodies. Three parliamentary ombudsmen exist and have been independent and critical, but their competencies have recently been limited and their findings are not always respected.

2.1 Anti-corruption legislation

Act no. 4/1978 of the (many times amended) Hungarian Criminal Code specifies that:

Corrupt practices (accepting bribes) are committed by an official who asks for or accepts advantage or a promise thereof in relation to his or her official activities, or makes an agreement with a person asking or offering such advantage.

Changes to the Criminal Code in recent years have sought to deter bribery among public officials in three ways, by:

- increasing the applicable penalty for senior officials from zero to five years to two to eight years imprisonment, while non-senior officials can be imprisoned for one to five years (Article 250);
• obligating official persons to report corruption if they meet it in their work (omitting to do so is defined as a criminal act in Article 255/B); and

• granting immunity to one party to a bribery if s/he subsequently reports the act, turns in the received undue favour and discloses the circumstances (Article 255/A).

Penalties for the person offering the bribe are slightly lower (up to three years imprisonment). They apply to bribery of both national and foreign officials.

The law also defines as criminal acts:

• “Trafficking in influence,” which is committed by a person who, purporting to influence an official, asks for or accepts an advantage for himself or for another person. The penalty is imprisonment for one to five years, rising to two to eight years if the perpetrator claims to or gives an impression of bribing an official or if he or she attempts to pass for an official person.

• “Persecution of a Conveyor of an Announcement of Public Concern,” defined as “taking a disadvantageous measure against the announcer because of an announcement of public concern,” is punishable with imprisonment of up to two years, labour in the public interest, or a fine (Article 257). Hungary is unusual among Central and East European States in offering this protection for “whistleblowers.”

Hungary has ratified all international conventions on corruption with the exception of the Council of Europe Civil Law Convention on Corruption, which it had not signed as of June 2002. According to the Ministry of Justice, it plans to do so in 2002.20

2.2 Conflict of interest and asset declarations

There is no general law on conflict of interest, but regulations exist in the relevant acts concerning the status of judges,21 auditors,22 civil servants,23 ministers,24 MPs25 and

20 Email from Ákos Kara, 20 March 2002.
21 Act no. 67/1997 on The Legal Status and Revenues of Judges, Articles 22–24.
22 Act no. 38/1989 on The State Audit Office, Article 10.
prosecutors, \(^{26}\) outlined in subsequent sections of this report. Parliamentarians, and, since 2001, civil servants, are required by law to submit declarations of their assets (see Sections 4.3 and 3.3 respectively).

### 2.3 Control and audit

#### The State Audit Office

The State Audit Office (hereinafter SAO) is the main State financial and economic supervisory organ, governed by Act no. 38/1989 on the State Audit Office. It is responsible to Parliament, which approves its annual budget, organisational structure and staffing. The President is elected by a two-thirds majority of Parliament for a twelve-year term, ensuring a high degree of independence. Salaries of SAO staff are around 80 percent higher than those of other civil servants.

The SAO annually audits the closing of the State budget, the pension fund and healthcare fund and 3,200 local government branches. Every two years, the SAO audits political parties’ accounts, the National News Agency, the Privatisation Agency, the Hungarian National Bank and others. The SAO has wide-ranging powers to investigate, and can request access to business secrets and bank secrets. However, it has no power to impose corrective measures and its recommendations are sometimes ignored. The SAO presents an annual report of audits to Parliament, which is also published and on which the parliamentary Audit Committee gives an opinion. Around 60 percent of the SAO’s capacity is generally occupied with compulsory audits, while the allocation of other resources and the choice of additional subjects for investigation is subject to the SAO President’s discretion.\(^{27}\) Parliament cannot mandate audits but can make suggestions to the SAO President.

The European Commission has noted that the SAO meets the basic requirements for efficient functioning, although it noted that improvements should be made in follow-up by Parliament on the Office’s findings.\(^{28}\)

#### The Government Control Office

The Government Control Office (hereinafter GCO)\(^{29}\) audits Government expenditure financed from the central budget and the State funds, reporting directly to the

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\(^{26}\) Act no. 80/1994 on The Prosecutorial Service Relation and the Data Handling by the Prosecution, Articles 35–40.

\(^{27}\) The allocation of resources is not defined by law.


\(^{29}\) Established by Government Decree no. 61/1999 (IV.21) on The Supervision, Tasks and Jurisdiction of the Government Control Office.
Government and operating on the basis of a Government decree. The GCO is supervised by the Minister heading the Prime Minister’s Office and its President is appointed by the Prime Minister. The GCO is mainly concerned with performance audits, intended to assess whether “value-for-money” has been achieved in public spending. The GCO seeks to prioritise its subjects according to risk analysis.\(^{30}\)

On average, around 30 percent of audits performed by the GCO are done on the special request of the Prime Minister. This makes the GCO vulnerable to being used for political purposes. In the first six months of 2001, all of the capacity of the GCO was used for assignments requested by the Prime Minister, who ordered several investigations into the work of the Ministry of Agriculture and Rural Development following corruption allegations concerning the ministry and its head (a Smallholders MP).\(^{31}\)

The GCO also monitors the implementation of international aid programmes, in particular those deriving from EU funding schemes. The EU may request that the GCO carry out such an investigation, but the GCO is not obliged to do so. The GCO reports its findings to the Prime Minister if required or otherwise to Government meetings through the permanent secretaries of the ministries concerned, who sometimes seek to change or influence the report.\(^{32}\) To date, the Government has always approved the GCO’s reports, thereby turning its recommendations into Government decisions. Permanent secretaries must submit an action plan of corrective measures within 30 days of a report’s approval. Deadlines for implementation are not always set, reducing the effectiveness of any checks on implementation.

**Internal control**

According to the European Commission, Hungary has made “significant steps” in the development of legislation on internal financial control and audit, and has set up the necessary internal control and external audit bodies. However, the *2001 Regular Report* noted that internal audit units are understaffed and inadequately prepared for their

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\(^{30}\) According to Dr Péter Janza, the following signs alert the GCO to a need to investigate further:
- where ministries pay large sums of money to organs outside the Government;
- where a State Secretary has significant discretionary rights to overrule a regulation;
- bodies where there is a long chain of command between the decision-maker and implementer, as with the police;
- where organisations have accumulated high levels of debt.

\(^{31}\) Interview with Dr Péter Janza, Vice-President of the Government Control Office, 20 December 2001.

\(^{32}\) According to Dr Janza.
future role, and that the functional independence of internal auditors should be
guaranteed and developed.33

2.4 Anti-corruption agencies

Investigation of corrupt practices is primarily the role of the Police and the Prosecutor’s
Office. Act no. 126/2000 set up a Coordination Centre against Organised Crime,
subordinated to the Government and controlled through the Ministry of Interior. It
does not undertake investigative work but rather performs a coordinating role among
other investigatory bodies concerned with detecting crimes specified in the
aforementioned law, including bribery and money-laundering.

2.5 Ombudsman

There are three parliamentary ombudsmen, covering civil and political rights, national
and ethnic minorities, and data protection (and freedom of information). They are
elected for six years by a two-thirds majority of Parliament. The ombudsmen are
charged with investigating violations of constitutional rights and can initiate measures
to remedy any violations. They can request any relevant data for inspection. The
ombudsmen are responsible exclusively to Parliament, to which they report annually,
while their opinions and recommendations are also made public. In March 2001, the
Constitutional Court ruled that the ombudsmen’s power to review the activities of
governmental branches, juridical agencies (except courts) and other extra judicial
bodies of conflict resolution is unconstitutional. Ombudsmen thus do not now have
jurisdiction over Parliament, procurators, tribunals and organisations of commercial
arbitration, public notaries or mediating bodies for consumer protection. These
limitations came into effect in December 2001.

The ombudsmen are seen as independent and willing to make critical statements, but
their statements are not always acted upon and sometimes meet hostility from
governing politicians. For example, although László Majtényi, former data protection
and freedom of information ombudsmen, in 1999 suggested that the decision not to
record Government sessions violated the constitutional right to access public
information, the Government did not reverse the decision.

3. Executive branch and civil service

Civil service reform has been in progress in Hungary since 1994. However, the legal framework has not prevented continuing political appointments. Procedures for appealing against administrative decisions are in place. Conflict of interest provisions forbid civil servants from holding ancillary executive positions, but not from external employment. Since 2001 civil servants and senior functionaries have had to submit declarations of interests, income and assets, but the provisions are undermined by a badly designed procedure for submitting complaints, and there are no sanctions for submitting false information. A Code of Ethics for civil servants was under preparation as of May 2002. The openness and accountability of the executive has diminished since 1998, as access to information has been increasingly restricted. Evidence of corruption in the executive branch is sporadic, although there have been several important scandals in recent years.

3.1 Structure and legislative framework

There is no single uniform law on institutions with executive power, but fundamental legal regulations are set out in the Constitution and the procedural rules of Government. The role of the civil service is established in the 1992 Act on the Legal Status of Public Servants. Reform of the Public Administration has been underway since 1994. According to the OECD, since the change of Government in 1998, “[T]he principles of devolution and decentralisation have been applied more widely and the strategic functions of the ministries have been strengthened.”

Ministers are political appointees. They have two under-secretaries reporting to them: one a political appointee, the other, the administrative State Secretary, a civil servant. Competitive selection of civil servants is compulsory only for heads of department in the Prime Minister’s Office, ministries (with the exception of the Ministry of Foreign Affairs) and central bodies of public administration subordinated directly to the Government. The Governments of both Antall (1990–1994) and Horn (1994–1998) replaced around 50 percent of civil servants in the highest ranks. Following the 1998 elections, 11 of the 13 administrative State Secretaries were replaced.

Reforms in 2001 included steps to make the civil service a more appealing “lifelong career” option, including a substantial salary increase (60-70 percent for employees with

36 HVG, 8 August 1998.
higher education qualifications and 40-45 percent for those with secondary qualifications, to be implemented over four years) and better training provision, particularly in foreign languages. These improved benefits may help to ensure the independence of civil servants, although salaries remain low relative to the private sector.

A new elite of top civil servants was established in March 2002, entitled to higher salaries and appointed for a five-year term that cannot be ceased prematurely. The Prime Minister decided which individuals were awarded this status, with no legal possibility for appeal. The opposition contended that the Government’s aim was to install politically loyal civil servants.\textsuperscript{37}

### 3.2 Administrative procedure and redress

The main rules on administrative proceedings are laid down in Act no. 4/1957 on the General Rules of Administrative Procedure. Article 15 states that decisions must be made within 30 days of the submission of a petition or the date of launching an \textit{ex officio} procedure. Shorter deadlines can be set by statute, but the deadline can be extended only by force of law or governmental decree. An appeal can be made to the second-instance administrative organ within 15 days of the delivery of the decision. However, if the Government or a member of the Government issued the first instance decision, there is no appeal procedure and further complaints must be pursued in the courts. Article 72 (1) guarantees judicial review concerning the final, binding administrative decision brought on the case. An applicant can submit a petition only after exhausting the appeal process, within 30 days of the delivery of the final administrative decision and exclusively on the grounds of claiming a violation of law.

### 3.3 Conflict of interest and asset monitoring

According to Act no. 23/1992 on the Legal Status of Civil Servants, a civil servant cannot hold office in a political party and may not undertake a public appearance on behalf of or in the interest of a political party apart from participation in general or local elections as a candidate; or an executive of a commercial enterprise or member of the supervisory board except if the commercial enterprise is majority-owned by a local authority or public entity or is in State property permanently. A civil servant cannot be a member of the body of representatives of the local government that functions in the area of competence

\textsuperscript{37} See report of opposition question to Prime Minister’s Office given in “Government installs own top civil servants before election – Liberals,” Hungarian TV2 satellite service, 27 November 2001, as reported by BBC Monitoring.
of the agency of public administration employing him. There are no restrictions on the jobs a civil servant can hold before or after leaving the civil service.

The provisions on involvement with political parties appear contradictory, with civil servants allowed to stand for election but prevented from taking a public political stance (at least outside the campaign period). Civil servants starting a political career may be vulnerable to an adverse interpretation of the law. In January 2002, the head of the Budapest Public Services Office was fired after declaring that he would stand as a candidate in the 2002 elections. Allowing civil servants to sit on the boards of State companies also risks conflicts of interest. There are currently no rules on accepting gifts, but the forthcoming Code of Ethics is expected to prohibit the acceptance of gifts where this could sway a decision.

Ministers, parliamentary under-secretaries, public service under-secretaries, deputy under-secretaries and senior public servants are required to submit asset declarations annually to the Control Office of the Public Service (hereinafter COPS), established in 2001. Heads of department and all employees junior to them are required to make declarations every two years. Declarations must also be submitted for spouses or common-law partners and children.

COPS collected the first batch of property declarations in October 2001, relating to assets held at the end of 2000, and a second batch in March 2002, relating to declarations for the year 2001. Property declarations are private, seen only by the employee and their employer, and handled anonymously by COPS. If an inexplicable difference is found between declarations made in consecutive years, and a complaint is made, COPS can investigate. It conducts its supervisory procedure over a maximum six-month period, during which it can hear witnesses and request documents from many sources, including banks, brokers and the Land Registry. However, its request will be denied if the information sought represents a bank or tax secret. In such a situation, COPS reports that a negative response was received, but cannot investigate further. After six months, COPS concludes that the enrichment of the public servant either can, or cannot, be explained by legal means. This conclusion is forwarded to the person who initiated the investigation, generally the superior of the employee under investigation, who can then take appropriate action – this might include expelling the public servant or initiating a criminal procedure or tax investigation.

Although the new provisions strengthen the legal basis for monitoring and punishing corruption in the civil service, there are some important deficiencies:

- Investigations are initiated only if COPS receives a complaint. While sifting every declaration would clearly be impossible given the sheer volume of declarations submitted, this means that the main benefit is through encouraging self-regulation. Vast scope for irregularities to be overlooked remains.
The procedure for submitting complaints is asymmetric. Public servants may submit complaints only about staff junior to them, not their superiors. For example, ministers can only be investigated on the request of the Prime Minister. Members of the public can make complaints, but only if they are willing to provide their name and address.

- There are no penalties for submitting false information.

### 3.4 Internal control mechanisms

The ministries have internal audit departments, which are overseen by the GCO.

### 3.5 Interaction with the public

There are currently no guidelines for interaction with the public. A Code of Ethics is being drawn up and is expected to be available in 2002.

### 3.6 Corruption

The Government has shown an increased tendency towards closed decision-making and reluctance to countenance external monitoring or criticism. Freedom House has noted “attempts by the executive branch of Government to limit control over its activities” and, as a result, “the increasing irrelevance of formal democratic institutions.” This attitude is also reflected in the response to EU monitoring. Following the publication of the 2001 Regular Report, Prime Minister Viktor Orbán said that Hungary must

... grit its teeth and suffer [as] others assess its performance in reports if it wants to join the EU. We do not write country reports and therefore it is not entirely clear to us why others have an insurmountable yearning to make assessments on us.

The main string of corruption scandals in the executive in recent years concerns the activities of former Minister of Agriculture and Rural Development, József Torgyán. In autumn 2000, Torgyán was at the centre of allegations that his asset declarations did

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38 Interview with Réka Tóth, Department of Civil Service, Ministry of Interior.
not include the estimated €410,000 costs of a new villa which he was building in Budapest. His official salary as a minister was around €1,230 per month. The opposition demanded that the parliamentary Immunity Committee launch an investigation on conflict of interest and gain access to the non-public part of Torgyán’s asset declaration. Around the same time, the media revealed that the ministry headed by Torgyán had spent large amounts on irregular activities, including several trips to the Far East. 41 Finally, in early 2001, the daily newspaper Népszava published tape recordings in which a businessman discussed a €12,300 bribe which was, allegedly, to be delivered to Torgyán’s son, Attila, in exchange for which he was to mediate with his father concerning a €168,100 contract from the Ministry of Agriculture. Shortly afterwards, Torgyán resigned from the cabinet. The investigations against his son were closed owing to absence of crime, but the other suspects were charged with official trading in influence. 42

Reports of corruption in areas of the civil service in regular contact with the public, such as offices issuing licences and permits, is common. For example, in late August 2001, a corruption scandal emerged involving the allocation of immigration permits by the Budapest Metropolitan District Governor’s Office. Allegedly, several foreigners who had attempted unsuccessfully over a period of months to obtain immigration permits paid sums of €820-2,050 to a company which would mediate with the office. Within one or two days, in some cases hours, those involved were issued with permits. The investigators suspected that the owner of the company, having deducted a commission rate, transferred the money to high-ranking officials in the agency. 43

4.  LEGISLATURE

Although all public expenditure is included in the State budget, Parliament’s role in scrutinising the executive has been undermined since 1998 in several ways. MPs are subject to limited conflict of interest provisions and must declare business interests, income and assets. However, the mechanisms for scrutinising assets are weak, there are no sanctions for providing false information, and the provisions do not appear to be observed sufficiently. Increasingly common defamation and civil law suits against MPs may have undermined the ability of MPs to scrutinise senior officials sufficiently. There is little direct evidence of corruption of MPs.

41 In February 2002, the Prosecutor General’s Office submitted charges against Torgyán’s deputy, Béla Szabadi, for damages to the Ministry in this regard (see Section 4.5).
42 Népszabadság, 5 February 2002 and 13 February 2002; Magyar Hírlap, 30 March 2002.
43 HVG, 1 September 2001.
4.1 Elections

Elections are monitored by the Electoral Commission, comprising one delegate from each political party large enough to have a nationwide party list, plus five non-party “expert” members who have a relevant professional background. The party representatives are nominated by their parties and appointed by the Interior Minister. Prior to the 1994 and 1998 elections, the expert representatives were agreed upon by consensus in the Parliament and formally appointed by the Interior Minister. In late 2001, however, the Interior Minister rejected all of the candidates nominated by opposition parties – some of whom had been supported by both Left and Right in previous election years – and appointed five experts nominated by the governing parties. This cast serious doubt on the impartiality of the Commission. The Interior Minister declined to explain to the press why he had rejected all of the opposition nominees and at the same time announced that the party representatives on the committee would not be decided until mid-March, the latest date possible. Thus, until three weeks before the elections, the five Government-nominated experts were the only members of the Commission. The Organization for Security and Co-operation in Europe expressed concern over this practice after the first round of the elections.

4.2 Budget and control mechanisms

All public expenditure is included in the State budget. However, the introduction of a two-year budget in September 2000 means that governmental plans for expenditures and revenues are subject to less scrutiny. The Government still reports to Parliament at the end of each year on the execution of the budget, but this is after the fact, making objections somewhat meaningless. The SAO President finds that the two-year budgeting has had no implications for the annual audit of the budget. Hungary will return to a one-year budget in 2003.

Some local analysts argue that the Government has adopted a practice of underestimating inflation when it makes its budget projections. The Government forecast six to seven percent inflation for 2000 and five to seven percent for 2001, whereas inflation turned out at 9.8 percent and 9.2 percent respectively. In this way,

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44 Of those appointed, the opposition claims that four out of five have clear links to the right-wing parties in Government; see commentary by Mária Kóródi, “SZDSZ MP,” in Magyar Hírlap, 18 December 2001.

45 OSCE Office for Democratic Institutions and Human Rights, Preliminary Statement, Budapest, 8 April 2002.

46 Interview with Árpád Kovács, President, State Audit Office, 12 December 2001.
surplus revenue (of €820m and €1.148b respectively) was earned, and this money was spent without the normal degree of parliamentary scrutiny.47 The Ministry of Finance argues that such discrepancies arise because the budget is planned – and hence forecasts made – several months prior to its announcement.48 Nevertheless, the IMF has argued that, “the practice of allowing the Government to conduct additional spending from higher-than-forecast revenues should be ceased.”49

Parliament’s ability to control public spending is also curtailed by the Government practice of conducting some areas of public procurement – primarily road construction and other public works – through the State-owned Hungarian Development Bank (see Section 7.3). This part of expenditure is thereby excluded from the budget and Parliament cannot check how much is spent or in what manner. The amount involved is significant – e.g., the road-building programme commenced under the current Government is worth €2.460b (around five percent of GDP). Scrutiny relies on two sources, both after the fact: the annual report of the Hungarian Development Bank is made available to the Minister of Finance, who can be called upon to answer questions in Parliament; and the bank can be audited by the SAO.

**Parliamentary questions**

Following a change to the Rules of the House in 1999, supported by a two-thirds majority of MPs present, plenary sessions of Parliament are held every third week rather than every week. Although the Government argues that this improves efficiency, the change has significantly reduced opportunities to scrutinise the executive:

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47 Parliament votes to approve the spending of surplus revenues as part of the final accounts; but this tends to be a formality subject to less scrutiny than the rest of the budget. At the end of 2000, the Government carried surplus tax revenues of €307.5m over to 2001 using its deposit account, thereby deciding itself on spending. The SAO found this an inappropriate use of the deposit account. See János Eörsi, “Fiscal transparency and the parliamentary control of the budget,” Üvegzseb, March 2002.

48 Letter from the Ministry of Finance Department of Budgetary and Fiscal Policies, 30 April 2002.

The total time devoted to interpellations declined from 90 minutes per week to 180 minutes every third week and that for questions from 60 minutes per week to 60 minutes every third week.  

Ministers, who have the right to postpone answering a question twice, can now delay their answer for six weeks — past the point at which it was relevant or in the public eye. The lack of continuity also inhibits deep scrutiny.

The opposition objected to the change and referred the decision to the Constitutional Court. Although the Court ruled that the lack of regulation of the frequency of plenary sessions in the Rules of the House is unconstitutional, Parliament has been unable to muster two-thirds support for a new regulation.

**Investigatory committees**

Parliament can set up special investigatory committees, pursuant to the request of 78 MPs. However, the item must first be put on the agenda, on which the whole chamber votes. Opposition requests to set up investigatory committees have in the 1998-2001 period repeatedly been defeated at this stage. Since 1998, 25 investigatory committees have been proposed but only the four suggested by the governing parties have been established. In 1994-8, seven investigatory committees were set up, six on the proposal of the opposition.

**4.3 Conflict of interest and asset monitoring**

A Member of Parliament cannot simultaneously serve as President of the Republic, a member of the Constitutional Court, an ombudsman, President, Deputy President or an auditor of the SAO, or as a judge, prosecutor, civil servant, member of the armed forces, police or other institution responsible for law enforcement. A Member of Parliament may not sit on the board of State-owned companies. It is legal for an MP to

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50 The difference between an interpellation and a question lies in the pattern of response required. In the case of questions, once an addressee has responded, the MP asking the question does not have the right to reply nor does the Parliament vote on approval of the response. In the case of an interpellation, the MP who submitted the question has the right to reply to the response, and if he does not accept the response, Parliament must approve the response. If Parliament rejects the response, it is sent to a committee for further consideration and approval.
own or work for a private-sector company, even one that bids for public procurement contracts, but such activities must be reported in the asset declaration.\textsuperscript{51}

According to Article 19 of Act no. 55/1990, MPs must make a declaration to the Speaker of Parliament on their assets, income and business interest. Declarations must also be provided for the MP’s spouse or “life partner living together with them in the same household” and children. The declarations of MPs are public, but those of spouses and children can be accessed only by the parliamentary Committee on Immunity, Conflict of Interest and Mandates, in a proceeding related to the MP’s asset declaration. MPs who do not submit their declarations can be denied their rights as an MP and have their honorarium withheld.

The declarations consist of five major parts:

A: Asset declaration:

I. Real estate

II. High-value moveables (motor vehicles; protected works of art; other moveables which either per piece or as a collection exceed the sum of six monthly MP’s basic honoraria; savings in stocks or other investments, savings deposits; cash exceeding the sum of six monthly basic honoraria; invoices or pecuniary claims exceeding the sum of six monthly basic honoraria; other more valuable assets if their total value exceeds sum of six monthly basic honoraria)

III. Debts (public debts, debts against financial institutions or against private persons)

IV. Other announcements

B: Income Declaration (any incomes subject to taxation outside the MP’s honorarium)

C: Business interest declaration (business interest or leading executive position on companies)

D: Statement on allocations or things provided for \textit{per gr\-\textit{atis}} usage to the MP necessary to carry out his/her work or closely related to that, from the Parliament, or from his/her faction, or from any foundation supporting the legislative work

E: Statement on the gifts received in relation to the mandate of the MP or any free allocation which does not fall under part D

\textsuperscript{51} According to Act no. 55/1990, Article 18, on the Legal Status of Members of Parliament, MPs must report to Parliament the following: labour relations, shares or membership in or position on the supervisory board of a company, cooperative, public-service organisation; membership or leading executive position in social organisations, public organisations; and any activity or contractual relation which provides regular income, or such occasional income which exceeds the amount of the monthly MP’s honorarium.
In 2001, following a corruption scandal involving the former Minister of Agriculture (see Section 3.6), the law was changed to require MPs to make asset declarations on an annual basis, rather than at the beginning and end of each term.52

Several weaknesses remain:

- Parliamentarians can avoid scrutiny by transferring assets to relatives or friends not required to make asset declarations.
- The mechanisms for checking the truth of asset declarations are weak. After the scandal involving the Agriculture Minister, the Government set up a special committee to investigate unusual increases in MPs’ assets over the last ten years. This bypassed the permanent Conflict of Interest Committee, on which the political parties are represented proportionally. The special committee hired experts and collected information about the assets declared by MPs in 1994 and 1998. The opposition did not take part, arguing that the committee had been set up in an unconstitutional manner, ignoring provisions in the Rules of the House for dealing with such occurrences.53
- The law does not prescribe sanctions if information given in property declarations is found to be false.
- Ministers have damaged the credibility of the system through their own comments. The former Agriculture Minister claimed that revealing the full extent of his assets would have highlighted his wealth unnecessarily and made him a target for burglars. The Political State Secretary of the Defence Ministry stated that he simply did not wish to reveal the source of his assets.

### 4.4 Immunity

Article 20 (3) of the Hungarian Constitution declares that MPs enjoy immunity as specified in Act no. 55/1990 on the Legal Status of Members of Parliament. Articles 4-7 state that MPs can be subject to criminal or misdemeanour proceedings or any criminal procedural coercive measures only with the prior assent of Parliament. The

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53 The opposition feared that the committee, with its governing-party majority, would turn into a witch-hunt against opposition deputies. The special committee failed to investigate some high-profile cases where the assets of governing party MPs had significantly increased over recent years — for example, the case of the Political State Secretary of the Defence Ministry, whose assets increased by €246,000 between property declarations (equivalent to around 25 years of an MP’s average salary).
procedure for lifting immunity can be initiated exclusively by the Prosecutor-General and is subject to parliamentary approval.

MPs and former MPs cannot be held responsible for their votes in Parliament or statements on facts or opinions expressed in the course of the exercise of their mandate. This immunity, however, does not apply for infringement of State secrets, libel, defamation and civil law liability, and litigation against MPs appears to be increasingly common. The 1990–1994 Parliament discussed 44 immunity cases, the 1994–1998 Parliament 51 cases, while between 1998 and 2001, 82 immunity cases have been discussed by Parliament, the majority concerning defamation issues. Where the MP’s immunity is not lifted and criminal proceedings cannot be launched, the legal basis for such cases is the Civil Code’s protection of a person’s good reputation and “personality rights.”

In June 2000, László Pallag, chairman of a parliamentary committee investigating an oil-related affair, announced the testimony of a witness which connected the Minister of Interior, Sándor Pinter, and former Finance Minister, Ivan Szabó, with certain crimes. Pinter and Szabó subsequently sued Pallag for violating their personality rights. The final binding decision established the violation and awarded Pinter €5,125 and Szabó €2,050 as non-pecuniary damages, to be paid by Pallag. The Supreme Court upheld the decision and ruled that an MP cannot be exempt from this liability even if he made such an announcement in his official capacity. According to a leading constitutional lawyer, Gábor Halmai, a recent string of judicial decisions in such cases severely impedes the discussion of public affairs in Parliament.

### 4.5 Corruption

Two MPs were subject to criminal investigation at the time of writing.

Zoltán Székely, a former member of the Smallholders Party and former chair of the Public Procurement Committee in Parliament, faces criminal indictment for alleged bribery in connection with a public procurement application and an environmental protection investment. Prosecutorial investigators caught Székely accepting a bag containing €82,000 from a businessman. The authorities consider the act to be a bribe, while Székely argues that it was a “provocation and a trap,” since he expected the bag to contain documents.

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54 Népszabadság, 31 December 2001.
56 HVG, 9 March 2002.
58 Népszabadság, 9 February 2002.
Béla Szabadi, former member of the Smallholders parliamentary group and then State Secretary at the Ministry of Agriculture, was put under house arrest in 2001. The Central Prosecutorial Investigation Office submitted an indictment against him and three other persons to the Metropolitan Court at the beginning of 2002. Szabadi is charged with several counts of misappropriation (largely related to the ministry’s high expenditure on foreign travel), two counts of embezzlement, fraud, and as an instigator in connection with the forgery of a private document. The affair has been highly politicised, with Szabadi telling a parliamentary committee that the Prime Minister had been fully aware of the way in which the Agriculture Ministry was spending its money.

Péter Medgyessy, Prime Minister since May 2002, was put at the centre of allegations prior to the election campaign. In December 2001, police launched an investigation against “unknown suspects,” after newspaper reports about the activities of Medgyessy’s private company (Medgyessy Consulting Kft.). The reports alleged that the firm received €110,000 from a company named Gresco in 1998 for successfully convincing Socialist representatives in the local government of Budapest’s fifth district to support plans related to the sale and utilisation of the Gresham Palace. Medgyessy argued that the activity was a simple and legal case of lobbying. Following two extensions of the deadline, the police ceased the investigation in May 2002, finding that no crime had been committed. Medgyessy also won a civil case against the two newspapers which broke the story, Magyar Nemzet and Magyar Demokrata, with the newspapers obliged to publish corrections of their false statements.

5. JUDICIARY

Although the legal framework for a truly independent judiciary is in place in Hungary, the Government has shown weak commitment to judicial independence. The resignation and replacement of the Prosecutor-General in 2000 raised concerns about the independence of the institutions responsible for investigating corruption, and there have been indications that some court and prosecutorial decisions have been politically influenced.

59 Népszabadság, 2 February 2002.
60 The information surfaced after a burglary at the firm’s office, two days after Medgyessy announced that he would stand as the Hungarian Socialist Party’s candidate for Prime Minister. Two weeks after the burglary, the documents were anonymously delivered to the press.
61 Magyar Hírlap, 23 March 2002.
5.1 Legislative framework

The legislative framework for the Hungarian judiciary is examined in detail in the 2001 OSI Report on Judicial Independence. While the report acknowledged that the country had made very significant steps towards creating a truly independent judiciary, a number of serious reservations were also levelled, in particular at the 1998–2002 Government’s commitment to judicial independence.

Constitutional and legislative guarantees of judicial independence are well established, and have been boosted by the 1997 institutional reforms and increases in salaries over recent years. However, other factors may have jeopardised judicial independence:

- During the three-year probationary period, judges may be vulnerable to political influence.
- Pay increases are in some cases linked to evaluations of “performance,” which may create distortionary incentive structures.
- Working conditions remain poor and judges are overburdened.

Several developments in recent years further threaten judicial independence:

- Delayed establishment of appeals courts known as “boards of justice,” which are required by the Constitution and were to be established as part of the reforms initiated in 1997.
- Extension of the lustration law to the judiciary, potentially undermining long-serving judges.
- Executive control of the judiciary budget, and notably the Government’s repeated curtailments of the National Council of Justice’s budget proposals (in contrast to improved financing for the Public Prosecutor’s service).

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64 Performance is evaluated according to a set of criteria established in Act no. 67/1997 and based on at least fifty cases which the judge has presided over. Judges may be awarded honorary titles after six years of outstanding service, with a financial bonus attached.

65 Monitoring the EU Accession Process: Judicial Independence, p. 189. Also, in April 2001, the Board of the Hungarian Judicial Association reported that it was “striking” that the proportion of budgetary expenditures assuring the operating conditions of courts within the State budget had decreased. See HVG, 5 January 2002.
In December 2001, the National Association of Prosecutors, Hungarian Bar Association and Budapest Bar Association published a declaration endorsed by prominent signatories, stating that the independence of the judiciary was under threat because members of the legislature, executive and media make public comments on cases before and after decisions. The heads of two of the associations also criticised the fact that members of Parliament are allowed simultaneously to practise law. Following the declaration, András Hegedűs, Chief Prosecutor of Budaörs, was dismissed from his post.

Judges are subject to standard conflict of interest provisions, and must also submit asset declarations every third year, which are collected and monitored by the National Council of Justice.

Some commentators have noted with concern that in recent years Supreme Court decisions frequently have deviated significantly from the decisions of lower courts. For example, in a case concerning the construction of a proposed fourth metro line in Budapest, the first four judicial decisions ruled in favour of the Municipality of Budapest, headed by an opposition mayor, whilst the Supreme Court, owing to a “change of legal conception,” ruled in favour of the Government.66

5.2 Corruption

In general, the 1997 reforms, which sought to improve judicial independence through a combination of organisational changes and increases in salaries, are thought to have reduced corruption in the judiciary. There have been no proven cases of explicit corruption in recent years. However, the judiciary has become increasingly vulnerable to political influence. The appointment of a former FIDESZ-MPP candidate, Péter Polt, as Prosecutor-General has prompted concern about judicial independence.

Since Polt’s appointment, the Prosecutor’s Office has handed down some controversial decisions on corruption cases involving Government members. In November 2001, two serious criminal cases linked to senior members of FIDESZ-MPP were closed after almost three years of investigation owing to lack of evidence. One of the cases involved allegations of tax fraud, bankruptcy crime and forgery of public documents. Csaba Schlecht, then treasurer of FIDESZ-MPP, sold 17 companies – some of them allegedly set up by Viktor Orbán and other members of FIDESZ in the early 1990s – to two

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66 HVG, 5 January 2002. András Sajó, a Professor of law at the Central European University, commented in the article cited that, “[I]t is not fortunate in a political case to change the legal practice, especially if the changed standpoint makes possible those legal conclusions which are pleasant for the ear of the Government… In a political case the judgement… must be conservative. Otherwise the charge is inevitable: the judge complied with external factors.”
foreigners who later claimed that they had no knowledge of the sale.\textsuperscript{67} Some of these companies had huge tax arrears (amounting to a total of €410,000 according to some reports) and other debts, and some had allegedly been used to channel funds to firms that provided campaign services to FIDESZ.\textsuperscript{68} However, charges of tax fraud and bankruptcy crime could be made only with regard to one, Centum. The Budapest Prosecutor’s Office closed the proceedings in November 2001, arguing that no crime could be established as the companies had no assets of their own (indirectly implying that the companies had been established solely for the purpose of tax fraud). The Budapest Prosecutor’s Office later rejected all complaints submitted against the police decision to close the investigation.\textsuperscript{69}

The second case involved Attila Várhegyi, chairman of the FIDESZ-MPP Executive Board, former Political State Secretary at the Ministry of National Cultural Heritage and Mayor of Szolnok. Several charges were filed against Várhegyi in 1998, including deliberate bribery of a senior official (allegedly concerning fictitious invoices related to Várhegyi’s campaign for the mayoralty) and misappropriation related to a real estate purchase contract apparently on disadvantageous terms for the municipality and allegedly ignoring the intentions of the municipality and statutes.\textsuperscript{70} In November 2001, the Prosecutor’s Office reduced his charges to a single act (neglectful abuse of funds) and two days later the first instance court found him guilty and fined him €1,230. The court acquitted Várhegyi from bribery charges related to campaign financing, stating that although formally bribery was performed, “danger to society” could not be established and hence a crime could not be established.\textsuperscript{71} After this decision, which is being appealed, Várhegyi resigned from his post at the ministry, but retained his party position.

Some local commentators argue that the timing of cases is also politically influenced. Both of the above cases were finally cleared, following several years’ delay, just a few months before the general election. A case concerning the “Tocsik Affair,” the biggest scandal of the previous administration, was tried a month before the election.

\textsuperscript{69} Népszabadság, 22 September 2001 and 30 October 2001.
\textsuperscript{70} Népszabadság, 9 February 2002.
\textsuperscript{71} Népszabadság, 10 November 2001.
6. Political party finance

There is significant evidence that covert funding of political parties and corruption has been an important problem in Hungary. Although funding regulations are relatively strict, supervision of party funding is largely formal and insufficient, while subsidies to political parties from the State appear to be insufficient to dampen incentives to seek financing on a *quid pro quo* basis. The use of Government advertising to promote the governing party appeared to be a particular problem prior to the 2002 elections.

6.1 Legislative framework

Under Act no. 33/1989 on the Operation and Financial Management of Political Parties (several times amended), parties may receive income from donations, membership contributions and the State budget, as well as earnings from their assets and companies:

- Donations can be accepted from any source except foreign Governments, State enterprises, foundations supported by the State and anonymous donors.
- All donations from legal entities and companies which are not legal entities must be declared in the party’s balance sheet.
- Any donation above €2,050 from a Hungarian national must be declared and the identity of the donor made public. From a foreign national, contributions exceeding €410 must be detailed. Individual donors contributing less than these amounts must make their identity known to the party.
- Income originating from a company established by the party must also be declared.
- Most of the parties’ declared income comes from the State budget. Of the total State subsidy, 75 percent is allocated among parties that received more than one percent of votes cast in the last general election, proportional to the share of the vote received, and the remaining amount is distributed equally among parties in Parliament. The operating costs of parliamentary caucuses are financed from the budget of Parliament.
- Election campaigns are financed from the parties’ ordinary budgets; no separate support from the State is received. The law sets a quota on the amount which can be spent during the campaign at €4,100 per candidate.
- Parties are allowed to establish their own companies.
All of the MPs interviewed for this report regarded the State financing for political parties as inadequate. Parties thus rely on their own assets (e.g., the sale of party headquarters, and in the case of the MSZP, considerable assets left from the Communist period) and donations. Some donations are made “in kind” rather than in cash. This encourages clientelism, with parties perceiving a need to “re-pay” favours granted by supportive firms. Parties also use associated foundations to channel money from anonymous donors and avoid reporting on expenditure.72

6.2 Control and supervision

Parties submit reports on their financial situation every year, which are published in the Official Gazette – Magyar Közlöny. The SAO audits the accounts of parties receiving funds from the State budget every two years and monitors election costs and campaign spending every four years. The SAO’s President identifies the monitoring of campaign financing as the biggest problem facing his organisation. Two important items are missing from the law: a definition of the start-date of a campaign; and the type of materials which qualify as campaign costs. This prevents the SAO from effectively monitoring campaign financing, while no sanctions are applied if the amount is exceeded. The SAO can work only on the declarations of campaign spending that the parties make and has no capacity to check whether they are truthful. The SAO’s recommendations to modify the law and end this ambiguity have been ignored or rejected by Parliament.73

6.3 Party finance in practice

The SAO sometimes finds examples of mismanagement or irregularities in the accounts of political parties. The penalty is a fine equivalent to the amount involved in the irregularity. The SAO President says that the party itself is usually found to operate correctly, but that at the “outskirts” one may find friendly companies and supporters with “grey or black money.”74

One irregularity in the State financing of parties occurred in 2001. The Christian Democratic National Party sued the State for failing to pay it the amount it was due. The Ministry of Finance claimed that it would not pay since the party had split since

73 Two-thirds support is required to alter the law on political parties.
74 Interview with Dr Árpád Kovács, 12 December 2001.
the elections. The Christian Democrats won the case. The leader of the Christian Democrats claimed that the Government had ceased financing in order to impede the party’s participation in the election, since it targets core FIDESZ-MPP supporters.75

Smaller parties complain that State support is barely enough to finance operating costs. Such parties clearly have great difficulty attracting funds from elsewhere, whilst the larger parties either have significant assets (e.g., the MSZP has considerable assets left from the Communist era) or are in a stronger position to attract funding. FIDESZ-MPP suggested doubling the maximum campaign spending per candidate ahead of the 2002 general elections. This drew protests from smaller parties. However, the current ceiling was set prior to the 1997 general election.

The limits on campaign financing in any case appear academic, given that the SAO cannot monitor spending or make pronouncements on whether the official limit has been exceeded. It also appears that the parties have little regard for obeying the rule. One FIDESZ-MPP MP admitted that, in order to meet the limit, “the parties take into consideration only those expenses which are in strict connection with the campaign,” ignoring, for example, the extra wages of new employees taken on for the campaign period.76 Campaign assistants can also be paid through foundations close to the parties, whose finances are not subject to scrutiny.

Another controversial issue concerns the boundary between Government and party campaigning. The OSCE noted that Government advertising increased markedly in the weeks preceding the 2002 elections.77 The overlap between Government and party campaigning may indeed stretch much farther back. In 1999, the then Government set up a new Country Image Centre (CIC), responsible for promoting Hungary, to which it allocated a large amount of public money – €53.3m – over three years. The CIC focused largely on promoting Hungary to the Hungarian population, and the content of its materials often praised Government activities. For example, in December 2001, the CIC began to take out weekly full-page advertisements (at a cost of €155,500 per week) in daily newspapers for a Parliamentary Report. The report was not, in fact, produced by Parliament and its content openly criticised the policies of the previous MSZP-SZDSZ Government.

The media has also speculated about political bias in the Country Image Centre’s awarding of contracts. Two companies, Happy End and Ezüsthajó Kft, won 90 percent of the contracts awarded by the CIC, amounting to more than €41m.78 Happy End

76 Interview with FIDESZ-MPP MP, 9 January 2002.
77 OSCE/ODIHR, Preliminary Statement, Budapest, 8 April 2002.
78 Magyar Hírlap, 12 December 2001.
was founded by András Wermer, the communications adviser to the Prime Minister, and Csaba Káel, formerly a member of the FIDESZ-MPP campaign team (which was organised by Wermer). The company has not published an annual report since 1998. Ezüsthajó subcontracts much of its work to Well Done Kft, the directors of which are András Wermer and Csaba Káel. Happy End has also used Well Done Kft as a subcontractor. These examples reveal that companies closely linked to the governing party have had great success in obtaining public contracts. Despite the losing bidders in some cases expressing doubts about the fairness of tender procedures, no case of corruption has been proven. However, in late May 2002, the Prosecutor-General’s Office announced that several contracts between Happy End and the Prime Minister’s Office were illegal, owing to public procurement procedures having been bypassed.79

One of the major corruption scandals under the 1994–1998 Government was linked to party financing. In January 1996, the State privatisation and holding company, ÁPV, hired lawyer Márta Tocsik to negotiate with local governments regarding the compensation which ÁPV owed them after privatising real estate in the municipalities’ ownership.80 A public scandal broke out over the fee paid to Tocsik, which, at ten percent of the money she saved ÁPV, amounted to €3,296,400. The first instance court found no irregularity here, since Tocsik had saved ÁPV more than €41m. However, the findings of a parliamentary investigatory committee led to the launch of several other criminal and civil procedures. In particular, some information from Tocsik’s testimony was leaked, in which she stated that László Boldvai, treasurer of the then governing MSZP, and György Budai, a businessman close to the SZDSZ party in coalition with MSZP, had asked that 50 percent of her fee should be transferred to companies named by them. Indeed, Tocsik did transfer €943,000 to Boldvai and €471,500 to firms controlled by Budai. This raised suspicions that Tocsik’s contract was part of a party financing deal.81

The civil procedure launched by the Prosecutor-General’s Office ended in the first instance with a ruling for Tocsik and ÁPV.82 However, the criminal procedure has thus far resulted in a series of contradictory decisions. The first decision by the Metropolitan Court of Budapest, in 1999, acquitted Tocsik and the officials of ÁPV, but convicted Boldvai, Budai and another businessman of influence peddling.83 The convicted defendants and the prosecutors appealed and, in 2000, the Supreme Court sent the

82 HVG, 14 July 2001.
83 Népszabadság, 19 March 2002.
case back for a new procedure. In March 2002, the Metropolitan Court sentenced Tocsik to four years imprisonment as an accomplice related to misappropriation, confiscating €2.6m. The ÁPV officials were also convicted for various charges of misappropriation and neglectful handling of affairs, and the businessman was convicted of forgery. However, Boldvai and Budai were acquitted from blackmail charges.84 The case has been appealed again.

7. PUBLIC PROCUREMENT

Public procurement in Hungary has become an increasing source of concern in recent years. Although procurement legislation is relatively advanced, the Government has taken advantage of loopholes to avoid public tenders by using the Hungarian Development Bank to allocate major contracts, in particular massive public investment in the motorway construction programme. The European Commission has strongly criticised this practice. Although mechanisms of supervision of procurement are relatively well established, corruption still appears to be generally widespread.

7.1 Legislative framework

Public procurement is regulated by the Act no. 40/1995 on Public Procurement, amended in 1999 and 2001. The act applies to contracting entities defined as bodies financed by public resources or governed by public entities, as well as organisations – public or private utilities – which are in an exclusive or special position in the market granted by the State or municipality and provide public services. There is no code of ethics for public procurement officers.

Procurements of goods, works and services come under the scope of the Act if their value equals or exceeds the “public procurement value threshold.” This amount is set in the annual State budget. For 2001–2002 the amounts are:

- for procurements of goods, €73,800;
- for public works, €147,600;
- for services, €36,900; and
- for works in respect of the obligation of pre-qualification, €984,000.

84 Népszabadság, 19 March 2002 and 20 March 2002.
Specific procedural rules apply for some areas, including the procurement of military equipment and procurements involving national security.

There are three main types of public procurement procedure:

- **Open.** All interested persons may submit bids. A pre-qualification procedure can be used in some cases, e.g., where a works procurement equals or exceeds the value threshold.

- **Restricted.** The number of bidders can be restricted if the nature of the public procurement means that only a limited number of bidders are capable of fulfilling the contract, or if at least five qualified bidders are suitable.

- **Negotiated.** The number of bidders is highly restricted. This applies in cases precisely determined by law, for example, if one of the above procedures was unsuccessful, owing to technical reasons, or for reasons of extreme urgency. It usually applies where competition is limited. Participants are not bound by their bids in the course of this procedure.

The open procedure is used most commonly, as shown in the Table 4.

**Table 4: Breakdown of public contracts by method of allocation, 1995–2000**

<table>
<thead>
<tr>
<th>Period</th>
<th>Open</th>
<th>Restricted</th>
<th>Negotiated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number</td>
<td>share</td>
<td>number</td>
</tr>
<tr>
<td>Nov 95 – Dec 96</td>
<td>2252</td>
<td>69.5 percent</td>
<td>194</td>
</tr>
<tr>
<td>1997</td>
<td>2778</td>
<td>64 percent</td>
<td>241</td>
</tr>
<tr>
<td>1998</td>
<td>2789</td>
<td>62 percent</td>
<td>159</td>
</tr>
<tr>
<td>1999</td>
<td>2361</td>
<td>61 percent</td>
<td>103</td>
</tr>
<tr>
<td>2000</td>
<td>2828</td>
<td>76.2 percent</td>
<td>85</td>
</tr>
</tbody>
</table>

**Source:** Ministry of Justice.

However, in the first nine months of 2001, although 70 percent of tenders were awarded by open bidding, these tenders accounted for only 42 percent of all public procurement spending, or €709.3m.85

The law allows social and economic criteria to be used in the evaluation procedure, which seek to: improve possibilities for SMEs; ensure environmental protection; develop

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underdeveloped regions; and enhance employment. Only one criterion can be utilised in any one tender and it is to be applied according to guidelines set out in the law.

Modifications to the Act in 1999 introduced stricter rules for the evaluation of bids, such that contracting authorities are required to state in advance not only the criteria they will use for selection of the winner, but also the weights they attach to each and how scores are allocated. Nevertheless, in November 2000, the Political and Legislative Committee of the American Chamber of Commerce in Hungary still felt that:

[T]he possibility of allocating many points to intangible or subjective criteria can result in an unduly high consideration of these intangibles and the corresponding unduly low consideration of price. It is very difficult, if not next to impossible, to contest an award where the majority of the points are granted for elements other than price. By allocating the majority of points to such elements, the subjective evaluation of these elements results in the award being granted to the bidder to whom the owner wishes to award the tender rather than to the best offer.86

The Ministry of Justice in 2001 proposed a series of further modifications to the Act to eliminate some of the remaining possibilities for corruption87 as well as advancing the Act’s harmonisation with the acquis. However, the Government decided to include modifications to the bill in a package of amendments to other Acts, omitting the more far-reaching recommendations. The Ministry hopes to see more amendments to the Act in 2002. In preparation, it will commission a survey of those involved in public procurement, in an effort to observe and appraise problems observed in legal practice.88 Other proposed modifications would increase penalties for non-contractual fulfilment of contracts. The practice of splitting up procurements – so as to circumvent the law by generating several procurements below the value threshold – is prohibited in the 1995 Act, while the 1999 modifications sought to tighten control in this respect.

The 1995 Act includes “preferential rules” for local companies, which can be used in the pre-qualification procedure and in evaluating bids. If the domestic value added in a proposal represents more than 50 percent of the total value, that proposal can be considered as equivalent to cheaper proposals, provided that the price differential is not more than ten percent. This is in line with Hungary’s obligations under its Europe Agreement, and a 1997 survey by the Ministry of Justice found that the rule was not often applied. The Ministry and the European Commission have recommended that

87 Government Resolution no. 1023/2001 on the Governmental Strategy against Corruption.
88 Interview with Dr. Anita Németh, European Communities Law Department, Ministry of Justice, 14 December 2001.
the preferential rules be deleted from the Act, but this appears to be politically difficult.89

7.2 Review and audit

The Public Procurement Council comprises 19 members representing central Government agencies, contracting authorities and bidders. It is responsible to Parliament and oversees the application of procurement rules as well as initiating legislative amendments. It also provides information and training, and publishes the notices for procurement procedures. Members of the Public Procurement Council are subject to incompatibility rules.

Within the Public Procurement Council, a Procurement Arbitration Committee is responsible for providing legal remedy in issues of dispute or violations of the Public Procurement Act. The procedure can be initiated by the Council, by anyone with an interest in the tender, or by one of ten other organisations with a relevant mandate, e.g., the SAO and the GCO. The Committee comprises 18 commissioners appointed by the Council. If it detects violations of the law, the Committee can apply various sanctions, including requiring a certain tender condition to be met, imposing fines and prohibiting the bidder from taking part in any public procurement procedure for five years. The 1999 amendments made it compulsory for fines to be imposed if a violation is uncovered during the review procedure.

In 2000, 700 cases (around 20 percent of public procurement procedures) were submitted to the Committee for legal remedy, and infringements of the law were found in 277 cases. The most common problem was that the winner was found not to be the highest bidder. In 68 cases, determination of the invalidity of bids was found to be flawed, and in 24 cases a problem was found where the negotiated procedure had been invoked for reasons of extreme urgency. Eighty-eight of the problem cases concerned negotiated procedures, of which there were only 797 in 2000.

The cost of initiating the review procedure was increased in 2002, from €123 to €615. The move was intended to take into account inflation, since the cost had not been increased since 1995, but may also have the effect of preventing some unnecessary reviews being launched. There is no appeal against the Committee’s decision, but companies can seek judicial review by claiming that their right or legal interest has been violated. They must submit a petition within 15 days of the delivery of the Committee’s decision. The decision of the first-instance court can be appealed to a second-instance court, but no further.

89 Interview with Dr Anita Németh, Ministry of Justice, 14 December 2001.
7.3 Corruption

The SAO finds a lot of mistakes in the tender procedures, and the SAO President argues that local government has an interest in avoiding the public procurement procedure since the process is so long. The GCO, by contrast, is of the opinion that strong control in public procurement is effective at deterring irregularities. In general, the GCO finds that bribes and misconduct are not characteristic of central Government, but more so of local government.

László Tunyogi, whose firm runs a weekly publication about public procurement in Hungary, notes three problems:

- Relations between contractors and subcontractors are barely supervised. Thus, "main" contractors (winning bidders) often pay subcontractors a fraction of the money received for the contract, resulting in substandard work. Moreover, companies which might otherwise be excluded from the process (for example due to bankruptcy or misconduct during public procurement in the past five years) can indirectly become involved.

- There is little to stop contractors from changing the terms of the contract once it is signed, since fulfilment is not checked.

- Where companies are required to meet "pre-qualification" conditions in order to participate in a tender, the persons carrying out the pre-qualification assessment are often the same as those organising the tender.

Interviews for this report also revealed anecdotal evidence that firms pay bribes equal to 10-20 percent of the bidding price to the persons awarding the contract. Accusations of favouritism in the awarding of public contracts are regularly reported in the press. They include speculation that the stone mine owned by Győző Orbán, father of the former Prime Minister, owes its success in winning public contracts to political links. In January 2002, the owner of a competitor firm, Mészkő és Dolomit Kft., claimed that he had not been treated fairly by tendering and licensing agencies and announced that he was forced to close down his business.

One scandal in 2001 involved the Chairman of the parliamentary Public Procurement Committee, who was caught by police whilst apparently taking a bribe from a businessman in exchange for a public contract (see also Section 4.5).

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90 Interview with Dr Árpád Kovács, 12 December 2001.
91 Interview with Dr Péter Janza, 20 December 2001.
92 Interview with Dr László Tunyogi, Hungarian Public Procurement News Exchange, 7 January 2002.
A private security firm has been at the centre of allegations that it is favoured by the Government because of close connections to FIDESZ-MPP members. The company, Defend, was established by a former secret service officer with links to the governing party and has grown rapidly. In 2001, the company’s top ten clients were all State organs, amounting to €180.4m worth of business.\(^93\)

**Off-budget public procurement**

A serious cause for concern is the fact that certain important areas of public expenditure circumvent the public procurement law if channelled through nominally private but State-controlled agencies. The highest-profile example is that of motorway construction. State expenditure on motorway construction is conducted off-budget, through the State-owned Hungarian Development Bank (HDB). The activities of the HDB are bank secrets, while the bank does not need legislative approval for spending projects and is not required to use open tender procedures. The Prime Minister and Finance Minister appoint all executives and members of the supervisory board. Since 1 January 2002, the bank has been required by law to report on its activities quarterly.

In July 2000, a contract was signed between the National Motorway Company and contractors for the construction of a new 60-kilometre section in North East Hungary at a cost of €279.5m. The HDB was the main Government funding agent and the contract was not put out to tender. The Office for Economic Competition expressed its view, in 2000 and 2001, that the decision not to put motorway contracts out to tender is anti-competitive. The IMF also criticised the practice: “[T]he circuitous flow of funds through (state privatisation agency) APV and the MFB [Hungarian Development Bank] should be discontinued… The practice of allowing Government, through government resolution, to conduct additional policy spending… should be discontinued.”\(^94\)

Two of the main companies that have won contracts from the National Motorway Company are rumoured to have had no prior experience of road building. In September 2001, the Hungarian Motorway Construction Consortium launched charges of bribery against unknown suspects in connection with reconstruction work on the M7 motorway. They alleged that one subcontractor had concluded a deal with the contractor whereby it would pay over half of the money earned in return for receiving the commission.\(^95\)

\(^{93}\) *HVG*, 12 January 2002.


\(^{95}\) *HVG*, 29 March 2002.
Following a 2001 change in the law regarding the types of companies which can be privatised, the HDB has also been used to carry out the privatisation of agricultural companies, without reference to the privatisation law. Shares in the agricultural companies were first transferred to the HDB and then sold on without an open tender.

Criticism of the Government’s use of the HDB intensified in May 2001 when a number of changes were made to the law regarding the bank, on the initiative of the Government. Before the new legislation was approved, the HDB was regulated by Chapter 31 of the 1996 Credit Bank Act. Under the new Act, the State covers any loss in the capital of the bank, and can act as guarantor for loans granted and bonds issued by the HDB, as well as any liabilities for third parties which the bank undertakes. A legislative proposal which would have required an annual audit of the HDB by the SAO was rejected in Parliament. The GCO is not mandated to supervise spending on motorway construction, since it is not implemented through the State budget. The GCO is authorised to control how State guarantees are drawn, hence if the Hungarian Development Bank were to seek to draw upon a Government guarantee, the GCO might become involved to control this procedure – but only at the Government’s request.

The new MSZP government announced in July 2002 that it intends to use public procurement procedures – and open tenders – for awarding road-building contracts from August. However, a restricted rather than an open procedure was initially chosen for the first tender issued by the new Government, in July, with four companies invited to submit bids. One company, which had won the majority of contracts under the previous Government, notably was not invited to participate. Under pressure from the media, the tender was annulled and an open tender subsequently launched.96

8. Public Services

Corruption appears to be an important problem in a number of Hungarian public services, especially in healthcare and probably in the allocation of licenses and permits. Corruption in the traffic police – an area pinpointed by surveys – may have been reduced by recent reforms. The Customs and Finance Guard has been carrying out important reforms, inter alia, to reduce corruption. The extensive powers and discretion of the tax authorities may be an important source of corruption. Corruption in education does not appear to be an important problem.

8.1 Police

According to Gallup’s research, perceptions of corruption in the police vary according to the branch. The traffic police are widely seen to be the most corrupt, followed by other departments in contact with the public. A 2000 Gallup survey in 1999 found that, of those who had been stopped by policemen because of a driving-related offence, 27 percent did not pay a fine although they had committed the offence, while 14 percent paid but did not receive a ticket or receipt. The Association of Police Research carried out a comprehensive survey of corruption in 2000, through interviews and discussions with police personnel. The report found that traffic police accepting bribes and investigators collecting bribes from small businesses were prevalent forms of corruption. Policing of white-collar crime, tax fraud and evasion and drugs also offer significant opportunities for corruption. Bribes and sexual favours are used within the police force to gain promotion or good jobs (sometimes the most “lucrative” ones, such as a particular traffic policing shift).97

A number of recent measures aim at reducing corruption:

- Police are no longer allowed to impose on-the-spot fines. This aims to curb the practice of traffic police taking bribes. Any exchange of money witnessed on the street is now suspicious.
- Immunity is offered to one party in a bribe if he reports it within a certain period. Thus policemen accepting bribes face a greater risk of being caught.
- Since January 2000, policemen have worn name badges so that citizens can identify them more easily.
- Police training programmes include an element in which officers are asked to consider possible instances of corruption and think about how they would respond.98

Bribe-taking among the traffic police is thought to have decreased as a result of some of these measures. However, since salaries are low, police may be easily tempted by bribes, which significantly augment their regular income. Overall, Dr Benke of the Association of Police Research assesses that “a considerable proportion of police time and effort is devoted to corrupt money collection instead of maintenance of order.”

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97 Association of Police Research, Küzdelem a rendőri korrupció ellen (The Battle Against Police Corruption), 2000.
98 Interview with Dr Miklós Benke, Association of Police Research, 7 January 2002.
8.2 Customs

Gallup found in 2000 that 28 percent of those surveyed considered the customs and border guards to be corrupt\textsuperscript{99} and that 37 percent of SMEs surveyed expected to face corruption when seeking clearance for goods.\textsuperscript{100} In 2000, a Central Investigation Office with a staff of 130 was set up at the Customs and Finance Guard. It is empowered to carry out nationwide investigations. The Customs and Finance Guard was reorganised and a decentralised risk analysis system introduced. Hungary also began to prepare the customs service for EU accession by transposing the Customs Information System Convention.

8.3 Tax collection

Although the legal framework is fairly sound, with a general prohibition of tax evasion and many specific laws, anecdotal evidence suggests that tax evasion is extremely common. Regular practices include failure to register employees, trade in false expenses, and channelling income into offshore accounts.\textsuperscript{101}

In 1998, the Government introduced a law establishing a criminal investigation division within the tax authorities, authorised to undertake secret searches and open mail as part of its investigations. In addition, the law incorporated provisions of the section of the Act on the Police which deal with secret surveillance. When the bill was debated, the opposition claimed that this law could only be passed by a two-thirds majority of Parliament, since surveillance laws normally required this procedure. The law was passed by 61.8 percent of the votes. The opposition Association of Free Democrats then brought a challenge in the Constitutional Court, which later ruled unconstitutional various provisions of the law relating to secret surveillance. The Court annulled the law in July 2001,\textsuperscript{102} but it will remain in force until the end of 2002.

The extensive investigatory powers of the tax authorities may themselves be a source of political pressure and corruption. As described by one newspaper recently, “at any time, a squad of investigators from the National Tax Office (APEH) can appear in your office for a ‘random’ check of your books going back a half-decade, with the obvious intent of not leaving without money for the state and a commission for


\textsuperscript{101} A change in the law from January 2002 seeks to close this loophole.

\textsuperscript{102} Decision no. 31/2001.
themselves.” The tax authorities also have some discretionary power to forgive debts or defer payment if payment would make impossible the economic activity of a private entrepreneur, legal person or other entity, or at the person’s request, taking into account his or her income, assets and social conditions.

8.4 Health

In the April 2000 Gallup survey, 77 percent of respondents thought it was “typical” or “highly typical” to give a gratuity or tip to hospital doctors. More than half of the population believe that if they want proper service in a healthcare institution they will probably have to pay a tip or gratuity. This finding is significant given that 62 percent of respondents actually visited a healthcare institution in 1999. The amounts involved are considerable – of those who made a payment, 52 percent paid an average of €36 – although anecdotal evidence suggests that an informal “means testing” occurs, with elderly and poorer patients expected to pay less.

Public procurement in the healthcare system may be prone to corruption, owing to a rather anti-competitive system regarding the procurement of pharmaceuticals. Some companies signed long-term contracts to supply hospitals before the 1995 public procurement law came into force. Moreover, the three associations of pharmaceutical companies which dominate the market engage in price-fixing. The Office for Economic Competition appears to play the greatest role in supervising their conduct.

8.5 Education

Corruption occurs in higher education, with some students gaining admission to university or good exam results through paying bribes. This is very difficult to measure and is not mentioned in any of the surveys of the public consulted for this report. However, anecdotal evidence suggests that it is not a common occurrence.

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104 According to Act no. 91/1990 on the Order of Taxation.
105 In 2000, the Competition Council, the main decision-making body of the Office for Economic Competition, stated that an agreement among three pharmaceutical associations to recommend that their members make identical price increases constituted indirect price fixing and violated the Competition Act. See Annual Report on Competition Law and Policy Developments in Hungary January–December 2000.
8.6 Licensing and regulation

A Gallup 2000 survey found that ten percent of respondents thought it necessary to pay bribes to municipalities concerned with property, land registry and housing.\textsuperscript{106} However, Gallup’s survey of SMEs found much higher perceived levels of corruption, with 46 percent regarding corruption as high in the area of obtaining technical papers for a vehicle, 41 percent for obtaining municipal permits, 38 percent for obtaining business licences, 30 percent for fulfilling environmental regulations, and 26 percent for obtaining residence and work permits.

9. ROLE OF THE MEDIA

Press freedom is guaranteed in Hungary. However, access to information is problematic despite the existence of freedom of information legislation, and vague provisions on State secrets may have been used to intimidate journalists. Regulation of public broadcasting has been put in doubt by the recent dominance on television and radio boards of trustees by nominees of the governing party, while personnel policy at Hungarian Television indicates strong political interference. Likewise, the allocation of private broadcasting licences has given rise to concerns about political influence. Between 1998 and 2002 the Government made concerted efforts to support the right-wing press, and foreign journalists have come under pressure after criticising the Government.

9.1 Press freedom

According to Article 61 of the Hungarian Constitution, “everyone has the right to freely express his opinion and furthermore to access and distribute information of public interest.” The Civil Code provides for “protection of reputation” by granting a right of rectification to someone who is damaged by an untrue fact or by a true fact used in a distorted or negative light. The Criminal Code prohibits insulting statements. These laws do not significantly hinder the freedom of the press to criticise Government officials. In 1994, the Constitutional Court ruled that Article 232 of the Criminal Code – on libel – is unconstitutional because the public’s right to criticise Government officials or other

politicians must be protected to a greater extent than its right to criticise private citizens. Nevertheless, it is common for politicians to launch libel suits against journalists.

In May 2000, on the proposal of a Smallholders MP, Parliament extended the law on lustration to include leading journalists and editors of the press, broadcast and online media. This creates a new source of political pressure on journalists. In addition, members of the governing parties have sought to introduce other laws which would curtail the freedom of the press to criticise politicians or government activities:

- **Lex Pokol**, proposed in summer 1999, would have provided those offended by articles expressing “socially unfavourable opinions” with a right to respond through the same media outlet. The bill was not passed.

- In September 2000, the Government introduced a bill such that, “those who… publicly spread unreal facts or real facts in an unrealistic way that may provoke worry or disorder among a great number of people, commit a crime and are punishable with up to three years of imprisonment.” The bill was not passed.

- In May 2001, Parliament passed **Lex Répássy**, giving those whose “private rights are offended” by an opinion article the right to reply in the same media. Publications transgressing the law were required to pay a penalty, of an unspecified amount, to the State. After protests from the opposition and journalists associations, the President of the Republic sent the law to the Constitutional Court. The Court ruled that the law was unconstitutional, but only in the sense that the extent of the reply and the fine were not defined. According to the Hungarian Press Freedom Centre, the ruling avoided the main issue, while paving the way for a slightly modified version of the law to be passed in future.

### 9.2 Access to information

Article 19 of Act no. 63/1992 on the Protection of Personal Data and Disclosure of Data of Public Interest grants access to public information. The authorities must decide on whether to grant access within 15 days of an application, and in the event of a rejection, must notify the applicant of the reasons within eight days. The authorities may charge expenses to communicating data of public interest. Applicants may apply to the courts if an application is refused. The Data Protection Ombudsman’s 2000 report noted that most cases seeking to uphold freedom of information were raised by journalists, politicians (typically from the opposition) and environmentalists, with the


involvement of society at large falling behind “both international standards and what
the conditions would permit here in Hungary.”

The law provides for secrets to be classified as such through a procedure according to Act
no. 65/1995 on State Secrets and Official Secrets. The classifier can mark data as secret if it
belongs to a list of categories contained in the annex of the Act and if the classifier can
establish that publication before the expiry of validity and unauthorised acquisition or use
would without doubt damage or jeopardise the interests of Hungary related to a number of
areas. However, it is common practice for the Government to claim that documents which
have not undergone this procedure are nonetheless secret. One editor noted that, “despite
there being quite a good law, there is a lot of closed information. An official at a ministry
will say that something is ‘operational’ or closed and it is difficult for us to check.” Freedom House echoes this sentiment, while Gallup’s research among journalists in 1999 also found that, “too large a number of documents are classified” and that, “Individual, business and state secrets are overprotected.”

In addition, the law does not clearly state who is obliged to keep a secret, leading to
difficulties in interpreting the law when, for example, a journalist prints a “secret” which
was originally leaked by a Government official. In June 1999, László Juszt, the editor of
weekly magazine Kriminális, was charged with revealing State secrets. Kriminális had
published documents that disputed claims made by FIDESZ-MPP that the previous
Government had engaged in illegal spying on FIDESZ-MPP party members when the
party was in opposition. The published documents contained information that there was
no proof of such a claim. Police searched Juszt’s home, held him in custody for seven
hours, searched the offices of Kriminális and confiscated the computer equipment,
effectively closing down the magazine. Following Juszt’s arrest, Hungarian TV terminated
its contract with him. The Budapest Prosecutor’s Office dropped the charges against Juszt,
stating that the reporter had broken no law. As reported in the World Press Freedom Review
of 1999, “this prompted a startling chain of legal events:”

The case was then picked up by the Hungarian Chief Prosecutor, supported
by the Metropolitan Police Commissioner; then dropped by the Deputy
Chief Prosecutor; picked up again by the Chief Prosecutor; dropped again by
the Budapest Chief Prosecutor; and then picked up by the Minister without
Portfolio for Secret Services László Kövér. But the application was finally

109 See <http://www/obh/Hungary/adatved/indexek/besz/index.htm>, (last accessed 15 August
2002).
110 Interview with Ilona Kiss, editor, Beszélo magazine, 7 January 2002.
The Data Protection Ombudsman noted in his recommendation on the case that two of the documents published by Juszt had never been classified, another had been classified by an unauthorised person and the fourth document contained no information that would fall into any one of the state secret categories listed in the annex to the Secrets Act.

9.3 Broadcasting regulation

Three of the five national television channels are State-owned. In 1998, research by the National Radio and Television Board (NRTB) found that the parties of the governing coalition were over-represented in broadcasts, with their activities accounting for around 80 percent of all news coverage.

The law seeks to provide balance in State broadcasting through vesting supervisory powers in Boards of Trustees – or Presidia – to which both the Government and opposition make appointments. By law, half of the eight party-appointed members are to be proposed by the Government and half by the opposition parties in Parliament. However, since 1998, when the previous Presidium for Hungarian Television was dissolved, only the four members appointed by the governing parties sat on the board. The opposition was unable to appoint its members because the three opposition parties submitted five nominees altogether for the four positions. This occurred because the extreme right-wing Hungarian Justice and Life Party (MIÉP) requested two of the four opposition seats, despite having only 14 seats in Parliament, and refused to back down. The SZDSZ nominated one candidate and the MSZP, by far the largest opposition party, two. The Government argued that no opposition nominees should be appointed until the three parties had reached a consensus on the four trustees they wished, collectively, to appoint. The Presidium was subsequently appointed comprising only four members, all Government nominees. The two main opposition parties’ suggestion that Parliament should select the four opposition members from the five nominees was rejected.

Both the Court of Registration and the Prosecutor-General found the incomplete Presidium to be illegitimate, but the Supreme Court allowed the move and the Constitutional Court

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argued that it was not a constitutional issue. Györgyi Kálmán, then Prosecutor-General, published his view that the Presidium was illegitimate; this statement was deemed to be of no legal relevance by the Speaker of the House, János Áder. The same process occurred when the presidia of the national radio broadcaster and the State-owned satellite channel, Duna TV, expired – partial presidia comprising only Government nominees were appointed. Following the change of Government after the April 2002 elections, new boards of trustees have been appointed, with the proper political balance.

The National Radio and Television Board regulates the broadcast media and allocates licences for television channels and radio broadcasting frequencies. Political parties appoint its members, with one member per parliamentary party and voting rights weighted according to parliamentary representation. The Board publishes tenders for licences and a procedure is laid out according to which bids are allocated a score.

9.4 Corruption in the media

Rather than explicit evidence of corruption in the media, Hungary has seen creeping political influence on the media. The State has few opportunities to exert influence on the press through ownership, since most of it is in private ownership, much of it foreign-owned. However, the former Government made a concerted effort to support the rightwing and conservative press:

- The Orbán Government heavily favoured right-wing papers when placing State advertising: in particular, the daily *Magyar Nemzet*.

- State-owned Postabank’s decision in 1998 to cease financial support to two left/liberal magazines and deny their editorial boards the right to use the same titles caused one of the journals to close down.

- *Magyar Nemzet*’s ideological stance has shifted further to the right, following a merger in 2000 with the radical right *Napi Magyarország* under the name *Magyar Nemzet*. The merger took place after Postabank sold *Magyar Nemzet* to the MAHIR company, which also owned *Napi Magyarország*. Many journalists from the original *Magyar Nemzet* were dismissed, leaving those from the more radical paper in the majority on the new title. Local analysts argue that the paper has become much more extremist as a result, while leaving right-wing readers without a choice of newspapers. The MAHIR company is closely linked to FIDESZ-MPP.

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114 The Constitutional Court might have ruled that the regulation on the appointment of the Presidium was unconstitutional in that it failed to prevent a situation in which a board lacking opposition nominees was appointed. Instead, the Court in effect blamed the political parties for failing to reach a consensus.
• In 2000, officials from the Ministry of Defence and Ministry of Environment revealed that their ministries had provided significant financial support to Kis Újság, a newspaper closely tied to the Smallholders Party (then part of the governing coalition).

Under the Orbán Government, appointments favoured candidates with connections to the Government or from the right wing. In October 1998, senior news staff at Hungarian Television were removed and replaced. In autumn 1999, the President of Hungarian Television fired hundreds of journalists, apparently because the company was making huge losses. However, at the same time, new journalists loyal to the Government were appointed. By summer 2001, the President of Hungarian Radio was Katalin Kondor, a journalist known for making weekly interviews with the Prime Minister,115 and the President of Hungarian Television Károly Mendreczky, formerly a FIDESZ-MPP candidate in the 1998 municipal elections.116

The NRTB has been criticised for failing to stick to its procurement procedures. Some local analysts argue that practical considerations such as the burden of work make it impossible to keep the rules, while others allege that political considerations influence the evaluation of tenders.

Although a large proportion of the broadcast media is in direct State control and apparently under Government influence, the two private television channels attract higher viewing figures. These channels may also be vulnerable to political influence. One of them, TV2, is in financial trouble; a bid to buy some of its equity was recently made, by one of the primary contractors on the national motorway construction programme. The other private channel won its licence in peculiar conditions. When the runner-up, Iris, took the National Radio and Television Board to court over its decision to give the licence to RTL Klub, it won the case. The NRTB was expected subsequently to withdraw RTL’s licence and pay significant compensation to RTL and Iris. However, it did neither. It allowed RTL to retain its licence and the head of Iris was later appointed as a presenter at one of the state-run channels. RTL Klub might thus be vulnerable to pressure from the NRTB, to which it owes a debt for enabling it to continue broadcasting.

9.5 Media and corruption

According to journalists participating in Gallup’s 1999–2000 research, the conditions in which investigative journalism might flourish do not exist in Hungary. Neither

115 Kondor has argued that Hungarian Radio should be the “loyal opposition” of the Government. See interview in: HVG, 25 August 2000.

owners nor editors are willing to devote the resources needed to support investigative journalism, while journalists felt that they would risk their job security if they revealed controversial evidence, or be threatened by the mafia or political parties. They suggested that some topics, such as the mafia, are taboo. In addition, journalists felt that, even where they publish incriminating material or evidence, there is a “chronic lack of follow-up” by courts and district attorneys.

Journalistic skills and culture are weak, with many journalists unaware of their legal rights to gain access to information, while the practice of submitting interviews for “correction” before publication is common.\(^{117}\)

Foreign journalists have in the past two years come under pressure after criticising the Government. On several occasions, foreign journalists have been attacked and quoted out of context in *Magyar Nemzet*, and on Hungarian State radio and television. In January 2002, *Magyar Nemzet* ran an article listing the names and publications of foreign journalists, along with a “ranking” of how favourable their writing was to the Government. This provoked some journalists to protest through the Hungarian International Press Association, by sending a letter to the Foreign Minister. The letter detailed instances of verbal attacks and commented:

> We have become alarmed by the persistence of reports which are unpleasant, vindictive, and sink far below the standards of civilised discourse which we expect. As you will notice, the places where they have appeared are in media organs and programmes normally noted for their support for the Hungarian Government.

10. RECOMMENDATIONS

The following recommendations have been highlighted as particularly important to Hungary. For additional recommendations applicable to candidate States generally, please see Part 5 of the Overview report.

1. Ensure that all public expenditure is subject to thorough scrutiny, particularly the activities of the Hungarian Development Bank.

2. Consider increases in State funding for political parties to enable them to run campaigns without resorting to illegal funding.

3. Uphold the freedom of the media by ensuring that both Government and opposition are represented on television and radio boards of trustees.

\(^{117}\) Interview with Éva Vajda, OSI Media Program, 10 January 2002.