

# **Nature of corruption in the public procurement in Hungary**

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**Prospects for fighting corruption  
in post-socialist countries**

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# Objectives of FME research

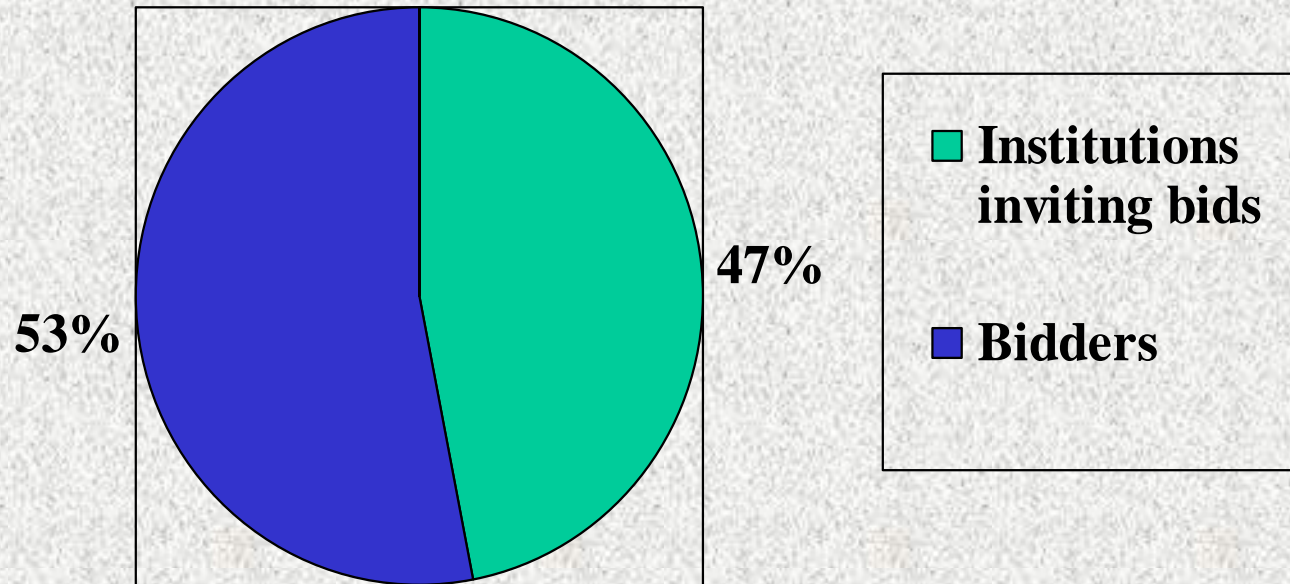
- to review the different facts and opinions in connection of setting a limit to reducing corruption in the public procurement procedure
- to value the chance of developing the anti-corruption practice in it
- to examine how openness, equal opportunities, transparency, clarity and efficiency are enforced both by institutions inviting tenders and bidders

# Scope of FME research

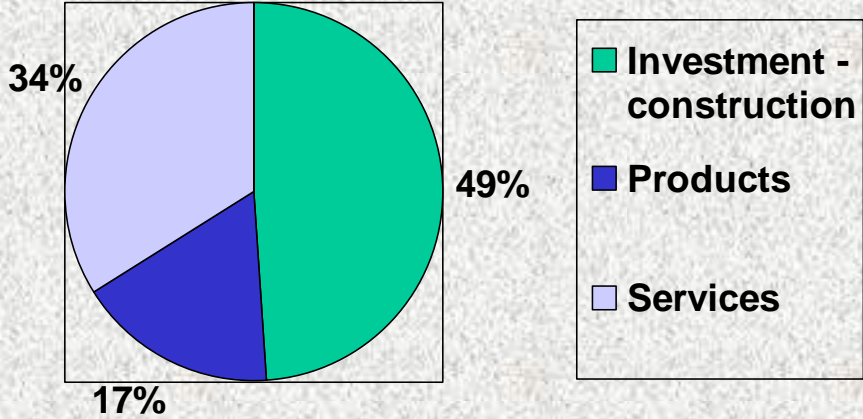
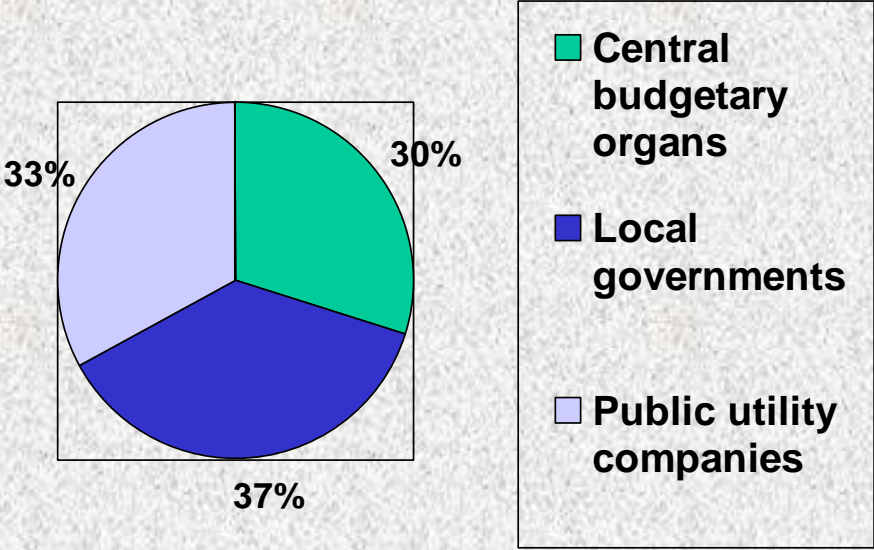
57 institutions /companies were interviewed:

- Institutions inviting bids: 47%, bidders: 53%;
- 30% of the institutions inviting bids represented the central budgetary organs and their respective institutions, whereas 37% and 33% represented local governments as well as public utility and state-owned companies, respectively;
- Roughly 45% of bidders were SMEs:
- 49%: investment -construction,
- 17%: products (within products: healthcare products: 21%, IT products: 28%),
- 34%: services (within services: construction: 35%, public utility companies: 20%).

# Proportion of institutions / companies I.



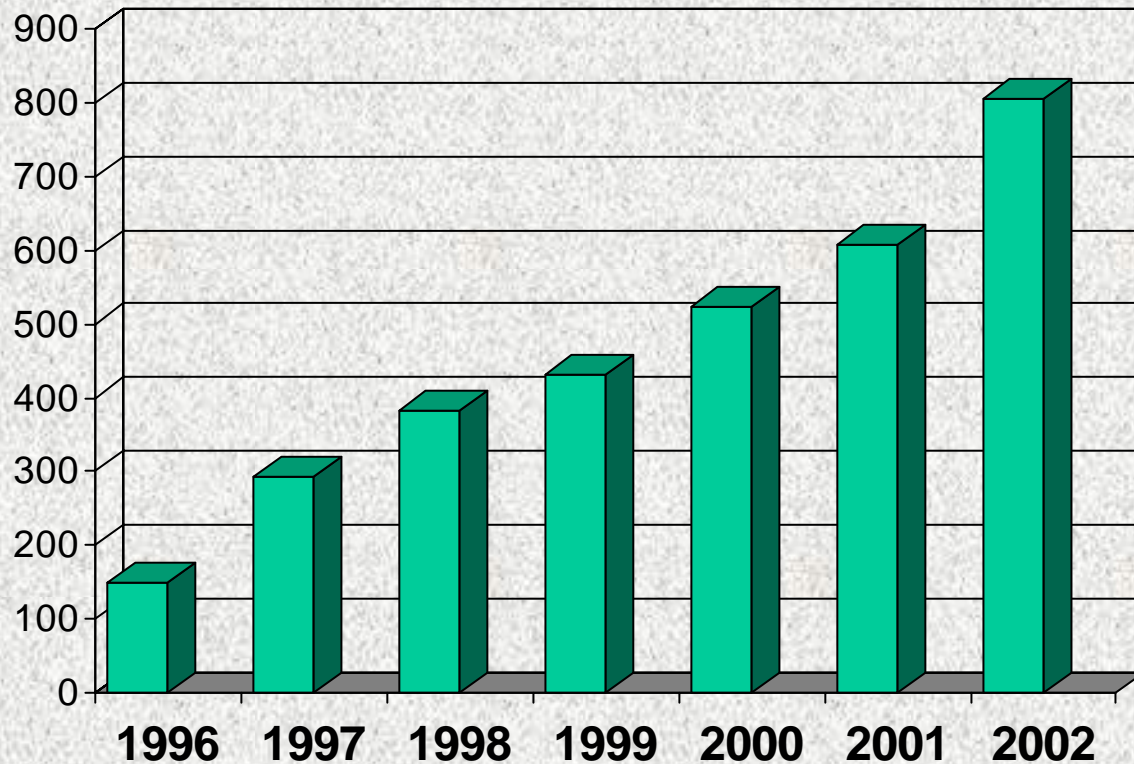
# Proportion of institutions / companies II.



# The importance of public procurement market in Hungary

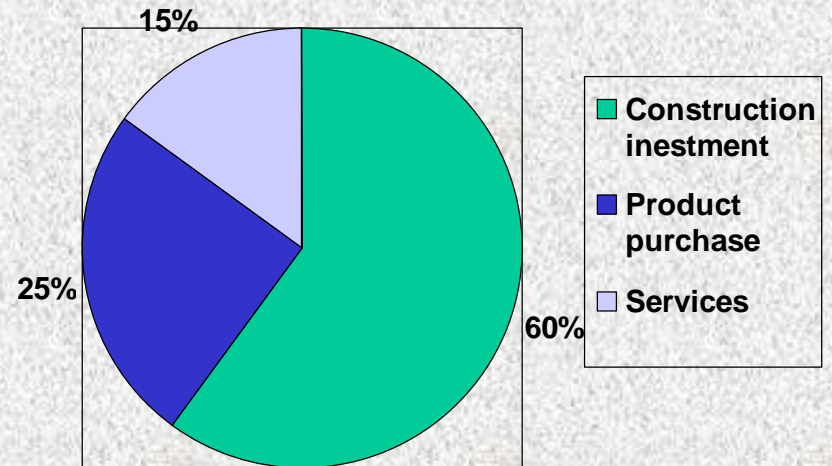
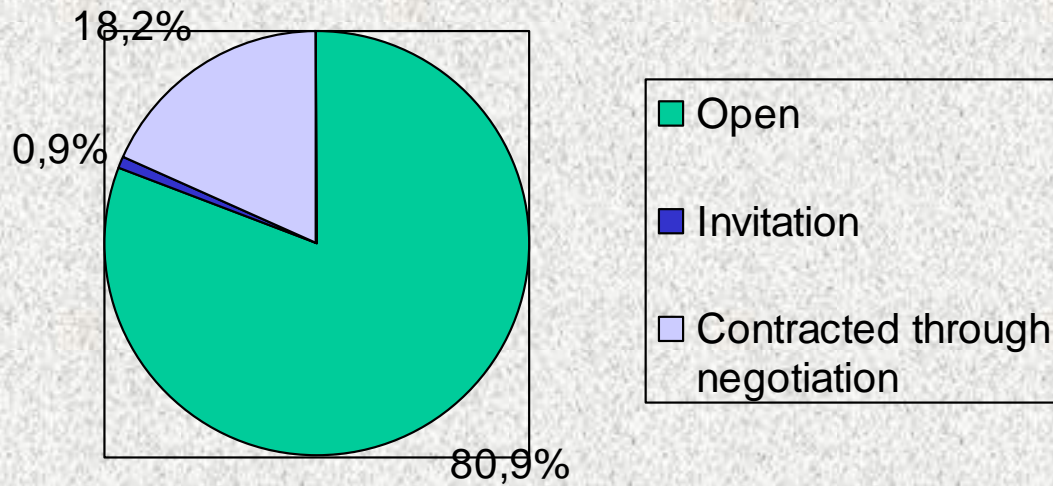
- ✂ the value of public procurements has significantly raised from HUF 100 billion in 1996 to 800 billion (3,3 billion €) in 2002;
- ✂ in 2002 about 1/5 of the budget expenditure was realised by public procurement;
  - ✂ nearly 80% of all 4,242 procedures were open bids, 20% were contracted through negotiations in 2002;
  - ✂ concerning the subject of tenders: 60% of them were construction investments, 25% were made as product purchase and 15% included services in 2002.

# The value of public procurements





# Proportion of public procurement processes



# Hungary's international embodying

- Participation in **UN General Anti-Corruption Program:**
  - **Memorandum of Understanding on Anti-corruption Policy, 1999**
  - **Project agreement** to prevent, reveal and eliminate corruption, and promote transparency and accountability in the framework of Global Program Against Corruption, 2000
- **OECD Convention on Combating Bribery of Foreign Public Officials, 1998**
- **Strasbourg Convention on Investigating Issues Resulting from Crimes and of Money Laundering, 1990**
- **Council of Europe Criminal Law Convention on Corruption, 1999**
- **Council of Europe Civil Law Convention on Corruption, 2003**
- member of the **Group of States Against Corruption (GRECO)**

# Legislation and rule-making 1.

- The **measures taken between 1998-2002** : Public Procurement Act (1995) was modified, the bill on property claim for civil servants was elaborated and bribery was listed as higher penalty crime.
- In the Accession Partnership signed in 1999 Hungarian government approved a decree concerning the **national strategy against corruption** in March 2001.
- In May 2002 the new government in power announced a **program on transparency in public life**.

## Legislation and rule-making 2.

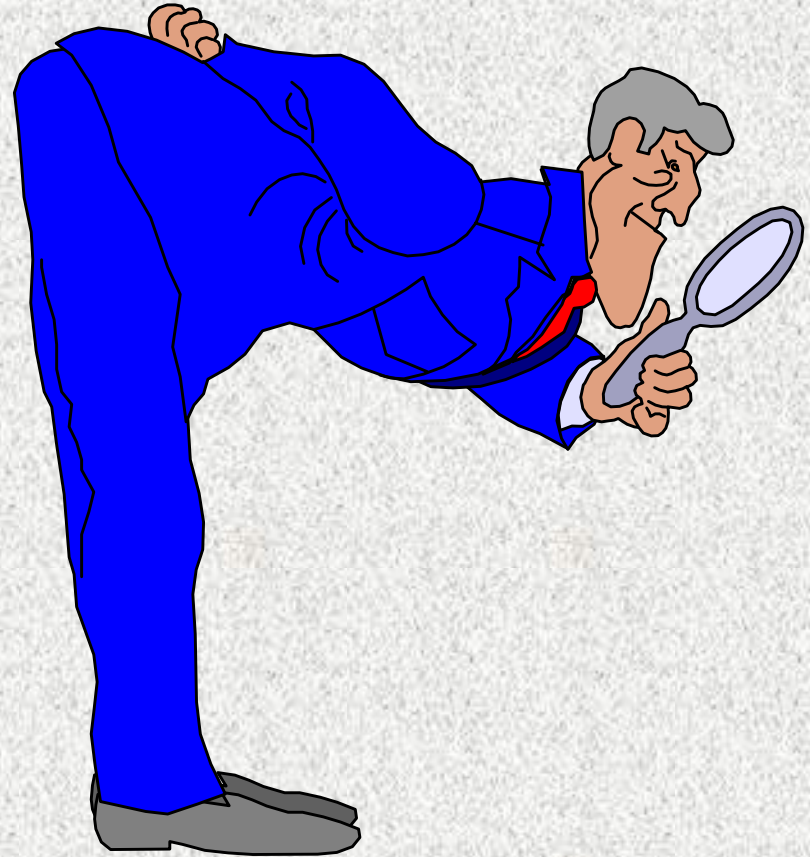
- **Criminal Code** was harmonized with the international agreements and EU requirements
- **Regulations related to bribes** were significantly modified in 2001
- **Act Against Money Laundering**, 2001
- **Transparency law**: the so called “glass pocket” legal package, 2003

# Main conclusions, recommendations

- The international situation and Hungary – Transparency International
- The role of MEDIA
- The weaknesses of the public procurement process
- The effectiveness of anticorruption fights
- The methods have changed

# The law of „glass-pocket”

- Can you make rules for every step of life?
- Can you create effectivity and control parallelly?
- What does the clean procurement cost?



# Results?

- YOU CAN WIN A LOT OF BATTLES...
- ...BUT HOW COULD YOU WIN THE WAR???



**Thank you for your attention!**