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# **Networks of corruption**

Networks of corruption in Hungary in 2010

# Milestones of anti-corruption measures

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- ♦ 1992: “Clean hands” investigation in Italy
- ♦ 1996: Wolfensohn, governor of the World Bank
- ♦ 1997: OECD Convention

**Jean Cartier Bresson**

# Clean hands

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In 1992 it was found that the political parties came under undesirable political influence as a result of illegal party financing, and that certain public authorities functioned not in the interest of the public but almost like private agencies.

# World Bank

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1996: Wolfensohn, the governor of the World Bank, called upon a struggle against corruption, which is:

- ♦ the “cancer” of developing countries
- ♦ causes indebtedness

# OECD

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1997: Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

- ♦ Risks for developing countries
- ♦ Risks for multinational companies

# The reasons for the failures of anti-corruption measures in Hungary

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- ♦ Lack of historical antecedents
- ♦ Treating Hungary in isolation
- ♦ Focusing on public officials
- ♦ Examining key areas only superficially
- ♦ The holistic approach of Jeremy Pope missing

# Key areas

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- ◆ Illegal party financing
- ◆ Justice system
- ◆ Media
- ◆ Non-governmental sector

# Back to the foundations

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- ♦ J. Pope: Transparency International handbook (1995)
- ♦ TI-HUN 1st and 2nd Reports (1998, 1999)
- ♦ OECD (2000)



# J. Pope: TI Handbook

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- ♦ International networks
- ♦ Organized crime
- ♦ The role of offshore banks

# TI-HUN

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*1st Report: On the examination of the Municipal Government of Budapest (1998)*

*2nd Report: On the examination of the Hungarian legal system (1999)*

- ♦ Corruption appears in provisions of law
- ♦ The formal existence of checks and balances does not guarantee democracy

# OECD (2000)

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- ◆ The strengthening of international networks of corruption
- ◆ The increased protection of the corps of public officials
- ◆ Increased level of risk in case of countries in transformation

# The big encounter

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Hungarian and international networks of corruption united in **privatization**.

This is the main characteristic feature of the networks of corruption in the countries of Central Europe.

# Consequences

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- ♦ Illegal party financing (appointment of leaders, legislation, lack of transparency in privatization, the state assets act of 2007)
- ♦ The rule of law has not formed, no equality before the law
- ♦ The corps of public officials is weakened
- ♦ Organized crime found ways into politics, the regulatory and law enforcement agencies
- ♦ The financial bases of the state have become frailer (offshore tax evasion/tax fraud)

# Illegal party financing



# Key area: justice system

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- ♦ Corruption in prosecution
- ♦ The role played by courts
- ♦ Lawyers

# Justice system II.

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*“I have long since been confronted with the assumption, which is hard to prove but can be supported with many examples, that the appeals court don't like to meddle when the private business of the judge or the forensic expert is behind the judgment.”*

István Jávor, ELTE, Department of Sociology



# Key area: media

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*“How can the system of media help in the struggle against corruption when in fact it is also partly the product of corruption and partly operated by far-reaching mechanisms of corruption.”*

Attila Mong, investigative journalist

# Key area: non-governmental sector

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The lessons from the Zuschlag case  
(the Court of Law of Kecskemét vs. the Court of Appeals of Szeged)

- ♦ Non-transparent (domestic and Hungarian) financing
- ♦ Anti-corruption research not put to practical use

# Workplace corruption

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## **We must differentiate between companies!**

- ♦ At hiring (the role of the HR department)
- ♦ In employment contracts
- ♦ In case of tasks of high and low visibility
- ♦ Meritocracy – getting ahead
- ♦ Bonuses, opportunities for further training
- ♦ Termination – redundancies

**Networks of corruption are hard to recognize!**

# Solutions

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Unorthodox method?

- ♦ Setting up the National Anti-Corruption Office
- ♦ Increased protection to the freedom of the press
- ♦ Mandatory disclosure of foreign financing in case of non-governmental organizations
- ♦ Research on international networks of corruption



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**Thank you for  
your attention!**