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TERMINAL EVALUATION REPORT

FS/HUN/00/R12 Assessment of corruption in Hungary

UNODC Global Programme Against Corruption

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Abbreviations

CICP	United Nations Centre for International Crime Prevention
ELTE	Lóránd Eötvös University
EU	European Union
FIDESZ	Fiatal Demokraták Szövetsége (Alliance of Young Democrats – Hungarian Civic Party)
GKI	Gazdaságkutató Intézet (Economic Research Institute)
GPAC	Global Programme Against Corruption
GRECO	Council of Europe Group of States against Corruption
MDF	Magyar Demokrata Fórum (Hungarian Democratic Forum)
MSZP	Magyar Szocialista Párt (Hungarian Socialist Party)
NGO	Non-Government Organisation
OECD	Organization for Economic Cooperation and Development
ODCCP	United Nations Office for Drug Control and Crime Prevention
OCTOPUS	Remote Control Maintenance of Ship's Hull and Topside
SIGMA	Support for Improvement in Governance and Management in Central and Eastern European Countries
SZDSZ	Szabad Demokraták Szövetsége (Alliance of Free Democrats)
UN	United Nations
UNICRI	United Nations Interregional Crime and Justice Research Institute
UNODC	United Nations Office on Drugs and Crime

Executive summary

The project was an important contribution to the fight against corruption in Hungary. Although the project's duration from 1999 to 2003 coincided with the most intense stage of Hungary's legal harmonisation with the European Union, the UNODC's significant role in the birth of two important packages of anti-corruption legislation (in 2001 under the Orban Government and in 2003 under the Medgyessy Government) is generally acknowledged. There was a consensus among the project participants that it had helped in identifying the appropriate targets for the fight against corruption, in sequencing the anti-corruption measures and in finding proper solutions for individual problems. Particularly positive is the assessment of UNODC's contribution to the drafting of the 27 point anti-corruption strategy in 2001 and to that of the National Action Plan against corruption that took shape at the National Integrity Conference organised by the Hungarian Government and UNODC in 2003. Since corruption has for long been in the focus of embittered political polemics in Hungary, it was an important achievement of the National Integrity Conference to provide a forum for dialogue free from political clashes. This event fostered the anti-corruption fight and established important partnerships.

The programme document envisaged three immediate objectives: the elaboration of a rapid assessment study to analyse the extent of corruption in Hungary; upon completion of the rapid assessment, a comprehensive study on the situation of corruption was to be undertaken; finally, a framework for transparent and accountable public sector contracts and international commercial transactions was to be established. The first two objectives and the first component of the third objective were realised as planned; the contribution to setting up a framework for transparent and accountable international commercial transactions was omitted from the programme and replaced by the convention of the National Integrity Conference.

Concerning the outputs of the project the Hungarian Gallup Institute (a sub-contractor to the project) provided a brief overview of the existing methods and problems in corruption measurement in Hungary and reviewed the main lessons learnt from the corruption

measurement tool tested in November 1999. Between December 1999 and August 2000 the Gallup Organization and the Hungarian Gallup Institute organised, in the framework of the corruption pilot study, a focus group among representatives of various professional groups. Among the topics discussed were the definition, scope and perception of corruption; the relation of corruption to democracy; the areas most infected by corruption in Hungary; legislation and legal reform; and the allegedly positive role played by corruption. The results of the first stage of the project were presented in March 2000 at an International Anti-Corruption Seminar and discussed with 75 experts from over 38 countries.

In the second stage of the project a comprehensive investigation of the situation of corruption started that concluded in the following studies: (i) Corruption situations experienced by the inhabitants in Budapest, (ii) The judgement of public administration by the population in Hungary, (iii) Self image of local governments and their perception by the population, (iv) Owners of small and medium-size firms operating in Budapest about corruption. Further outputs were: studies about three disclosed corruption cases concluded with definitive judgement; a survey of international documents on corruption; a statistical survey of corruption cases; a survey of corruption cases as reported in the media in 1998-2000; a bibliography of corruption 1995-2000. Five studies were devoted to corruption in international transactions. The studies addressed the theoretical background of corruption in international transactions and reviewed the main elements of the legal regulation in the field concerned. This work was completed by description and analysis of three real-life cases: (i) customs corruption, (ii) tax fraud abusing tax concessions provided for companies with foreign ownership and (iii) money laundering in the course of a 'pyramid scheme'. In February 2003, a follow-up survey of the 1999/2000 surveys was made measuring corruption.

The main output of the third stage and also the highlight of the project was the National Integrity Conference for Cleaner Public Life on 20-21 March 2003 in Budapest in the historical building of the Hungarian Parliament, with 221 participants. In the first part of the conference the project participants from the UNODC, the previous and the present Government, representatives of the participating research institutes, and heads or high-ranking officials of key institutions in the fight against corruption had the opportunity to speak. In the second part, five working groups were set up to continue the discussion in smaller groups and develop an action plan in five specific areas of the fight against corruption. The working groups dealt with the follows issues: (i) ethical matters, lobbying, property accounting, financing of political parties; (ii) public procurement, supplying, procurement culture, (iii)

training, human resource development, public opinion research, (iv) crime prevention, crime fighting, law enforcement, (v) subsidies, monitoring, supervision systems, contradictions in the tax system. The conference proceedings were made public both in English and Hungarian language. On 11 June 2003, the UNODC Hungarian Pilot Project and the results of the National Integrity Conference for Cleaner Public Life were presented to a group of experts of the European Union at a one-day workshop jointly organised by the European Commission and the UNODC.

What concerns the outcome of the project, the research results of the first stage were extensively used and built into a 27-point strategy against corruption. The immediate tasks were summarised and made public in a Government Decree in March 2001. In Autumn 2001 the Parliament passed a package of anti-corruption legislation. After the general elections in Spring 2002 a new Government came to power. It introduced a new comprehensive legislative package on the transparency and control of the spending of public funds and the use of public property. The programme was adopted unanimously by the Parliament in April 2003. The so-called 'glass-pocket' programme was also elaborated with the assistance of the UNODC. An important outcome of the project was the National Action Plan elaborated by the five working groups of the National Integrity Conference in which altogether 22 specific needs were identified.

The project was planned to be implemented in 11 months, but in fact it lasted for four years (November 1999 to December 2003). The main reason for the delay was the project's interplay with the Hungarian election cycle and the fact that the general elections in early 2002 brought about a change of Government. The project management was generally found good and efficient. However, occasional organisational problems were also mentioned, and the dissemination of results was far from satisfactory.

With regard to the project outputs, the US\$ 175,263 expenditure budgeted in the project document financed a highly cost-effective programme.

There was a consensus among those interviewed that a follow-up project would be important and useful and that it should reflect the changed situation in the anti-corruption fight in Hungary. The legal framework for the anti-corruption fight is now in place and the proposed follow-up project should have a new focus. The new focal points proposed are international exchange of experiences in law enforcement, measurement of corruption, Codes of Conduct,

public education, and anti-corruption training for government officials and finally corruption free solutions for financing of political parties.

A main lesson learnt from the project with Hungary is that the perception of corruption in general and the real situation may diverge. Political-level corruption receives enormous publicity; emerging new scandals and rarely satisfactorily cleared old ones ruin the confidence of the public in anti-corruption activities. The progress in the anti-corruption fight concerning new and amended legislation, the shrinking extent of unregulated areas, the introduction of improved standards and Codes of Conduct in an increasing number of individual government organisations remain almost unnoticed by the public. Attempts should be made to separate public perception of alleged or real cases of political-level corruption from corruption on other levels and segments of the society, so that an ever increasing room be created for a non-politically motivated discourse on corruption. In parallel, assistance to the creation of an appropriate regulation for political parties' financing should receive top priority in any further UNODC project with Hungary or other countries of the region. As long as no solutions are found to this problem, there is no hope for a breakthrough in the fight against political-level corruption in the countries of the region.

1. INTRODUCTION

1. In Hungary corruption and the fight against corruption is as old as the state. The first reference to legislation on corruption was found in the second decree of St. Stephen, first king of Hungary in the 11th century. The statistical record on corruption is certainly much more recent. Unified criminal records have been available since 1965. Between 1965 and 1980, disclosed cases of corruption amounted to 0.7% (annual average) of total disclosed cases of criminality. In terms of criminals, the share of those involved in corruption was 0.4% of the total. In 1981 to 1999, while disclosed cases of criminality were rising dramatically, the share of corruption cases in the total dropped to one thousandth.¹ The 2003 Comprehensive monitoring report on Hungary of the European Commission contains the most recent statistics on corruption. Judging by the number of persons convicted for corruption charges, the situation has been relatively stable during the past few years. In 2002, 739 cases of corruption were revealed according to data of the Supreme Court, and accusations were brought forward in 415 cases.²

2. As corruption is a crime that is characterised by latency, as both the active and the passive side involved are strongly interested in secrecy, the above statistics do not reveal real tendencies and are in sharp contrast to popular perception and to the results of other assessments. This is especially true for the era of transition from the planned economy to a market economy, beginning in 1989: the radical changes in the ownership structure coupled with uncompleted legal foundations and institutional background created an unprecedented opportunity for corruption. According to the statistics of the Police and the Public Prosecutor's Office, the following areas are most exposed to corruption:³

- State and private investments
- Public procurement procedures
- Credit institutions
- Investments sector
- Municipality budgeting
- Human resource management

¹ Marian Kránitz, 'Prológus', in: *Korrupció Magyarországon I.* (Corruption in Hungary I.) Transparency International Magyarországi Tagozat Egyesület, East West Management Institute, Budapest 2000, p. 11.

² Comprehensive monitoring report on Hungary's preparations for membership, European Commission, 2003 p.15. http://europa.eu.int/comm/enlargement/report_2003/

³ András Hegedüs: Crime prevention and punishment of corruption In: *National Conference for Cleaner Public Life* UNODC Vienna 2003, pp. 62-63.

- Public administration institutes
- Privatisation
- Procedures for creating standards and regulations, lobbying
- Budgets of parties and social organisations
- Protection of the environment

3. Since the transition to democracy in 1990, the four general elections held in Hungary each brought about a change in Government as the ruling party or coalition was defeated. The election results were always, to some extent, related to suspected cases of corruption, casting a shadow on the Government in office. Each of the four-year legislative periods was characterised by one or more major scandals that bore the name of the person or issue involved. These were the MDF-FIDESZ ‘party headquarters scandal’ under the Antall Government, the ‘Tocsik’ and the ‘oil bleaching’ scandals under the Horn Government, or the involvement of ‘FIDESZ-friendly’ firms in various public procurement cases under the Orban Government. The current Medgyessy administration has to cope with the most recent scandal of K & H Equities. In this scandal the involvement of any political party is unproven as yet, but public opinion ‘punishes’ the Government in office, perceiving increasing corruption in the country (see details later).

4. One important reason for the repeated cases of suspected corruption at the level of political parties is the unsatisfactory financing of political parties. As the 2002 report of the Open Society Institute underlines, though 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. All parties regard the State financing for political parties as inadequate. Parties have to rely on their own assets and donations. This situation encourages clientelism, with parties perceiving a need to ‘compensate’ favours granted by supportive firms.⁴ The fight against corruption at the political level is especially difficult as the Hungarian law provides for wide immunity from criminal prosecution for political figures, judges and prosecutors. In several cases of suspected corruption, the lifting of immunity requested by the Central Investigation Office of the Public Prosecution Service has been refused.⁵

⁴ Corruption and Anti-corruption Policy in Hungary by the Open Society Institute p. 267-271. 2002. in: *Monitoring the EU accession process: corruption and anti-corruption policy*.
www.eumap.org/reports/2002/content/50

⁵ Comprehensive monitoring report on Hungary’s preparations for membership, European Commission, 2003

2.PROJECT CONCEPT AND DESIGN

2.1 Problem analysis, objectives and achievement indicators

5 The fight against corruption figured on the agenda of each Hungarian Government since 1994. The targets, means and policies applied varied, however. The socialist-liberal Government of Gyula Horn called into being the Co-ordination Committee for the Protection of the Economy, to cope with the problems caused by the rapidly spreading ‘shadow economy’. Although this Committee was thoroughly motivating public administration, its activities were unclear and too wide-ranging, and remained mostly unknown to the broad public.⁶

6 The conservative coalition Government of FIDESZ and the Smallholders’ Party put emphasis on the fight against corruption based on legally binding procedures. In November 1998, the Ministry of Justice initiated the elaboration of an anti-corruption strategy founded on a realistic and authentic assessment of the situation that would serve as a starting point for the planned anti-corruption legislation. Working groups were set up, including individuals with wide experience on the subject of corruption. The following main fields were pinpointed for closer investigation: present situation and opinions regarding corruption in Hungary; present and anticipated risks from corruption; identification of objectives, programmes and measures to be implemented; involvement of governmental and non-governmental participants in the strategy; monitoring and communication of the strategy.

7 These preparatory activities in Hungary coincided with the launching of the Global Programme against Corruption at the United Nations International Crime Prevention Centre in Vienna in early 1999. No doubt Hungary, being in the initial stage of its ambitious anti-corruption campaign, was a good candidate for participating in the programme as one of the hosts of the initiated pilot projects.

p. 16. http://europa.eu.int/comm/enlargement/report_2003/

⁶ Zoltán Márki: Hungarian participation in the Global Programme against Corruption of the United Nations (1999-2002) In: *National Conference for Cleaner Public Life* UNODC Vienna 2003, p. 37.

8 The project document was signed in April 2000 by the Government of Hungary and the ODCCP/CICP, but the implementation started actually in November 1999, with a planned duration of 11 months.

9 One main and three immediate objectives were set by/for the programme. The main objective was to provide Hungary – as a pilot country for replication in other countries and regions – with analytical instruments to collect, analyse and monitor trends in all types of corruption.

10 The immediate objectives were as follows:

Objective I

Elaboration of a rapid assessment study to analyse the extent of corruption in Hungary in order to assist the Government in strengthening its efforts in the implementation of a national anti-corruption strategy.

Objective II

Upon completion of the rapid assessment, undertaking of a comprehensive study on the situation of corruption, supplemented by the mutual evaluation of relevant stakeholders within and outside the Government. This should enable the Government to elaborate more effective anti-corruption strategies and policies.

Objective III

Creation of a framework for transparent and accountable public sector contracts and international commercial transactions.

In the second half of 2001, Objective III was replaced. The new Objective III was

Convention of a National Integrity Meeting to develop an Anti-Corruption Plan within the framework of the national Anti-Corruption Decree adopted by the Hungarian Government in 2001.

11 The new immediate Objective III first appeared in the Progress Report July 2001 – December 2001. Neither the arguments justifying this change in the Objectives nor the documentation testifying about the modalities of the change has been available to the consultant. This change must have been an outcome of the learning process project

participants from UNODC and the Hungarian Government had undergone in the first stage of the project implementation. The new Objective III substantially enlarged the project's expected impact thus it is to be qualified as a useful decision.

12 In 1999, when the project's concept took shape, less than a decade had passed since the start of the transition to a market economy. Important pieces of legislation on corruption (*inter alia*) were missing, information on corruption was sporadic. (The project document includes the then available key figures.) Hungary was just starting the accession negotiations with the European Union, and it was obvious that the adoption of the *acquis communautaire* in the field of anti-corruption legislation would pose a major challenge to the Government. Thus the objectives chosen were appropriate vehicles to increase institutional capacity and the problems addressed by the project were highly relevant and appropriate for Hungary.

2.2 Outputs, activities and inputs

13 The project document provides a very detailed list of envisaged activities and outputs, in a clear, logical and coherent way.

14 The activities and outputs envisaged were in keeping with Objectives I and II. These were all to conclude in research reports; evaluation, discussion and publication of the research results; and, finally, in recommendations for the Government. Concerning Objective III, the planned outputs were clear and transparent procedures defined through insight gained from the prevailing tendering procedures (public sector contracts) and international transactions. This part of the project was later omitted when a new Objective III replaced the original one.

15 The original project concept had confined the group of project participants to a close circle of experts involved. The modification of the programme (the new Objective III) remedied this problem. The convention of the National Integrity Conference helped to reach a much broader audience.

16 Concerning inputs, the project document provides a clear allocation of tasks among the Hungarian Government, the UNICRI and the CICP. However, part of the inputs had to be dropped due to omission of the original Object III.

17 The budget of the project consists of detailed expenditure positions. Compared to the project's objectives and the planned inputs, the total project expenditure of US\$ 175,263 promised the implementation of a cost-efficient programme.

2.3 Executing modality and managerial arrangements

18 When the project was designed, it was not foreseen that the project duration would be much longer than originally planned (11 months). The managerial arrangements corresponded to this short duration.

3. PROJECT IMPLEMENTATION

3.1 Timeliness, quality and adequacy of inputs

19 The project's actual duration (more than four years, from November 1999 up until the end of 2003) was in sharp contrast to the planned duration (11 months). The reasons for this delay were the project's interplay with the Hungarian election cycle and the fact that the general elections in early 2002 were followed by a change of Government. Although the incoming Government took over partnership in the project, it took some time until Cooperation gained momentum again.

20 The National Integrity Conference could have been organised as early as 2001, but representatives of the Hungarian Government in the project wanted to avoid the conference becoming an arena of pre-election political polemics. Corruption at the political level had been one of the major issues in the 2001-2002 election campaign in Hungary (see 3 and 4). In this respect, the postponement of the conference was justified. The 2003 National Integrity Conference was indeed free from direct political polemics, and this must be seen as an important achievement with regard to the hostile tone of political debates in the Hungarian Parliament and media, especially on alleged or disclosed cases of corruption.

21 Although the original Objective III disappeared during the implementation of the project, one of the two targets mentioned there (transparency in public procurement and international transactions) was achieved. In September 2003, a workshop on public procurement was organised with UNODC support, addressing exactly those issues that had been listed in the original project document. The only original target that remained unrealised

was the ‘creation of a framework for transparent and accountable international commercial transactions’.

3.2 Efficiency and effectiveness of activities carried out

22 In a general approach, the comparison of the total project budget of over US\$ 175,000 and the volume and quality of outputs (see later) speak for qualifying the project as ‘highly efficient’.

3.3 Effectiveness of management

23 A serious deficiency in project management was the delay in financial compensation of some Hungarian experts participating in the project. While the required outputs had been delivered in due time and appropriate quality, payment was in delay for over a year, despite repeated complaints of the experts concerned. The reason for this problem may have been communication bottlenecks among the UNODC, UNICRI and the Hungarian Government.

24 Some of the 2003 National Integrity Conference participants complained of unexplained delays in the preparatory activities for the conference and other organisational problems. The dissemination of project results is not satisfactory. Although important project outputs are available in Hungarian from the Gallup website, the printed version of these texts was published in a journal (*Review of the Ministry of Interior*) available only to a very limited circle of readers. The project website at UNODC⁷, a potential site for electronic publication of English-language reports, has not been updated for years. Here it should also be mentioned that several conference participants and even some speakers of the conference complained that they had not received a copy of the Hungarian-/English-language conference volume. Although the proceedings of the National Integrity Conference were widely distributed at the KRIMINALEXPO in Budapest in November 2003, not all participants of the Integrity Conference visited that event. (Leftover examples at the UNDOC still can be used to meet these needs.)

25 Apart from the problems mentioned above the persons interviewed found the project management in general good and efficient.

⁷ www.unodc.org/unodc/corruption_projects_hungary.html

3.4 Quality and timeliness of monitoring and backstopping by all parties to the project

26 As concerns the UNODC, progress reports were compiled in six-month intervals, a final report will be compiled upon completion of this evaluation report. There were no regular progress reports compiled by the Hungarian Government and no overview was made available to the consultant about the financial side of the Hungarian contribution. (Nevertheless, the Hungarian contribution was planned to be delivered ‘in kind’, thus a financial report cannot be seen as a requirement.)

27 The documents available to the consultant and the interviews with project participants underline that there were no problems concerning backstopping by all parties to the project.

3.5 Were institutional and managerial arrangements supportive to the project delivery system?

28 During the project, its institutional and managerial system changed on the Hungarian side, reflecting the change of Government after the 2002 elections. This did not cause any major difficulties in the project implementation. During the interviews it was mentioned that the selection of project sub-contractors was not made in a fully transparent way.

3.6 Assessment of support by the Hungarian Government

29 Both the Orban and the Medgyessy Government considered the Cooperation with the UNODC in the fight against corruption as important and the participation in this particular project as useful for Hungary. Moral, logistic and financial support for the project was provided. The intensity of attention paid to the project was, however, changing according to the election cycle.

4. PROJECT OUTPUTS, OUTCOMES AND IMPACT

4.1 Outputs

30 In December 1999 a rapid assessment of corruption in Hungary was conducted by the Hungarian Gallup Institute (a sub-contractor to the project) as envisaged by Objective I, with the title ‘Basic methodological aspects of corruption measurement: lessons learnt from the literature and the pilot study’. In this study the Hungarian Gallup Institute provided a brief overview of the existing methods and problems in corruption measurement in Hungary. Relying on the scientific literature on corruption issues, Gallup sorted out those findings that

were considered relevant in a real-life oriented measurement approach to the issue. Examples of different measurement approaches in different surveys were demonstrated, and the main lessons learnt from the corruption measurement tool tested in November 1999 were reviewed.⁸

31 Between December 1999 and August 2000 the Gallup Organization and the Hungarian Gallup Institute organised, in the framework of the corruption pilot study, a focus group among representatives of various professional groups (judges, public prosecutors, mayors, journalists, entrepreneurs, managers of Hungarian affiliates of multinational firms). Among the topics discussed were the definition, scope and perception of corruption; the relation of corruption to democracy; the areas most infected by corruption in Hungary; legislation and legal reform; and the allegedly positive role played by corruption. The findings and recommendations were presented to the Government and included evaluations of the situation by various ‘stakeholders’.⁹

32 The results of the first stage of the project were presented in March 2000 at an International Anti-Corruption Seminar to be discussed with interested countries. Approximately 75 experts and representatives from over 38 countries and international organisations attended the Seminar. Comments were received from the Governments of Ukraine, Iran, Belgium, Slovakia, Nigeria, Lebanon, Cameroon and France. The results were published under the title ‘Preliminary Assessment and Feedback on the Corruption Pilot Study’ as a UNODC working paper.¹⁰

33 In order to realise Objective II, a comprehensive investigation of the situation of corruption started in 2000. The following results were achieved:

Corruption situations experienced by inhabitants in Budapest

The Hungarian Gallup Institute made this survey with the help of telephone interviews. 1513 inhabitants of Budapest were asked about situations where they became victims of corruption. An internationally applied UN methodology was used in this investigation.¹¹

⁸ http://www.unodc.org/pdf/crime/corruption_hungary_rapid_assess.pdf

⁹ http://www.unodc.org/adhoc/crime/corruption_hungary_fg_public-officials.pdf

¹⁰ http://www.unodc.org/pdf/crime/corruption_hungary_wp_prelim%20.pdf

The judgement of public administration by the population in Hungary

In the framework of this nation-wide investigation, 1839 adults were personally interviewed about their experiences concerning corruption in various public service areas in Hungary.¹²

Self image of local governments and their perception by the population

The Hungarian Gallup Institute made a survey in four Hungarian towns and one district of Budapest about corruption in local governments. First, 431 officials of the municipalities filled in a questionnaire, then 2522 inhabitants of the towns (district) concerned were interviewed via telephone.¹³

Owners of small and medium-size firms operating in Budapest about corruption

In April and May 2000, owners of small and medium-size firms operating in Budapest, 520 randomly selected persons, were interviewed about their perception of corruption in their activity. The survey was made by the Hungarian Gallup Institute.¹⁴

34 Under the auspices of the National Institute of Criminology the following outputs were produced.

- studies about three disclosed corruption cases concluded with definitive judgement;
- a survey of international documents on corruption;
- a statistical survey of corruption cases;
- a survey of corruption cases as reported in the media, 1998-2000;
- a bibliography of corruption, 1995-2000

35 As a partner of the Hungarian Gallup Institute in the project, the GKI Economic Research Co. elaborated five studies. The first one analysed the theoretical background of corruption in international transactions, the second reviewed the main elements of the legal regulation in the field concerned. This work was completed by description and analysis of three real-life cases of corruption in international transactions in Hungary. The first case study dealt with customs corruption, the second with a tax fraud abusing tax concessions provided

¹¹ http://monitor.gallup.hu/kutatas/001106_1bplakoss.html

¹² http://monitor.gallup.hu/kutatas/001106_2kozint.html

¹³ http://monitor.gallup.hu/kutatas/001106_3onkorm.html

¹⁴ http://monitor.gallup.hu/kutatas/001106_4bpvallalk.html

for companies with foreign ownership, the third with money laundering in the course of a 'pyramid scheme'.¹⁵

36 In February 2003, the Hungarian Gallup Institute made a follow-up survey related to its research on corruption in 1999 and 2000. In the 2003 investigation, both a nation-wide survey and one confined to inhabitants of Budapest was made. The UN standardised questionnaire in victimisation surveys was applied; in addition, other questions were raised as well. As the questions were partly the same as in 1999 and 2000, the results are comparable.

37 The highlight of the project was the National Integrity Conference for Cleaner Public Life on 20-21 March 2003 in Budapest. The two-day event took place in the historical building of the Hungarian Parliament, with 221 participants attending. The conference participants came from various segments of the Hungarian public administration in charge of fighting corruption. The most knowledgeable and active persons participating in setting legislation or practising law, but also representatives of all political parties of the legislation, research institutes, higher education, representatives of NGOs, the business sector and 40 law and public administration students were invited.

38 The conference consisted of two parts. In the first part, the project participants from the UNODC, the previous and the present Government, representatives of the participating research institutes, and heads or high-ranking officials of key institutions in the fight against corruption had the opportunity to speak. In the second part, five working groups were set up to continue the discussion in smaller groups and develop an action plan in five specific areas of the fight against corruption.

39 The five groups dealt with the following issues:

- ethical matters, lobbying, property accounting, financing of political parties
- public procurement, supplying, procurement culture
- training, human resource development, public opinion research
- crime prevention, crime fighting, law enforcement
- subsidies, monitoring, supervision systems, contradictions in the tax system

¹⁵ <http://monitor.gallup.hu/elemzes.html>

40 The conference proceedings (145 pages) were made public both in English and Hungarian language in one volume, published by UNODC.¹⁶

41 On 11 June 2003, the UNODC Hungarian Pilot Project and the results of the National Integrity Conference for Cleaner Public Life were presented to a group of experts of the European Union at a one-day workshop under the title ‘Workshop on Preventing Corruption through Integrity and Transparency Standards in Public Administration’, jointly organised by the European Commission and the UNODC. This event was held in the framework of the EU Forum on Prevention of Organised Crime. The Hungarian delegation was headed by the Secretary of State László Keller, head of the State Secretariat Responsible for Public Assets.

42 The most recent output of the project was a workshop organised in September 2003 in Budapest on public procurement, where methodological issues of creating and maintaining transparency in public procurement procedures were discussed by UNODC and Hungarian experts. The latter were members of the respective working group of the National Integrity Conference for Cleaner Public Life. One of the methodological issues discussed there (informatic support of public procurement decisions) is planned to be integrated in a revised version of the UNODC Anti-corruption Toolkit.

43 A positive but unexpected output was the website of the Hungarian Gallup Institute introducing the UNODC Hungarian Pilot Project to the broad public and posting the studies or detailed summaries of the studies elaborated in the framework of the project both in the Hungarian Gallup Institute and the co-operating research institutes.¹⁷ This work was done on the Hungarian Gallup Institute’s own initiative and with its own financing.

4.2 Outcomes

44 The research results of the first stage of the project were extensively used and built into the memorandum put forward by the Ministry of Justice. After discussing this memorandum on 20 February 2001, the Government approved a 27-point strategy against corruption. The immediate tasks were summarised and made public in the Government Decree 1023/2001 in March 2001.

¹⁶ National Conference for Cleaner Public Life, UNODC Vienna, 2003

¹⁷ <http://monitor.gallup.hu/elemzes.html>

45 This was followed by a major step forward in anti-corruption legislation. In Autumn 2001 the Parliament passed a package of anti-corruption legislation, namely, five Acts of about 150 new articles resulting in an improvement in legislation and in the institutional framework. This development is considered the most important outcome of the project's first stage.

46 After the general elections in Spring 2002, a socialist-liberal coalition came to power, replacing the conservative coalition of FIDESZ Hungarian Civic Party and the Smallholders' Party. The new Government focused its efforts on fighting corruption in the area of public assets. In Summer 2002 the Government instructed the Ministry of Justice to develop, in Cooperation with other ministries concerned, solutions to improve integrity in the use of public assets and the management of public property, strengthening control over financial management, the scope of state audit organisations and the transparency of government financial management. The result was a catalogue of measures to be taken, relying to some extent on the national strategy on corruption prepared by the previous Government. The Government claimed to follow the philosophy 'no need to reinvent the wheel' and took over a number of initiatives and programmes from the previous Government.

47 In a next step, the Government introduced a new legislative package on the transparency and control of the spending of public funds and the use of public property. The central component of the package is the so-called 'glass-pocket' programme, adopted unanimously by the Parliament in April 2003 (Law XXIV/2003). The package contains modifications to 19 legislative acts on public expenditure, the use of public property, transparency and control. Its main purpose is to improve transparency in the use of public funds. The State Audit Office has been authorised to follow the path of public funds, even in private companies, if they have concluded contracts with state or local governmental bodies. According to the new legislation, all government contracts above HUF 5 million (about EUR 20,000) must be made public by state and local authorities. The circle of those obliged to make assets declarations has become wider.¹⁸ The 'glass-pocket' programme was also elaborated with the assistance of the UNODC.

48 In December 2003 also the law on public procurement was amended. The amended law brought the Hungarian legislation in conformity with the EU regulations.

¹⁸ Comprehensive monitoring report on Hungary's preparations for membership, European Commission, 2003 p. 15. http://europa.eu.int/comm/enlargement/report_2003/

49 The most important outcome of the third stage of the project was the National Action Plan, elaborated by the five working groups of the National Integrity Conference for Cleaner Public Life. Altogether 22 specific needs were identified.¹⁹ The conclusion of the conference was that neither shared international experience nor good government measures alone are sufficient to curb corruption unless the society's perception of corruption was changed. Real success of the fight against corruption can be attained through prevention and by strengthening law abiding and ethical behaviour of citizens.

50 There was one expected outcome that has not been realised: the setting-up of a framework for transparent and accountable international commercial transactions. The originally planned one-month visit of an international consultant with expertise in this field was also omitted.

4.3 Impact

51 In 1999-2003 anti-corruption action plans were developed, and through the successful National Integrity Conference participation in the anti-corruption fight was fostered and important partnerships were established with active support by the UNODC. Beyond any doubt, the project was a major contribution to crime control activities and the realisation of anti-corruption objectives in Hungary.

52 However, it is difficult to assess the overall impact of the project as these years coincided with the most intense period of accession negotiations with the European Union. Several pieces of new anti-corruption legislation were part of the legal harmonisation programme with the EU. Further, both the Orban Government (up to Summer 2002) and the Medgyessy Government thereafter had the intention to push their own anti-corruption programmes. The Orban Government started with the preparatory work in 1998, before the idea of the project with the UNODC had been born. Concerning the Medgyessy Government, the then opposition party MSZP and SZDSZ raised the fight against corruption at the political level to a prominent point of their election campaigns in early 2002. The 'glass-pocket' programme was invented prior to any contact with the UNODC project.

¹⁹ Presentation of Hungarian anti-corruption strategy to European Union experts in Brussels, June 11, 2003 in: *National Conference for Cleaner Public Life* UNODC Vienna 2003, p. 139.

53 Despite the above reservations, the overwhelming majority of those interviewed appreciated the merits of the project in fostering the anti-corruption fight in Hungary in the period concerned. There was a consensus among the interviewed persons that the project helped to identify the appropriate targets for the fight against corruption, to sequence the anti-corruption measures and to find proper solutions for individual problems.

54 Concerning the anti-corruption legislation, Hungary in 2004 is no compare to Hungary in 1998. The present system corresponds to that of the EU standards. However, as regards cases of corruption disclosed or corruption perceived by the population, no change in the positive direction can be reported. For the population, corruption is perhaps an even more irritating problem now than it was at the beginning of the programme.

55 The lack of improvement in disclosure and perception is reflected in the results of various Hungarian and international investigations.

56 According to an October 2002 study of the Hungarian State Audit Office on the state of corruption, the existing anti-corruption programmes have not achieved their objectives. Although crime statistics may show a declining or stagnating number of cases, the risk of corruption continues to be high and the ASZ sees a lack of Cooperation among state institutions. According to the study, corruption is strongly present in public procurement, in party financing and in internal financial control.²⁰

57 In 2003 Hungary ranked 40th of 133 countries on Transparency International's Corruption Perceptions Index, with a score of 4.8 on a 10-point scale (a score of 10 is considered highly clean, while a score of 0 is considered highly corrupt). Although Hungary's result is good compared to other EU acceding countries – only Slovenia and Estonia had a better ranking – there is a tendency of deterioration based both on scores and ranking attained over the past few years. In 2002, Hungary ranked 33rd of 102 countries, the ranking was based upon a score of 4.9. In 2001, Hungary ranked 31st with a score of 5.3 and in 2000, 32nd with a score of 5.2.²¹

²⁰ Comprehensive monitoring report on Hungary's preparations for membership, European Commission, 2003 p. 15. http://europa.eu.int/comm/enlargement/report_2003/

²¹ http://www.transparency.org/pressreleases_archive/2003/2003.10.07.cpi.en.html
<http://www.transparency.org/cpi/index.html#cpi>

58 Hungary participates in the Council of Europe Group of States against Corruption (GRECO). The March 2003 Report on Hungary by GRECO noted, *inter alia*, that corruption related to the illegal funding of political parties appeared to be a problem, and that the Hungarian authorities should consider revising the applicable legal framework. It also stated that favouritism in the awarding of public procurement contracts was regularly reported in the media.²²

59 In February 2003, the OECD Working Group on Bribery in International Business Transactions continued its evaluation of Hungary's implementation of the Convention on Combating Bribery of Foreign Public Officials. The Group noted that the problems identified during the evaluation – namely, an over-extensive defence, no provision for liability of legal persons, limitations on confiscation and an unduly short limitation period – had largely been solved. Despite these improvements, the examiners remained concerned that the provisions on liability of legal persons and the definition of 'foreign public official' remained unsatisfactory.

60 The detailed Freedomhouse report on corruption in Hungary of 2003 found that corruption deteriorated considerably in 2001 and 2002 as compared to 1999 (the first year of evaluation); it slightly improved in 2003, but has still not attained the level of 1999.²³

61 The European Union Accession Monitoring Programme (EUMAP) is a programme of the Open Society Institute, which is monitoring human rights and the rule of law in ten Central and Eastern European countries. In its 2002 report on Hungary, the Institute provides, apart from a detailed description of anti-corruption legislation and the institutional background, a critical analysis of corruption in the 1998-2002 legislative period.²⁴

62 The most recent investigation on the perception of corruption was made by the Gallup Institute in September 2003. 24% of the respondents think that corruption has increased under the new Government as compared to the situation under the previous administration, and only 10% were of the opposite opinion. 45% of the respondents believe that the situation concerning corruption has not changed since the present Government's taking office. These results indicate a substantial turn in the population's perception compared to the results of the

²² www.greco.coe.int/evaluations

²³ *Nations in Transit 2003*, in internet: <http://www.freedomhouse.org/research/nattransit.htm>

²⁴ <http://www.eumap.org/reports/2002/content/50>

March 2003 survey. Then, more respondents had thought that there was less corruption under the new Government than under the previous one.²⁵ This turn is obviously related to the most recent case of alleged political-level corruption in the ‘K & H Equities’ scandal.

63 Concluding, it is clear that the positive impact of the project has actually left no traces in perceived corruption. It must be underlined, however, that the project had its main merit in improving the legal environment of the anti-corruption fight and improving the perception of corruption was not among the targets of the project.. The expected positive impact concerning corruption-related criminality may only appear in the coming years.

4.4 Sustainability

64 The issue of sustainability can be raised, first, in connection with the results of the National Integrity Conference, and second, concerning the continuous work of the independent anti-corruption institutions.

65 Concerning the five working groups set up at the National Integrity Conference, lasting change in the issues addressed can be achieved if the activities are continued. There were well-organised follow-up activities in Working Group 2 (public procurement) concluding in a workshop and preparatory activities on the publication of the UNODC’s Anti-Corruption Toolkit in Hungarian language. In Working Group 3 (training, human resources, public opinion research) a detailed action plan was elaborated with the participation of several institutions. Its implementation depends on the availability of appropriate financing. In the other three working groups efforts to carry on the activities envisaged in the working group action plan worked out at the Integrity Conference have been re-launched after an interval of several months. An adapted version of these working groups’ action plan is planned to be elaborated by the end of February 2004.

66 In November 2002 the State Secretariat Responsible for Public Assets set up an Anti-Corruption Advisory Board consisting of representatives of Government Organisations and independent experts. This body received the support of the Government only as recently as February 18, 2004, thus no judgement of its activity can be made as yet.

²⁵ http://monitor.gallup.hu/kutatas/030915_korm.html

67 In Spring 2003 an ‘Ethical Council of the Republic’ was convened by ten well-known and reputed independent personalities (legal experts earlier in leading positions of the Judiciary, researchers, a retired ombudsman, headed by the former president of the Supreme Court) on the initiation of Prime Minister Medgyessy. The members of the Ethical Council defined their tasks as to assist in drawing up a code of conduct for Government politicians and civil servants and make suggestions for fighting corruption, including legislative changes and foster the integrity of the criminal justice system. The Council is working independently, its members will not be remunerated for their work and the Council receives no subsidies in any other way either. Although the composition of the Council represent a broad spectrum of political life, the fact that the Council was initiated by the Prime Minister makes the acknowledgement of its independence by the opposition parties questionable. Further clarification is needed on the mandate of this body. The Council will need time and has to work hard to prove its merits and independence.²⁶

68 Proliferation of anti-corruption bodies is far from satisfactory. Public awareness campaigns are needed to remedy this problem. It must be mentioned here that the *integrated UN approach* conveys the main features anti-corruption fight should be based on:

1. Based on facts
2. Non partisan
3. Transparent
4. Comprehensive
5. Inclusive
6. Broadbased
7. Impact oriented

5. RECOMMENDATIONS

69 All interviewed partners of the consultant supported the idea of a follow-up project. There was a consensus among the consultation partners that the follow-up project should reflect the changed situation in the anti-corruption fight in Hungary. The now evaluated project started in 1999 and was completed in 2003. In these four years the main task was to establish the legal framework for the anti-corruption fight through new or amended laws.

²⁶ On February 24 (the day of conclusion of this report) the Hungarian press reported that the Ethical Council of the Republic dissolved itself.

With the approval of the law on public procurement in December 2003, this process came to an end and the follow-up project should have a new focus. International exchange of experiences in law enforcement, research, Codes of Conduct, education and corruption free solutions for financing of political parties were the proposed new focal points of the persons interviewed. Next follows a review of recommended activities.

5.1 Recommendations for the Government

5.1.1 Support to realise individual targets of the Action Plan

70 The working groups of the National Integrity Conference elaborated a National Action Plan against corruption, a starting point for any further actions (see 49). These working groups are to be reconvened in order to propose concrete programmes for implementing the action plan elaborated at the conference. The recommended programmes are to serve as a catalogue for selection and decisions in the negotiations between the UNODC and the Government about the follow-up project.

5.1.2 International exchange of experiences

71 In the course of the interviews knowledge about neighbouring countries' best practices and problems in anti-corruption fight was found insufficient both in Hungary and in other countries of the region. In order to change this situation international peer group meetings are recommended for politicians (members of parliament) and members of specialised government bodies from the countries of the region. These peer group meetings should not be spectacular, expensive events but short visits with focused, practical programmes about concrete cases, solutions and procedures. An exchange of texts (translations into English) of legislation on corruption should complement these meetings.

5.1.3 Support from Structural Funds of the European Union

72 Hungary, together with nine other accession countries, will become a member of the European Union on 1 May 2004. As a relatively underdeveloped member country, it will be entitled to receive ample funding from the EU's Structural Funds, including resources for

education and human resources²⁷. As lack of financial resources is an important constraint on anti-corruption programmes, seeking ways of EU co-financing for individual anti-corruption projects was recommended by persons interviewed. Special programmes to prevent corruption exist that are aimed especially at central and eastern European countries (the Council of Europe and European Union OCTOPUS programme, the OECD and European Union SIGMA programme)²⁸.

5.1.4 Public procurement

73 With the EU membership of Hungary EU co-financed projects will constitute a considerable part of investments in the country. Strict observation of public procurement regulations is a precondition for successful implementation of EU co-financed programmes. Insufficient knowledge, inadequate decision making procedures may open the door to large scale corruption and eventually lead to underutilisation of potentially available resources. At the Decision Technology Research Group of the Budapest University of Technology and Economics solutions were elaborated for informatic support to public procurement decisions (see 42). To remedy the above mentioned problems dissemination of achieved research results and support for further research in this field is recommended.

5.1.5 Education and training - Public education

74 The National Integrity Conference found that no successful fight against corruption was possible unless the society's perception of corruption was changed (see 49). In order to address this problem fight against corruption is proposed to become an individual subject at the University of Economics and Public Administration for students specialising in public administration. It should become an optional subject at the Social Sciences Faculty in any institution of higher education.

75 A group of experts co-ordinated by the Social Policy and Training Centre at ELTE's Social Sciences Faculty elaborated a comprehensive action plan for the working group 'training, human resources development and public opinion research' of the National Integrity Conference. The programme consists of individual research projects in sociology, social psychology and public opinion, further of several innovative solutions in training, education

²⁷ For detailed information on the European Social Fund which provides co-financing, inter alia, for education and training see http://europa.eu.int/comm/employment_social/index_en.html

and media work. A substantial part of the proposed activities relies on the internet. A core activity of the action plan is targeted at a young audience from pre-school to young adult age. Implementation of this programme is recommended.

5.1.6 Measurement of corruption

76 Fight against corruption can only be based on detailed knowledge of the corruption prevailing in the country concerned. For this reason any follow-up project is proposed to include a periodical measurement of corruption with a methodology producing comparable results with the Gallup measurement in 1999 and 2003 (see 30; 31 and 62). Persons interviewed required a departure from simple measurement of levels of corruption and suggested more extensive research on the causes of corruption and a more exact and in-depth investigation of selected areas.

77 The Government is expected to contribute to the improvement of Cooperation between the individual research sites specialised in research on corruption. That may be realised through support for the establishment and maintenance of an independent website for research on corruption. The host for the website and the co-ordinating body for research on corruption should be an NGO, namely an institution that is independent of the business sphere and the political parties.

5.1.7 NGOs

78 Interviewed representatives of NGOs were unsatisfied with the intensity of their participation in the project. As NGOs often provide optimal solution for control, feedback and testing of new ideas for concrete solutions, in a possible follow-up project NGOs should play a more important role than in the project here evaluated.

5.1.8 Fact-finding journalism

79 At the National Integrity Conference strengthening law abiding and ethical behaviour of citizens was found a preconditions for successful anti-corruption fight (see 49). In order to

²⁸ <http://europa.eu.int/scadplus/leg/en/lvb/l33099.htm>

fulfil this condition support for fact-finding journalism is recommended to be included in a possible follow-up project.

5.2 Recommendations for the UNODC

5.2.1 Education and training - Anti-corruption training at government bodies

80 Anti-corruption training at government bodies was found by the persons interviewed to become one of the most important target of fight against corruption in the coming years. However, uncertainty prevails in concrete modalities of the training. For this reason it is recommended that the UNODC provide support to select the most important fields that anti-corruption training should target; to identify the circle of those who should participate, and the appropriate methodology to be applied.

81 The Crime Prevention Academy in the Ministry of Interior is ready to serve as a host for anti-corruption training in Central Europe, relying on own experiences from other, already operational international training programmes. Hungary could serve as a catalyst for other countries in the region in as much as ‘best practices’ from the global anti-corruption programme of the UNODC could be adapted and ‘translated’ for Central European application. Adapted ‘best practices’ would then correspond to the specific needs of the region’s countries.

5.2.2 Codes of Conduct

82 The Ethical Council of the Republic is an independent body called into being by its members, without any external financing (see 67). That means that their reports are not published and not easily available to the broad public. UNODC support for establishing and maintaining a website would be important to make the Council’s recommendations available to the broad public and create a forum for interactive communication on subjects concerned.

5.2.3 Prevention

83 Interviewed representatives of government bodies found it difficult to recruit personnel since they have no tools to assess the applicants' inclination to corruption. The UNODC is proposed to help in elaborating an appropriate psychological test or the adaptation of tests if these are available in other countries for filtering applicants for jobs with immediate exposure to the danger of corruption (police, customs etc.).

5.2.4 Financing of political parties

84 The financing of political parties is an important unresolved problem (see 3; 4 and 58). This situation is an invitation to corruption, therefore an important part of a follow-up project could be UNODC assistance to address this problem.

5.2.5 Joint programmes with selected neighbouring countries

85 Hungary's eastern and southern neighbours Ukraine and Serbia and Montenegro are not candidates for joining the European Union in the short and medium run (even if Serbia and Montenegro has the perspective for membership in the longer run). Thus the strong pressure exerted on Hungary and other EU accession countries to introduce EU-compatible anti-corruption legislation has been missing there. However, the common border means that higher corruption in those two countries is a permanent threat to Hungary. Interviewed persons found that joint anti-corruption programmes with the customs authorities and the police of those countries supported by the UNODC may become a useful component in a follow-up project.

5.3 Best practices

86 Co-operation in anti-corruption fight in the field of public procurement was highly successful segment of the project and is recommended for adaptation in other UNODC projects. Public procurement was the topic for the working group No. 2 at the National

Integrity Conference (see 42 and 73). The working group carried on activities after the conference and a workshop was organised in the subject in September 2003. In the framework of an interactive procedure methodological issues were discussed and new standardised approaches developed. The co-operation constituted a mutual learning process from which both the Hungarian partners and the involved UNODC experts benefited. One decision support method elaborated by the Hungarian experts will be integrated into the next edition of the Anti-corruption Toolkit. The issues recommended for adaptation by the UNODC are the sustained co-operation in a specific field beyond one-off events like the Integrity Conference and the interactivity concluding in a mutual learning process.

6. LESSONS LEARNT

87 A main lesson learnt from the project with Hungary is that the perception of corruption and the real situation may diverge. Political-level corruption receives enormous publicity; periodically emerging new scandals and never completely cleared old ones ruin the confidence of the public in any anti-corruption activities (see 3; 4; 55; 58 and 62). The progress in the anti-corruption fight concerning new and amended legislation, the shrinking extent of unregulated areas, the introduction of improved standards and Codes of Conduct in an increasing number of individual government organisations remain almost unnoticed by the public. It is also overlooked that a higher number of disclosed cases does not necessarily mean more corruption; it may rather be the result of new regulations producing higher disclosure rates and can be seen as an indicator of the ongoing cleaning process – as was the case with the customs authorities in Hungary, an acknowledged success story and suitable model for adoption. The generally improving environment for anti-corruption activities and the partial success (if and where achieved) must be communicated much better towards the broad public.

88 In order for the public to appreciate the Government's effort implementing Code of Conduct across individual government organisations its efforts have to include: (i) public awareness campaign regarding public rights (citizen charter) and where they can complain without risking too much; (ii) introduction of credible complaints system; (iii) the establishment of disciplinary complaints committee that investigates public complaints, discipline and/or fire corrupt government officials and reports regularly back to the public

regarding public complaints received and action taken; (iv) ethics training for government officials to establish what services they should deliver and what constitutes corrupt behaviour.

89 Attempts should be made to separate public perception of alleged or real cases of political-level corruption from corruption on other levels and segments of the society, so that an ever-increasing room be created for a non-politically motivated discourse on corruption. Parallel to this, assistance to the creation of an appropriate regulation for political parties' financing should receive top priority in any further UNODC project with Hungary or other countries of the region. As long as no solutions are found to this problem, there is no hope for a breakthrough in the fight against political-level corruption and for achieving any substantial improvement in the perception of corruption by the population in the countries concerned.

90 Codes of Conduct play an important role in cleaning public life (see 67). For this reason, the UNODC should be prepared to provide drafts to assist countries where such Codes of Conduct are missing or are under development. For wide areas of public administration, these drafts could serve as starting points for the compilation of texts tailored to the country's specific needs. A collection of texts could be compiled following the pattern of the Anti-Corruption Toolkit.

91 The 'Ethical Council of the Republic' in Hungary is an important initiative that can be adopted in other countries of the region and beyond. However, the fact that the original initiative was made by the Prime Minister rendered this body suspicious to the political parties of the opposition. As a consequence, the Ethical Council of the Republic will need time and has to work hard to prove its merits and independence, and the success of these efforts is not guaranteed. Although that will be judged by the quality of the reports they publish and the Codes of Conduct they draft, immediate acceptance of a similar institution by all political parties in other countries can be achieved if the UNODC initiates the establishment of the respective institution.

92 The selection of project participants (and recipients of financial support) must be made in a fully transparent way and with strict observation of public procurement rules (see 28). The UNODC should be very careful not to assist unintentionally any violation in this field and support free competition for commissions in the framework of any future anti-corruption project. It would be inappropriate if a programme against corruption did not fully comply with the respective ethical norms.

93 It is of outstanding importance to avoid delays in payments of compensation for project participants as has occurred in the project with Hungary (see 23). Research sites and individual researchers in Central Europe are hardly sponsored by the state, and fixed wages are low. Revenues from individual projects are critical for their subsistence, therefore delays in payments hit participants harder than their fellow institutes/researchers in highly developed countries.

94 While most of the persons interviewed underlined the outstanding importance of Transparency International in the measurement of corruption in a global dimension, some of the persons interviewed raised the idea that the UN should elaborate an alternative methodology and measurement, concluding in a global ranking and the publication of periodical reports on corruption at the global level.

95 The original project with the Hungarian Government was planned to have a duration of 11 months. In fact it lasted for over four years (see 19). It is an important lesson that project duration cannot be easily planned, and if the project lasts longer than envisaged, general elections may remove the government with which the programme was designed and the agreement signed. Although in Hungary the continuation of the project due to the change of government was not in danger, in future projects with any country it would be expedient to provide appropriate safeguard measures for the case of a possible change of government.

96 While financial resources are limited for project financing, bottlenecks may be eliminated by an innovative mix of financing as can be seen from the case of the Hungarian-language publication of the UNODC Anti-corruption Toolkit under consideration (see 65).

97 Part of the case studies written in the framework of the Hungarian project have not been available to the broad public – an important lesson from the project that dissemination of results must be carefully planned (see 24). Both printed and electronic versions in the local language and in English must be made available to the broad public. Publication should be accompanied by a well-prepared campaign in the media.

TERMS OF REFERENCE

PROJECT EVALUATION

Project Title: Assessment of Corruption in Hungary

Project Number: FS/HUN/00/R12

BACKGROUND

The objective of the Global Programme against Corruption is to help Member states to: (i) increase the risk, cost and uncertainty of national and international civil servants to misuse their public powers for private gain; and (ii) build integrity to prevent corruption. The primary focus of the programme is to assist member states to increase the integrity of the criminal justice system. Hungary is the first out of 8 pilot countries, which requested UNODC assistance in this area.

The United Nations anti-corruption project in Hungary aims at strengthening the institutional capacity of Hungary to fight corruption. The immediate objectives in achieving this goal were:

1. Analyze the extent of corruption in Hungary through the completion of a rapid assessment study. This study will assist the Government in reviewing and strengthening its current efforts in the implementation of a national anti-corruption strategy.
2. Undertake a comprehensive study of the situation of corruption supplemented by the mutual evaluation of other relevant stakeholders within and outside the Government. Building on the outcomes of both, the Government will acquire an in-depth knowledge of the phenomenon of corruption. This will enable the Government to elaborate more effective anti corruption strategies and policies.
3. Create a framework for transparent and accountable public sector contracts and international commercial transactions
4. Reach a broad-based agreement for a National Integrity Strategy and an Anti-Corruption Action Plan;
5. Raise awareness about the negative impact of corruption on the country and the progress that has been made in curbing it;
6. Create partnerships, foster participation towards a broad-based agreement on an anti-corruption strategy and an action plan.

EVALUATION PURPOSE

The purpose of the evaluation is to assess implementation progress and measure performance of the Hungary Project on Corruption and the attainment of its goal, objectives, strategies and results as outlined in the project document. Further, the evaluation should establish the contribution made by the UNODC project in strengthening the institutional capacity of Hungary to fight corruption and to increase the integrity of the criminal justice system. This pilot evaluation is part of the Global Programme Against Corruption and hence must establish the format and standards for future evaluations.

SCOPE OF THE EVALUATION AND TASKS TO BE PERFORMED

The evaluation will cover and analyze the following key components and activities: a) Project concept and design; b) project implementation; and c) the outputs, results, outcomes and impact of the project. The evaluator will compare the actual outputs and results achieved with the planned in order to determine the contribution made by this project in strengthening Hungary's institutional capacity to fight corruption. He/she will ensure that lessons learned from the project will be recorded. The evaluator will make clear and practical recommendations on the future course of the project and any other follow-up activities as appropriate.

Project concept and design

The evaluator will analyze the project concept and design in order to establish if the project was an appropriate vehicle for increasing institutional capacity. Specifying this task should ensure that the assessment would focus on project elements directly related to corruption. The evaluator will review the problem addressed by the project and the project strategy. This should encompass an assessment of the relevance, appropriateness, efficiency (cost-effectiveness), effectiveness, impact and sustainability of the project results and objectives. An evaluation of the executing modality, institutional and managerial arrangements should also be included. The evaluator will assess the relevance, quality and cost effectiveness of baseline studies and achievement indicators against work plan, planned duration of and budget for the project. Further, an analysis of the clarity, logic and coherence of the project document should be provided for.

The evaluation must also determine the extent to which the identified core activities of the project addressed the problem. Establish if the approach and strategies adopted proved to be appropriate in addressing the problem in Hungary. Further, determine if the results were obtained and if they created the expected impact.

Implementation

The evaluator will assess the implementation of the project in terms of quality, adequacy and timeliness of inputs and efficiency and effectiveness of activities carried out. Also, the

effectiveness of management as well as the quality and timeliness of monitoring and backstopping by all parties to the project will be evaluated. The evaluation should establish if and how the institutional and managerial arrangements supported the effective project delivery system. Assess the support provided by the Hungarian Government to the project.

Project outputs, outcomes and impact

The evaluator will assess the outputs, results, outcomes and impact achieved or expected to be achieved by the project as well as the likely sustainability of project results. This should encompass an assessment of the achievement of the results and the contribution to attaining the crime control and anti-corruption objectives. If objectives other than crime control and anti-corruption are stated in the project document, the evaluator will also assess the achievement of these, but care should be taken to prevent the evaluation from diverting attention to these objectives at the expense of the crime prevention, anti-corruption and criminal justice focus. The evaluator will assess if the project has had significant unexpected effects, whether of beneficial or detrimental character.

Further, the evaluation must assess if the project created a framework for transparent and accountable public sector contracts and international commercial transactions. The evaluation should also assess if the anti-corruption action plan was developed and if partnerships were established and if participation on anti-corruption was fostered.

Recommendations

The evaluator will make recommendations as appropriate. They should constitute proposals for concrete action, which could be taken into account in future to improve or rectify undesired outcomes. Specifically, the evaluation may recommend abandonment, modification, or continuation of the project. Recommendations may also be made in respect of issues related to the implementation or management of the project and follow up project dealing with the same issues. All recommendations must be based on findings.

Since this evaluation is the first conducted as part of the Global Programme against Corruption, it is important that the evaluation is professionally done in order to establish the format and standards for future evaluations. As the Global Programme against corruption is designed as an action learning approach, it is crucial that the lessons learned from the evaluation of this project are taken into account by future projects.

Lessons learned

The evaluator should record lessons learned from the project, which are valid beyond the project itself and may be applicable to the organization as a whole. As there already has been a request from the Hungarian Government to continue the project, the evaluator should establish if the findings support such an extension.

EVALUATION METHODOLOGY

The evaluation methodology will be based on the following:

- Desk review of all relevant documents (project document, mission reports, etc.);
- Initial briefing by responsible UNODC staff in Vienna;
- Travel to Budapest and interviews with national officials, target groups regarding impact of the project;
- Round-table discussions with national officials and other concerned parties in Budapest, if required.
-

Following the completion of the fact-finding and analysis phase, a draft evaluation report will be prepared. The draft report should be sent to UNODC's Evaluation Section, backson.sibanda@unodc.org and to silvia.levissianos@unodc.org, who will distribute the report to concerned parties for comments. The evaluator may choose to take the comments into account in producing the final report, for which he/she will be individually responsible. When it comes to substance, it is crucial that the consultant is independent and given space to conduct a thorough evaluation both regarding the project on the ground and UN management of the project.

If required, the recipient Government may decide to nominate additional experts to facilitate project evaluation. The recipient Government is expected to provide observations/inputs, as it may be necessary for the efficient conduct of evaluation.

BRIEFINGS, CONSULTATIONS AND ADMINISTRATIVE SUPPORT

The officials responsible for briefing the evaluator are: Mr. P. Langseth, Programme Manager UN's Global Programme against Corruption and Mr. B. Sibanda, Chief, Evaluation Unit.

The consultant will have access to all relevant documents and staff who have worked on the project.

Although the consultant should be free to discuss all matters relevant to the assignment with the authorities concerned, he/she is not authorized to make any commitment on behalf of UNODC or the Government.

Costs associated with the work of evaluator will be borne by the project (EUR3,031.20), which also includes travel cost. All costs for the experts appointed by the Government, if it decide to do so, will be borne by the Government.

EVALUATION REPORT AND FOLLOW-UP

At the end of the evaluation mission a debriefing meeting will be held at UNODC Vienna in order to discuss evaluator(s)'s findings and recommendations. The evaluator should follow the UNODC standard format and guidelines for the preparation of project evaluation reports and to fill out the summary assessment questionnaire. The format and guidelines as well as the summary assessment questionnaire should be annexed to the terms of reference. The final report should not exceed 25 pages (excl. annexes) and should be typed in 1 ½ spacing and in A-4 format. An electronic copy of the evaluation report (annex 1), the evaluation summary (annex 2) should be sent to UNODC Evaluation Section (contact details please see above).

The deadline for the submission of the final evaluation report will be at 15 February 2004.

OUTPUTS

1. A mission report including the report on the interviews/meetings in Budapest
2. A finalized project evaluation report on the project, covering project concept and design, implementation, outputs, etc. (see Scope of the evaluation).

PERFORMANCE INDICATORS

Timely and accurate submission of the documents. Substantive and linguistic quality of the documents prepared. Conformity of the project evaluation report with the standard format and guidelines for the preparation of project evaluation reports and technical guidance received. Report should contain recommendations for future course of actions.

QUALIFICATIONS/EXPERTISE REQUIRED

The candidate should possess advanced university degree in Law, Economics, Social science or other relevant field. The candidate should have 8-10 years of professional experience covering project design, management and evaluation, including 3 years at international level. Excellent spoken and written English, as well as proven research skills are required. Knowledge of country of assignment and local language is desirable.

Mission Report Summary

In the framework of this project evaluation the consultant had two missions to Budapest in order to interview participants of the project and the National Integrity Conference and other experts of the subject 'corruption'.

The date of the first mission was December 17 to 19, 2003.

The date of the second mission was January 13 to 16, 2004.

List of Persons interviewed

Vienna

Zsolt Bunford

Alternate Permanent Representative

Permanent Mission of Hungary to the UN

Petter Langseth

Programme Manager

Global Programme Against Corruption

CICP

Miklós Marschall (telephone interview)

Executive Director, Central/Eastern Europe and FSU Region

Transparency International

János Tisovsky

Information Officer; UN

Budapest

Dezső Avarkeszi

Member of Parliament

Hungarian Socialist Party

Gusztáv Báger

Director General

State Auditing Office

FEMI

József Bencze

Director

Hungarian Customs and Finance Guard

Zolna Berki

Director

Transparency International, Hungary

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ITM decision Technology Research Group

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Ministerial Commissioner for Codifying the New Criminal Code

András Hegedüs

Deputy Secretary of State for Crime Prevention

Ministry of Interior

László Keller
Political Secretary of State
Secretariate Responsible for Public Assets
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Kozima Kopcsik
General Assistant
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János Nagy
Director General
Hungarian Customs and Finance Guard

Zoltán Márki
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Attila Zsigmond

former Alternate Permanent Representative

Permanent Mission of Hungary to the UN

**Supplement to the TERMINAL EVALUATION REPORT, ASSESSMENT
OF CORRUPTION IN HUNGARY
(FS/HUN/00/R12/)**

Some important information concerning changes in the institutional system of anti-corruption activities in Hungary reached the consultant after the evaluation report had been concluded. This supplement is devoted to the short description of these changes.

1. In paragraph 66 of the report activities of an Anti-Corruption Advisory Board was mentioned. On February 18, 2004 the establishment of this body was officially approved by the Government. It will become operational under the name “Advisory Board for a Public Life Free of Corruption”.

2. In paragraph 67 of the report activities of the Ethical Council of the Republic was described. On February 24, 2004 the Ethical Council ceased to exist. The background of this event was that Mr. Pál Solt, Chairman of the Council had quit his position and after his decision three other members of the Council quit as well. As the number of Council members dropped below the minimum required number prescribed by the founding document, the Council dissolved itself. The Code of Conduct of the Republic whose first draft was elaborated by the Council provisionally remains uncompleted.

Vienna, February 26,