

Of Billboards, Bribes and Budapest Buses

By Peter Murphy*

2010 was a bumper year for those in the election campaign business in Hungary. Advertisement agencies, printers, and billboard firms were kept busy by parliamentary elections in April and local elections in October.

Corruption became a battleground issue during the campaigns. The center-right Fidesz (Hungarian Civic Party) party's "*Zuchslag, Hagyó, Hunvald*" posters named and shamed a trio of jailed ex-members of the incumbent scandal-besieged Socialist Party (MSZP – *Magyar Szocialista Part*).

The green party Politics Can Be Different (LMP–*Lehet Mas a Politika*) claimed its hands were the cleanest, while the radical right-wing Jobbik Party railed against the "entire corrupt political elite", with its posters portraying parasites sucking the wealth out of the country. Beleaguered socialist candidates, worried their party name would hurt them in the election after a corruption scandal that hit the party, did their best to minimize the logo on their campaign posters.

Ironically, the financing mechanisms behind election campaigns are widely believed to be responsible for much of the corruption in Hungary. András Bíró Nagy, a political analyst with Policy Solutions in Budapest, describes the party and campaign financing system in Hungary as defective.

"State funding is negligible, there is no culture of private donations to parties, and campaign spending caps are too low to operate a nationwide election campaign," he says.

Since a campaign finance law, aimed at creating a level playing field, was introduced in 1997 there have been limits to parties' spending. The law puts a cap of 386 million forints (US\$1.9 million) per party per campaign, not including in-kind donations, or 1 million forints (US\$5,000) per candidate.

But the limit doesn't mesh with modern campaign economics.

"The cap effectively forces parties to falsify their spending and income results, reducing transparency and accountability and encouraging corrupt financing practices," says Noémi Alexa, head of Transparency International in Hungary.

Gábor Juhász, an academic at *Eötvös Loránd University* in Budapest, concluded that based on 2006 rates, the legal campaign budget could buy just 41 minutes of television

advertisements, three weeks worth of newspaper advertisements, and a month-long billboard campaign. That's well short of what actually appeared during that campaign. Juhász said a proper campaign would have cost at least 2 billion forints (US\$10 million), more than five times the legal limit.

Transparency International and Freedom House's joint monitoring of campaign spending in the spring of 2010 estimated Fidesz' and the Socialists' spending at around 1.3 and 1.2 billion forints (US\$6.6 and 6 million) respectively. That was three times the legal cap, despite a depressed economic and political climate, in which Fidesz had an unassailable lead in the polls and ran a toned down campaign as a result.

Hungarian laws require that if a party reports overspending to the State Audit Office, it must pay double the amount it overspent to the state. To date, however, the major parties' financial reports have always come in at or around the allowed limit, and the Audit Office has always signed off on them.

Good Accountants Are Parties' Best Friends

"Of course, parties have good accountants, they do not submit reports that don't comply with the rules," says Transparency International's Alexa.

Often, expenses won't appear in parties' balance sheets. Unreported discounts from 'friendly' advertising companies can be as high as 80 percent.

"The State Audit Office has the right to ask the parties where the financing of all these TV advertisements and billboards come from, but they never do," Alexa says. "Campaign expenses aren't clearly defined in the law. So even if the State Audit Office did ask, no court would sanction the parties because the law is not precise enough."

The independent think-tank Eötvös Károly Institute (*Eötvös Károly Intézet*) produced an influential set of recommendations on reform of the party financing system in 2006. A researcher at the Institute, Zoltán Miklósi, points out that most parties in Hungary are actually in debt and spend more on their day-to-day operations than their legal revenues. "Given that the visible party expenditures are much greater than the visible party incomes, it stands to reason that the vast majority of campaign financing is illegal," Miklósi says.

The problem is that the income sources are well-hidden. "It's impossible to know how infected the whole system is," says Pál Szombathy, a freelance journalist who was the editor of the daily newspaper *Magyar Hírlap*.

Anonymous sources quoted in articles by Szombathy and others have described financing channels such as rigged tenders, kickbacks on real estate deals, fraudulent contracts, false invoicing, and bribes. But these sources have never named names. Transactions typically go through anonymous intermediaries or “bag men” who deliver or receive cash.

András Kósa, journalist at the online newspaper Hírszerző, recalls researching a piece on links between party financing and corruption.

“Only one or two people in a party know what’s going on. One ex-municipality official once said to me that he was always careful to remain ignorant about where his party’s campaign funds came from. He said, ‘The less you know the better. Look at what happened with Zuchslag and Hagyó.’”

Rising Stars and Spectacular Falls

János Zuchslag and Miklós Hagyó were once the young, rising stars of the Socialist Party, but their spectacular falls transformed them into the faces of Socialist Party corruption.

Zuchslag, a former parliamentarian and Socialist Party county chairman, admitted in court in March 2010 that he had coordinated the embezzlement of about 75 million forints (US\$380,000) of public money and diverted the funds into election campaigns. The 34-year old Zuchslag is currently serving a six-year prison term.

Hagyó, meanwhile, became deputy mayor of Budapest in 2006 and soon after took over the supervision of the city corporations, including Budapest Transport Company (BKV–*Budapesti Közlekedési Vállalat*).

During the middle of 2009, it emerged that BKV cash was being spent on excessive redundancy payouts and hundreds of dubious supplier contracts, such as a 20 million forint (US\$100,000) survey of BKV’s photocopier inventory, and a 100 million forint (US\$500,000) contract for the supply of passenger information monitors, which malfunctioned in cold weather.

A number of top executives, themselves under investigation, then broke rank to publicly accuse Hagyó of corruption. Zsolt Balogh, ex CEO of BKV, alleged that the deputy mayor had bullied him to personally hand over cash on a yearly basis.

“Now I know that it is possible to pack 15 million forints (US\$75,000) of cash into an empty Nokia cardboard box,” Balogh said.

Miklós Regőczi, ex deputy CEO, said that the Socialists and their junior coalition partner, the Liberal Democrats (the party's official name is Alliance of Free Democrats) had used BKV as a cash cow. In the April 2010 election, Hagyó lost his seat and parliamentary immunity, and was promptly arrested. Hagyó claims innocence and remains in custody awaiting trial.

By the time Hagyó was behind bars, Fidesz had won an unprecedented two-thirds majority in parliament, its success in part due to the relentless stream of BKV-related stories in the media before the election.

Such intensive media scrutiny brings corruption scandals to a wider public but seems to occur only when just one major party is involved. In the case of BKV, media outlets friendly to Fidesz dissected every detail of the affair. Other scandals have received noticeably less coverage from the mainstream media, leading some to suspect cross-party carve-ups of the spoils.

Márton Galambos, a journalist with the weekly newspaper Figyelő, recounts how the communications team of one of the parties planned to use a breaking money-laundering scandal story as a campaign weapon, but was told by party chiefs: "You can't, we are involved, too."

"If it's not in the interest of one of the major parties, then a scandal won't grow legs like the BKV story did," says Galambos.

Ignorance and Apathy

The lack of public awareness, in part caused by treatment of corruption scandals by the media, is one of the biggest obstacles to reforming the financing system, according to Galambos.

"Party financing scandals will be reported on, albeit selectively by the papers close to the major parties. Unfortunately though, people don't really seem to care," Galambos said.

Even if people devour corruption scandals in the media, the connection with the party financing system is rarely made. In a survey commissioned by the Eötvös Károly Institute in September 2010, just 20 percent of those polled were aware of political parties concealing campaign funding and spending.

Since there is no fear of losing votes from an informed public, there is no catalyst to change the system. Outrage at the BKV scandal and other scandals resulted in a hemorrhage of support for the Socialist Party, but no public pressure to reform the system. "Reforming party financing is not a top-tier issue for voters," says Zoltán Miklósi.

It appears that reform will happen only when it suits the major parties. Since the 2010 elections, Fidesz has become the sole major party in Hungary.

“If Fidesz doesn’t meaningfully reform the system now, when they have the muscle to do it whenever they want, voters might conclude that it’s in Fidesz’s interests to keep the system as it is and interpret that negatively,” says András Bíró-Nagy.

In 2009, Fidesz was the only party from the four in Parliament not to support a package of amendments tabled by Transparency International and Freedom House.

The measures included a tenfold increase in the spending limit and a campaign account with strict monitoring and sanctions for overspending. After the party’s election triumph in the spring of 2010, instead of raising the limit, Fidesz announced an immediate 15 percent cut in government funding of parties.

The move was popular with voters who — according to a recent survey — already think parties receive too much public money. But the Eötvös Károly Institute thinks the cuts will lead to less transparency and more corruption.

“More state funding should be provided to political parties, not less, but in new more effective ways,” says Zoltán Miklósi. “For example, the parties could be given incentives to have more legal reporting via a matching funds mechanism.”

For the average BKV end-user, there are more pressing concerns than reform of the campaign financing law or the latest twist in a political corruption scandal.

There is still no end in sight to the construction of the latest metro line. Promised new trams turned out to be German cast-offs, and new platform information monitors need to have hairdryers manually attached to them to keep them warm and working. Meanwhile, ticket prices have doubled in the last five years. Masses of fare-dodging BKV passengers can be expected to grow.

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