

It was an ambitious project: Connect Hungary's capital, Budapest, to neighboring Croatia with a new highway. Part of the grand, 76 billion forint (US\$475 million) project was the Kőröshegyi Bridge (Kőröshegyi Völgyhíd), spanning an entire valley near Lake Balaton. The bridge, however, became a flash point for opposition. Why build it at such great cost, experts questioned, when the highway's route could be modified slightly to avoid the valley entirely? It was a less expensive and more environmentally friendly option, they said.

But the bridge construction went on, and although it is now open to traffic, the debate has not ended. The State Audit Office of Hungary (Állami Számvevőszék) declared in its report on highway construction last year that based on all the studies done before the bridge work started, such a great investment of public money can hardly be justified.

### A Symbiotic Relationship

“Justification” has different shades of meaning in Hungary. Authorizing such bloated projects is one way the country's political parties finance themselves. Although details connecting the Kőröshegyi Bridge project to the practice are scant, it is generally assumed that money donated to parties by construction companies will return in the form of government contracts. Previous highway construction scandals strongly suggest that the big construction companies are close to the big political parties, each of which has its own favorite builders.

Such corruption is enabled by party finance rules that do not guarantee the transparent tracking of party incomes and expenses, according to the Hungary chapter of Transparency International (TI). In addition to party finances being secret, the actual incomes of members of the political elite are not made public either. Taken together, it is very difficult to define exactly what “party finance” means: running the party and its political activities, or enriching party members and others in their circle?

The public has little information about this money circle, where it is and to whom it is lent. Almost 20 years after communism collapsed, whenever the government or a private company talks about a new investment or project, corruption is expected.

### A Culture of Corruption

Beyond high profile corruption, regular Hungarians often use small tricks to make everyday life easier. If you speed or you urgently need a new ID card from the local authority, a small amount of money or a box of chocolates can ease your life. Most Hungarians participate in small corruption activities. However, according to social scientists, the perception of corruption is higher than the reality of it, which could be a barrier to economic development.

This summer a highly influential tabloid published a story claiming that hundreds of Budapest drivers were illegally paying lower parking fees to parking company controllers, rather than the stiffer official parking prices. The police are investigating this matter, but the big question is if and when the investigation will produce any results.

Cheating taxes is also part of the culture. Nobody likes to pay, taxes and everybody tries to live by one's wits. One of the biggest political scandals last year involved a member of the government who rented a restaurant for an afternoon event. His assistant allegedly paid the fee in an envelope, without including the Áfa (value-added tax), directly to the owner. When the scandal became public, everybody denied everything, and there were no repercussions.

On the whole, corruption infects many areas of Hungarian society: local government, state and local government procurement, distribution of EU subsidies, the issuing of permits and licenses, and commercial bribery.

Commercial bribery could be a typical case of tender by invitation: A call comes in from a superior authority stating that something should be ordered from a certain company. Then the institution calling for tenders contacts the companies in the given business sector asking whether they can deliver the product. If the answer is no, they are invited to bid. The first tender may be declared inconclusive, but in the second procedure, having only one bidder is sufficient.

According to the latest TI survey, corruption in business-to-business transactions is not as extreme as the corruption that occurs between the public and private sectors. Kickbacks do happen, but are far less common. In a few industries, businesses are inclined to limit competition and seek price-fixing agreements.

A Weary Population

Politicians use anti-corruption rhetoric to satisfy international expectations and requirements, mainly those of the EU. Last June the prime minister announced that an anti-corruption committee (Antikorrupciós Tanács) made up of state and civil service representatives would be founded with a mandate to establish an anti-corruption strategy. According to news reports this year, the government will release details of this strategy to the public.

While the existing legal framework is sufficient to treat these misbehaviors, business ethics and culture are still in transition. Most players are tolerant, saying that Hungary is just a small market, and such behavior is understandable, even if not desirable.

Legally, we have enough tools in our hands to handle all these abuses of power, but in most cases this does not happen. Tenders and calls for applications are formally written in order, but the devil lives in the details, as an old Hungarian proverb says.

After 1989, there was a general enthusiasm in the public sphere that corruption would diminish with the rise of democracy and market economics. That enthusiasm has been lost. The public is not only tired but also weak, just like the civil sector, and people simply are not able to put real pressure on the government.

