

Gábor Papanek

*Corruption in public procurement and in general in Hungary**

PURPOSE AND METHODS OF RESEARCH

There is no single, generally accepted definition of corruption.¹ In this study, we consider the following factors the three key attributes of corruption: In an act of corruption, the person committing it

① acts in favour of a personal or group interest, violates one or more rules of community or business life for the enforcement of which he is otherwise responsible and in the course of this act he

② conspires with at least one other party, be it a private person or the representative of an institution. Corruption in public procurement is described as an act of corruption that

③ relates to a public procurement process or constitutes the bypassing thereof.

The main elements of the research project were as follows:

- *Review of (recent) international and national literature; as described in the KT-GKI contract: “prepare an analysis of the (...) reasons, social background and effects of corruption as a social-economic phenomenon”;*
- *Processing press releases issued in Hungary on this subject in recent years; i.e. “press monitoring (...) regarding corruption in public procurement”;*
- *Conducting 120 in-depth interviews; i.e. “organising and conducting in-depth interviews to assess the current status regarding corruption in public procurement, to reveal corruption threats and to develop proposals on combating corruption. The interviewees should come from three target groups: organisations inviting bids, bidders and official public procurement consultants”;*
- *Conducting a survey of 900 individuals; i.e. conducting a nationwide, representative survey among bidders and tender inviters about corruption in public procurement (this was carried out by M.Á.S.T. Market and Opinion Survey Company); and finally*
- *Summarisation of results*

When carrying out the assignment, our main objective was to obtain an academic, research-

* This article summarises the main findings of the study prepared at GKI Gazdaságkutató Zrt. [GKI Economic Research Institute, hereinafter GKI] for the Public Procurement Council. The underlying analyses were compiled with the contribution of Zoltán András, dr. Balázs Borsi, Katalin Pál Mrs. Németh, Zsuzsanna Papanek, dr. Tibor Sebestyén, C.Sc. (GKI), dr. Ferenc Ács (M.Á.S.T. Kft.), Gergely Kis and Szabolcs Timár (eNET).

supported picture of the key characteristics of corruption in domestic public procurement procedures and of the possibilities and methods of combating corruption. The reason is that the successful reduction of corruption is a key matter regarding the future and research efforts similar to our project may be of substantial help to these endeavours. Therefore, we tried to make sure that the techniques employed during the survey harmonise with the latest research methodology principles in social sciences.²

As corruption is a social process generated by a complex system of congruencies which trigger diverse impact mechanisms, we made it a priority to support our findings with *multiple arguments* in order to base it on solid, academic grounds.

▶ We reviewed and present former knowledge regarding the topic. To this end, we read thousands of pages of *international and domestic technical literature* (the vast majority in English and Hungarian). We made it a point to get to know analyses that described the social background and congruencies of corruption, to reveal the related motivations, the connection network of corrupt individuals and the consequences of corruption that distort economic processes. We paid utmost attention to international analyses and the latest learnings from international benchmarking exercises (especially to publications on successful anti-corruption efforts and the related best practices).

▶ We analyzed the *contents of domestic press releases and articles* on the subject. We processed the nearly 750,000 releases published in major Hungarian dailies, weeklies (Magyar Hírlap, Magyar Nemzet, Népszabadság, HVG, etc.) and trade periodicals (Közgazdasági Szemle [Economic Review], Külgazdaság [Foreign trade], Magyar Tudomány [Hungarian Science], etc.) between 2002 and 2007. Out of the full set of articles, we selected the 15,000 releases that included the search terms <corruption> and <public procurement> and set up an electron-

ic database of them which we then subjected to bibliometrical, statistical analyses. Using search keywords, “word trees” and the logical connections among them we *determined the frequency of occurrence and the main congruencies of topics discussed in the articles.* At the same time, researchers who participated in the project reviewed the 15,000 selected articles themselves and collected the expressions, statements and conclusions which they deemed typical.

▶ We requested and received a large number of detailed, *in-depth interviews* from professionals who are actively involved in public procurement. When conducting the interviews, we tried to enable the generalisation of results (by using representative samples and selecting interviewees randomly) and applied scientific methods (e.g. benchmarking, factor analysis, etc.) for data processing wherever possible. We selected the interviewees from *buyers, bidders* (winners and non-winners) and *official public procurement advisors* by way of layered sampling [$40 + (2 \times 30) + 20$, i.e. 120 persons in total]. Keeping their characteristics in mind, questionnaires were developed for each of the four groups. In each questionnaire, questions were sorted into 3 sets: at the beginning and at the end of the interview, we asked for short answers to closed questions. In between, we requested the interviewees for longer answers to open questions. The interviews were recorded in a standardised form (ensuring anonymity). Answers to the closed questions are presented along with their frequency and percentage distribution, occasionally using calculations that enable the detection of deeper congruencies. When reviewing the open questions, we follow a logical path to find out the extent of corruption according to procurement participants and the reasons which they think are behind the formation and sustaining of corruption. We also make an attempt to reveal the types of corruption that evolved in Hungary, the participants involved and the impacts of

corruption. The interviewed public procurement professionals were also asked about the potential means they deemed suitable for combating and reducing corruption in public procurement and for mitigating damages. Within the individual chapters, we often separate the answers by respondent group, i.e. the experiences of buyers, official public procurement advisors and bidders are presented separately. In order to present the information as accurately as possible, we highlight the most typical, most remarkable answers in each category.

► We extensively relied on the results of the survey which M.Á.S.T. Kft. carried out among a wide range of public procurement participants in order to reveal opinions on corruption. This survey was carried out on a nationwide, representative, layered (2x450) sample of 900 individuals by way of face-to-face questioning. Interviewees were public procurement decision makers at institutions/companies, or their delegates for answering the questions. The questionnaires included a large number of questions designed to reveal the interviewees' views on the characteristics of public procurement ethics, activities that are considered acts of corruption and the frequency, techniques, reasons and effects of these. The surveyors participated in training beforehand and the fact that interviewees actually answered the questions was checked for 15% of the interviews. The received information was processed by way of mathematical-statistical methods.

We emphasize that the results cannot be generalised without qualification and they primarily apply to the past 10–15 years and to the Hungarian economy. Furthermore, we point out that the results of the different surveys we carried out often do not (fully) harmonise. At the same time, we are convinced that *the final results and conclusions gained by the comparison of partial survey results rest on sufficiently solid grounds and that the main findings are correct. Wherever possible, we note that specific partial*

results also render a picture of the likely error margins of findings.

PENETRATION OF CORRUPTION AND CORRUPTION IN PUBLIC PROCUREMENT IN HUNGARY

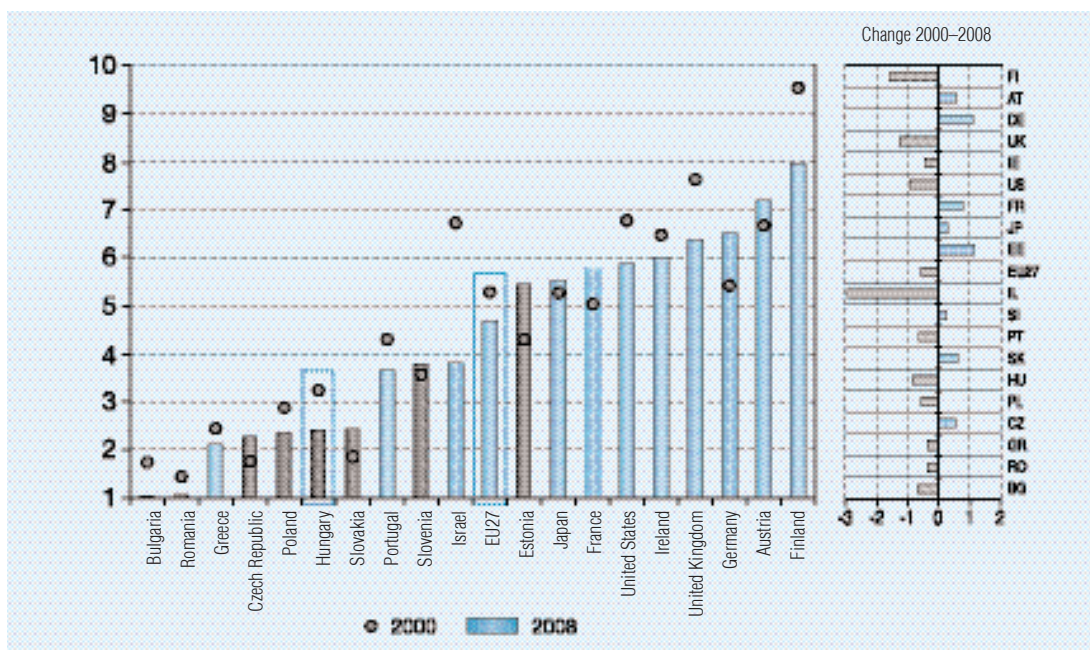
Based on survey findings, in summary we are of the opinion that the *frequency of corruption in the Hungarian economy is “medium”* and corruption affects the majority of public procurement procedures in Hungary –the exact figure varies time to time but reaches *approximately two thirds –three fourths (65–75 per cent)* of public procurement procedures.

This finding is supported by survey results that are contradictory with each other in many ways. During the survey, our initial assumption was that according to widely known historic experience, corruption is a rather old and omnipresent problem for societies but the way of its manifestation, measurement (proving), degree of penetration, the weight of consequences and public view of it all differ by time and location.

Having read the relevant technical literature, we found that key authors always emphasise the high³ latency and complex social congruencies of corruption but usually accept the findings gained with various modern methods of social sciences (empirical surveys, mathematical-statistical calculations, sociological analyses). The most frequently referenced source is the international benchmark of Transparency International (TI) which aggregates several research results for each country under review. The rankings of the latest status report are shown in *Chart 1*. Albeit not without debate, most domestic authors accept the “*medium corrupt*” assessment for the Hungarian economy shown therein; they are of the opinion that while *corruption in Hungary significantly exceeds that of developed countries, it is definite-*

Chart 1

CORRUPTION 2008
(1=strong; 10=no corruption)



Source: GKI: Competitiveness Yearbook, 2008, based on Transparency International

ly below the level of corruption in developing economies. Our empirical research (in particular interviews) also led to findings that harmonize with the overall opinion described above.

Our further research findings show that corruption is rather frequent in domestic public procurement procedures. According to other publications,⁴ some form of corruption is present in 90 per cent of public procurement procedures. However, our research found that suspicions of corruption must be assessed with utmost care and that the 90 per cent estimate is exaggerating.

► We processed press releases and articles with a search program using keywords and the exercise sharply highlighted the frequency of corruption in public procurement. According to our findings gained from electronic sorting, domestic press discusses corruption quite frequently. Out of the 750,000 articles published in daily and weekly papers and the Index online news portal between 2002 and 2007, 8,000 arti-

cles include the word <corruption> and also nearly 8,000 contain the expression <public procurement>. In the latter subset of articles, readers were confronted with corruption in public procurement two or three times per week at an average. The specific cases of corruption presented in the related articles and the changes of topic time to time are also remarkable. To illustrate the nature of the underlying topics, Table 1 shows the frequency of some well-known search words that may also relate to public procurement.

Some of our investigation findings seem to contradict with statements that suggest (in one way or another) overall corruption infection in public procurement. In answering the first question of the M.Á.S.T. survey, both interviewed buyers and bidders deemed the public procurement sector basically ethical. As shown in chart 2, interviewees said that the ratio of definitely unethical public procurement participants is

Table 1

FREQUENCY OF OCCURRENCE OF WORDS* MENTIONED IN ARTICLES THAT CONTAINED »CORRUPTION«, %

Search terms	2002	2003	2004	2005	2006	2007
Motorway, highway	57	56	90	42	45	67
Combino	–	5	1	1	12	4
Cocoa-proof	–	–	20	9	6	1
Metro (underground)	33	19	25	21	42	24
National Theatre	10	16	4	7	11	4
Centre for Country Branding	29	17	2	2	2	–
Fireworks	15	4	4	2	5	5

* We emphasise that the frequency figures provided herein only refer to the fact that public procurement procedures described with the search word concerned were suspected to be corrupt by certain press products, but the validity of the suspicion was not proved. It says a lot that in most cases that were found by keyword search, law enforcement was unable to prove the validity of the underlying suspicion.

Source: GKI press monitoring

around 4–5 per cent and buyers consider their side more ethical than the average. Occasionally we could record similar findings from the GKI interviews as well.

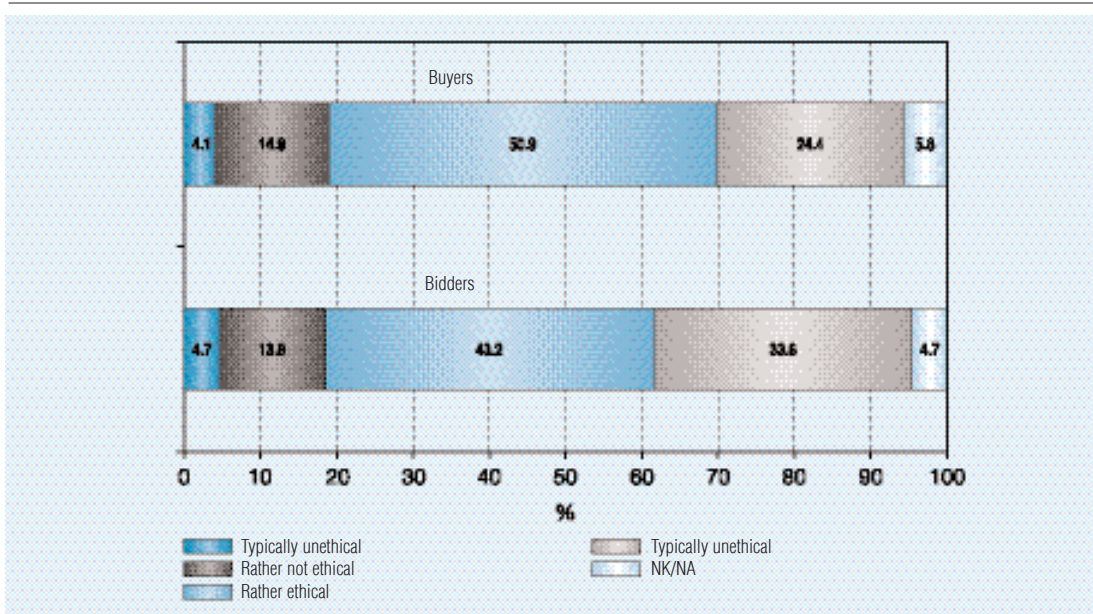
As part of the survey, we carried out an *in-depth examination of the reasons behind the significant differences between technical literature,*

press statements and interview answers. We found three explanations (which also highlighted the error margins of results and the reasons of specific errors).

► First, in-depth analyses often revealed that some interviewees chose their words very “cautiously”. E.g. in a *downstream phase* of the

Chart 2

OPINION ON MORALITY IN PUBLIC PROCUREMENT



Source: M.Á.S.T. survey

M.Á.S.T. survey, *nearly half of the respondents said that corruption is likely to be routinely present whenever public funds are spent in Hungary.* Furthermore, analysts made it a point to add the following remark to the indicated ratios: “the effort to defend the reputation of public procurement professionals (...) was clearly detectable upon every question that related to the interviewees' own field.” Yet the subjects of GKI's deep interviews provided rather controversial assessments of the frequency of corruption in Hungary. Only at about *half of our interviewees* said that they had been informed of *suspected corruption or acts of corruption* in relation to the public procurement procedures they were aware of. At the same time, (contrary to gloomy press releases) quite a few respondents deemed domestic public procurement procedures *extensively corruption-free* but then, after the shiny happy picture drawn up at the beginning, *in reply to subsequent interview questions they admitted that corruption is frequent. Every second and every fifth surveyor who interviewed buyers and winning bidders respectively reported after the interviews that the validity of answers was uncertain.*

A typical interview answer that triggered doubts went as follows: “At our company (...), staff members who conducted public procurement procedures were not approached in any case with corruption-related intentions. However, I am not in a position to make statements on behalf of the decision makers. At the same time, I am not aware of any actual or alleged case of corruption.”

It also says a lot that we found significant differences per sector regarding the ratio of respondents who mentioned suspected corruption. During the GKI interviews, 56 per cent of industry-member respondents and actually each of the five IT company representatives mentioned suspected corruption. The related ratio was 66 per cent among construction industry interviewees, 23 per cent

among commerce, trade, etc. representatives, 31 per cent among education institution employees and only 14 per cent among public administration workers. We think these sector-dependent figures reflect real differences.

▶ Second, *occasionally we get hints that corruption is suspected (assumed) way too frequently.* Not everything is corrupt that seems to be corrupt. Some of our interviewees mentioned cases that were free of corruption but involved unusual administrative techniques due to schedule issues and other problems and therefore participants were suspected to be corrupt. Impossible legal regulations and creative deals to bypass them may also lead to controversial situations. As corruption is not or not clearly visible, non-winning bidders are inclined to blame corruption for the failure of their bids.

▶ Third, as outlined in certain publications, *uncompensated bias* can easily be misperceived as corruption, although it may emerge due to a number of not corruption-related reasons. Positive discrimination may stem from simple popularity, close or distant family ties, a common past or a shared fate. In other cases, it may originate in sympathising between the parties, perhaps the returning of polite or flattering behaviour, perhaps seeking the favours of a person with sex appeal, power or fame, or simply a way of thinking that is similar to that of the beneficiary. Negative bias may have subjective reasons (antipathy, different worldview or political stand, different ethnic background etc.), it may be a necessary complementing counterpart of positive discrimination and it may stem from different ways of thinking (Miller – Roberts – Spence, 2005, etc.).

The factors outlined above do not enable an accurate estimation of the actual frequency of corruption in Hungary. Interviews suggest that currently the majority of tender procedures are infected but unreasonable suspicion is not rare either. Therefore, emphasising the considerable

level of uncertainty in our judgement, we concluded that varying by period and type of tender, currently at about two thirds to three fourths, i.e. 65–75 of domestic tender procedures are affected by corruption.

TYPES OF CORRUPTION

Our survey found that the classification of corruption scenarios is rather immature worldwide and empirical information on the types of public procurement corruption in Hungary is mostly poor. Richer information (albeit often without clear evidence) and analyses are only available in certain technical literature sources and press releases. Most of these are about the significant frequency of corruption that is rooted in politics and the increasingly severe consequences thereof. However, interviewed corporate executives rarely touched on this topic. Nevertheless, even among professionals who are not familiar with classification considerations, *rich information could be collected on phases of the public procurement process that are affected by corruption and about the way this effect takes shape.*

The most widely known theoretical categories are corruption in the *private* (mostly business) sector, corruption by *civil servants* and *political* corruption.

A typical example of corruption in the private sector is when an asset is managed by the owner's representative who enforces his own interests instead of that of the owner by collaborating with a third party. Business corruption refers to cases when entrepreneurs bribe an official or a politician in power in order to gain financial advantage (e.g. to get an order, push through an unreasonably high price or inferior quality). Corruption by civil servants entails scenarios when a public official liable to represent the interests of the public asks for a (financial) "gift" to

settle or see through a matter with a favourable outcome for the client (obtaining an approval, recording in the land registry, cancellation of a penalty, "customised" regulation). Sometimes there is no clear demarcation between these two types. Political corruption (the reallocation of public funds contrary to the interests of society as enabled by the collaboration of political and business players), however, is mostly implemented through the collaboration of increasingly large interest groups for e.g. gaining or preserving power, i.e. to purchase the loyalty, votes or support of certain society group⁵ (Hankiss, 1983, pp. 83–86). Obviously, the classification of borderline cases and complex connections might be very difficult.

According to the world famous Manual of *Rose-Ackerman* (2006), current corruption research focuses on political corruption throughout the world and our survey found that it also true in Hungary when it comes to forming an opinion on the economic weight of different corruption types. The reason of this overall trend is that since the Watergate scandal, researchers have paid special attention to the analysis of close correlations between the institutionalization of corruption and the poor standard of public administration (this correlation is only suspected sometimes but its consequences are clear). It is quite likely that a similar focus is needed in respect of the Hungarian economy.

In simple terms: today the protagonists of corruption are not sitting in public offices but in elite clubs, events, hunting societies, business delegations, etc. where corporate leaders and politicians meet. In public life, corruption risk is high –it is typically greater at the higher levels of organizations than at the lower or hands-on levels. The reason is that at the upper levels, a minor error in a decision (which is invisible from the outside and represents a deviation from standards) is enough to provide serious

benefits to a favoured person or organisation. For the really big corruption deals, no office and envelope are required. What is essential, however, is relationship capital, favours that help to bypass regulations, “favour banks” for which no offices are needed – a well-assembled phonebook and short phone calls are often enough. Business lunches and visits to homes are rarely necessary and are usually prerequisites only when entering “favour circles” or a “favour bank”. This is what the strange wording used by a middle manager of Siemens referred to when he said “it takes serious market knowledge to know what needs to be provided, where and to whom” (*Manager Magazin*, 2007, issue 2).

The results of our surveys indicate that in the Hungarian economy today, not only political corruption but business corruption is also a serious issue, and so is the simultaneous presence of the two. When one participant of a corrupt deal is a politician, the other party is often a businessman and there are several examples of unlawful collaborations between two corporate representatives as well.

One fact that illustrates all this is that the most frequent “technical term” in domestic press articles on corruption was <politics> in recent years. Due to the undisputedly high degree of latency, the fact that similar scenarios are not common in domestic scientific publications, in our interviews and even in court rulings is not a real counter-argument (but rather typical).

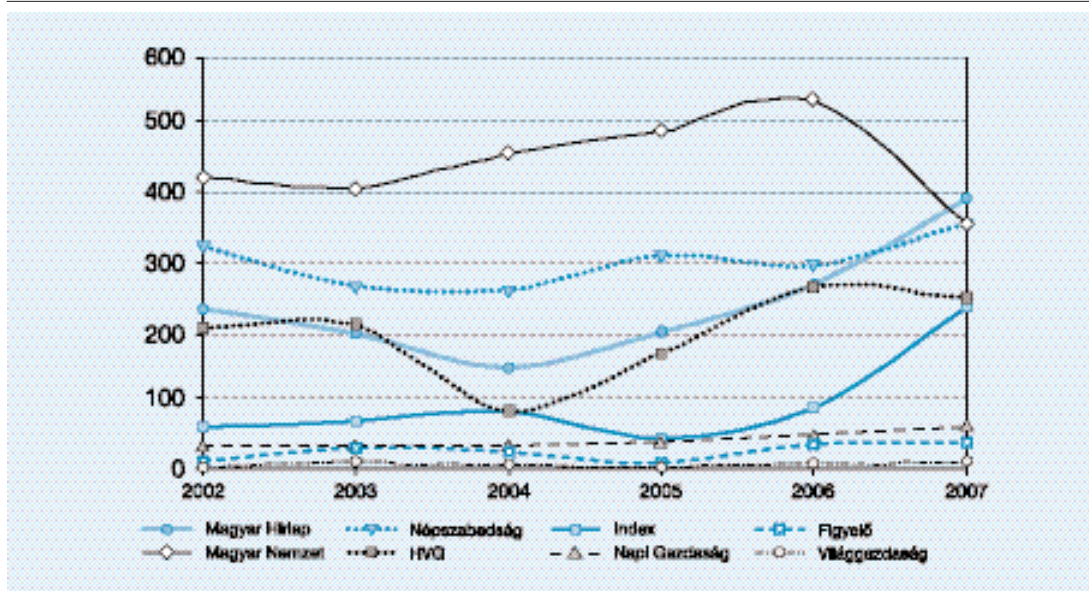
It is important to note that the sharp tone in the Hungarian press does not really depend on political side. The distribution per dailies and years of the 8,000 articles encompassed by our survey which referred to politics and politicians while also containing the word <corruption> is shown in *Chart 3*.

The politically neutral statements of interviewees (which harmonized with their overall motives) stemmed from their cautiousness which we mentioned before. It is also likely that the large number of scientific publications that *avoid this topic* is due to similar reasons.

The loose categorization of *public procurement* corruption scenarios based on *general* criteria as described above was relatively rare in

Chart 3

NUMBER OF ARTICLES CONTAINING BOTH »CORRUPTION« AND »POLITICS«



Source: GKI press monitoring

Hungary so far and *our survey shows that it is not a thoroughly known topic in real life either.*

International and sometimes domestic technical literature (and press) often publishes remarkable information on specific corruption techniques (exposing process elements that enable the violation of norms, i.e. the “master tricks”). We also received information on this topic during our empirical research. The main findings (first and foremost the list of main types) are summarised in *Table 2 and 3.*

Naturally, the contents of the table should be evaluated with a certain degree of cautiousness –first, because the sample size of interviewees was modest and not representative in this respect; second, because the answers to open questions were often not comprehensive; and third, because replies were “cautious” and difficult to summarise. It is obvious that nearly all mentioned techniques are detectable in domestic public procurement procedures (otherwise they would not have been mentioned). It is sure that the protagonists of the process committed the referenced violations of norms more often than indicated (i.e. the frequency of mentions is only a loose lower limit of actual frequency), that often other players also played an important role in this and that other methods were also employed time to time. Nevertheless, the list is an important output of the project.

The information in the tables shows that *participants of public procurement corruption, both in Hungary and throughout the globe, use rather diverse methods which also change over time and may impact the process in any phase.* It is a serious misconception that corruption can only be significant upon the evaluation of bids; for restrictions on the potential circle of bidders or cartel formation are frequent in the inquiry phase already and acceptance of inappropriate fulfilment is not rare either. This finding has high real-life relevance and may be

a great help in building safeguards against abuse scenarios. Classic corruption between tender inviters (public officials) and bidders (businessmen) also take various forms and is implemented through bribery, pressure, bypassing of rules or doctoring of tender results –always as the circumstances require. And there is a wide array of tools for collaboration between bidders, including cartel forming.

Data suggest that acts of corruption are *more frequent at the initial phases of tender procedures*, i.e. inquiries, bid preparation (where accompanied by cartel forming), and bid preparation, than in the downstream phases of the process. Every third inquiry restricts the range of potential bidders. At least one out of seven procedures bidders are likely to form a cartel. In one fourth of tender procedures, pressure is likely to be exercised to promote the success of a specific bidder and bribery is likely to take place in one fifth of tenders for the same reason. Sometimes a tender procedure is affected by multiple acts of corruption. It is also remarkable that in the majority of cases, the direct purpose of corruption is not to increase a higher price but to influence the market.

We must point out that the activities of the key players of political corruption and corruption by public officials are interrelated. Furthermore, the mobility of prominent players between political and public administration positions is quite high. It is quite frequent that the same person appears in a key public official position and then in a key political position. It is also common that the prominent members of the political party that wins the elections migrate to top management positions of ministries or to large [state owned] companies while retaining their political positions and mandates.

As political corruption and corruption by public officials often involve the same individuals, it is difficult to separate the two types which makes the assessment of their respective frequencies very difficult.

Table 2

A/ TYPES OF CORRUPTION THAT INVOLVES COLLABORATION BETWEEN BIDDERS (AND SUBCONTRACTORS)

Types	In OECD (2007) Mentions	Other sources	GKI in-depth interviews Sample*	Frequency of mentions, %	Classification in M.Á.S.T. survey**
Bids submitted by multiple companies of bidder					Á
Preliminary (cartel) agreement	x	x	Full	13	S
Bids state subcontractors who will not be involved in implementation	x				S
Agreement on non-disclosing quality deterioration			Full	2	

Table 3

B/ TYPES OF CORRUPTION THAT INVOLVES COLLABORATION BETWEEN TENDER INVITER AND BIDDER(S)

Types	In OECD (2007) Mentions	Other sources	GKI in-depth interviews Sample*	Frequency of mentions, %	Classification in M.Á.S.T. survey**
Avoidance of public procurement procedure	x	x			S
Inquiry stating false purpose	x	x			
Restriction of the range of potential bidders	x	x	Full	36	S
Pretended inquiry (when the winner is already known in advance)	x	x			S
Leaking of exclusive information to a bidder	x	x	Full	8	Á
Unreasonable exclusion of bidder			Bidders	17	S
Exercising of pressure to promote the success of a bidder		x	Full	23	
Bribery in favour of the success of a specific bidder		x	Full	8	
Bribery to have a high price accepted			Full	19	
Declaration of unsuccessful tender based citing false reasons		x			
Biased assessment of bidder	x	x			
Acceptance of a non-compliant bid		x			
Unreasonable modification of contract			Bidders	3	
Acceptance of non-compliant fulfilment	x		Bidders	7	
Unreasonable, subsequent addition of order items in case of a low bid price		x	Full	9	
Failure to seek legal remedy		x			

* Technical literature and GKI's in-depth interviews gave us an insight into corruption scenarios (only a part of the basic population of 120 was in a position to tell us about the application of specific techniques). The M.Á.S.T. survey, however, explicitly asked participants whether the use of these specific techniques refers to corruption.

** Á: deemed corrupt by most respondents, T: deemed corrupt by the majority of respondents, S: deemed corrupt by many.

REASONS OF CORRUPTION

It is widely known that the corrupt behaviour of specific *individuals* mostly stems from the fact that *directly achievable personal advantages are tempting* in the light of the assumed low risk of getting caught. However, the emergence of corruption mostly has other complex motives and specific “technical” (*formal*) *reasons as well*. This opinion is confirmed by the majority of analyses published in technical literature and it is also supported by our survey findings.

Concerning the reasons of the most frequently mentioned type, *political corruption*,⁶ domestic and international expert opinions almost entirely harmonise with our survey findings. According to Miller – Roberts – Spence (2005), major acts of corruption that relate to public spending are usually rooted in *misuse of power* and formal (technical) reasons only help this abuse. These authors point out that the creation of unrealistic legal provisions that are impossible to comply with, failure to separate scopes of mandates, the lack of declared ethical principles, the limited capacity of law enforcement authorities and institutions all boost corruption.

Therefore, the common public viewpoint (and a favourite topic of election campaigns) that the main reason of corruption is the personal greed of politicians is often completely misleading. It may be the reason sometimes but often it is not realistic because in many countries key politicians and public officials must regularly publish their assets declaration (and even report major asset growth in their families) and potential abuses are subject to very severe sanctions.

At the same time, *vague regulations regarding the financing of political parties and campaigns are not only important roots of corruption both internationally and in Hungary*, but they also hinder the building of safeguards against political corruption.

International and domestic statements regarding political corruption are detailed in the GKI study. Here we only discuss the main impacts.

► Statements that highlight the “technical” background of political congruencies have a long tradition. Mankind could already learn from *Socrates* and *Platoon* that the chances of the proper management of public funds are greatly improved if transparent records are created and kept of both available resources and expenditures. This is a twofold requirement: regulations and administration must be *easy to comprehend* (plain language should be used) and the resulting documents must be *easily accessible* for the widest possible segment of society (but at least the officials in charge with control and auditing). There is an agreement both in international technical literature and among domestic experts that the non-fulfilment of either of these pre-requisites (e.g. the classification of information on public funds as “confidential” which is frequent in some developing countries) is an important reason and sign of corruption.

► Our press analysis revealed that the explanations of domestic corruption in public procurement provided in various papers harmonise with the aforementioned statements as it is mostly political corruption that receives most of the media attention. E.g. in our database, out of the 693 press articles which include both <public procurement> and <corruption>:

- 229 mention the word <politician>,
- 55 contain <financing of political party>,
- 2 mention <nepotism> and
- 3 include the words or word pair <patron-client>.

Here is a typical description: “The problem is lying in the law. The problem is that politicians regularly interfere with public procurement procedures. What is more, professional competence is inadequate at tender inviters and bidders” said public procurement specialist *György Várday*.”

(Népszabadság daily, 16. 12. 2002) Naturally we do not say that all surveyed articles reflect a similar opinion. Some articles mentioned politicians in a quite different context, as potential helping hands in eliminating corruption.

▶ The bibliometrical examination showed that the other approach which avoids political aspects and focuses on “technical” issues is also frequent in press publications that investigate the roots of corruption in domestic public procurement. Out of the 700 articles that contained both <public procurement> and <corruption>, 182 mention publicity, 87 mention transparency and (only) 5 mention accountability, i.e. the lack of these conditions (or the importance of creating them). The interviewees of GKI's in-depth interview, however, highlighted more specific reasons as shown in *Chart 4* (which often also explain the different forms of public procurement corruption mentioned in the previous chapter).

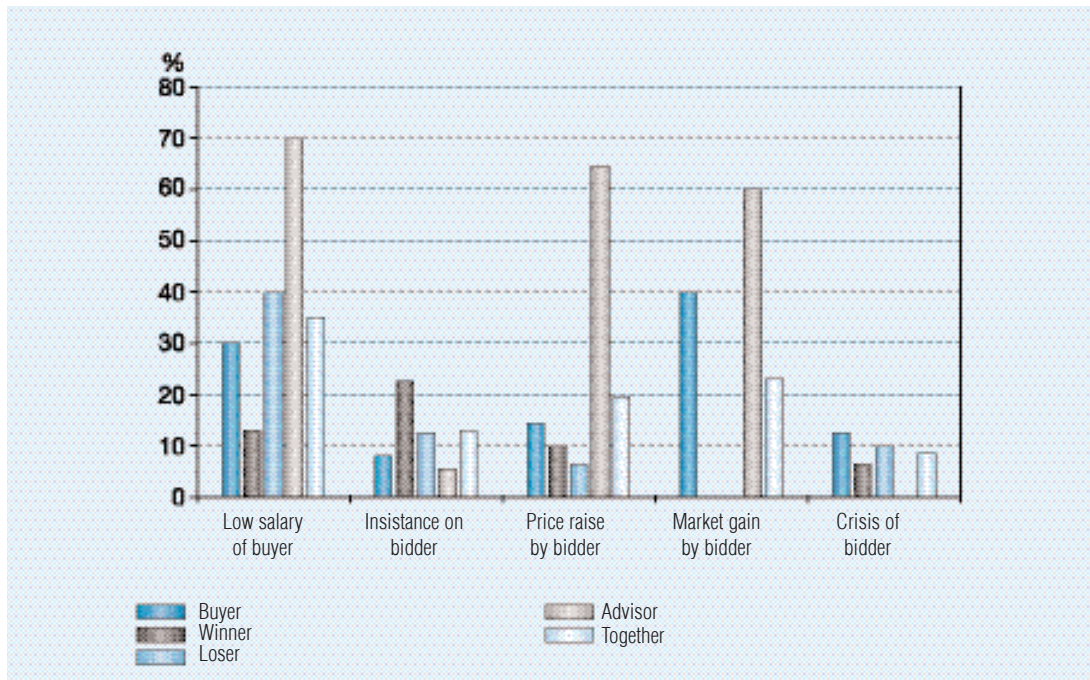
The interviewees' statements on the forms of corruption as presented in the chart are further fine-tuned by the answers detailed in the previous subsection. The comparison of these two sets of information reveals that it is not always financial benefits that make tender inviters restrict the range of bidders or make bidders form cartels, etc.

The information we received in the M.Á.S.T. survey confirmed the findings outlined above. When we asked who are the initiators of public procurement corruption, 70 per cent of interviewees named politicians, 23 per cent named professional superiors and only 7 per cent mentioned employees (which of course reflects the extremely negative public image of politics and politicians).

Having said that, we cannot withhold the fact that although the Hungarian public is mostly interested in the damages caused by political corruption, we found that the fre-

Chart 4

DIRECT REASONS OF CORRUPTION IN PUBLIC PROCUREMENT



Source: Answers to the open questions of in-depth GKI interviews

quency of business corruption should not be underestimated either. As mentioned before, there are several corruption scenarios that involve politicians and “businessmen” (corporate leaders, political “implants”, etc.). The same way, both parties to the “deal” may come from business.

Some years ago, with the active support of a large local bank, a major Hungarian company formally transferred a part of its assets to foreign ownership in order to save hundreds of millions of forints in tax payments. However, the Tax and Financial Control Authority found that the owner never transferred the shares to the “buyer”, the “buyer” never paid and never exercised ownership –so the company was penalised for tax evasion (see Papanek, 2000).

Another important learning from our research is that the reason of both inquiries that restrict the circle of potential bidders and the forming of cartels by bidders is that these are ways for committers to defend themselves against the overly inflexible rules of the public procurement act (and that of inquiries). It is in the interest of both tender inviters and truly eligible bidders to annihilate the participation of companies who are unable to carry out the assignment at a high quality while offering a 50 per cent bid price. However, current regulations do not enable the identification and exclusion of such actually ineligible bidders.

NEGATIVE ECONOMIC AND SOCIAL EFFECTS AND THEIR PERCEPTION BY THE DOMESTIC PUBLIC

The survey proved the common view that corruption can cause extensive damage in any procedure that it infects and thus in public procurement as well. At the same time, we also found that *albeit recent international*

research projects also reveal the severe social and economic impacts of corruption, these findings are not sufficiently known and appreciated in Hungary yet.

What we saw is that the *corporate* consequences of public procurement corruption among tender inviters and buyers is judged nearly identically by international technical literature, the domestic public and in the light of our research. E.g. during GKI's in-depth interviews, interviewees classified these scenarios into *four distinct groups* (some interviewees did not mention any effect at all while others mentioned more than one). The *four direct* effect groups and the frequency of references to them are shown in *Chart 5*. As seen in the chart, the subsequent price raise and poorer quality of fulfilment were mentioned most frequently but many interviewees referred to the limitation of competition as well.

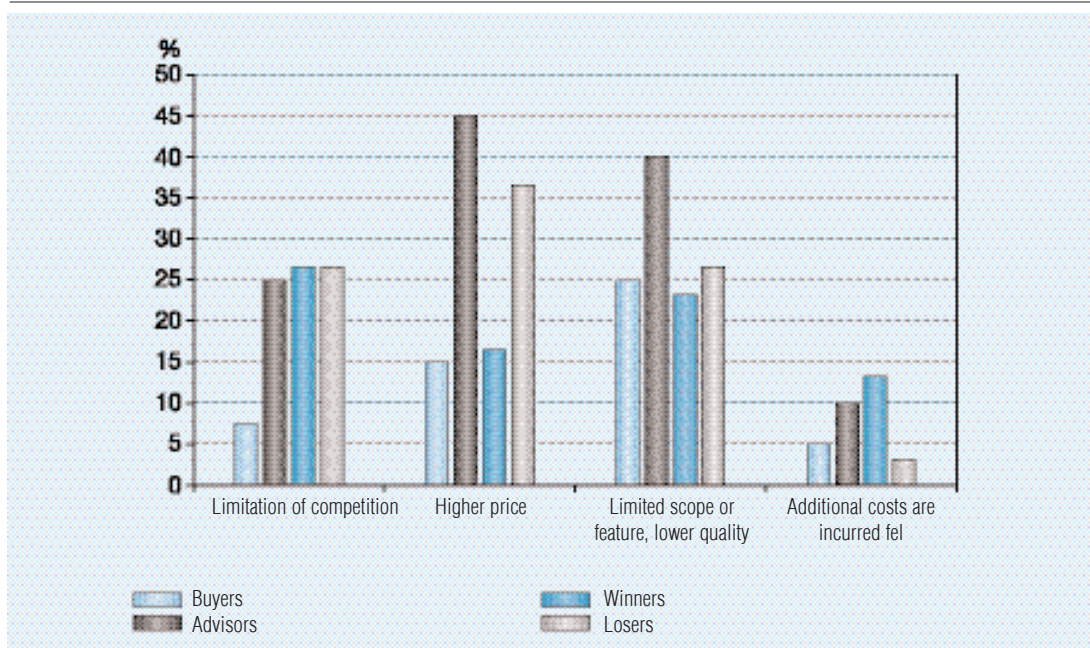
Occasionally, the M.Á.S.T. survey also provided estimates of the *size of damages* –although indicating significant deviation across the figures. E.g. according to interviewees, if a public procurement tender were invited in all mandatory cases, the number of public procurement procedures would go up 22–26 per cent at an average. Estimates of the price increasing impact of corruption averaged around 23–26 per cent.

Time to time, information appears in the press on the range of price deviations. There were frequent mentions of domestic motorway construction that cost the double of comparable international projects and a new Spanish underground line which cost one fifth of the new Budapest underground.

Beside the “high damage” cases, acts of corruption which do not cause significant losses are also frequent. In most cases, no losses are generated by the aforementioned arrangements that serve to resolve the inflexibility of public

Chart 5

**IMPACT OF CORRUPTION PER INTERVIEWEE GROUP
FREQUENCY OF MENTIONS IN ANSWERS**



Source: Processing of replies to open questions in GKI's in-depth interview

procurement procedures (although they still have a devastating effect on business morals). Here is a remark heard at an in-depth GKI interview:

“It can happen that a buyer may wish to use a well-known, proven, long-time subcontractor to make life easier and to have the done quickly and wants to stay away from working with an unknown company. In this case, this unlawful approach does not cause any loss in quality or financially.”

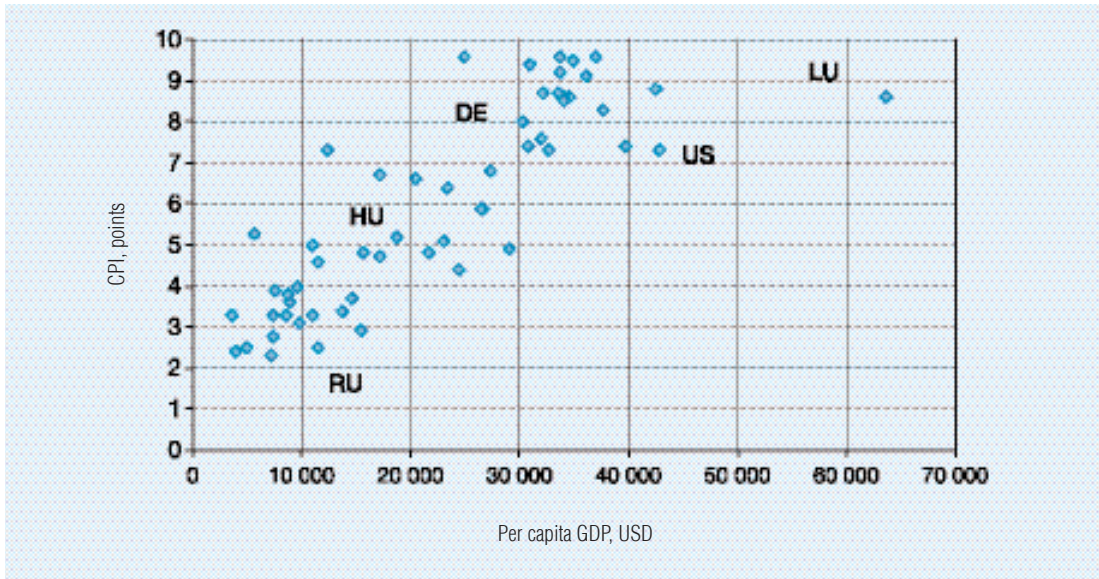
During the in-depth GKI interviews, most interviewees pointed out the indirect impacts suffered by public procurement participants. In particular, the spreading of non-compliant behaviour increasingly holds back entrepreneur initiatives, working capital influx from abroad and significantly deteriorates economic performance (decreases GDP).

Here is a typical statement heard during the interviews:

“The direct, short term effect of corruption is equally detectible in a higher price, or the decreased service content for the same price and in the long run it is reflected in the increase of costs. What is much greater a loss, however, is the moral damage: this behaviour of the “elite” undermines values in society.”

Some estimates attempt to quantify the macroeconomic damages of corruption. The close (negative) correlation between the GDP and the level of corruption was pointed out by all relevant international benchmark surveys (See e.g. Chart 6, prepared especially for our survey). Certain calculations (that are not supported by specific data though) suggest that damages in Hungary reach hundreds of billions or even a thousand billion forints year by year.

CORRELATION BETWEEN THE LEVEL OF CORRUPTION AND THE GDP



Source: GDP, IMD: World Competitiveness Yearbook, 2007, CPI: TI, 2007

International surveys have confirmed (sometimes also by mathematical-statistical methods) that in corrupt economies (minor) renewals are often neglected so that deteriorating assets can be renewed at a high cost or replaced by way of a new investment project –both of which enable abuse. Human resources management, in particular the selection of leaders may change: dismissal of managers who reject corruption and the appointment of those who take part in it or tolerate it may become the norm. Even the career choice of students may be distorted: seeing the damages of corruption, many young people may choose not to become engineers (who can actually create value) but learn to become lawyers instead, etc.⁷ Based on the regression calculations referenced above and press articles on regular overbilling in motorway or underground investment projects, the magnitude of domestic losses cannot be deemed low.

At the same time, empirical research provided hardly any information on macroeconomic

effects. What is more, we found that some domestic experts (although without any supporting scientific arguments) dispute the viewpoint voiced by a number of leading international researchers that corruption significantly increases the weight of economic problems. We think this reluctance may hinder efforts to combat corruption.

ADVANTAGES ATTAINABLE THROUGH CORRUPTION

In the 1970s, a typical example of corruption scenarios cited by *Elemér Hankiss*, one of the doyens of corruption research in Hungary was that a one forint (one cent) tip in the canteen could buy a good quality espresso [instead of regular, inferior coffee]. Since then, the stakes have been raised quite a bit.

Here are some *examples* of current “benefits” mentioned by our sources: illegal release of permits, administration of insurance cases,

false medical certificate, confidential information, non-compliant receipt of bank loan or acceptance of goods, fake invoice, biased press article, audit by the tax authority, court ruling, appointment to lucrative or high-profile positions, political support, laws that leave room for creative deals.

The direct objective of political corruption is rarely financial in nature. The actual goal is rather to gain and retain power. The laundering and use of money obtained by political corruption is only a tool to achieve this objective.

A very firm standpoint has evolved in international technical literature recently about the former belief that “corruption can boost efficiency” (saying it can resolve the issues of shortage economies) (Leff, 1964). Authors point out that after the comparison of the benefits and drawbacks of corruption for society, the aforementioned view “completely lost credibility by now” (Offe, 2005). Our survey revealed opinions that harmonise with this latter view: e.g. concerning the spending of public funds, 73 per cent of M.Á.S.T. survey respondents rejected irregularities (with varying intensity) even if it did not mean personal benefits.

As mentioned earlier, some of our interviewees mentioned that illegal solutions are applied in part to resolve problems deriving from inflexible regulations. It is difficult to dispute that this point is sometimes rightful. Therefore, it would make sense if legal provisions allowed such kind of collaboration within specific time and value limits.

We have found that it is definitely damaging if the seeking of creative deals becomes the norm due to regulations which hinder the application of reasonable business practices. This situation annihilates any distinction between socially acceptable and unacceptable arrangements and brings on the risk of a value crisis (or the further deepening thereof).

OPINIONS ON ALTERNATIVE COUNTER-MEASURES

Our research shows that *effective measures against corruption and public procurement corruption would be indispensable in the Hungarian economy as well.* There is probably not a single expert today in Hungary who would question the need for intensified efforts in this field. A number of important international institutions and business partners expect us to combat corruption more powerfully than before.⁸ However, there is no agreement on desirable specific action items.

In recent years, partly on own initiative and partly under international pressure, the Hungarian government launched several anti-corruption programs. These efforts, however, yielded modest results only (e.g. TI Corruption Risks in Hungary, 2007).

The main government steps in this field were as follows among others:

- *In 1992, Hungary was the first former Soviet block country to enact a modern law on the publicity of data of public interest.*
- *In 2001, a “comprehensive” Anti-corruption Government Strategy (Government Decree 1022/2001) was elaborated which focused mainly on sanctions and penalising measures. Implementation, however, was never completed.*
- *In 2002, the Office of State Secretary for Public Funds was established within the Prime Minister's Office (to be wound up in 2004). Government Decree 2396/2002 required the revision and updating of legal regulations on access to data of public interest.*
- *In 2003, in order to tame corruption, the National Assembly accepted the so-called “glass pocket” act and established the short-lived Republican Council of Ethics.*
- *In 2006, the act on lobbying was enacted but failed to fulfil expectations.*

- In August 2007, the Anti-corruption Coordination Body was established and assigned to renew the anti-corruption strategy. The new strategy has been prepared but has not been enforced yet.

Many people have formed an opinion already on the reasons of the failure of domestic anti-corruption efforts. Dissatisfaction in society is especially strong due to the lack of strict sanctioning of revealed abuses. Here is a typical comment in the news: "In Hungary, only one single case of public corruption was revealed officially: Zoltán Székely's bribery case which put him behind bars."⁹ (HVG, 13. 10. 2007).

Other documents mainly urge measures that focus on the internal motivations of human actions, trigger changes in overall attitude and behaviour and promote demand for fairness, honesty, reliability and integrity in society. The most frequent demand in domestic press is for public exposure (while often not mentioning the importance of accountability and sanctioning). Others render importance to *external* factors that affect behaviour –legal regulation, control and sanctions.

Our surveys did not reveal any magic weapons. They simply confirmed that *only the harmonised application of several combating techniques* can lead to success.

The M.Á.S.T. survey asked a wide range of participants about existing opportunities to *combat corruption*. Based on the answers, the nine pre-defined techniques could be assigned to three groups, each containing three techniques.

▶ The *first group* includes techniques which respondents consider clearly *suitable for combating public procurement corruption effectively*. Ranked by frequency of mentions, these techniques were as follows:

- Effective verification of contractual fulfilment (considered effective by 74 per cent),
- Control of delivery by due dates by both parties (71.7 per cent),

- Control of compliance of the delivered service / goods with the committed technical scope, sanctioning of discrepancies (71.6 per cent).

▶ The *second group* contains solutions that are *deemed suitable* for combating corruption by the majority *but less than two thirds* of respondents. These solutions are as follows:

- More flexible regulations (considered effective by 63.2 per cent),
- Elaboration and enforcement of codes of ethics (62.5 per cent),
- Stronger sanctions (56.9 per cent).

▶ The *third group* includes techniques that the majority of respondents consider *unsuitable* for combating public procurement corruption. The items in this group are as follows:

- Higher salaries for public servants (considered effective by 45.1 per cent),
- Introduction of an entirely on-line process (45.3 per cent),
- Enactment of more detailed regulations (43.7 per cent).

In-depth GKI interviews added several action items to the above.

Naturally, before formulating the conclusions of our research, we also looked at the results of other surveys. We came to the conclusion that anti-corruption efforts can only be expected to bring success if a number of major and minor action items (detailed below) are implemented.

PROPOSALS

Based on overall survey results, we could formulate *diverse recommendations* for several institutions. Most of these indicated directions only (the elaboration of details was beyond the scope of our assignment).

Proposals to the Public Procurement Council

▶ Assume the duty of *making the Act on Public Procurement simpler* –more specifically,

to support the National Assembly in implementing the recommendations listed below. Strive for identifying rules and regulations that are either unrealistic or require an unreasonable amount of effort to fulfil. Try to make regulations easier to comprehend and require deeper control (that focuses on “technical scope” among others). Allow simplified tendering for low value, repeated assignments in audited scenarios.

The simplification of legal provisions is probably the most frequently mentioned expectation of public procurement professionals. It is also cited as an action item of outstanding importance in the 2008 report of the State Audit Office. E.g. the report said the following about the 2008 bill on amending the act on public procurement: “Due to the lack of a mature public procurement policy and clear improvement directions for public procurement supported by impact studies, the preparation of the bill did not bring a sufficient consensus. (...) Throughout the preparation and harmonisation process, the scope of duties and responsibilities of the central institutions of public procurement remained a controversial issue...” (op. cit. page 11).

▶ *Make your records and inventories of public procurement relevance more user friendly* (facilitate searching and processing of information). Set a comprehensive, public database that enables diverse searches and contains all events that relate to public procurement (tender announcements, bids, contracts, subsequent modifications, certificates of fulfilment, etc.).

Here is a typical remark from the in-depth GKI interviews which inspired this recommendation: “The homepage (...) of the Public Procurement Council provides a thorough organisational chart [of the Council] (...) but not a single piece of useful news or datasheet on public procurement trends.”

▶ *Organise regular follow-up surveys* (every two or three years) to research corruption in public procurement. This way, your proposals on anti-corruption measures for the coming period can always be based on an up-to-date insight into the domestic situation.

▶ *Urge and promote* the further simplification of mandatory duties that *certified public procurement tender inviters and bidders* must take care of upon new public procurement procedures (e.g. bid documents).

This recommendation utilises the favourable experiences with the “best practice” applied by the National Customers and Excise Guard concerning the selection of “reliable customs clients” which was also presented in the press.

Proposals for the government

▶ *Revise (update) the national anti-corruption strategy every four or five years.* Prepare proposals on how to elaborate (among others) rules of selecting, employing and compensating public servants in a way that enables the decrease of corruption and on the advised directions of improving law enforcement (encompassing the police, protection of lead providers, penitentiary institutions).

Both technical literature and our respondents pointed out that this strategy is missing, although its elaboration is strongly recommended by the UN, the OECD and the State Audit Office.

▶ *Prepare proposals for the National Assembly for the legislative duties* (listed below) targeted at combating corruption.

Recommendations for the National Assembly

▶ *Anti-corruption efforts should begin with “managing” the most harmful cause, political corruption and the realistic regulation of political party and campaign financing.* Out of the many specific action items, we highlight those here which require “allies”: identify the groups that

would enjoy the benefits of decreased corruption, then win their support by presenting these benefits to them. E.g. the majority of the business sector has an interest in the enactment of realistic regulations. The “handling” of parties with opposite interests should not be neglected either: the suspension of the immunity of members of parliament in case of serious corruption allegations or charges is a recommendation that deserves consideration.

▶ According to numerous press statements and some responses to our survey, *the adoption of (further) international recommendations on the strict formal requirements of public procurement procedures* is an urgent action item.

TI (2007a) recommendations include the following items among others:

- Require buyers and bidders to declare their anti-corruption commitment (e.g. to declare it in a code of ethics),
- Assign the drafting of tender invitation, bid evaluation and verification of fulfilment to different forums,
- Change the line-up of decision makers on a rotary basis, and
- Impose stricter sanctions on violators of rules.

▶ A fundamental task for legislation is the significant simplification of the *Act on Public Procurement* based on the recommendations of the Public Procurement Council.

A proposal mentioned at an in-depth GKI interview session which is also deemed important by survey directors: “There are a lot of rules of procedures. Sure, there is a reason for each of them, but still, the complexity of regulations has reached a level that is difficult to follow even for specialist lawyers –let alone companies who are not proficient in this. Simplification is highly recommended.”

▶ The extension of “*Sound Corporate Governance Guidelines*” and the related require-

ments beyond listed companies would significantly expand the opportunities of combating corruption. Each large company should be required to comply with the financial and accounting rules set out in the guidelines (which are currently mandatory for listed companies only) and to impose strict sanctions in case management fails to fulfil these requirements.

In the USA, financial and accounting rules regarding top management responsibilities have always been strict. Then the Sarbanes-Oxley act passed in the wake of the Enron scandal in 2002 further narrowed the room for dodging liabilities and imposed drastic sanctions on abuses. This solution has proved to hold back corporate leaders.

Real-life experiences learnt during the survey also highlighted the importance of compliance with guidelines. Both the press and our interviewees provided extensive information on corrupt procedures where controls focused on the formal compliance of bids (e.g. page numbering) instead of their correctness or unrealistic nature, or incompatibility and collaboration between decision makers. Way too frequent are the cases which are closed without sanctions due to desuetude or lack of evidence albeit the suspected presence of corruption is valid. If the guidelines had to be followed on a mandatory basis, the violation of codified requirements would be unavoidable in far more corruption scenarios. This would narrow the possibility of hiding corrupt acts, increase the chances of getting caught and thereby improve the preventive power of regulations.

Recommendations to buyers in the public procurement process

▶ Elaborate and put in place an *anti-corruption policy*.

▶ Managers should take it a mission to find “*clear handed*” persons for handling public procurement projects and provide for regular training so that these people hear about new

considerations and methods of combating corruption.

▶ *Avoid invitation of single bids for overly complex tasks.* If possible, ask for separate bids for each sub-task.

Many interviewees complained that overly complex assignments are usually won by single main contractor bidders who take most of the money and hardly leave anything to SMBs who actually do the work.

▶ Strive for releasing tender invitations that call for simple bids. *Stay away from requesting information that is already known or unnecessary for bid assessment.* Do not require bidders to collect and submit information which is already available in public administration records or databases. Minimize requests for “original” certificates: e.g. adopt the EU practice where only a few references are required for bidding and only the winner will be required to submit legal documents that prove its eligibility prior to contract signing.

Here is a remark from an in-depth GKI interview in support of this proposal: “Documentation should not be required at least in respect of publicly available data, or electronic submission should be sufficient.”

▶ In each and every case, require *bidders and subcontractors to have a code of ethics in place that sets forth their anti-corruption strategy.* However, qualified bidders (who also fulfil the previous requirement) should be allowed to participate while minimising their administrative burdens.

▶ *Extend the application of electronic public procurement procedures.* If possible, apply reverse auctions which significantly decreases the room for corruption between tender inviters and bidders or cartel forming between bidders. Instead of a price decrease, ask bidders

to improve the technological content of bids and make this a frequent practice.

Here is another useful statement in the press: “Experience shows that the use of online reverse auctions enables an approximately 15 per cent saving compared to current purchase prices. Although the use of the auction platform provider incurs a cost (for bidders), in case of an average procurement amount of HUF 3 to 5 million the saving exceeds the service charge. (...) Electronic public procurement and reverse auctions help reduce corruption and the more efficient, transparent use of public funds.” (Világgazdaság, 21. 06. 2007)

▶ *In order to keep incompetent bidders (who offer unreasonably low prices) away from bidding, increase the weight of technological requirements and professional competence within evaluation criteria.*

▶ In line with SAO recommendations, pay more attention to the monitoring of your own public procurement procedures. As part of the monitoring system, *implement a corruption alert subsystem.*

▶ *Regarding completed projects, make sure to sum up and compare objectives, costs and results, provide for an (external) audit and involve e.g. a transparency specialist.*

▶ Draw up and publish a *blacklist* of corrupt bidders in the industry of your company.

Proposal from a GKI interviewee: “A list could be compiled of poor performers, intentional misleaders, background dealmakers –what is more, they could be excluded temporarily from public procurement procedures.”

Proposals to *bidders*:

▶ Elaborate and put in place an *anti-corruption policy.*

▶ *Managers* should take it a mission to find “*clear handed*” persons for handling public pro-

curement projects and provide for regular training so that these people hear about new considerations and methods of combating corruption.

▶ Set up a monitoring system for public procurement procedures that you participate in. As a part of it, *implement a corruption alert sub-system.*

We find the latter recommendation especially timely. As we learnt from respondents of the in-depth GKI interview, the suspicion of corruption is more likely to decrease the frequency of controlling attempts instead of increasing it. Chart 7 shows the ratio of control or audit efforts among respondents who perceived or did not perceive any suspicion of corruption.

A recommendation to all

Let us face the problem and be self-critical at the same time. It is misleading and sometimes a

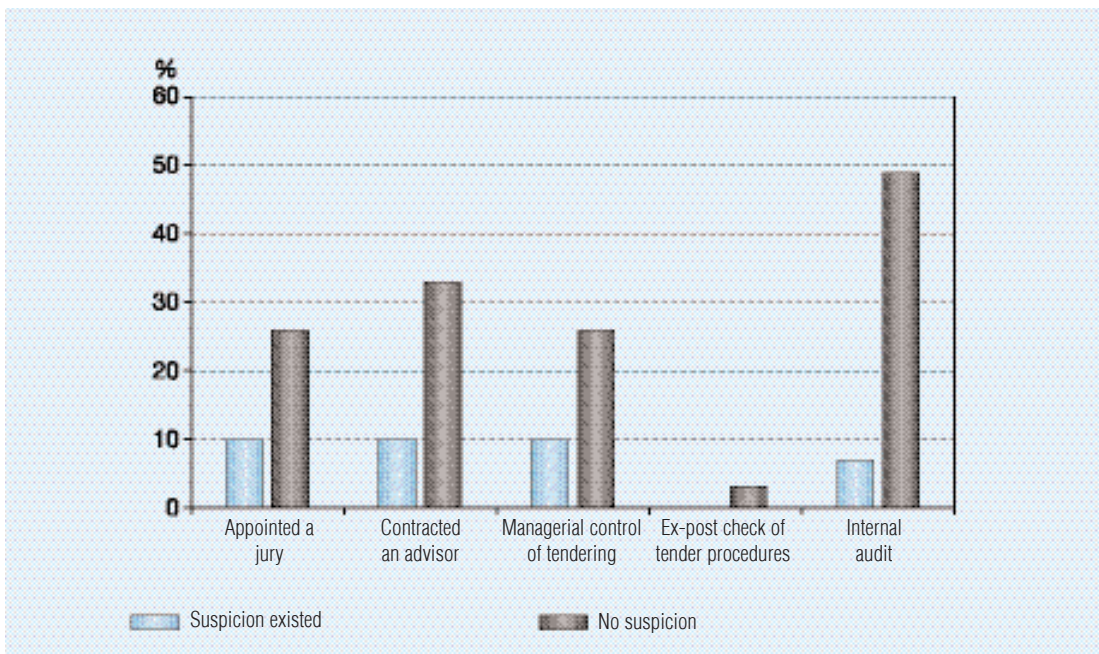
sign of covering up one's own dirt if statements regarding the “medium” level of corruption or suspected corruption are swept under the carpet citing reasons like difficulties of measurement and that there are economies where the situation is worse. The veiling of problems only hinders the solution.

According to management books, a diagnosis that identifies the actual problems is a fundamental prerequisite of finding the remedy. This principle is fully applicable here, too.

IN SUMMARY: *efforts to combat corruption will only be successful if long-term anti-corruption measures (backed by genuine political will) are equally based on the improvement of human factors and on the enforcement of legal provisions. A key prerequisite of success is that the leaders of political parties should be at least as determined to combat corruption in and around their own party as at their opponents.*

Chart 7

NUMBER OF COMPANIES THAT APPLIED TECHNIQUES TO CHECK PUBLIC PROCUREMENT PROCEDURES VS. THE TOTAL NUMBER OF COMPANIES, %



Source: In-depth GKI interviews

NOTES

- ¹ Synonyms or near synonyms of corruption are used quite frequently. E.g. bribery, fix, sop (in more general cases: fraud, misuse of power, “constitutional expense” nepotism, client system, misappropriation, in former times: old (socialist) boys' network, today: relationship capital) – slush fund, soap, tip, gravies, in the middle East: bakshish.
- ² Concerning modern methods, see e.g. Babbie (1998). For exact references, please refer to the literature section.
- ³ According to department head prosecutor Pál Sinku (Department of Major Cases, Supreme Prosecutor), criminal charges are raised for roughly one in every thousand case of violation of applicable laws. See Gábor Bendik: Conference on the possible ways of combating corruption (2008) http://www.levego.hu/letoltes/kapcsolodo_anyagok/korrupcio-konf_0811.pdf
- ⁴ See Freedom House (2006), referenced by Transparency International Hungary (2008), page 1.
- ⁵ The term political corruption has a number of synonyms. Lately it has been referred to as relationship capital. The English expression crony deal indicates corruption by politicians where legal regulations are bypassed by way of *és bratyizás révén kijátszó korrupciós ügyeit jelzi*.
- ⁶ It is rather illustrative that when interviewees were asked during the extensive M.Á.S.T. sociological survey to name the initiator of corruption, 48 per cent mentioned political leaders, 16 per cent mentioned professional (business) 5 per cent mentioned administrators while 31 per cent declined to reply (see page 78 of the report).
- ⁷ An excellent summary of these surveys is provided in the Rose-Ackerman Manual (2006) mentioned earlier.
- ⁸ E.g. the UN convention (see Act XXXII of 2000); the OECD (1997) convention (also adopted by Hungary) and the Bribery in Public Procurement: Methods, Actors and Counter-Measures (Paris, 2007) document; several EU publications, including EC (2003) communication, etc.
- ⁹ Public opinion was not changed much by the Zuschlag lawsuit, the arrest of some high-ranking local government officials, etc.

LITERATURE

- BABBIE, E. (1998): Research Methods for Social Work (A társadalomtudományi kutatás gyakorlata), *Balassi publishing house*
- HANKISS E. (1983): Social Traps (Társadalmi csapdák, Diagnózisok), *Magvető publishing house*
- KORNAI J. – ROSE-ACKERMANN, S. (edit.) (2005): Honesty and Trust in the Light of the Post-socialist Transition (Tisztesség és bizalom a poszt-szocialista átmenet fényében), *Nemzeti Tankönyvkiadó publishing house, Budapest*
- KOTKIN, S. – SAJÓ, A. (eds) (2002): Political Corruption in Transition, *CEU-Press, Budapest*
- LEFF, N.: Economic Development through Bureaucratic Corruption, *American Behavioural Scientist, 1964, p. 8.*
- MILLER, S. – ROBERTS, P. – SPENCE, E. (2005): Corruption and Anti-corruption, An Applied Philosophical Approach Pearson, *Upper Saddle River, NJ*
- OFFE, C.: Political corruption: Terms, meanings and practical issues, *in: Kornai –Rose –Ackermann, 2005.*
- PAPANÉK, G. (2000): Corruption in the international transactions, GKI Rt., (Summary in Hungarian: Nemzetközi tranzakciók monitoringjának problémái), *Belügyi Szemle [Home Affairs Review] 2003, issue 9*
- ROSE-ACKERMAN, S. (ed.) (2006): International Handbook on the Economics of Corruption, *Elgar, Cheltenham, UK*
- SZÁNTÓ Z. – TÓTH I. J. (edit.) (2008): Corruption risks in the business sector (Korrupciós kockázatok az üzleti szektorban), *Nyitott Könyvműhely publishing house*
- AKT [2008]: Summary of the Anti-Corruption Strategy (Összefoglaló a Korrupció Elleni Stratégiáról). *Anti-Corruption Coordination Board, Budapest, http://www.irm.hu/download/4_rovid_strategia(osszefoglalo_a_kesrol)*

State Audit Office (2008): Report on the audit of public procurement mechanisms (Jelentés a közbeszerzési rendszer működésének ellenőrzéséről)

Budapest Stock Exchange (2007): Corporate Governance Recommendations of the BSE, *Board of the Budapest Stock Exchange, August 6*, http://www.bet.hu/topmenu/kibocsatok/tarsasagiranyitas/felelos_tars_ir.html?pageum=1

EC (2003): Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee –On a comprehensive EU policy against corruption. Brussels, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2003:0317:FIN:EN:PDF>

Freedom House (2006): Nations in Transit

MK (2003): Act CXXIX of 2003 on Public Procurement http://www.complex.hu/kzldat/t0400140.htm/t0400140_0.htm.

MK (2004): Act CXL of 2004 on the General Rules of Administrative Proceedings and Services http://www.complex.hu/kzldat/t0400140.htm/t0400140_0.htm.

OECD (1997): Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, http://www.oecd.org/document/21/0,3343,en_2649_34859_2017813_1_1_1_1,00.html

OECD (2007): Bribery in Public Procurement: Methods, *Actors and Counter-Measures. Paris*

Open Society Institute (2002): Corruption and anti-corruption policy, *Country reports Budapest*, <http://www.pwc.com/extweb/pwcpublishations.nsf/docid/1F2DCA23DC8E7E1F852573CB00578048>

Pricewaterhouse Coopers (2008): Confronting Corruption, <http://www.pwc.com/extweb/pwcpublishations.nsf/docid/1F2DCA23DC8E7E1F852573CB00578048>

TI (2007a): Global Corruption Report 2007, *Pluto Press, London*

TI (2007b): Corruption Risks in Hungary 2007, National Integrity System Country Study I. *Nyitott Könyvműhely publishing house*

TI Hungary: (2008) Position paper on public procurements, *Budapest*

United Nations (2005): Convention against Corruption, <http://www.unicri.it/wwd/justice/docs/uncac/uncac.pdf>

World Bank (2000): Anticorruption in Transition N.Y.