



## Better Transparency of Political Party Foundations!

### Our main proposals:

- Party foundations must be audited and overseen in their accounting practices and economic activities identically to the parties
- Political foundations must truly conduct research, educational and scientific activities
- Party foundations should annually publish a detailed list of their donors and contributors, as well as how the donations were spent
- Parties should be banned from establishing businesses for political purposes
- Political parties must only be allowed to establish political foundations, and not foundations with public benefit status
- Foundations taking over the running costs of political parties should be banned

The system of the Hungarian political party foundations is simply in disarray. Under the Hungarian Civil Code, the various political forces may establish organizations that function as private foundations as well as political foundations with a special status. The earlier are not any different from the foundations established by corporations or private individuals and there is no limit to the number of such foundations operated by parties. The latter types of organizations are eligible for subsidies, and can be established by the parties that surpass the one-percent election threshold, similarly to the practice in Germany. While it is unnecessary to grant private foundations a public benefit status, the problem with political foundations springs from their ambiguous role in campaign financing.

### POLITICAL FOUNDATIONS IN HUNGARY

Party	Foundation
MSZP	Táncsics Mihály Foundation
Fidesz	Polgári Magyarországért Alapítvány [Foundation for a Civic Hungary]
KDNP	Barankovics István Foundation
SZDSZ	Szabó Miklós Foundation
MDF	Antall József Foundation
MIÉP-Jobbik A Harmadik Út*	(in progress)

\* The party only became entitled to establish such foundation as a result of a legal amendment in 2008

Political foundations have become a decisive force in Hungarian public life. As there were concerns of constitutionality from the inception of these organizations, on a motion for resolution the Constitutional Court has already ruled that the right of establishing such foundations is tied to the one-percent election threshold, instead of the formation of a parliamentary faction. Under the Act on the Functioning and Finance of Political Parties of 2003, the political foundations should carry out scientific, cultural, educational and awareness-raising activities. In reality, these bodies are outsourced subunits of the party structure and they serve as an additional source of budget for the political parties through the subsidies they are entitled to. The annual HUF 2.5 billion subsidy for the parties is thus supplemented by an additional HUF 1 billion approximately through the subsidies allocated to the political foundations.

The supervision procedures of political foundations already bear semblance to a real control of the parties, although that is not sufficient alone. It would be necessary to have an equal degree of supervision in place for the two above listed sorts of organizations, as the political foundations run on subsidies, and their

activities are carried out in line of the strategy and interests of a given party. The very purpose of the new regulatory environment to be established might be that the political foundations truly conduct research, educational, and scientific activities, meaning the activities for which they receive their funds. Public scrutiny should receive more room, which could be made possible by the annual detailed publishing of the donors' and contributors' names as well as the amounts spent. It is equally essential to limit the management of the party foundations in a way to prevent them from setting up businesses for political purposes.

### **Parties' "NGO"s Should Go**

The provisions of the Civil Code relating to private foundations can hardly be applied and enforced in the political sphere. Under the law, the private foundation and its property are clearly separate from the founder, hence the founding person can only indirectly affect the operation of the organization (for example through the appointment of the board members), and has absolutely no control in the day-to-day running of it. The Hungarian practice shows that the party leaders tend to micromanage the running of the party-affiliated foundations. All these further underline the fact that political parties should only establish political foundations and be banned from setting up "NGO"s.

If parties' private foundations still remain, the so-called "bank-account foundations" should be banned, as they serve as hidden channels of campaign financing by successfully masking the names of Hungarian and foreign party donors. The foundations taking over the running costs of the parties should also be banned because their operation greatly distorts the financial accounts of the political organizations and would render the introduction and the efficacy of the campaign account difficult.

Finally, private foundations established by private individuals with strong party affiliations (meaning that legally speaking they have no ties to the party) should not take over running costs either.