

6. THE CONCLUSION OF PRIVATISATION

In the past decade, a market economy based on private property has been successfully established in Hungary.

The privatisation of state-owned entrepreneurial assets has played an outstanding role in this process.

Mass institutional privatisation – which was one of the means of establishing a market economy - has been practically concluded. We have come to the end of an *important and difficult period in the economic history of Hungary*.

The proportion of entrepreneurial assets owned by the state is now similar to corresponding ratios in countries with developed market economies.

In this respect, Hungary is similar to these countries.

The Hungarian state will now arrange for the sale of its assets where this is justified in terms of social policy or economic strategy and is profitable.

The fundamental features of a market economy based on private property have been established. The "self-driven" development of the economy has begun. This is important and encouraging, as living standards in Hungary rise and the country prepares for European Union membership.

The Privatisation Law has fulfilled its mission. There is no longer any need for the traditional privatisation organisation in its present form. There is, however, a need for the expertise that was accumulated within this body.

Privatisation should now be concluded. The privatisation organisation (the Hungarian Privatization and State Holding Company) should be wound up as prescribed by law.

In the future, with regard to the remaining state-owned entrepreneurial assets, the emphasis will shift from the sale of assets to the efficient and market-based operation and management of assets.

There is a need for legal regulation and a new system of institutions capable of fulfilling this task. The objective shall be to use state-owned assets in a beneficial and profitable manner. State-owned companies may then become active participants in the economy.

The basic intention of the Government is therefore the conclusion of privatisation and the prompt establishment of the legal framework necessary for the management of assets in accordance with the new principles; this change should take place on the basis of a new law in 2001.

APPENDIX

THE RULE OF LAW: FUNDAMENTAL LAWS

- On the regulation of legislation (Act LIX of 1991 and Act XI of 1987).
- On the Constitutional Court (Act XXXII of 1989).
- On the State Audit Office (Act XXXVIII of 1989 and Act LXXXVIII of 1993).
- On agricultural land (Act LV of 1994 and Act XLVIII of 1999).
- On local self-governments (Act LXV of 1990).
- On competition and unfair market practices (Act LXXXVII of 1990, Act LVII of 1996, and Act CXXXVIII of 2000).
- On the partial compensation of damages to citizens with a view to settling property relations (Act XXV of 1991, Act XXIV of 1992, Act XXXI of 1992 and Act LXIII of 1995).
- On the settlement of land and the distribution of land (Act II of 1993).
- On the Hungarian National Bank (Act LX of 1991).
- On the settlement of properties formerly belonging to the Churches (Act XXXII of 1991).
- On co-operatives (Act I of 1992 and Act C of 1994).
- On the Labour Code (Act XXII of 1992 and Act XIII of 1988)
- On the state budget (and Treasury) (Act XXXVIII of 1992 and Act XLI of 1998).
- On arbitration (Act LXXI of 1994).
- On environmental protection (Act LIII of 1995).
- On Hungarian ministries (Act XXX of 1990).
- On the right of assembly and the right to strike (Act III of 1989 and Act VII of 1989).

FUNDAMENTAL ECONOMIC LAWS

- On economic companies (Act VI of 1988 and Act CXLIV of 1997).
- On foreigners' investments in Hungary (Investment Code) (Act XXIV of 1988 and Act VI of 1991).
- On state-owned enterprises (Act VI of 1977 and Act XIV of 1989).
- On the transformation of economic organisations (Act XIII of 1989).
- On general sales tax (Act LXXIV of 1992 and Act LXXX of 1996).
- On personal undertakings (Act V of 1990).
- On securities and the stock exchange (Act VI of 1990, Act CXI of 1996, and Act CLI of 1997).
- On the definition of prices (Act LXXXVII of 1990 and Act LVIII of 1995).
- On taxation (Act XCI of 1990, Act LXII of 1988 and Act LXXXIX of 1999).
- On stamp duty (Act XCIII of 1990).
- On local taxes (Act C of 1990).
- On concessions (Act XVI of 1991 and Act XXXIV of 2000).
- On accounting (Act XVIII of 1991).
- On bankruptcy, winding up, liquidation (Act IL of 1991, Act LXXXI of 1993 and Act XXVII of 1997).
- On consumption tax (Act LXXVIII of 1991).
- On corporation tax (Act LXXXVI of 1991, Act LXXI of 1996 and Act LXI of 1988).
- On the regulation of agricultural markets (Act VI of 1993).
- On product liability (Act X of 1993).
- On the economic chambers (Act XVI of 1994 and Act CXXI of 1999).
- On the Commodity Exchange (Act XXXIX of 1994).

- On public procurement (Act XL of 1995, Act XIII of 1997 and Act IX of 1999).
- On foreign currency (Act XCV of 1995 and Act CXLVII of 1997).
- On customs law and tariffs (Act C of 1995 and Act CI of 1995).
- On forests and their protection (Act LIV of 1996).
- On lending institutions (Act CXII of 1996).
- On State Supervision of Money and Capital Markets (Act CXIV of 1996).
- And many specific bilateral investment protection agreements (law).

BIBLIOGRAPHY

- Katalin Antalóczy: Privatizáció a gyógyszeriparban [Privatisation in the pharmaceutical industry] (Számadás a Talentumról, ÁPV Rt. publication, 1999.)
- Dr. Árpád Kovács: A privatizáció folyamata Magyarországon 1990-1997 [The process of privatisation in Hungary] (ÁPV Rt. publication, 1997.)
- Dr. Tibor László: A magyar privatizációs folyamat összegzése [A summary of the Hungarian privatisation process] (manuscript, 1998.)
- Dr. Tibor László: Privatizáció 2000-ben, felkészülés a vagyonkezelésre [Privatisation in 2000, preparing for property management] (manuscript, 2001.)
- Dr. Ákos Macher: Adatok és tények a magyar privatizációról 1990-1999 [Facts and figures about Hungarian privatisation, 1990-1999] (Számadás a Talentumról, ÁPV Rt. publication, 2000.)
- Ágnes Nádházi: A magyar bankrendszer privatizációjának története [The history of the privatisation of the Hungarian banking system] (manuscript, 1999.)
- Krisztina Osztrovszky: A Matáv privatizációja [The privatisation of Matáv]
- Krisztina Osztrovszky: Privatizáció a tőkepiacon, az elmúlt tíz év tükrében [Privatisation on the capital markets in the light of the last ten years] (manuscript for lecture, 2000.)
- György Wéber: Az energia ipar privatizációja [The privatisation of the energy sector] (manuscripts, 2000.)

**Privatisation in Hungary
(1990-2000)
Summary**

The last decade of the 20th century witnessed some extraordinary developments in Hungary.

The political and economic change of system was made at an accelerated pace. After a forced detour lasting forty-five years, Hungary has now returned to the rule of law. A market economy has been developed and Hungary is a member of the community of developed European countries.

Privatisation played a decisive role in this process. By the end of the decade, it had been practically concluded.

The proportion of state-owned assets fell from 85-90% to its current level of 10-15%. A planned state-owned economy has been replaced by an economy based on private ownership.

The following is an attempt to summarise the process of privatisation in Hungary. Given the complexity of the subject and the great number of issues, the attempt may be fragmentary at best. Further, the lack of historical perspective means that the text probably contains numerous personal and subjective elements.