

IF THE MARKET AND ESPECIALLY ITS PLAYERS ARE STILL LIVING THROUGH THEIR EARLY YEARS AND INNOVATIVE PROJECT OWNERS, PARTICULARLY THE OLDER GENERATION, NEED MORE UNDERSTANDING, EDUCATION IS A MUST. WHAT EFFORTS ARE BEING MADE BY THE SECTOR?

Certain universities run courses on the topic, but the education is in its infancy too. We are happy to see that the Central European University is planning to start a major incubation system. The market lacks an incubation system. We are also happy to support these efforts, as our company will benefit from the arrival of new projects and opportunities that do not require year-long preparation before the actual investment. Meanwhile, interest has grown tremendously. We receive invitations from universities to give courses on the topic and graduating students are looking for the chance to join the profession.

DOES PORTFOLION OR ANY PRIVATE EQUITY ORGANIZATION PLAN AN INSTITUTIONALIZED EDUCATIONAL PROGRAM?

I have no knowledge about any such effort. Today the time dedicated for extra

and helps to extend the opportunities beyond the borders of JEREMIE. It helps to persuade other institutions to join. Our ambition is to create more different funds, so they concentrate on different segments of the investments and a variety of market sectors. These efforts are in progress, this year we are planning to start one or two more funds.

THESE TWO FUNDS WILL DEFINITELY START?

One of them is an accepted project by OTP and the Hungarian Financial Supervisory Authority is just running the approval process. It will support so-called turn-around investments, when a well established company is targeting a stable market segment, but its credit is deteriorating and therefore its growth potential is still limited. We will help them by raising their capital. According to our plans, this fund will open this year.

YOUR COMPANY IS MOSTLY INTERESTED IN INNOVATIVE PROJECTS. MEANWHILE YOU ARE CLASSIFYING PROJECTS BY THEIR MATURITY. WHAT ARE THE PROPORTIONS?

We have decided to support innovative products. Consider-

investor does not have any guarantee that his or her investment will surely return. Therefore a private equity investor requires ownership and management roles in the framework of a contract as a guarantee, but a project owner may feel that his company is just being taken away. Until that moment nobody else told him what to do, now an investor comes along and gets involved in everything... which is actually not even true, as an investor only wishes to get involved in issues that belongs to his or her field. Under the OTP brand, this suspicion becomes less grave.

HOW OFTEN DO YOU MENTION THE BUSINESS KNOW-HOW OF THE PRIVATE EQUITY MANAGERS AS AN ASSET BESIDES THE MONEY THE COMPANY CAN RECEIVE?

Always. Considering money, the very same offer and numbers could be received from other funds. Therefore the real competition is about additional values, like the know-how, management support, a strong board. Even opening a major investors' consortium could be an important advantage, and other doors open thanks to the fund managers.

A FINAL QUESTION, OUT OF THE PRIVATE EQUITY BOX: WOULD YOU TAKE A GOVERNMENT POSITION AGAIN?

The question is too general. I will not take one in the short-term. I wish to build a full investment success story, just as I did as an advisor earlier at Deloitte. I feel that before becoming the finance minister of the Bajnai administration in 2009 I had finished and therefore did not interrupt my advisor career. This time I have the same ambition in private equity. ■

[EXPERT OPINION]

Hungary's new constitution - the beginning of a new regime or merely technical amendments?

Is Hungary really on the way to becoming an authoritarian regime? Does the newly adopted constitution violate EU regulations? These questions have been reported daily in local and foreign media recently and included heavy criticism of the country's leadership. In this article, we try to briefly answer the above questions objectively, on basis of the legal texts. We also aim to shed light on the context in which the government's controversial measures took place.



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In April 2010, the parliamentary elections in Hungary resulted in an overwhelming victory of the conservative Fidesz-KDNP alliance, sending the previously governing Socialist party into opposition. As the Hungarian election system usually strengthens the winners, the alliance secured a 68% majority in Parliament which made it possible to form a government without allies and to adopt radical changes in the country's legal system.

The winners interpreted their victory as a "revolution in the polls" by which Hungarian voters declared their desire for fundamental changes. This led the governing party to adopt radical changes in the country's several systems and build a new political and social system based on new rules. The governing party considered that further legislative work was necessary to finalise the change of regime that started in 1989, and that this process would be concluded by adopting a new constitution.

The new constitution was adopted by Parliament on 18 April 2011 and came into force on 1 January 2012. It is Hungary's first constitution adopted after democratic free elections. It succeeded the constitution adopted back in 1949 and almost entirely re-written on 23 October 1989.

Even though a number of significant legislative changes were adopted and heavily criticised since then, the actual text of the new constitution is largely based on the previous one, in that it provides for the protection of human rights and does not contain significant changes to the country's governmental form. The changes appear in some minor albeit significant details, which – besides giving the text a conservative character – for the time being have rather philosophic, symbolic consequences and may only be considered troublesome because – depending on their interpretation – they may provide sufficient ground for stricter regulations.

The most debated changes introduced by the new constitution were the following:

- *the change of the country's name from Republic of Hungary to Hungary, the word Republic no longer in the country's name;*
- *the new constitution protects marriage as the symbiosis between men and women (which may deprive same-sex couples from the right to marry);*
- *the new constitution declares the protection of foetal life from the moment of conception (which may potentially be used as a basis for ultimately banning abortion);*
- *the new constitution modifies the clauses deal-*

ing with certain fundamental rights, so that the state only "aspires to provide" them instead of "providing" them (right to social security, to public utilities, etc.);

■ *the ban on discrimination does not mention age or sexual orientation as a basis of unlawful discrimination;*

■ *the new constitution provides the possibility of life imprisonment for violent crimes;*

■ *the right to turn to the Constitutional Court was heavily cut back;*

■ *the new constitution restricts future governments' power as family policy, taxation and pension systems may only be altered by fundamental laws (passed by a 2/3 majority).*

The concept of the new constitution remains in line with the traditions of Hungarian constitutional law by setting out merely the most important rules, and leaving detailed regulations to the fundamental laws. The problem with the above-listed provisions is rather that they leave the door open to regulations restricting human rights.

Most constitutional lawyers agree that the text places less emphasis on the individual rights and the main achievements of liberal democracy, and stresses rather conservative values. This – in itself – does not make it impossible to govern the country in a democratic way. Constitutional lawyers agree that the decisive factor differentiating between democratic and authoritarian regimes is the way of interpreting and "using" laws, rather than the way in which they are formulated (in the past, several authoritarian regimes had "democratic" constitutions). There are, however, question marks as to how the new constitution can fulfil its sociological and emotional function to unite the nation and represent the nation's core values accepted by the vast majority of society.

Despite the heavy criticism, government party officials and MPs argued that the new constitution cemented the break with Hungary's communist past and completed the country's transition to democracy. They stressed the importance of the new clauses on public finances, which does not allow Parliament to adopt a budget that would increase the country's debts. The aim of those clauses is to protect the country from high indebtedness.



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work is very limited. A fund is financing its professionals and managers, those, who start the engine of investments before money is earned from successful projects closing. For us OTP Bank is a solid base, but still, payroll is sensitive. Some of my colleagues and I do intend to develop the market, but our opportunities are limited. A university or a state-sponsored institute must have better resources and if our expertise were invited, we would willingly support them.

WHERE DOES PORTFOLION RAISE ADDITIONAL SOURCES FOR ITS FUNDS?

OTP is a major regional bank

ing maturity our portfolio can boast a rather colorful palette. Some of the companies earned HUF 2-300 million annually when we invested. The proportion of young to mature companies approaches 50-50%.

DOES THE OTP BRAND HELP?

To earn the appreciation and trust of the targeted companies, it definitely helps. Besides the rich opportunities of investments, it supports the fight against suspicion. Those who seek this financial support will face very harsh growth requirements. A private equity