

Hungary at a historic low in Transparency International's most recent world corruption ranking

Budapest, 21 February 2018 – Hungary placed 66th with 45 points on Transparency International's (TI) latest global corruption rankings. This is a nine-place drop and a three-point decline compared to last year. In the EU, Hungary ranks second to last, only ahead of Bulgaria. The Corruption Perceptions Index (CPI) – calculated every year by researchers at TI headquarters in Berlin – assessed 180 countries this year.

Almost no change at the top and at the tail-end

As for several years now, the same countries are leading TI's global rankings. In 2017, New-Zealand, Denmark, Finland, Norway, Switzerland, Singapore and Sweden are at the top of the list. Apart from Singapore, that can be considered an „enlightened autocracy”, democracy is well-developed in these countries, the state institutions are impartial, governments can be held accountable for their actions and public spending is transparent.

At the bottom of the 2017 CPI-list are Sudan, Yemen, Afghanistan, Syria, South-Sudan and Somalia – and they perform badly for several years now. These countries are dictatorships or anarchies, and state institutions are unable to fulfil their role. Corruption is extremely high, which is one of the reasons of flagrant indigence.

Corruption linked to shrinking space for civil society

Transparency International also looked at the relationship between corruption levels and the freedom with which civic organisations are able to operate and influence public policy. Analysis of the index results by Transparency International found that corruption spreads the most in countries where the operation of civil society groups is hindered. “Smear campaigns, harassment, lawsuits and bureaucratic red tape are all tools used by certain governments in an effort to quiet those who drive anti-corruption efforts,” said Patricia Moreira, managing director of Transparency International's Secretariat in Berlin. According to TI, one of the most alarming examples of this phenomenon is Hungary, where a recent draft legislation called Stop Soros threatens to restrict NGOs. This is only an addition to the negative and often inciting campaign led by the government against critical civil organizations, including a previous law that stigmatises NGOs based on their funding structures.

Hungary's ordeal continues

Hungary dropped nine places in the global corruption rankings and landed at 66th out of 180 jurisdictions assessed in 2017. The country achieved 45 points, which is 3 points below the previous year's score. In the past six years, Hungary's CPI score has plummeted from 55 to 45 points, which is an all-time low in the perception of Hungary's corruption situation.

The decline is also striking in comparison with the countries of the European Union. In the new corruption index, Hungary is ranked 27th out of the 28 Member States, only ahead of Bulgaria. The country was already among the most corrupt Member States of the EU in 2016, as it tied for the 24th -25th spot with Romania, but was ahead of Greece and Italy. In 2017, all these countries performed better than Hungary.

The perception of Hungary's anti-corruption performance has been continuously deteriorating in a regional comparison as well. In the years following Hungary's accession to the European Union, we were in the third place on the list of 11 East-Central European countries, and

currently we are in the tenth place. Over the past six years, the perception of the severity of the corruption situation fell the most in Hungary within the region.

High corruption exposure coupled with weak competitiveness

The experts of Transparency International Hungary pointed out that there is a strong correlation between corruption and GDP per capita within the European Union. Among the EU Member States, Hungary belongs to the countries with high corruption exposure and low GDP.

In addition to increasing corruption, Hungary's competitiveness has been steadily declining over the past one and a half decade. According to a competitiveness survey by the World Economic Forum (WEF), Hungary was the 28th most competitive economy in the world in 2001. By 2016, it ranked 69th on the same list, and only managed to climb back to 60th last year.

In the so-called institutional pillar, the WEF survey examines the reliability of state institutions' performance, the accountability of government, the quality of Rule of Law, and the capacity of all these to ensure a fair and balanced environment for business. Hungary's ranking in this institutional pillar is outstandingly bad: from the 26th place in 2001, the country slipped to the 114th by 2016. In 2017, Hungary was the 101th. It is telling that businessmen in Hungary consider corruption as the second most serious obstacle to making a successful business in the country. "The competitiveness of Hungary's economy is not only drifting increasingly far from the EU28, but also from countries in the region, the main reason for which is the inappropriate operation of public institutions, and state corruption", pointed out József Péter Martin, TI Hungary's executive director.

The fabulous enrichment of oligarchs – at the expense of public funds

Several examples from the past few years illustrate that those in power regard public funds in Hungary as their own. The ever-increasing amount of money spent via public procurement, the corporate tax benefit scheme called in Hungarian 'TAO' for which organisations of spectator team sports are eligible, and the government's residency bond program all seem to serve the enrichment of cronies belonging to the interest groups of influential public decision makers.

Organisations using public funds spent HUF 3,457 billion in 2017 via public procurements, this is HUF 1,500 billion more than the amount spent in 2016. While in 2012 the amount equivalent to 4,7% of the GDP was used through public procurements, and 5,7% in 2016, in 2017 this value amounted to 9,4% of the GDP. The most serious corruption risk is attached to public procurement procedures without prior notice, where contracts are intentionally awarded without competition. The proportion of this form of public spending has been around 13% for years, which is three times above the European Union average. "Partiality in the allocation of public contracts significantly contributes to the fabulous enrichment of the oligarchs close to the government in the past few years" emphasised the head of the anticorruption watchdog.

The trade of Hungarian government residency bonds takes a special place even in the country's troubled corruption landscape. Due to this form of legalized corruption, 20,000 unidentified immigrants obtained Hungarian residency permit, while the companies selling these bonds, most of them with an off-shore background, earned HUF 60 billion from public funds. All this happened despite the fact that, according to Hungary's Fundamental Law, public assets cannot be conferred upon organizations with an unclear proprietary background.

The government is also keen on funnelling public money to sports clubs close to politicians: they received HUF 450 billion through the corporate tax benefit scheme called TAO by the end

of last year, meaning that this amount was cut down from the state budget. The tax loss may rise to HUF 530 billion this year. TI Hungary objects to the TAO donation scheme because public funds end up at sports clubs in a non-transparent way. Based on the available data, it is clear that sports organizations' absorption rate is strongly related to their political embeddedness.

Based on these, TI Hungary draws the conclusion that in Hungary a top-down type of systemic corruption became dominant, where wrongdoing is on certain occasions legalized. This determines the political system and impacts the functioning of the economy. At the same time, TI Hungary is concerned about the fact that the government uses state power to incite against critical civil and international organizations instead of combating corruption and abuse of power.

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About the Corruption Perceptions Index

The Corruption Perceptions Index (CPI) is prepared by the centre (Secretariat) of Transparency International (TI) in Berlin based on 13 surveys and analyses performed by 12 organisations. They measure corruption in the public sector by surveying the opinion of experts and businessmen on the corruption infestation of the public institutional system, the economy and society. Corresponding data was available on 180 countries in 2017, and Hungary was assessed based on 10 different sub-factors. TI defines the scores of the sub-factors on a scale from 0 to 100, where 0 marks highly corrupt countries and 100 those least infested. The secretariat of TI in Berlin calculates the index by weighting the average of the scores.

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Transparency International's report on the Corruption Perceptions Index and the characteristics of corruption in Hungary is accessible [here](#) in Hungarian.