



FISCAL RESPONSIBILITY INSTITUTE BUDAPEST



# Corruption by design – the economic and financial impact of the Government’s Golden Visa bonds in Hungary

The role of residency state bonds in financing the Hungarian government 2013-2017

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## I. Background

Hungary wilfully extended the possibility to lawfully reside in its territory and in the European Union's Schengen Zone to third country nationals, who purchased the country's residency state bonds. Though a ferocious opponent of migration, Mr Orban's administration has this way relocated 19,855 migrants, or, High Net Worth Individuals in the country, who paid 300,000 euros to the Hungarian government. Though it may seem reasonable at first glance, the Hungarian Golden Visa Program, operational between 2013 and 2017, opened, in reality, a gateway for the corrupt, who used this intentionally generated niche to launder their ill-gotten assets into the European Union, without boosting investments into Hungary's economy.

A twist in the tail was the fact that non-EEA citizens wanting to obtain a Hungarian permanent residency permit were expected to pay the 300,000 euro par value<sup>1</sup> of a package of Hungarian residency bonds to one of eight intermediary organisations licensed by the Parliament Economic Committee, instead of transferring the purchase price directly to Hungarian state coffers. Intermediary organisations, all but one of which were registered in secrecy jurisdictions<sup>2</sup>, accumulated profits in the range of 192 million euros, at the expense of Hungarian taxpayers. Intermediary organisations, whose final beneficial owners remain unidentified, established a monopoly to trade the residency bonds in certain jurisdictions defined in their licence.

**Table 1: intermediary organisations' place of incorporation and the geographical of operation**

Intermediary Organisation's Name	Place of Intermediary Organisation's Incorporation	Geographical Area of Intermediary Organisation's Operation
Hungary State Special Debt Fund	Cayman Islands	China, Vietnam
Discus Holding Limited (licence revoked)	Malta	South-Africa, Kenya, Nigeria, Indonesia
Innozone Holding Limited	Cyprus	Cyprus, India
Arton Capital Hungary Pénzügyi Tanácsadó Kft.	Hungary	UAE, Indonesia, Singapore, Nigeria
VolDan Investments Limited	Liechtenstein	Russia & Post-Soviet
S&Z Program Limited (licence revoked)	Liechtenstein	Maghreb & Middle-East
Euro-Asia Investment Management Pte. Ltd. (licence revoked)	Singapore	Singapore
Migrat Immigration Asia Ltd.	Cyprus	Malaysia, South-Korea, Mongolia

Source: HSDMC<sup>3</sup>

<sup>1</sup> The par value of residency bonds was 250,000 euros between January 1, 2013 and December 31, 2014, and it was 300,000 euros from January 1, 2015.

<sup>2</sup> Intermediary organisations are seated in Liechtenstein, Cyprus, the Cayman Islands, Singapore, and Malta. The Parliament Economic Committee, without disclosing the grounds, has revoked the licences of three of the intermediary organisations.

<sup>3</sup> The list of the licensed intermediary organisations, as well as the ones whose license was revoked, is available here:

<http://akk.hu/en/page/government-securities-issuance-and-trading#types-of-government-securities> and here: <http://www.akk.hu/en/page/government-securities-issuance-and-trading>



The involvement of intermediary organisations was not just a clear endeavour on the Hungarian government's behalf to facilitate the hiding of lucrative profits generated through the residency bond business, but it clearly violated a provision in Hungary's Fundamental Law, which bans the transfer of public assets to organisations with an unclear proprietary background.

In the estimation of Transparency International Hungary, the country's shady golden visa program was set up to enable the enrichment of selective influential Hungarian individuals at the expense of public funds, a reason why the Hungarian residency state bond program can be regarded as an is indicative of high level corruption in Hungary, with a corrosive effect on the country's government.

Until June 30, 2017, 6,621<sup>4</sup> residency bonds have been subscribed, making it possible for altogether 19,855 non-EEA citizens, including bond investors' relatives, to reside in Hungary and offering them a free entry in the Schengen zone of the European Union. The government of Hungary, following the residency bond program's suspension on 31 March, 2017<sup>5</sup>, terminated the program on at the end of July 2018<sup>6</sup>.

## *II. Overview of economic and financial impacts*

Residency bonds were issued by the Hungarian State Debt Management Company (hereinafter referred to as: HSDMC) between 2013 and 2017. The stock in circulation at the end of 2017 attained 1.844 billion euros. Residency bonds are so called zero coupon bonds i.e. they do not pay any interest during the time to maturity and even on the expiry date they only pay the face value. As a consequence, residency bonds' price at issuance has to be lower than the face value by an amount that implies the advertised yield. The cumulated revenue over 4 years was 1.666 billion euros or 519 billion Hungarian forints, half of which arrived in the period between 2016's second quarter, and, 2017's third quarter, i.e. in the final year and a half.

Residency bonds did not play a significant role either in the stock of government debt, or in the annual fundraising, or in stabilizing the Treasury Single Account.

Even at face value the stock of residency bonds at the end of 2017 hardly attained 2 percent of the central government's total debt. Its weight in the foreign exchange denominated debt attained 10 percent, but this was mainly the consequence of the raid and deliberate reduction of the foreign exchange denominated debt (apart from the residency bonds).

The annual gross financing need of the government was approximately 4-6 thousand billion of Hungarian forints in the years investigated. Residency bonds hardly covered 2 percent of this amount. Its weight in raising foreign exchange funds attained 50 percent, but only due to the 85 percent reduction in the amount of other foreign exchange funds raised.

In the years 2012-2017 the average quarterly closing stock of the Treasury Single Account (TSA) held at the Central Bank of Hungary was 1438 billion Hungarian forints, but the standard

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<sup>4</sup> In fact, 6,621 is the number of permanent residency permits requested from the Immigration Office. As the purchase of a residency bond is a prerequisite of the request for a permanent residency permit, one can conclude with reason that at least 6,621 packages of residency bonds have been subscribed. However, in a non-assessable quantity, there may be residency bond holders, who did not request the issuance of a permanent residency permit. For the sake of simplicity, we will calculate with 6,621 residency bonds.

<sup>5</sup> Government decree 45 of 2017.

<sup>6</sup> Point 2 of § 35 in Act XL of 2018, in force as of 26 July 2018.



deviation of this stock from quarter to quarter was more than 400 billion Hungarian forints, compared to which the quarterly amount of 30 billion Hungarian forints of the residency bonds was practically negligible.

Not just that residency bonds did not play a significant role in the total debt, but they were not necessary to maintain either liquidity or the stock of foreign exchange reserves, or the share of foreign exchange denominated debt in the stock of total debt.

Annual reports issued by the HSDMC in the years 2013-2016 show a positive situation in liquidity. Even in the more critical period between the years 2013-2015 the HSDMC spent several times the amount of residency bond revenues on buy back of bonds expiring in later years. Had the HSDMC been afraid of liquidity problems, surely it would not have started such large buy-back programs.

According to international standards, investors treat a country as high risk, if the foreign exchange reserves of the country's central bank do not cover the short term liabilities of the country (not just that of the government). Foreign exchange reserves in the years 2012-2017 would have covered the short term liabilities of Hungary even if no revenue, whatsoever, had been raised via residency bonds.

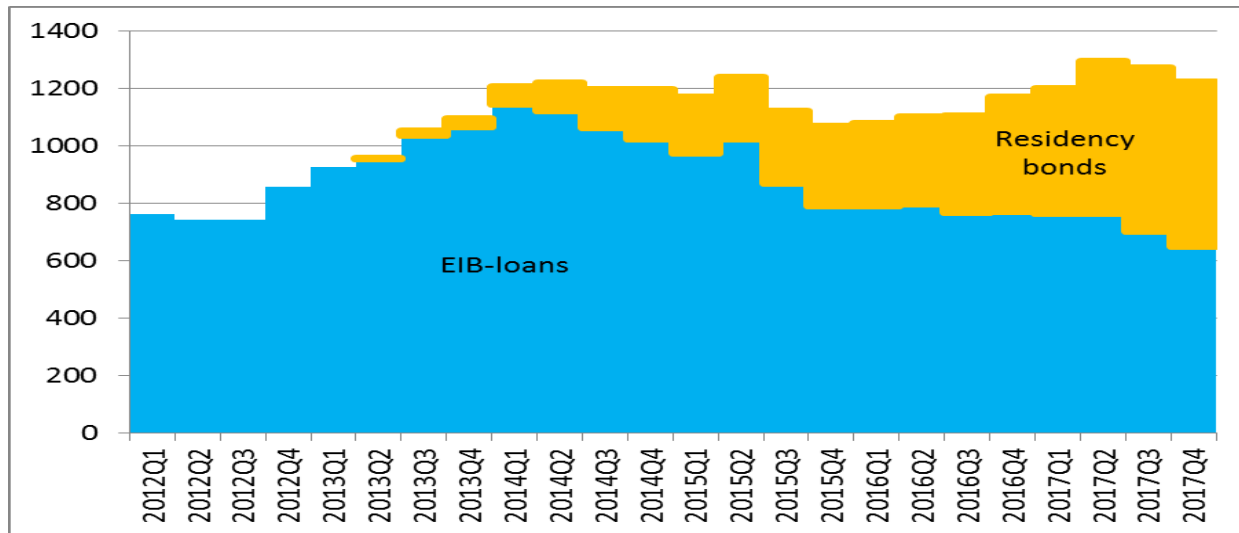
Eventually residency bonds could have been used to smooth out the maturity profile of the foreign exchange denominated debt, but it seems that even to avoid the expiry of the bonds hindering the artificial minimisation of the year-end stock of gross debt was a more important goal, an explicit proof that this funds raised from residency bonds were not necessary for financing.

Theoretically increasing the weight of instruments that investors cannot entirely dispose of even in crises periods could have been a due motivation, but there are more reasonable ways to prevent capital flight, namely if governments get indebted in long term credits instead of in securities.

Contrary to this, what we observe is not just that the Hungarian government prepaid before expiry the credit taken from the International Monetary Fund and the European Union at the end of 2008, but even the stock of extremely cheap credits taken from the European Investment Bank (EIB) diminished significantly; the amount of credit-lines contracted per year was practically cut in half. This is understandable from the government's perspective, but not from the country's. The Hungarian government's intention must have been to find creditors willing to offer financing without any (economic policy, public procurement, cost-benefit analysis, etc.) preconditions, whatsoever, or, in other terms, to raise unrestricted funds.

This also implies that the adequate comparator for the cost of residency bonds as financing instruments is actually not the required yield of the 5 year Hungarian foreign exchange denominated government bonds, but the interest of the loans of the European Investment Bank.

**Chart 1: End of period combined stock of EIB-loans and residency bonds (bn HUF)**



Source: FRIB estimate based on data of the HSDMC

### III. Issuance and value of residency bonds

Residency bonds were issued by the HSDMC between 2013 and 2017.

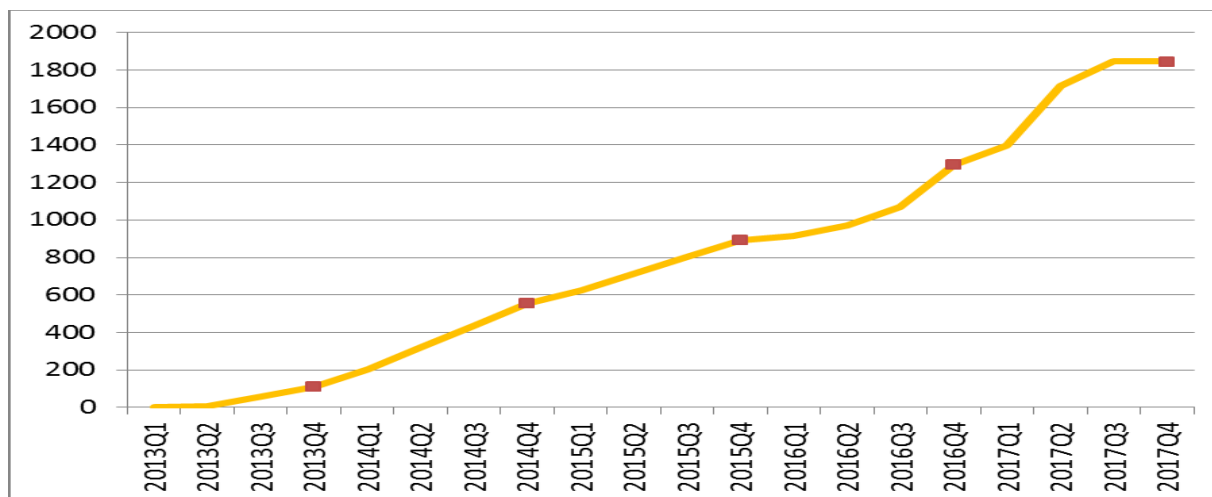
**Table 2: Official data of the residency bonds**

Name / Code	Original currency	Date of issuance	Date of maturity	Notional maturity (year)	Type of interest	Yield	Stock at the end of the year (mEUR)					
							2013	2014	2015	2016	2017	
2018/T	EUR	2013.06.19	2018.12.20	5	Zero kupon	2,53%	107,5	107,5	107,5	107,5	107,5	
2019/T	EUR	2014.01.15	2019.12.20	5	Zero kupon	2,24%		445,8	445,5	445,5	445,5	
2020/T	EUR	2015.01.14	2020.12.20	5	Zero kupon	2,00%			336,6	336,6	336,1	
2021/T	EUR	2016.01.13	2021.12.20	5	Zero kupon	2,00%					9,0	9,0
2021/T1	EUR	2016.03.09	2021.03.27	5	Zero kupon	2,00%					17,4	17,4
2021/T2	EUR	2016.04.06	2021.06.27	5	Zero kupon	2,00%					60,3	60,3
2021/T3	EUR	2016.07.13	2021.09.27	5	Zero kupon	2,00%					98,4	98,4
2021/T4	EUR	2016.10.05	2021.12.27	5	Zero kupon	2,00%					218,1	218,1
2022/T1	EUR	2017.01.11	2022.03.27	5	Zero kupon	2,00%						116,7
2022/T2	EUR	2017.04.12	2022.06.27	5	Zero kupon	2,00%						349,2
2022/T3	EUR	2017.07.12	2022.09.27	5	Zero kupon	2,00%						85,8
<b>Total</b>							<b>107,5</b>	<b>553,3</b>	<b>889,6</b>	<b>1292,8</b>	<b>1844,0</b>	

Source: HSDMC

At the beginning the HSDMC opened the new series every year, but in 2016-2017 new series started already every quarter. At any time only the newest series was on sale, hence the issuance period of previous series closed with the appearance of the new series. As maturity of all the bonds was above 5 years, and there was no buy-back option, the current outstanding stock of each bond is equal to the stock sold before the opening of the next series. Based on the official data from above the amount at face value issued each quarter can be estimated relatively well, if we assume that issuance was uniformly distributed over the whole issuance period.

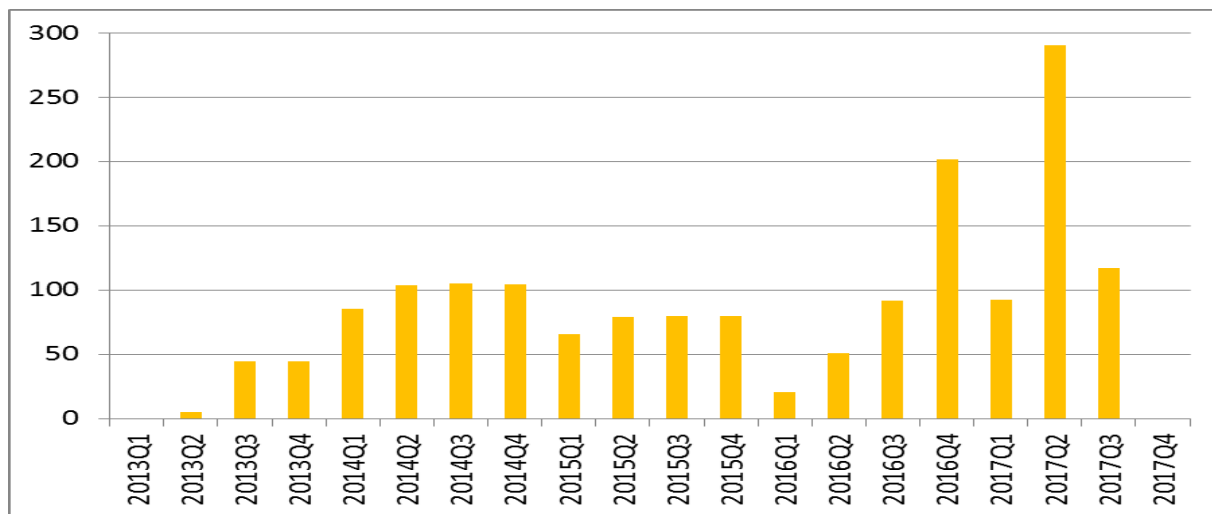
**Chart 2: Estimated face value of the outstanding stock of residency bonds at the end of period (mEUR)**



Source: FRIB estimate based on data issued by the HSDMC

The stock in circulation at the end of 2017 attained EUR 1.844 bn. As the residency bonds are so called zero coupon bonds i.e. they do not pay any interest during the time to maturity and even on the expiry date they only pay the face value, the price at issuance has to be lower than the face value by an amount that implies the advertised yield. 5 year maturity and 2 percent yield imply approximately 90% net issuance price. Assuming uniform distribution of issuances the following chart shows the revenues stemming from residency bonds.

**Chart 3: Revenue stemming from issuance of residency bonds (mEUR)**



Source: FRIB estimate based on data issued by the HSDMC

The cumulated revenue over 4 years was 1.666 billion euros or 514 billion Hungarian forints, half of which arrived in the period between 2016's second quarter, and, 2017's third quarter, i.e. in the closing year and a half.

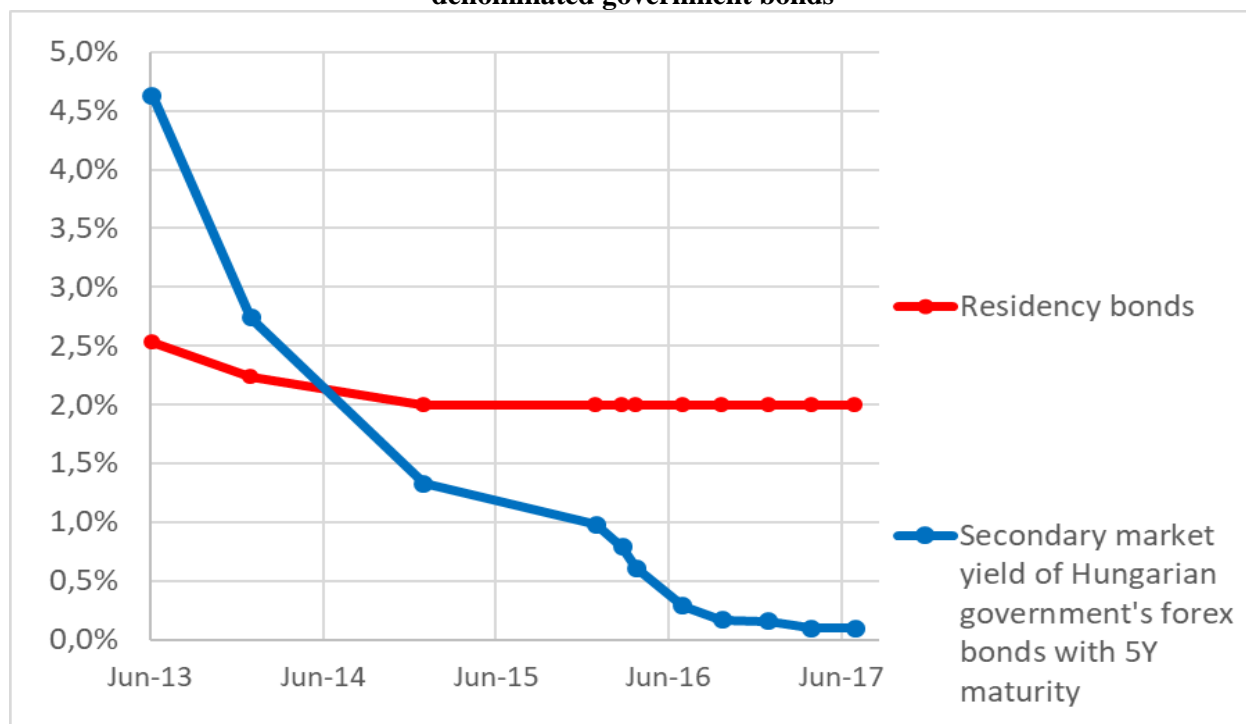
**Table 3: relative loss due to issuance of residency bonds compared to “standard” foreign exchange denominated bonds (mEUR)**

First day of issuance	Residency bond		5Y secondary market bond yield	Estimated loss
	Face value	Yield		
2013-06-19	107,5	2,53%	4,63%	-11,7
2014-01-15	445,5	2,24%	2,74%	-11,9
2015-01-14	336,1	2,00%	1,33%	10,3
2016-01-13	9,0	2,00%	0,98%	0,4
2016-03-09	17,4	2,00%	0,79%	1,0
2016-04-06	60,3	2,00%	0,61%	3,9
2016-07-13	98,4	2,00%	0,29%	7,8
2016-10-05	218,1	2,00%	0,17%	18,5
2017-01-11	116,7	2,00%	0,16%	9,9
2017-04-12	349,2	2,00%	0,10%	30,7
2017-07-12	85,8	2,00%	0,10%	7,5
<b>Total</b>	<b>1 844</b>			<b>66,4</b>

Source: HSDMC, Bloomberg Finance

Though in 2013-2014 residency bonds were cheaper as a financing source than “standard” foreign exchange denominated bonds, following 2014, this relation turned into opposite and by issuing residency bonds instead of standard foreign exchange bonds, taxpayers incurred a net relative loss of more than 66 million euros (approx. 21 billion forints) over the total program period.

**Chart 4: Yield of residency bonds and secondary market yields of “standard” foreign exchange denominated government bonds**



Source: HSDMC, Bloomberg Finance



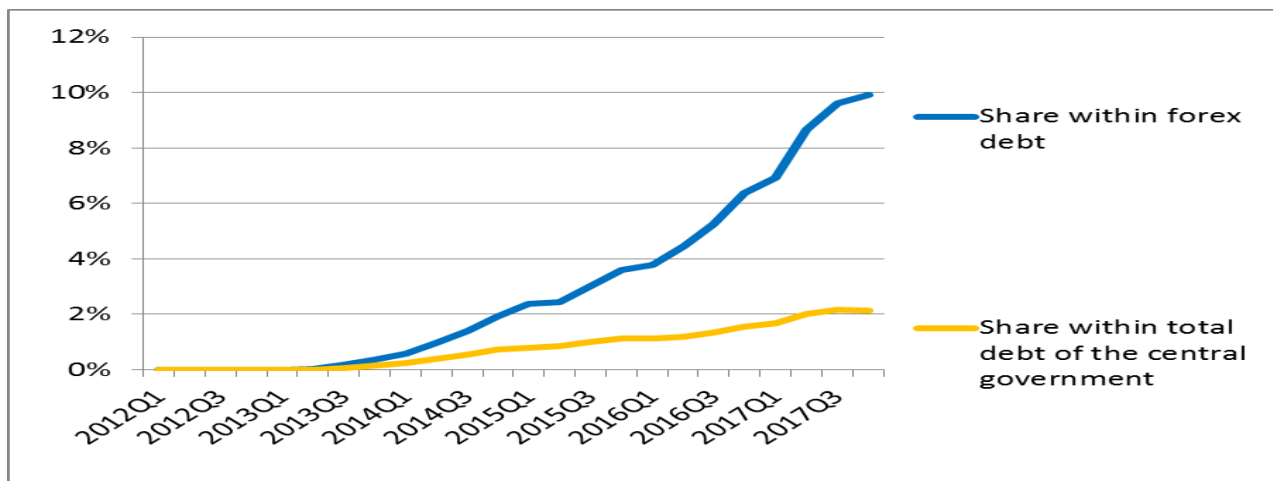
Chart 4 compares the yield of residency bonds with that of “standard” foreign exchange denominated government bonds. After 2014 the government clearly incurred a relative loss by opting for the residency bonds as an instrument to finance the government debt.

**IV. The residency bonds significance in financing the government**

**IV.1. Residency bonds proportion to total foreign exchange denominated debt**

Even at face value the stock of residency bonds at the end of 2017 hardly attained 2 percent of the central government’s total debt.

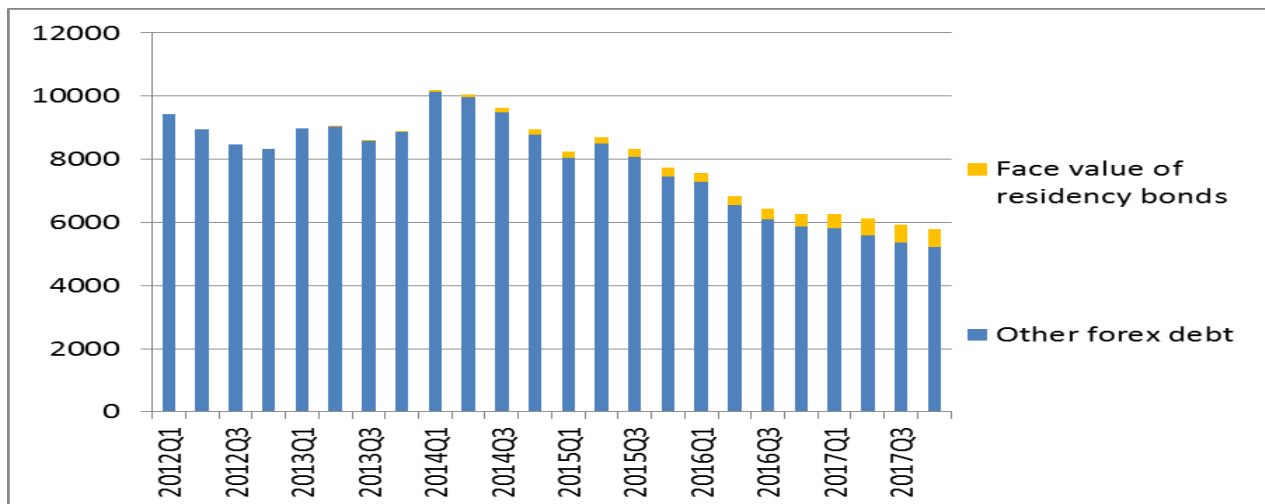
**Chart 5: Share of residency bonds within the debt**



Source: FRIB estimate based on data issued by the HSDMC

Residency bonds’ weight in the foreign exchange denominated debt attained 10 percent, but this was mainly the consequence of the rapid and (apart from the residency bonds themselves) deliberate reduction of the latter.

**Chart 6: Share of residency bonds within the foreign exchange denominated debt**



Source: FRIB estimate based on data issued by the HSDMC

Residency bonds would have had any significance only if they had helped to maintain the foreign exchange denominated part of the debt in a period when the government had difficulties in raising foreign exchange funds via other channels. As we will show below, first the HSDMC deliberately aimed to reduce the foreign exchange denominated debt. Had the HSDMC of the intention to raise foreign exchange funds, it could have been able to achieve this via other channels even at a lower price.

#### IV.2. Residency bonds' proportion to annual issuance (total and in foreign exchange)

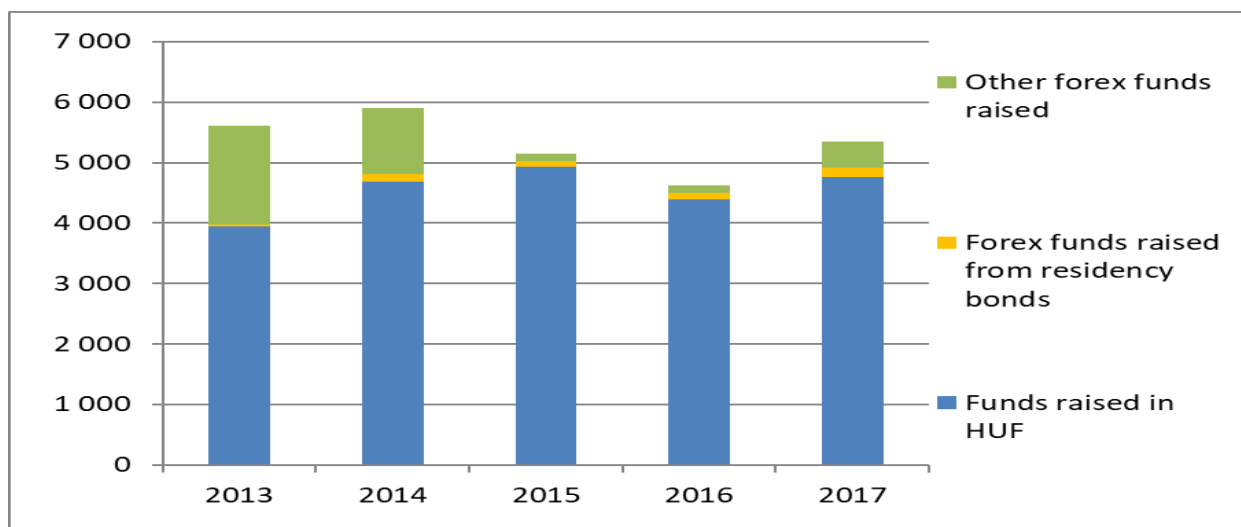
The annual gross financing need of the government was approximately 4-6 thousand billion Hungarian forints in the years investigated. In not a single year revenues from residency bonds exceeded 150 billion Hungarian forints, covering approximately to 2 percent of the government's gross financing need.

**Table 4: Share of residency bonds in financing the deficit and refinancing maturing old debt**

	2013	2014	2015	2016	2017	2013-2017
Budget deficit	937,3	825,7	1218,6	848,3	1973,5	5803,4
Prefinancing EU-funds	296,6	40,7	-185,3	272,1	66,8	490,9
Prepayment of debt instruments matu	4096,6	4711,3	3800,2	3817,8	3563,8	19989,7
Total	5330,5	5577,7	4833,5	4938,2	5604,1	26284,0
Revenue from residency bonds	28,2	122,5	94,7	114,0	154,9	514,3
Share of residency bonds	0,5%	2,2%	2,0%	2,3%	2,8%	2,0%

Its weight in foreign exchange funds attained 50 percent, but only due to the fall of other foreign exchange funds from 1600 billion Hungarian forints in 2012 to 200 billion Hungarian forints in 2015.

**Chart 7: Annual fund raising (bn HUF)**



Source: Ministry of Finance (annual final accounts)

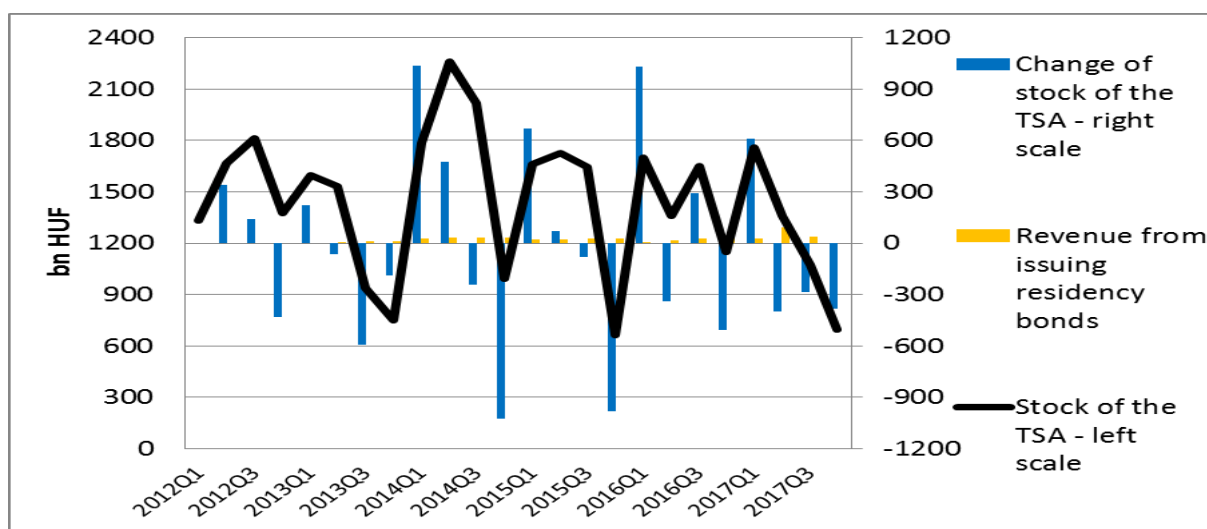
**V. Was the Hungarian government in need of extra fund collected from residency bonds?**

**V.1. Funds in Hungarian forints**

**V.1.1. The level of the Treasury Single Account**

In the years 2012-2017 the average quarterly closing stock of the Treasury Single Account held at the Central Bank of Hungary was 1438 billion Hungarian forints, but the standard deviation of this stock from quarter to quarter exceeded 400 billion Hungarian forints. The 30 bn HUF quarterly revenue from residency bonds was practically negligible compared to this fluctuation.

**Chart 8: Revenue from the issuance of residency bonds compared to the volatility of the TSA**

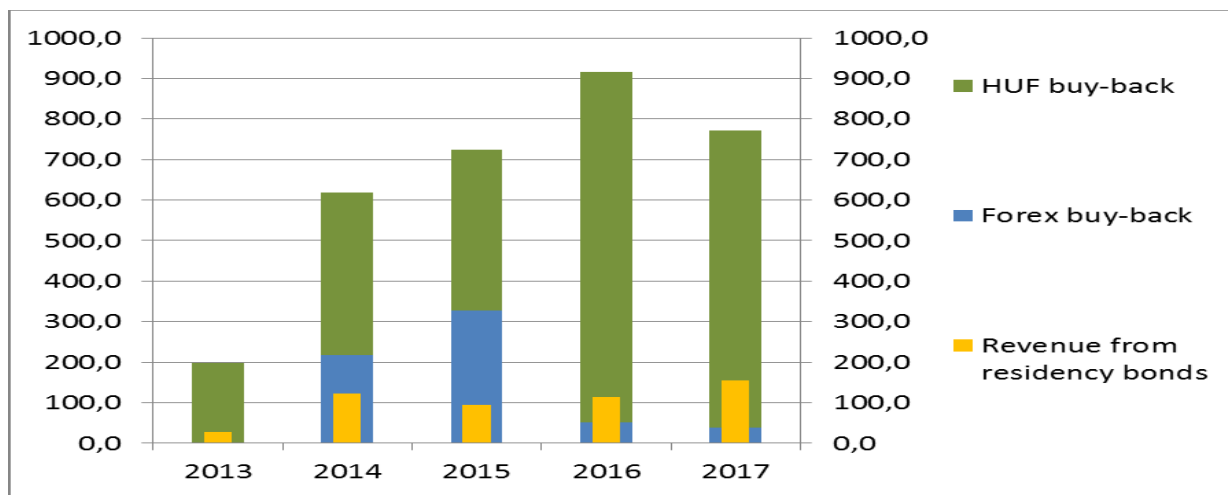


Source: Hungarian Central Bank, HSDMC and FRIB estimate

**V.1.2. Buyback of bonds expiring in later years**

Had the funds from residency bonds been really necessary for financing the government, the HSDMC would have surely used all other simpler and cheaper sources already before. On the contrary, all of the annual reports published by the HSDMC, between 2013 and 2017, show a positive situation in liquidity and bond buy-backs well above planned amounts. Buy-back of bonds expiring not in the buy-back program’s year, but later, also took place.

**Chart 9: Revenue from residency bonds and the amount used to buy back bonds expiring in later years (bn HUF)**



Source: data issued by the HSDMC

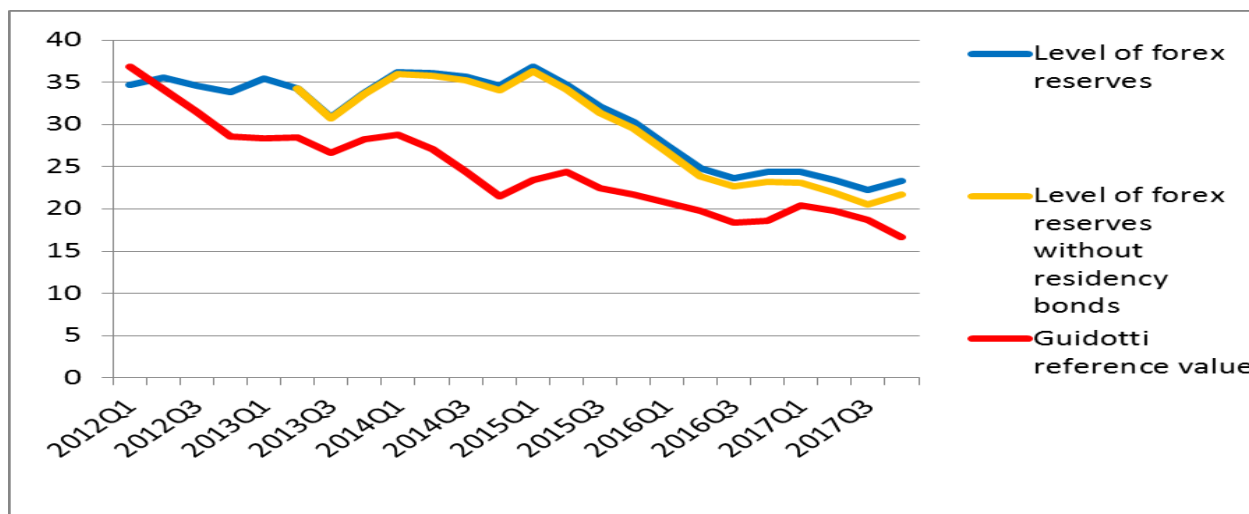
Even in the more critical period between the years 2013-2015 the HSDMC spent several times the amount of residency bond revenues on buy back of bonds expiring in later years hence their prepayment clearly increased the financing need in the respective years. Had the HSDMC been afraid of liquidity problems, surely it would not have started such large buy-back programs.

## V.2. Funds in foreign currency

### V.2.1. The Guidotti-rule to determine the minimum required level of foreign exchange reserves

Investors, in line with international standards, treat a country as high risk, if the foreign exchange reserves of the central bank do not cover the short term liabilities of the country (not just those of the government). Hungary's central bank monitors the so called Guidotti-rule and publishes the related data in its reports on the balance of payment.

**Chart 10: Foreign exchange reserves measured against the Guidotti-rule (bn EUR)**



Source: Hungarian Central Bank, HSDMC, and, FRIB-estimate

As this chart shows, in the period 2012-2017 foreign exchange reserves would have covered the short term liabilities of the country, even if no revenue, whatsoever, had been collected from residency bonds.

### **V.2.2. The currency composition of the total government debt**

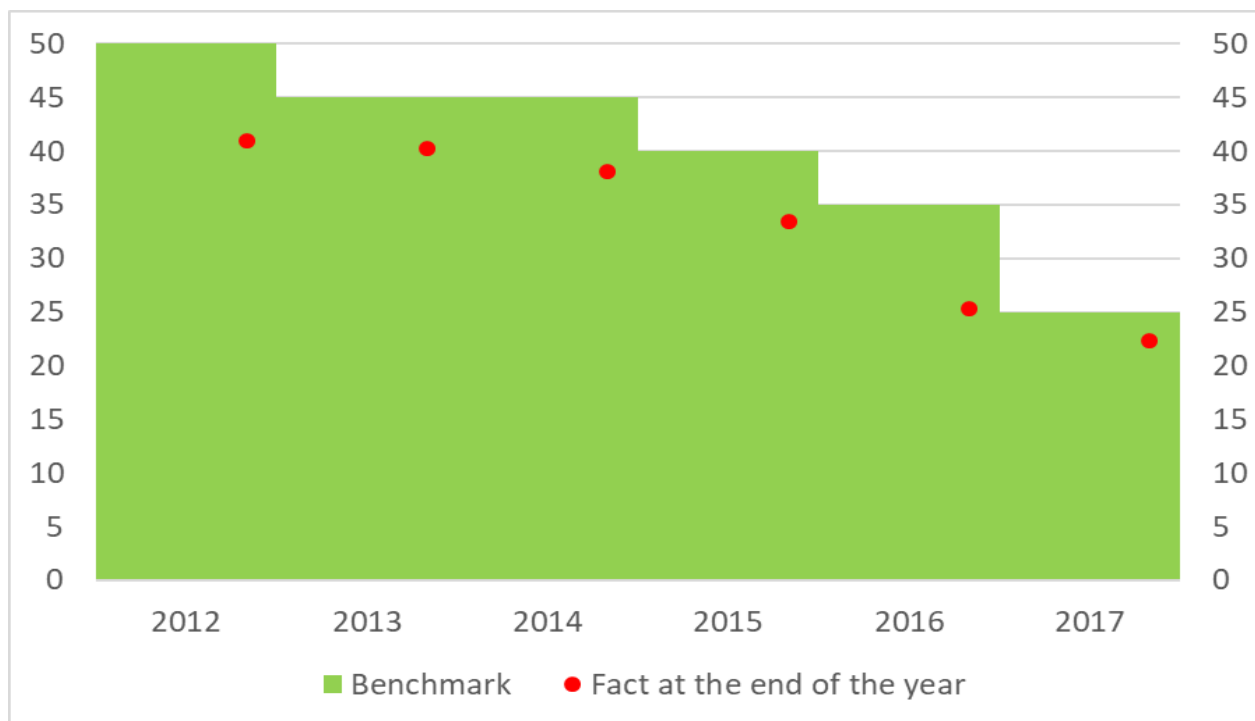
The Hungarian language edition of the HSDMC's annual reports of 2013-2017<sup>7</sup> set out as follows: „According to the benchmark set for 2013 the foreign exchange denominated part of the debt had to be below 45% implying reduction compared to the 50% set for 2012. Beside this band it is an important goal of the debt management to reduce the share of foreign exchange denominated debt towards the value prevailing before 2008. That's why the HSDMC decided to refinance expiring foreign exchange denominated debt in foreign currency, but by HUF-issuance both the maturing HUF-debt and the budget deficit (net financing need). If demand in the domestic market allows more issuance in HUF, then a part of the expiring foreign exchange denominated debt can also be financed in the domestic market in order to accelerate the reduction of the proportion of foreign exchange debt. In 2013 the share of foreign exchange denominated debt diminished from 41 % to 40,3 % in accordance with the benchmark.”

Consecutively, in the HSDMC's 2014 report the text of the 2013 report highlighted above is repeated with the difference that while the benchmark remained 45 %, the actual value of foreign exchange denominated debt decreased to 38,1 % from the 40,3 % value at the end of the previous year.

In 2015, the benchmark was cut from 45 % to 40 %, but the actual value decreased to 33,5 % from previous year's 38,1 %. 2016's benchmark was cut from 40 % to 35 %, but the actual value decreased to 25,3 % from the 33,5 % value of the previous year. In 2017 the benchmark was cut from 35 % to 25 %, but the actual value decreased to 22,3 %.

<sup>7</sup> The HSDMC's annual reports are available here: <http://akk.hu/hu/oldal/kiadvanyok#eves-jelentesek>. Relevant page numbers, respectively: page 9 of the 2013 report, and page 13 of reports published in the years 2014-2017. An amicable translation by the author.

**Chart 11: Share of forex denominated debt within the total government debt (%)**



What we observe on chart 11 and in the text of the annual reports cited above, the HSDMC's intent was to reduce the foreign exchange ratio at the maximum possible expediency, and, without any sign of need to raise foreign currency funds via the residency bonds. From this point of view there was no need for the foreign exchange funds raised through the residency bonds. In addition, residency bonds worked against the goals of the HSDMC's debt management endeavours.

### ***V.2.3. The seasonal fluctuation of the Treasury Single Account***

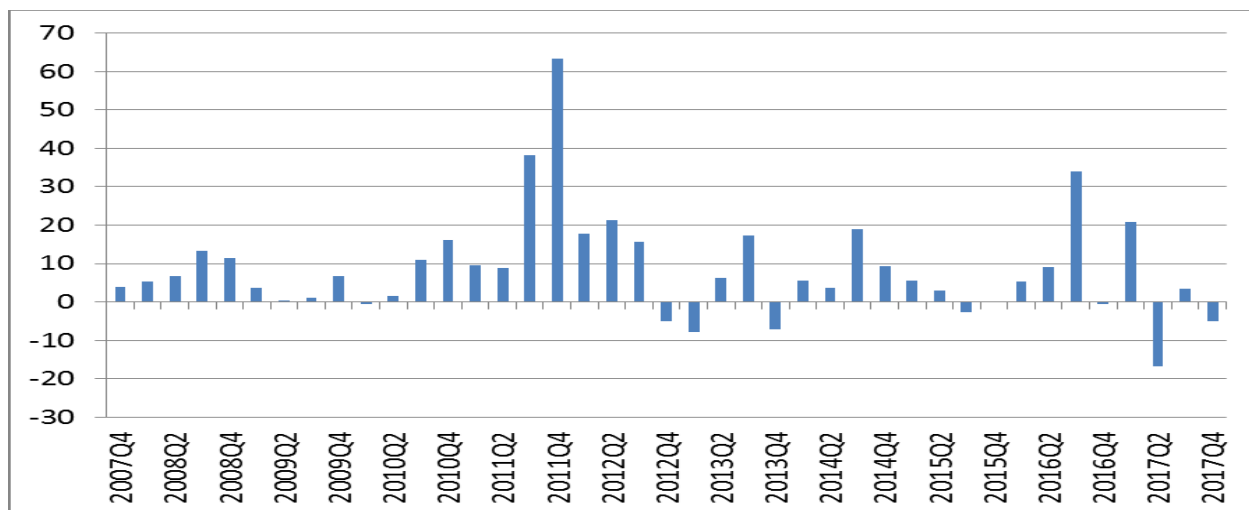
The HSDMC could eventually have made use of the residency bonds to smooth out fluctuation of the Treasury Single Account. Usually in March the TSA is full of money, while in October the balance is significantly lower. In recent years far the lowest balance was attained in December, but this was an artificial reduction due to the HSDMC's intention to present the lowest possible gross debt/to GDP ratio at the end of the year. The HSDMC could have set the maturity of residency bonds e.g. in March to smooth out the fluctuation of the TSA, but both in 2018, 2019 and 2020 the expiry date is 20<sup>th</sup> December proving that the HSDMC's main concern was much more the artificial reduction of the presented debt-to-GDP ratio than the high enough liquidity level of the TSA.

### ***V.3. The government's suspected endeavour to find a special group of investors***

One of the lessons learnt in the period of 2011-2012 was that in times when market trust diminishes, even Hungarian investors might find refuge for their money abroad.



**Chart 12: Change of the stock of foreign currency denominated household deposits abroad due to transaction (bn HUF)**



Source: Hungarian Central Bank

One of the potential advantages of the residency bonds from the HSDMC's perspective could be that these securities do not have a secondary market, hence investors can neither get them redeemed by the government (this could only happen if the HSDMC organised reverse auctions), nor can they put the success of another primary auction to risk by pouring their securities on the secondary market at a low price.

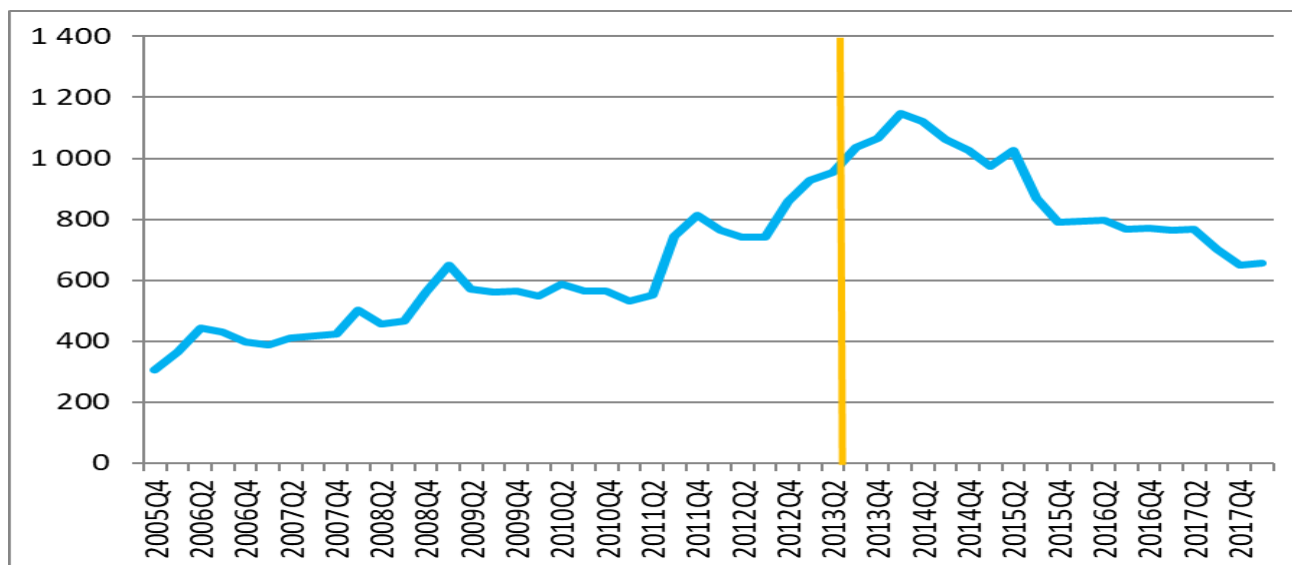
However it is a more sensible protection against capital flight if the government gets indebted in long term credits instead of securities.

## **VI. Conclusion**

None of the factors enumerated and analysed above, either on their own or combined, can reasonably explain the introduction of residency bonds and especially the fast growth in their stock following 2015. There is, however, another potential explanation that might rationalise the decision, even if only from the perspective of the government and not from that of the nation as a whole. In our supposition, Hungary's government was looking for creditors willing and ready to finance without any preconditions, whatsoever. International and European organizations, such as the International Monetary Fund, the European Union, and, the European Investment Bank usually attach some strings to the loans and credits allocated to Hungary. Some of the preconditions on the aforementioned institutions' behalf are of an economic policy nature, while on other occasions the only requirement is related to the allocation procedure of the sum of money concerned. Such requirements regularly entail public procurement, or the conduct of a cost-benefit analysis. In the case of the residency bonds, neither the individuals in seek of a residency permit, nor the intermediary agencies who traded the bonds can establish any claim.

It was heavily publicized in the media, when the government repaid its debt first to the IMF, and, later to the EU. However there was no news about the fundamental changes occurring in the long lasting and well-functioning relation to the European Investment Bank (EIB).

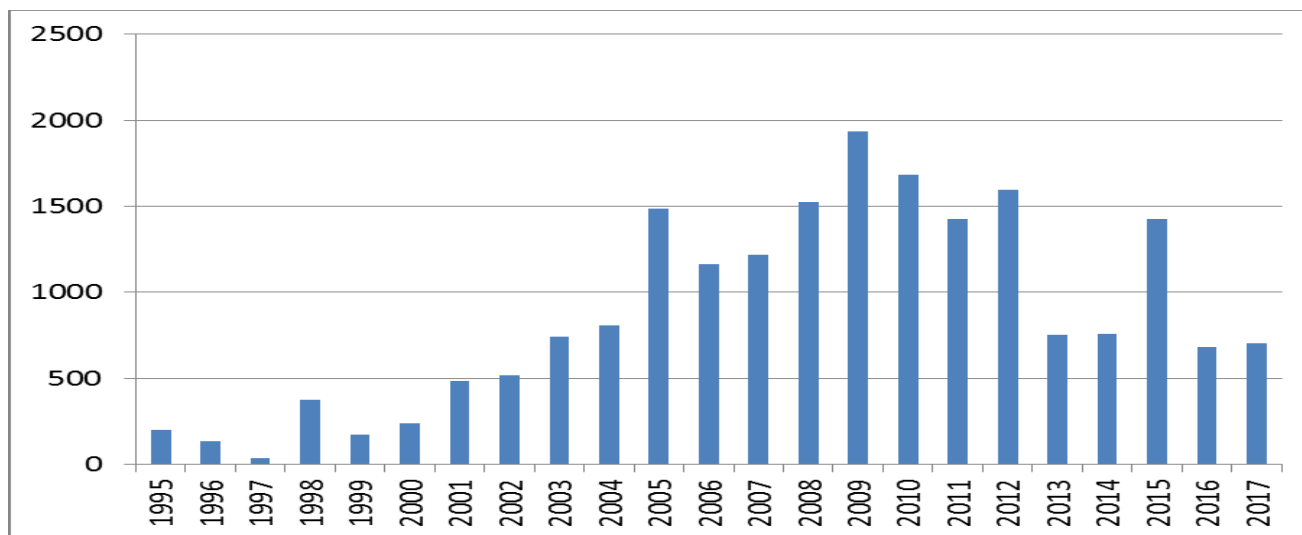
**Chart 13: Stock of loans from the EIB (bn HUF)**



Source: HSDMC

Soon after the introduction of residency bonds to the market, a significant decrease has started in the stock of loans from the EIB. While the average value of new, cheap project credit lines contracted between the Hungarian government and the EIB was 1,5 billion euros between 2008 and 2012, from mid-2013 forward, this amount was cut in half.

**Chart 14: Credit line agreements signed with the EIB (mEUR)**



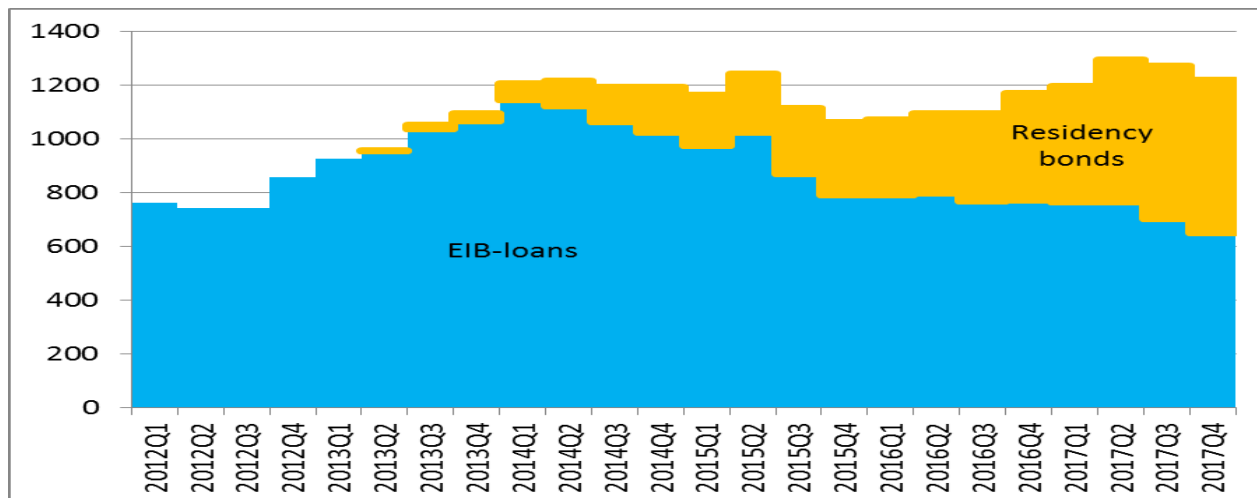
Source: EIB<sup>8</sup>

This trend is even more obviously displayed, if one looks into the combined value of these two financing resources.

<sup>8</sup> <http://www.eib.org/en/projects/loan/list/?region=1&country=HU>



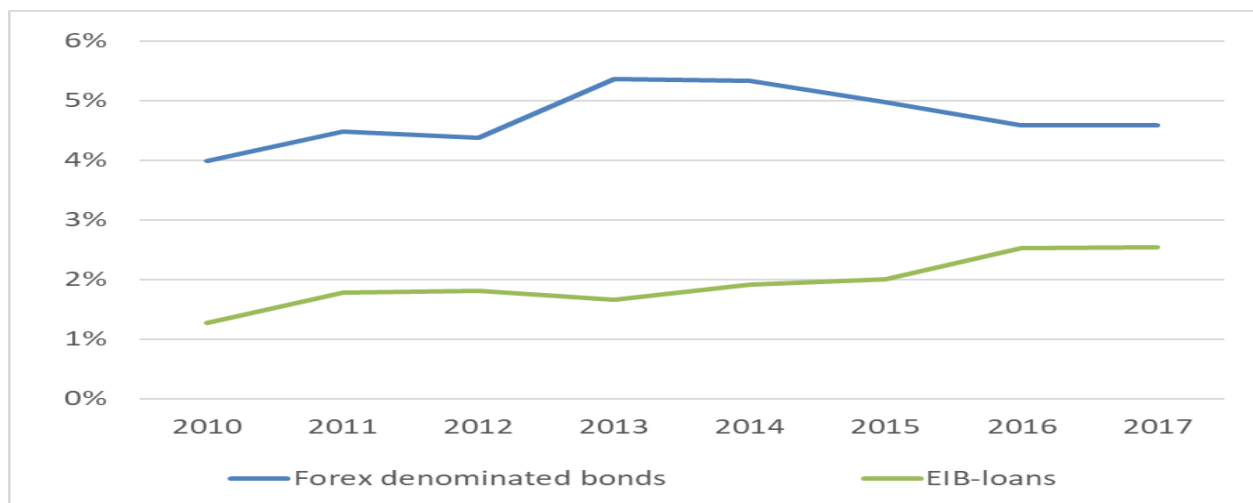
**Chart 15: End of period combined stock of EIB-loans and residency bonds (bn HUF)**



Source: HSDMC & FRIB estimate

The HSDMC repeatedly announced its intent to refinance maturing foreign exchange funds in foreign currency, and HUF funds and the budget deficit in Hungarian forints. These announcements need to be revisited in light of data contained in Chart 15, above. Though foreign currency denominated EIB-funds were refinanced by foreign exchange funds, but not from EIB-loans, but by revenues collected from residency bonds. This also implies that the adequate comparator for the cost of residency bonds as financing instruments is actually not alone the required yield of the 5 year Hungarian foreign exchange denominated government bonds, but the interest of the EIB-loans as well.

**Chart 16: Cash flow based average interest on the stock of foreign exchange bonds issued after 1999 and of EIB loans at the end of the previous year**



Source: HSDMC & Final accounts of the budget

Though interest rate of individual EIB-loans are treated as business secret, the annual average interest paid (not accrued) on the total stock of foreign exchange denominated EIB-loans has



always been lower than the interest paid on foreign exchange denominated government bonds by at least 2 percentage points.

Table 3 and Chart 4, above clearly show that residency bonds were in the period of 2013-2014 cheaper as a financing source than “standard” foreign exchange denominated bonds, but this relation turned into opposite from 2015 forward. In the post 2015 period, by the issuance of residency bonds instead of standard foreign exchange bonds, taxpayers incurred a net relative loss of more than 66 million euros (approx. 21 billion forints). In addition, if we compare the residency bonds to EIB-loans instead of “standard” foreign exchange denominated bonds, the relative profit earned in the years 2013-2014 disappears entirely, and the relative loss incurred over the whole period of the residency bond program augments by 22,5 million euros, from 66,5 million euros to almost 90 million euros (approx. 30 billion forints).

The Hungarian government, in an endeavour to reach out to financiers, who, on one hand, do not raise concerns either about the way their funds are spent or about the goals for which money is spent, while, on the other hand, cannot flee their investment by selling their bonds in times of economic crises, introduced residency state bonds. Transparency International Hungary and Fiscal Responsibility Institute Budapest hold the residency bond program for the product of Hungary’s unorthodox economic policy, and are of the opinion that these Golden Visa bonds obviously aimed at obtaining unrestricted funds that can be allocated without an open call for tenders. To go along this path, the Hungarian government was determined to pay more, as the revenues collected from residency bonds were 90 million euros (approx. 30 billion forints) more expensive than EIB loans.