

## **Executive Summary of Transparency International Hungary's Report on the Findings of the Corruption Perceptions Index, 2019**

### ***Results of the Corruption Perceptions Index, 2019***

The Secretariat of Transparency International in Berlin has prepared the Corruption Perceptions Index (CPI), ranking the countries by the public sector's exposure to corruption for the 25<sup>th</sup> time. **In 2019 Hungary received 44 points on a scale ranging from 0 (the most corrupt country) to 100 points (country least infected by corruption), placing it at joint 70<sup>th</sup> position, tied with Romania, among the 180 countries examined.** Compared to the previous survey in 2018, Hungary's resistance to corruption worsened by two points and six positions based on the assessment of the businessmen and experts interviewed in the surveys forming the basis of the Corruption Perceptions Index. While globally Hungary is considered moderately corrupt, within the European Union it is perceived as one of the most corrupt Member States. With 44 points achieved in 2019, Hungary finished in last position both among V4 countries, and among the Member States that joined the European Union in 2004; and is ranked as the second most corrupt country within the European Union, preceding only Bulgaria and Romania in joint first position.

According to the CPI, which is a composite index based on thirteen different surveys, Hungary's exposure to corruption is globally at the same level as South Africa and Suriname (44-44 points). From the point of view of the European Union it can be stated that Hungary stabilised its position among the poorest performers. Furthermore, comparing the CPI data of the past decade (2012-2019) it is evident that despite the minor improvement perceived in 2018, Hungary shows a constantly degrading performance even within the group of the European Union's corrupt Member States. In 2012 Hungary was the 19<sup>th</sup> most corrupt member of the EU-27; since then it has followed a steady downward course and by 2017 its position plummeted to 27<sup>th</sup>, that is, next to last, in the expanded EU of 28 states. On the other hand, the report highlights that from 2018 to 2019 the CPI score has declined in the majority of countries in the Central and Eastern European region. Compared to last year, only the assessment of Estonia, Lithuania, and Bulgaria (still ranking at the last position with 43 points) improved in the region, by one point, respectively.

At the top of the global CPI ranking there hasn't been any significant change: in 2019 Denmark (87 points), New Zealand (87), Finland (86), Switzerland (85), Sweden (85), and Singapore (85) formed the frontline. Members of the G7 countries – apart from Italy (53) – can also be found in the first fifth of the global ranking. The interviewed experts assess the exposure to corruption of Germany (80), the United Kingdom (77), Canada (77), Japan (73), France (69) and the United States (69), also, relatively low. The United States with its 69 points ranks at the 23<sup>rd</sup> place of the global ranking, sinking to its lowest point in a decade. Even compared to the relatively weak performance showed in 2018, the US declined by two points and one position. In 2019, the bottom of the CPI ranking is made up of Yemen (15), Syria (13), South Sudan (12) and Somalia (9), countries which have performed consistently poorly for years.

### ***Correlation between corruption and economic performance***

TI Hungary's report highlights that within the European Union there is still a strong correlation between the economic development of a given country and the public sector's exposure to corruption. Comparing the CPI data of 2019 and the statistics related to the gross domestic

product shows that Hungary is still among the Member States of the European Union which are seriously affected by corruption, while having a low GDP per capita. This statement is correct even though the GDP per capita in Hungary has continuously increased in the period between 2012 and 2018; growing from EUR 10,050 to EUR 13,690 within six years. The growth impetus characterising the second half of the decade of 2010 continues for the time being despite the spectre of deceleration in the global economy: Hungarian and international experts and organisations predict a growth of 4-5% for the whole previous year.

By examining the regional correlation between the gross national product and the exposure to corruption, it can be stated that among the Central and Eastern European countries, Slovakia's performance exceeds that of Hungary both in terms of GDP per capita and also regarding the efficacy of fighting corruption. Croatia, while possessing a more modest GDP per capita, but a slightly lower level of corruption, outperforms Hungary. Romania, also with a level of GDP per capita lower than Hungary's, shows a similar exposure to corruption. Among the EU Member States, Bulgaria is the only country that performs worse than Hungary on both indicators.

### ***Rule of Law after a decade of Fidesz' governance***

TI Hungary's report states that in Hungary, as a result of a decade-long rule since 2010 of the current elite, the majority of the State institutions responsible for exercising control over the government are in defunct state. The erosion of Rule of Law has been continuous for a decade now, meaning that State institutions have an interest not (only) to promote public good, but to favour the governing party's actors, to keep them in power and to accumulate their wealth. The report examines the possibility of enforcing Rule of Law in three areas: 1. in justice; 2. in the procedure of the EU's Article 7; and 3. in municipalities.

In the area of **justice**, the report states that the prosecution under a one-man leadership, with a hierarchical and strictly centralised structure can easily fit in the System of National Cooperation. In certain corruption cases related to the governing elite the prosecution does its job, while by its inaction it ensures impunity to the persons involved in corruption scandals closest to power.

The courts proved their independence and their commitment to autonomy in numerous situations and cases, however, various signs suggest that the government has not given up on its attempts to weaken judicial impartiality.

The possible infringement of Rule of Law, human rights and the value of democracy was also noticed by the European Union, thus, following Poland, Hungary has become the second Member State against which the **procedure of Article 7** has been launched.

The report of TI Hungary also points out that although; in light of the 2019 municipal election results; **municipalities** appear as a possible scene to restore Rule of Law, they are significantly limited by their loss of competence and resources resulting from the government's centralisation efforts in the past ten years.

### ***Public Procurements and the European Union Funds***

The report of TI Hungary highlights that the Hungarian public procurement market still depends significantly on EU funds, and the use of the former is characterised by overbudgeting and the pressure of absorption, that is, the need to use funds as fast as possible at a maximum level. In

the programming period 2014 – 2020 Hungary receives almost HUF 8.000 billion (EUR 25 billion) of support from the European Structural and Investment Funds. This amounts to 4% of the Hungarian annual GDP on average. Hungary ranks second among the Member States in terms of the amount of EU support per capita.

The pressure of absorption is apparent in the fact that in the actual programming period the government plans to use 110 – 115% of the EU funds allocated to Hungary so that, if certain projects are stopped by the auditors of European Commission, the invoices of another project could be submitted. An example is the so-called Elios case.

The report also refers to the fact that although the statistics published by the Public Procurement Authority show that the rate of the so-called single bid procedures dropped to 24% in the public procurement procedures above EU threshold, this does not coincide with the calculations of the European Commission, according to which this rate was 39 % in 2018. Based on information from the European Commission, this rate increased to 42% in 2019. It can thus be concluded that on the Hungarian public procurement market competition is fairly limited.

### ***Nature of corruption in Hungary***

According to the conclusions of the report, corruption has become extremely centralised in Hungary in the last decade. The essence of contemporary Hungarian State corruption is to re-distribute economic resources by various means, to create a new elite, and to reward and privilege actors close to the government. By legal means the State takes away or acquires certain groups' property, which is then redistributed to other groups. This is institutionalised in many cases. As a result of public fund drains, and by infringing upon the Rule of Law, taxpayers' money is transformed into private wealth. Corruption has become an integral part of the system, rather than a side effect.

Hungary, which from a political perspective is a hybrid system between democracy and dictatorship; can from an economic viewpoint be characterised as an instance of crony state capitalism. In certain segments of the economy, loyalty overwrites performance. Family members and cronies of political actors and those in power have much better chances to get contracts and positions. Finally, citizens and economic actors seeking the mercy of the State or the government are more interested in rent-seeking than showing (market) performance – claims the report of TI Hungary which presents the results of the Corruption Perceptions Index of 2019.