



**TRANSPARENCY  
INTERNATIONAL**

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MAGYARORSZÁG

**TRANSPARENCY  
INTERNATIONAL  
HUNGARY**

**PUBLIC BENEFIT  
REPORT  
(SHORT VERSION)**

**2019**

## Executive Summary for 2019

In 2019, Transparency International Hungary Foundation (TI Hungary) continued to pursue its public benefit activities aimed at researching and uncovering corruption, and ensuring a fair and transparent public life. Bearing in mind the values of the Berlin-based international movement – transparency, accountability, responsibility, fairness, democracy –, TI Hungary is actively engaged in fighting corruption and informing the public of abuses of power. The organization’s staff organizes public awareness raising and trainings, fights – through litigations, if necessary – to ensure freedom of information and protect victims of corruption, and formulates proposals for decisionmakers that aim to reduce corruption.

In the course of our work, we seek to establish transparency, particularly with regard to the use of public funds. TI Hungary – standing by its values – fights corruption in a fact-based, objective manner. In accordance with international organizations and academic literature, we define corruption as the abuse of entrusted power for private gain, regardless of whether their behavior is illegal (or even a crime) or it is enshrined in law.

The members of TI Hungary’s oversight bodies (board, supervisory board), its staff and the volunteers and supporters that help us in our work, irrespective of their ideological beliefs, would like Hungary to be a place where government, political and business actors set an example in terms of fairness. We would like for citizens as well to reject corruption. We wish for a country where public funds are used in a transparent manner, the system of public tenders is clear, and where all related public information is easily accessible. A country where decision-making by public authorities and the promotion of related interests take place in a well-regulated environment and in a transparent way. Our activities are aimed at making Hungary – after a decade of dismantling institutions – into a functioning rule of law, where democratic principles apply. To us, democracy means not only free, but fair elections, as well as a free press and civil society, a diverse and pluralistic public life, and professionally autonomous state institutions.

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With regard to the general state of corruption in Hungary, reports on this matter are unanimous: surveys and studies conducted by Transparency International, the European Commission, the World Bank, the World Economic Forum, Eurobarometer, and EY – one of the few companies covering the issue – all say that corruption in the country is a serious problem. Corruption envelops politics and the economy, it is present in an organized and a systemic form, as well as in everyday affairs. Although corruption has been a serious problem for a very long time, the nature of abuses has changed since 2010. In Hungary, over the past decade a form of corruption has been established that is unique within the European Union, as it takes an extremely centralized form. In addition, the majority of society believes that corruption is an organic part of Hungarian reality, especially politics, which is the reason for the level of apathy that is striking even in an international comparison.

According to the most widely used ranking, the [Corruption Perceptions Index](#) (CPI) calculated by the Secretariat of Transparency International in Berlin, which shows the public sector's exposure to corruption based on the opinions of experts and businesspeople, Hungary is moderately corrupt in a worldwide comparison: it ranked in 70<sup>th</sup> place out of 180 countries, with a score of 44 points (where 0 indicates the highest, and 100 the lowest level of corruption). The 11-point decline between 2012 and 2019 has also brought Hungary's anti-corruption performance to a historical low. The country's position has worsened most notably within the European Union. Hungary ranked 26<sup>th</sup>-27<sup>th</sup> among EU countries in the CPI ranking published in February 2020, on the same level as Romania and placing ahead only of Bulgaria. Over the past eight years, Hungary saw the biggest decline in the region in terms of corruption perception.

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As a result of the rule of the governing elite that has been in power since 2010, we can declare as a fact that most institutions of the rule of law in Hungary are in a comatose state. The government has almost completely eliminated the professional and organizational autonomy of independent state institutions, and has placed them under the control of people loyal to the executive. The system of democratic checks and balances has been crippled. The new institutional system is not capable of checking the executive branch; moreover, in most cases it is not even seeking to fulfill this role. Starting with the 2010s, an unprecedented centralization took place in the system of Hungarian state and economic institutions, which served as a tool for the conscious replacement of the elite and the reallocation of assets with political and ideological intent.

The occupation of public law arenas ongoing since 2010 has led to the state capture of public authority. In Hungary, a unique form of state capture has been established, whereby an informal and opaque network of politicians and influential economic actors (oligarchs) has taken over control of public institutions. Currently, this represents the biggest corruption risk. In Hungary, corruption manifests not as an operational malfunction of state power, but as a deliberately applied method of the state. Corruption is a tool in the hands of those exercising public authority, which they use to (re)distribute a portion of goods based not on performance, but on loyalty.

However, government measures have not been able to completely dismantle the system of checks and balances even after a decade. The courts – despite increasing government pressure – have so far been able to retain their professional autonomy. There continue to be many court rulings that are unfavorable for those in power.

This is in stark contrast to the role fulfilled by the public prosecutor's office in the Hungarian justice system, which has for many years shown obvious signs of partisan, biased operations. This is true despite the fact that over the past 12-18 months some politicians of the governing parties have come under the scope of authorities: some examples worth highlighting include criminal proceedings against Roland Mengyi that ended in a jail sentence; the bringing of charges against György Simonka; and most recently, the accusations brought against István Boldog by prosecutors. (All three persons are former or current MPs of the Hungarian

Parliament.) The prosecutor's office does not pursue all cases of corruption with equal zeal, while failing to provide a reassuring explanation as to which perpetrators of corrupt acts may escape prosecution and which will face trial. The Hungarian prosecutor's office has for years failed to take a decision in 20 cases where the European Anti-Fraud Office (OLAF) has formulated recommendations to the country.

Another long-standing, severe problem is the lack of transparency in the system of party and campaign financing, which is an original fount of corruption, while the protection of whistleblowers is inefficient and lobbying is unregulated. The Hungarian political elite has for a long time failed to establish a system of accountability in the use of public funds, which has played a major role in hundreds of billions of forints flowing out from the state budget over recent years and "losing their characteristic of being public funds." The European Commission's 2020 report, referring to the previous year, also criticizes the "serious corruption risks," and notes that authorities often turn a blind eye to high-level corruption.

The state does not look upon the independence of the judiciary favorably. The latest package of laws related to the justice system, for example, makes it possible for state authorities to initiate proceedings at the Constitutional Court if an ordinary court proceeding ended in a verdict unfavorable for them. This indicates that the government has much more trust in the Constitutional Court, which it had earlier partly captured, as in the decentralized ordinary court system comprised of 2900 professionals. A new development is that the government and Prime Minister Viktor Orbán now openly criticize court rulings: this was the case in the decision relating to the educational segregation of Roma in Gyöngyöspata, as well as in the case where the state was ordered to pay damages for holding prisoners in poor conditions. Inciting public uproar against such decisions goes against all EU and rule of law norms even if its likely objective is only to serve communication and propaganda goals, and if eventually the court rulings will stand in practice.

Systemic corruption and the dismantling of the rule of law also exert an effect in the country's long-term economic performance. Despite the short-term results of the six-year period leading up to the coronavirus pandemic, which have supported growth and stability, long-term processes remain troubling, and competitiveness is lagging behind. According to the latest global competitiveness ranking of the World Economic Forum – which includes both hard and soft indicators – Hungary ranked 47<sup>th</sup> overall out of 140 countries, which is a remarkably poor result within the European Union and the closer region. Within the EU, only the performance of Croatia, Greece, Romania and Bulgaria (going up from the bottom of the list) is worse than Hungary's. One of the factors of competitiveness that the WEF's international group of experts looks at is the "enabling environment of institutions", where Hungary performed worse than all of the 13 EU members of the region, with the exception of Croatia. The bane of Hungarian competitiveness and the obstacle to economic convergence has long been an institutional framework that is mired in corruption. These factors above lead to the formation of [crony state capitalism](#), where market-based competition is limited only to certain sections of the economy. In several segments, especially those that are dependent upon state procurements and regulations, merit-based market performance is trumped by loyalty to those in power.

In the current coronavirus crisis, it is likely that the soaring confidence indices that have been (over)heated so far by the short-term growth performance will decline and that the economic policy that has ignored rule of law norms, elevated corruption to a state level, and sacrificed long-term growth for short-term stability, will face bigger challenges than ever before.

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In 2019, TI Hungary continued to pursue its public benefit activities aimed at studying and uncovering corruption, and ensuring a fair and transparent public life. We inform the public about the state of corruption in Hungary through new studies, reports and analyses.

TI Hungary continues to regularly uncover conflicts of interest, cases where public figures or government-affiliated oligarchs have gained undue advantage. Continuing our previous, widely successful practice, we initiated several lawsuits in 2019 as well in order to gain access to information of public interest. Our efforts focused especially on how European Union funds are used. We initiated four freedom of information proceedings relating to irregularities in the use of such funds. The common feature of the legal proceedings aimed at recovering public funds that have disappeared in EU projects linked to the governing party's MP György Simonka – who has since been charged with serious criminal offenses – and the “Bridge to the World of Work” project linked to the National Roma Self-Government, where similarly billions of public funds were lost, is that the Hungarian state either grants impunity to the beneficiaries of corruption or acts so slowly that it makes the recovery of corruption-related losses to the public good impossible. Of the requests for public information filed by TI Hungary in 2019, the lawsuit against the local government of Gyál stands out due to its significance: as a result, the details of the public lighting project carried out in Gyál by Elios, the company that was investigated and charged by OLAF with irregularities, have been released.

Of course, TI Hungary is not an investigating or prosecuting authority, so its role usually ends with making public facts that point to corruption, and forwarding public information to state authorities that are bound by law to take action.

The 2019 municipal elections brought a breakthrough in declarations of commitment to fight corruption: a total of 389 local government candidates joined the [Ez a Minimum!](#) (“That’s the minimum!”) program announced for the 2019 local elections by TI Hungary, [Átlátszó.hu](#), and the K-Monitor Public Benefit Association, vowing to implement the NGOs’ proposals aimed at increasing transparency. Out of the 389 candidates, 184 won mandates in 60 municipalities, including 16 who were elected mayor. This is a significant success and foresees the possibility of a network of municipalities committed to transparency being formed around the country.

Our organization placed great emphasis in 2019 as well on identifying corruption risks within public procurement, including anomalies related to the distribution of EU funds. In line with the European Commission’s country reports, we have been criticizing for a long time the lack of competition in awarding contracts in many cases, as well as the high rate of single-bid procedures and procedures without publication of a contract notice. Under an EU program covering 11 countries, TI Hungary has been monitoring the project aimed at building the section of M6 motorway between Bóly and Ivándárda for three and a half years, and we started the monitoring of the Tisza-Túr flood reservoir project in 2017 as well within the scope of the same program (Integrity Pacts). In the course of monitoring the M6 motorway project we uncovered a suspected cartel case, which we referred to the Hungarian Competition Authority (GVH) as well as the European Commission. The GVH rejected our petition. This monitoring activity carried out under the so-called Integrity Pacts requires constant consultations with the

Hungarian government, and this cooperation – despite the government’s campaign against civil society, and thus against TI as well – is satisfactory on an expert-public administration level.

Our other notable activities also included a conference series comprised of four lectures held last year under the organization of TI Hungary, on the relationship between gender equality and corruption, a topic that received more emphasis than ever before in the activities of TI Hungary.

We continued our mentorship program for investigative journalists, which was started five years ago and has been sponsored mostly by European embassies – alternately by the Dutch, German, French, Swedish, Norwegian and Finnish missions –, and is now in its eighth round in 2020. Here, new cases of corruption are uncovered by well-known investigative journalists, and the program is also a great forum for the investigative journalists of the future to learn the trade. In addition, TI has awarded for the sixth time the Soma Prize for the best investigative journalist.

TI’s corporate programs focused last year of trainings, presentations, as well as research related to corporate transparency and ways of averting corruption.

TI Hungary’s social media reach continues to grow substantially. We are present on all major platforms, including Facebook, Twitter, Instagram and YouTube. The number of our organization’s Facebook followers has increased from around 3000 in 2013 to some 25,500 people by 2020. The number of our mentions in “traditional” media is also quite high: the organization’s staff, mostly its legal director, executive director, the head of public funds programs and various project managers, are featured on a regular basis in the remaining part of the free press, i.e. primarily online portals, as well as some television and radio stations, and in print media. Last year’s activities included discussing corruption in person with several thousand young people at interactive programs held at summer festivals, such as the Sziget Festival.

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There was no change in TI Hungary’s five-member Board in 2019. At the same time, there was a change in the composition of the Supervisory Board, with Viktória Villányi-Nosko being replaced by Júlia Király, a former deputy governor at the Central Bank of Hungary. From February to August 2019, the organization’s executive director, József Péter Martin, worked in London as a research director at Transparency International UK. During this time, TI Hungary was led by legal director Miklós Ligeti and chief operating officer Krisztina Papp as acting co-executive directors.

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Our public benefit anti-corruption work has been made difficult since 2013 by the – mostly rhetorical – campaign waged continuously, albeit with varying intensity, by the government against NGOs like TI Hungary that are critical of the government. We formulate our criticisms factually and objectively and are also careful to remain independent from party politics;

nevertheless, our organization is regularly labeled with false attributes. We consider the stamps of being “traitors” and “Soros mercenaries” absurd and boring, but we are stigmatized in this way continuously by the propaganda media that acts as a government mouthpiece, as well as regularly, in waves, by government politicians. The government routinely ignores the fact that TI Hungary has been critical not only of the governments in power since 2010, but also of the earlier, left-wing governments.

In 2019, TI Hungary received most of its revenues, 32% – or more than 50% if we include projects carried out through the Berlin headquarters of TI – from EU institutions, certain Directorate Generals and the European Anti-Fraud Office (OLAF). These were all project grants awarded through open competitions. Support from the Open Society Institute, founded by George Soros, who the government propaganda machine has labeled an enemy of Hungarian national interests, accounted for 19% of TI Hungary’s income last year, and of course we also received these funds through applying for grants.

Of course, despite the recurrent anti-civil society campaign of the government, we continue to do our work, in line with our organization’s mission. For many years, we have been operating in a transparent manner that far exceeds legal requirements. Our goal is a more liveable Hungary, where the rule of law and actual achievements act as points of guidance, and where corruption is significantly reduced, if not eliminated. We continue to count on the support and cooperation of our partners in this noble struggle, as we believe we can only achieve success together.

Dr. József Péter Martin  
Executive Director  
Transparency International Hungary Foundation

## Important Financial Information

### Balance-sheet for Other Organizations Keeping Double-entry Books


Closing date: 31st December, 2019

|           | in thousand HUF   | Previous year   | Current year   |
|-----------|---|-----------------|----------------|
| <b>A.</b> | <b>Fixed Assets</b>                                     | <b>6 505</b>    | <b>4 361</b>   |
| A.I.      | Intangible assets                                       | 6 263           | 4 264          |
| A.II.     | Tangible assets   | 242             | 97             |
| A.III.    | Financial investments                                   | 0               | 0              |
| <b>B.</b> | <b>Current Assets</b>                                   | <b>9 896</b>    | <b>29 121</b>  |
| B.I.      | Inventories   | 0               | 0              |
| B.II.     | Receivables   | 1 268           | 461            |
| B.III.    | Securities  | 547             | 553            |
| B.IV.     | Liquid assets   | 8 081           | 28 107         |
| <b>C.</b> | <b>Accrued and Deferred Assets</b>                      | <b>10 379</b>   | <b>3 032</b>   |
|           | <b>TOTAL ASSETS</b>                                     | <b>26 780</b>   | <b>36 514</b>  |
| <b>D.</b> | <b>Equity</b>   | <b>- 12 768</b> | <b>-12 706</b> |
| D.I.      | Subscribed capital                                      | 255             | 255            |
| D.II.     | Retained results  | -13 063         | -13 023        |
| D.III.    | Capital reserve   | 0               | 0              |
| D.IV.     | Revaluation reserve                                     | 0               | 0              |
| D.V.      | Loss/profit for the year from public benefit activities | 40              | 62             |
| D.VI.     | Loss/profit for the year from business activities       | 0               | 0              |
| <b>E.</b> | <b>Provisions</b>                                       | <b>0</b>        | <b>0</b>       |
| <b>F.</b> | <b>Liabilities</b>                                      | <b>10 595</b>   | <b>2 431</b>   |
| F.I.      | Subordinated liabilities                                | 0               | 0              |



|           | in thousand HUF                         | Previous year | Current year  |
|-----------|---|---------------|---------------|
| F.II.     | Long-term liabilities                   | 0             | 0             |
| F.III.    | Short-term liabilities                  | 10 595        | 2 431         |
| <b>G.</b> | <b>Accrued and deferred liabilities</b> | <b>28 953</b> | <b>46 789</b> |
|           | <b>TOTAL LIABILITIES</b>                | <b>26 780</b> | <b>36 514</b> |

Budapest, 26th of June, 2020



Legal representative

**Profit and Loss Accounts for Other Organizations Keeping Double-entry Books**

Reporting period: 1st January, 2019 – 31st of December, 2019

|           | in thousand HUF   | Public benefit activity |                | Business activity |              | Total          |                |
|-----------|---|-------------------------|----------------|-------------------|--------------|----------------|----------------|
|           |   | Previous year           | Current year   | Previous year     | Current year | Previous year  | Current year   |
| 1.        | Net sales   | 11 088                  | 975            | 0                 | 0            | 11 088         | 975            |
| 2.        | Capitalized own performance                             | 0                       | 0              | 0                 | 0            | 0              | 0              |
| 3.        | Other revenues  | 115 117                 | 107 379        | 0                 | 0            | 115 117        | 107 379        |
|           | of which:   |                         |                |                   |              |                |                |
|           | - membership fee, financial contribution from the owner | 0                       | 0              | 0                 | 0            | 0              | 0              |
|           | - membership fee  | 0                       | 0              | 0                 | 0            | 0              | 0              |
|           | - financial contribution from the owner                 | 0                       | 0              | 0                 | 0            | 0              | 0              |
|           | - grants  | 113 238                 | 106 071        | 0                 | 0            | 113 238        | 106 071        |
|           | - donations   | 12 440                  | 10 031         | 0                 | 0            | 12 440         | 10 031         |
| 4.        | Revenues from financial operations                      | 829                     | 850            | 0                 | 0            | 829            | 850            |
| <b>A.</b> | <b>Total Revenues (1+-2+3+4)</b>                        | <b>127 034</b>          | <b>109 204</b> | <b>0</b>          | <b>0</b>     | <b>127 034</b> | <b>109 204</b> |

|           |   |                |                |          |          |                |                |
|-----------|---|----------------|----------------|----------|----------|----------------|----------------|
|           | of which: Revenues from public benefit activities | 127 034        | 109 204        | 0        | 0        | 127 034        | 109 204        |
| 5.        | Material type expenses                            | 35 424         | 24 111         | 0        | 0        | 35 424         | 24 111         |
| 6.        | Payments to personnel                             | 69 786         | 60 793         | 0        | 0        | 69 786         | 60 793         |
| 7.        | Amortization                                      | 2 404          | 2 146          | 0        | 0        | 2 404          | 2 146          |
| 8.        | Other costs                                       | 18 676         | 21 589         | 0        | 0        | 18 676         | 21 589         |
| 9.        | Costs of financial operations                     | 704            | 503            | 0        | 0        | 704            | 503            |
| <b>B.</b> | <b>Total Costs (5+6+7+8+9)</b>                    | <b>126 994</b> | <b>109 142</b> | <b>0</b> | <b>0</b> | <b>126 994</b> | <b>109 142</b> |
|           | of which: - Costs of public benefit activities    | 126 994        | 109 142        | 0        | 0        | 126 994        | 109 142        |
| <b>C.</b> | <b>Profit/loss before tax(A-B)</b>                | <b>40</b>      | <b>62</b>      | <b>0</b> | <b>0</b> | <b>40</b>      | <b>62</b>      |
| 10.       | Tax   | 0              | 0              | 0        | 0        | 0              | 0              |
| <b>D.</b> | <b>Profit/loss for the year (C-10)</b>            | <b>40</b>      | <b>62</b>      | <b>0</b> | <b>0</b> | <b>40</b>      | <b>62</b>      |

Budapest, 26th of June, 2020



Legal representative

### Distribution of Income

|    | Description<br>in thousand HUF   | 2017   | 2018   | 2019   | %<br>of Total income (2019) |
|----|--|--------|--------|--------|-----------------------------|
| 1. | <b>Subsidies from foreign central budgets and 1% donations</b><br><i>(foreign embassies, European Union, 1% donations of local individual taxpayers)</i> | 33 945 | 51 633 | 45 740 | 41,9%                       |

|    |   |                |                |                |             |
|----|---|----------------|----------------|----------------|-------------|
| 2. | <b>Domestic donors</b><br><i>(Hungarian companies, individuals)</i>                                   | 14 035         | 12 440         | 10 031         | 9,2%        |
| 3. | <b>Foreign Donors</b><br><i>(TI Secretariat, international civil society donors and institutions)</i> | 70 674         | 49 165         | 50 301         | 46,1%       |
| 4. | <b>Other donations</b>  |                |                |                |             |
| 5. | <b>Income from public benefit activities and services</b>   | 9 368          | 11 088         | 975            | 0,9%        |
| 6a | <b>Other income (financial)</b>   | 15             | 883            | 1 295          | 1,2%        |
| 6b | <b>Other income (volunteer activity)</b>  | 971            | 1 825          | 862            | 0,7%        |
|    | <b>Total income</b>   | <b>129 007</b> | <b>127 034</b> | <b>109 204</b> | <b>100%</b> |

### Distribution of Income 2019, adjusted

