TRANSPARENCY INTERNATIONAL
Hungary

Executive Summary

For the 30th time this year, Transparency International's Berlin-based Secretariat has compiled the Corruption Perceptions Index (CPI), which ranks states according to their protection against corruption in the public sector. Hungary scored 41 points on a scale from 0 (most corrupt) to 100 (least corrupt) in 2024. It has thus lost one point compared to its 2023 score in the 180-country ranking, slipping from 76th to 82nd place in the global ranking.

In 2012 Hungary was ranked 46th with 55 points, which means that in the last twelve years Hungary has slipped 36 places and 14 points in the world corruption ranking. The magnitude of this deterioration is also significant by international standards. In EU terms, Hungary has ranked last among Member States for the third year running. Hungary's score has fallen the most among EU Member States in the last 12 years (14 points), 'overtaking' Greece and Italy (13 and 12 points, respectively). Ten years ago, in 2014, Hungary ranked 21st in the then 28-member European Union with 54 points. However, since then it has been on a downward trend; in 2020, it was in a three-way tie with Romania and Bulgaria for last place. Later, both our eastern neighbour as well as Bulgaria overtook Hungary.

There is increasing divergence among Central and Eastern European EU member states: the gap between the first place (Estonia) and the last place (Hungary) is widening, with a difference of 35 points. Members of the Visegrád Group – except for Hungary – are positioned in the mid-range of the European Union rankings: the Czech Republic scored 56 points, Poland 53, and Slovakia 49. Compared to 2023, our northern neighbour's performance dropped by 12 places and – tied with Malta among EU countries – recorded the largest decline of 5 points. This may be related to the 2023 change of government, which brought back a populist administration undermining the rule of law.

The 2024 CPI data show that resilience against corruption has weakened in 16 of the 27 EU member states compared to the previous year. In addition to Slovakia and Malta, which registered a 5-point decline, Spain (56), Portugal (57), Austria (67), and Belgium (69) also saw a significant drop of 4 points each. Despite these declines, their scores still remain significantly higher than that of Hungary.

*

Simultaneously with the publication of the Corruption Perceptions Index results, Transparency International (TI) Hungary also released its annual report, which provides a comprehensive analysis of the corruption situation. This year's report focused on the state of the rule of law in connection with access to EU funds, the public procurement system, and the impact of corruption on the economy. Additionally, it examined three emblematic cases that received significant public attention in 2024.

EU Funding and the Rule of Law

In 2024, Hungary became the first country in the history of the European Union to irrevocably lose €1.04 billion (over 400 billion forints) from the cohesion funds allocated for the 2021–2027 period due to rule-of-law issues and systemic corruption. As a result, the available financial framework for Hungary was reduced to €20.7 billion. This loss stems from the EU's conditionality regulation adopted at the end of 2020. Based on this regulation, the Council of the European Union decided in December 2022 to freeze €6.3 billion (55 percent of the total financial allocation for three operational programs) until Hungary fulfils 17 rule-of-law and anti-corruption measures (milestones) set out in the decision.

The regulation also imposes a time limit, after which the blocked funds are gradually lost each year if the affected member state fails to meet the required milestones. The loss of funds in 2024 is just the beginning, and this process could repeat annually until the milestones are fully met or until the remaining frozen amount – now reduced to €5.3 billion – is completely exhausted.

There is also a significant risk of loss of funds from the Recovery and Resilience Facility (RRF), the EU's post-COVID-19 economic recovery fund. Hungary is entitled to €10.4 billion from this facility, of which €6.5 billion is in non-repayable grants, while €3.9 billion is in low-interest loans. Under the conditionality regulation, the EU is blocking Hungary's entire Recovery and Resilience Facility (RRF) allocation, except for the €920 million advance payment already disbursed, which is not affected by the suspension. The suspension is based on the Hungarian government's failure to fully implement the 27 anti-corruption and rule-of-law restitution measures outlined in Hungary's RRF plan.

If Hungary fails to fulfil all 27 measures required to access the RRF funds, or if the projects specified in the RRF plan are not completed by the end of 2026 due to the lack of funding, the country could lose the entire RRF allocation and will even be required to repay the advance.

*

The reform package adopted in the fall of 2022 to meet the requirements of the conditionality procedures included the most significant anti-corruption measures by the Orban-governments in office since 2010. However, more than two years later, it is clear that the reform package has proven insufficient to break the grip of systemic corruption.

This is partly because the government implemented the measures incompletely. A prime example is the asset declaration system, where the government effectively sabotaged compliance with the requirements of the conditionality procedure. The digitalization of asset declarations, the establishment of conditions for their oversight by the Integrity Authority, and the introduction of strict sanctions for false declarations are still missing. Without these measures, it remains impossible to determine the origins and actual size of the personal wealth of public officials.

The Integrity Authority, established as part of the reforms, has also proven to be a half-measure in practice. Due to inadequate regulations governing its operation, it is unable to perform its duties effectively. The situation is even more precarious for the Anti-Corruption Task Force operating alongside the Integrity Authority. Members appointed by state institutions strive to limit the group's activities as much as possible. The Task Force's reports fail to address the true nature and causes of corruption in Hungary. As a result, anti-corruption civil society organizations – such as Transparency International Hungary, K-Monitor, and Átlátszó.hu – refused to approve the reports.

Other elements of the 2022 anti-corruption reform package proved inadequate because even if the measures required by the EU had been fully implemented, they would not have been sufficient to eradicate corruption. This applies, for instance, to one of the most creative solutions introduced by Hungary's so-called System of National Cooperation to misappropriate public funds: public-interest asset management foundations, as well as reforms affecting the judiciary, criminal procedure, and access to public interest data.

Public-interest asset management foundations gained control over trillions of forints in public assets, an unprecedented loss of public funds in the public sector. Public-interest asset management foundations also serve as political payout mechanisms, with numerous ministers from the fourth and fifth Orbán governments drawing millions of public funds as salaries from secondary positions within these foundations. Despite the EU's pressure, the government did not eliminate the conflicts of interest that characterize the foundations or dismantle their role in the political revolving door. Even if the government had complied with the EU's conditions, the public assets diverted into these foundations would not have returned to the state.

The judicial reform implemented in 2023 under EU pressure also turned out to be insufficient in protecting judges from government pressure. The European Commission made a mistake in considering the reform as completed, as the government continues to aim at undermining the judiciary's autonomy. This time, the government has tied a salary increase for judges to the acceptance of a new "reform" (in reality, a further curtailment of judicial independence). This has caused outrage, and nearly two thousand judges and judicial staffers publicly protested.

Similarly, the criminal procedural reform, which aimed to ensuring that corruption cases inconvenient for the government would reach the courts even if the prosecution denied initiating proceedings, failed. Under the so-called review procedure or private prosecution, there was no indictment over the course of two years, illustrating how the government can continue to mislead the European Commission with token measures.

The European Commission also fell into a trap set by the Orban-government in the area of freedom of information. While legal reforms removed some glaring obstacles to accessing public interest data, they mainly focused on speeding up freedom of information litigations. However, the shortened court deadlines now create more of a burden on citizens and civil society organizations, who often have limited resources and are not well-versed in the law, than on ministries and state-owned companies, whose resources, deriving from public revenues, are inexhaustible. Meanwhile, the attitude of state bodies towards public access, often involving illegal secrecy, has not changed in practice.

*

We consider the Sovereignty Protection Act passed by Parliament in December 2023 to be a flagrant violation of the rule of law. This time, it was not just a "rhetorical campaign" that started. The law established the Sovereignty Protection Authority (SPO), which is authorized to examine "anything" and "anyone." In the summer of 2024, Transparency International Hungary (TI) was picked to be subject of SPO’s first "individual, comprehensive" investigation.

Some of the most severe problems with the Sovereignty Protection Act include the disproportionate restriction of the freedom of speech, the absence of legal remedies, and the disregard for the requirement of fair procedure. Although we filed a constitutional complaint, the Constitutional Court threw out our case, so we will soon turn to the European Court of Human Rights.

Public Procurement and Other Areas of Public Fund Distribution

A significant portion of the commitments made in the conditionality procedure and Hungary's RRF plan aim to improve the integrity of public procurement. However, despite these commitments, there has been no attitudinal shift in the functioning of the procurement system, which accounts for 4.6 percent of the GDP in 2024, in recent years.

Several milestones set within the conditionality procedures were designed to reduce the high proportion of single-bid procurement processes. While goals were met for procedures financed with EU funds (the share of single-bid procurement was reduced to 5.5 percent), the target set for domestic fund-based tenders has not been met. The 24 percent threshold set for 2023 was not achieved, and Hungary is far from the 15 percent target for 2026. Government measures aimed at improving the level of competition in public procurement, which were designed to be momentous, have also failed to bring about change, leaving multiple systemic issues unresolved. The high level of concentration in the procurement market continues to signal insufficient market competition. The excessive use of concession contracts has led to extreme concentration in certain sectors. Another issue is the increasing reliance on framework agreements, which can restrict competition in the domestic public procurement market.

While the total value of contracts concluded through framework agreements was 605 billion forints only in 2019, the most recent data available shows that in 2023 this value reached 4,082 billion forints, surpassing the value of other tenders (3,368 billion forints). This is particularly noticeable with the so-called central public procurement bodies, which, despite being created to increase efficiency, actually favour the same participants in many sectors, using multi-year framework agreements to eliminate market competition. Meanwhile, the transparency of procurement data is weakened by multi-layered procedures and publication practices divergent from central systems.

Assessing corruption risks is complicated by the growing popularity in Hungary of various corporate and investment structures that obscure the identities of owners, ranging from private equity funds to preferential dividend shares and asset management foundations. Private equity funds have become a primary tool for siphoning off public money, as state actors have invested hundreds of billions of forints into privately owned asset managers' funds. Although anti-money laundering regulations underwent significant changes in 2024, they still allow for the concealment of investor identities until July 2026, the date of the next parliamentary elections.

The Vicious Circle of Corruption and Economic Decline

Recent social and economic indicators clearly indicate that the Orban regime has entered a vicious cycle since the COVID-19 pandemic, with corruption undermining economic performance. Both corruption and economic performance have worsened over the past five years. The correlation between economic performance and corruption remained strong within the European Union in 2024 (with a regression coefficient of 0.7). Hungary the EU's most corrupt member state, with modest economic performance to match.

The latest Eurostat data from 2023 paints a bleak picture of Hungary's economy. In terms of GDP per capita, Hungary is at only 77 percent of the EU average, tied with Poland, overtaking only Bulgaria (64 percent), Greece (69 percent), and Croatia (76 percent). And now here is something we could never imagine would happen: Romania has now surpassed Hungary. The situation is even worse in actual household consumption. According to Eurostat, Hungary has the lowest income levels in the EU, standing at 70% of the EU average, with Romania having increased its household consumption to 88 percent of the EU average, overtaking Hungary.

Hungary has long struggled with productivity and human infrastructure, such as healthcare and education. In terms of productivity, Hungary only surpasses Greece within the EU. The combination (and paradox) of high levels of systemic corruption and high investment activity, seen after 2017, came to an end in 2023. In the past two years, investments in Hungary have taken a nosedive: in 2023, investments fell by 8.5 percent, and in the first three quarters of 2024, by 14.2 percent. Foreign Direct Investment (FDI) net annual inflows peaked at a record $167 billion in 2020, but the most recent 2023 data show an unprecedented negative balance of $72 billion - the worst since the fall of communism.

Hungary’s economic decline over nearly half a decade – showing symptoms of an economic crisis- is attributed to two, in many ways interconnected, fundamental causes. One is a series of grave economic policy mistakes made after 2016. Growth was fuelled by forced increases in consumption and investment, rather than by improvements in productivity and exports. Fiscal policy has ignored the need for balanced growth for nearly a decade, and the same can be said for monetary policy, although the central bank began to take corrective action in 2022. The second cause is systemic corruption and its foundation, the exclusionary institutional framework captured by the ruling elite.

Impunity of Corruption in Practice: Major Corruption Cases of 2024

With Hungary's political system, the problem is not the absence of the ability to curb certain forms of corruption, but the lack of willingness to act up. While the government has successfully fought against everyday corruption, such as bribery of police officers and gratuity payments in healthcare, and has tackled VAT fraud, abuses benefiting those in power and the rent seeking cronies in their orbit go unchecked. In fact, the state itself often condones abuse or actively contributes to the creation of corruption.

This study highlights three specific examples of corruption: certain real estate development projects in Budapest, the 35-year freeway and waste management concessions and the notorious canopy walkways (with no forests included).