

Corruption risks in EU funds spending in Hungary

Corruption Research Centre, Budapest

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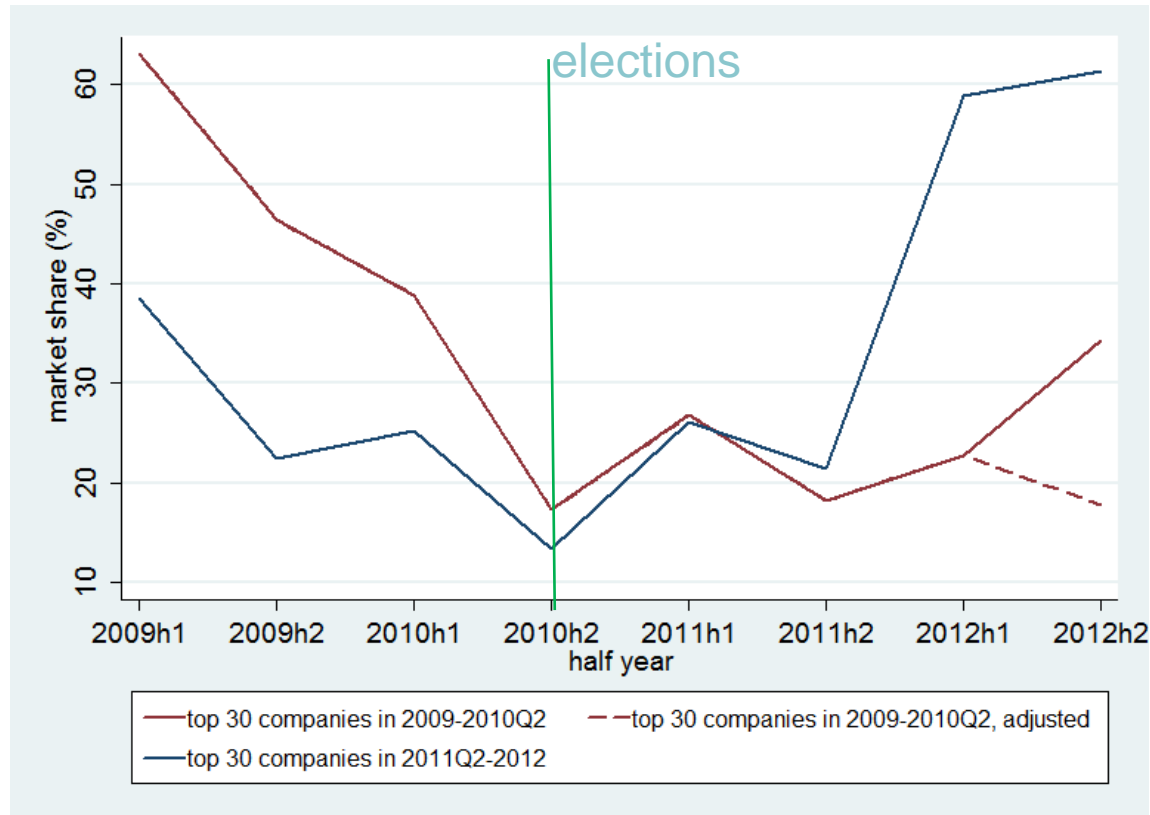
Report Launch & Debate: “Understanding Corruption in the EU: the
Policy Dimension”

Main findings

- There are some new anti-corruption initiatives of the new government, but results are yet to be seen
- Large scale institutionalized corruption in Hungary may be widespread primarily driven by political cycles
- EU funds are likely to fuel the abuse of public spending in spite of tight regulatory framework

Political cycles appear to distort market structure

Change in market shares of large companies (EU funded construction, 2009-2012)



Source: MaKAB, Note: market share = total value of contracts won / total value of contracts won in EU funded construction in time t

- At least 25-30% of EU funded construction spending is likely to be driven directly by politics
- This pattern reappears on the whole public procurement market too, albeit it is especially strong for EU funded projects

EU funds present higher corruption risks

Selected corruption risk indicators of contract awards (2009-2012)

Proportion of occurrence among contracts with/without EU funds	Public procurement contracts using EU funds?	
	NO	YES
single bidder	29.0%	33.8%
non-open procedure	39.2%	40.9%
no call for tenders in Official Journal	44.7%	50.9%
accelerated submission deadline (<21 days)	23.2%	29.2%
extremely short submission deadline (<12 days)	2.4%	2.6%
contract modification	6.5%	17.7%
assessment criteria contains non-price elements	41.8%	48.0%

Source: MaKAB

Number of contracts awarded: without EU funds=35 392; with EU funds= 20 855

- In spite of regulation to assure competition and accountability EU funds spending represents higher corruption risk than comparable national spending

Recommendations

In order to combat corruption in EU funds spending and avoid waste of public resources:

- Ensure *effective* transparency and *active* access to information.
- Close *loopholes* of public procurement regulation.
- Review *quality* of outcomes and *price* of inputs rather than procedures of spending.

Links to further material

- The Corruption Research Centre's webpage:
http://www.crc.uni-corvinus.hu/index_e.html
- This presentation:
http://www.crc.uni-corvinus.hu/download/EP_2013_Hungary_CUB_CRC_130409.pdf
- Background paper to this presentation:
http://www.crc.uni-corvinus.hu/download/EP_2013_Hungary_Fazekas_Toht_bgp_130409.pdf
- Report on Political Influence in the Public Procurement Market:
http://www.crc.uni-corvinus.hu/download/kb_adatok_2010_4riport_130220.pdf