



NETWORKS OF CORRUPTION IN HUNGARY, WITH SPECIAL ATTENTION TO THE CONSTRUCTION INDUSTRY

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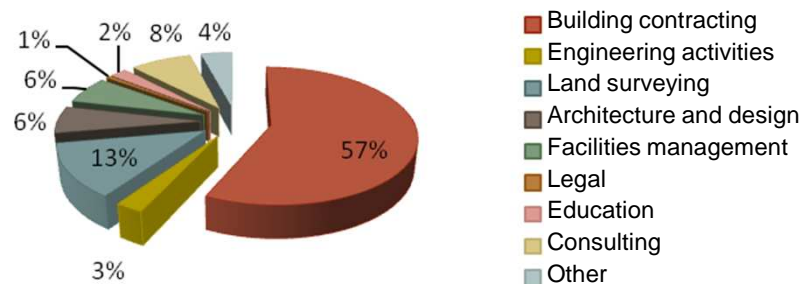
Source: <http://www.guardian.co.uk/news/datablog/2011/>

Global Corruption Report 2006

- Mega-sized construction projects (office buildings, shopping centers, road constructions) provide opportunities for corruptive practices, in the form of bribes and kick-backs.
- The construction industry – in comparison with all other segments of the economy, is uniquely prone to corruption.
- The biggest problem is that it is difficult to examine these projects as they involve unique execution of works with unique prices (the principle of comparability does not work here)
- Costs are artificially blown out of proportion (contractors embezzle money or part of the budget is used for the payment of bribes).

The 2006 study of IOB on corruption in the construction industry

The distribution of corruption in case of construction services



Source: IOB

INTEGRITY PACT

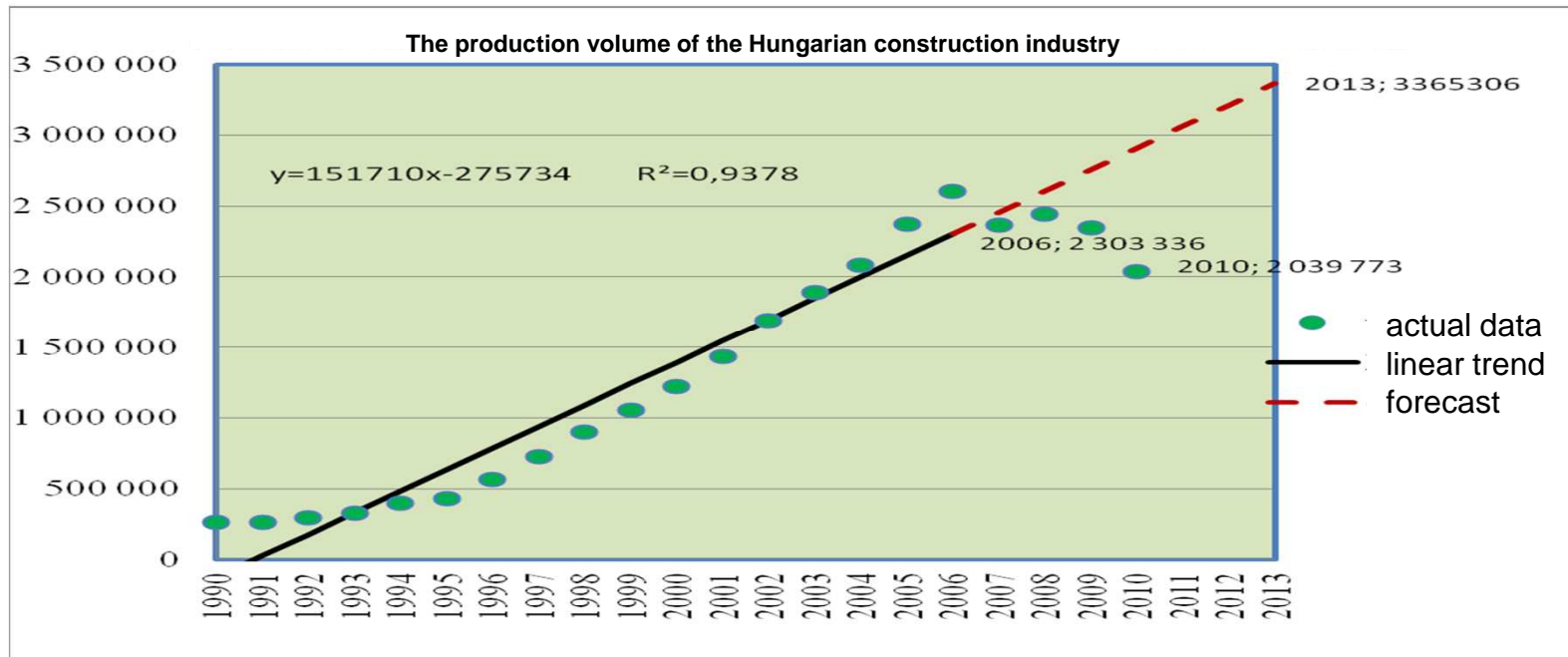


The current situation of the construction industry:

- Delayed EU projects
- Decrease in the investments by the state
- Credit institutions expect investors several times the earlier 10% own funds rate
- The costs of the companies did not follow inflation
- High taxes
- Private investors postpone their projects

Year	Forecast	Actual figure
2006.	2 303 336	2 601 368
2007.	2 455 046	2 367 686
2008.	2 606 756	2 441 330
2009.	2 758 466	2 345 042
2010.	2 910 176	2 039 773
2011.	3 061 886	1 924 622
2012.	3 213 596	n.a.
2013.	3 365 306	n.a.

Production volume from 1990 to 2013



Source of data: Central Statistical Office (KSH)

The questionnaire could be filled in using two methods:

- Internet-based questionnaire: 55 respondents
- In the framework of in-depth interviews: 67 respondents (But 12 persons were not taken into consideration for the results of the survey, as they were accountants and tax consultants of accounting firms who do not work directly in the field of construction industry, and therefore, they cannot be considered as primary and authentic sources).

The time frame for filling in the questionnaires was between 15 October and 23 December 2012

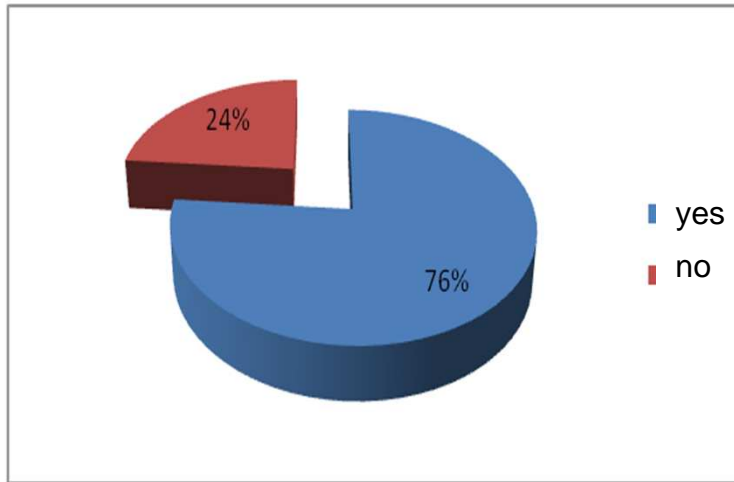
The questionnaires were filled in exclusively by persons working in the construction industry:

- 26 persons working in the fields of finance and accountancy
- 20 persons working in other economic areas
- 38 persons working as architects and engineers in the construction industry
- 2 persons working as technical managers
- 2 persons as students studying in higher education
- 22 persons in other areas not listed

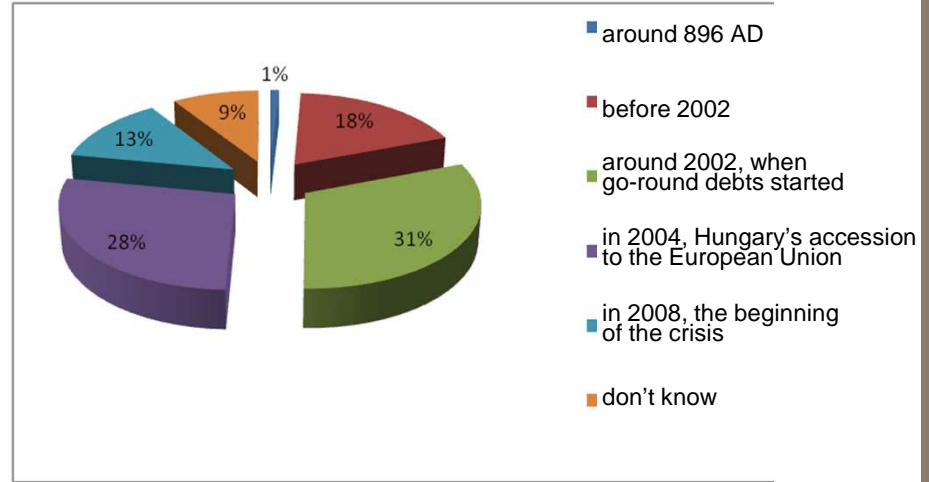
The questionnaires were filled in by persons working in the following positions:

- 12 persons company managers
- 48 persons mid-level managers
- 43 persons working as staff
- 6 persons working as sole entrepreneurs
- 1 person university student

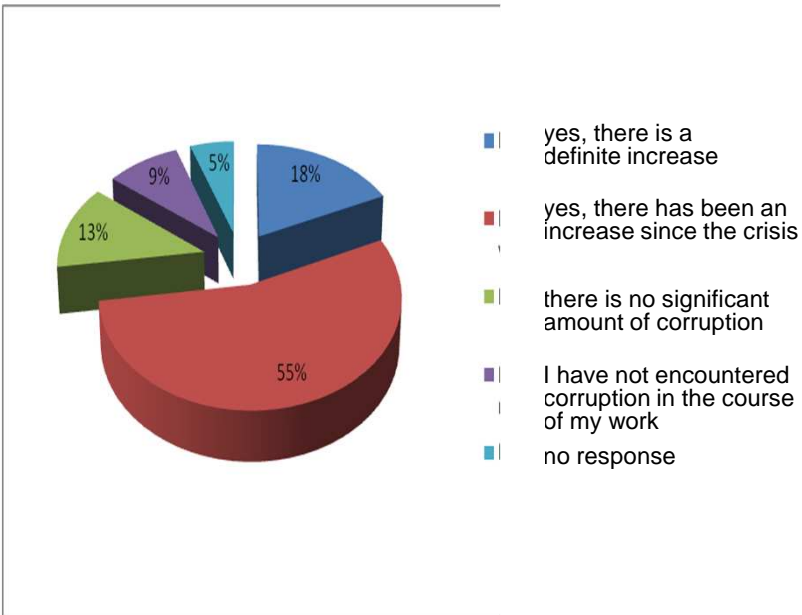
In the course of your work, have you encountered corruption in the construction industry?



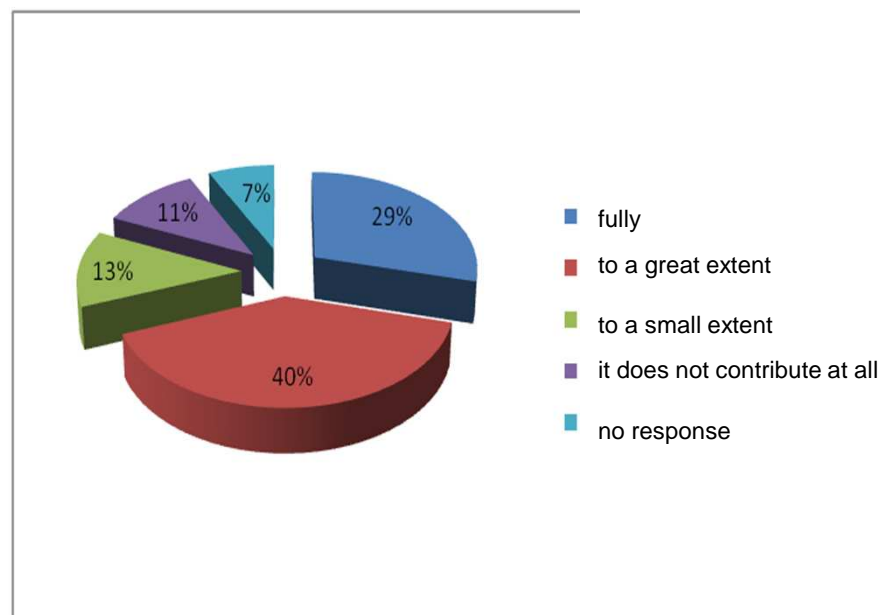
In your opinion, when did corruption in the construction industry start in Hungary?



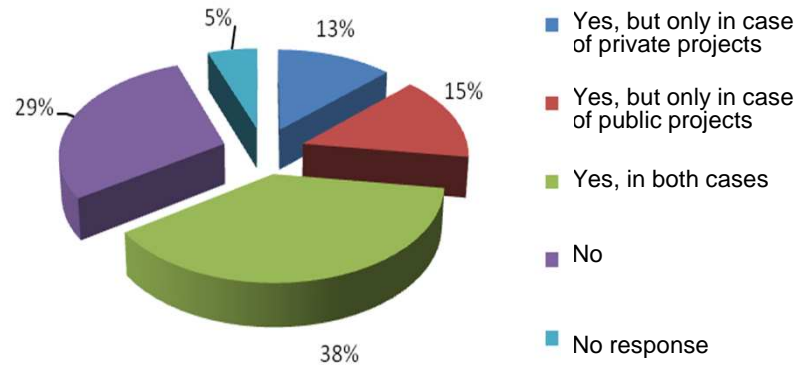
In your opinion, did the crisis further contribute to the spread of corruption?



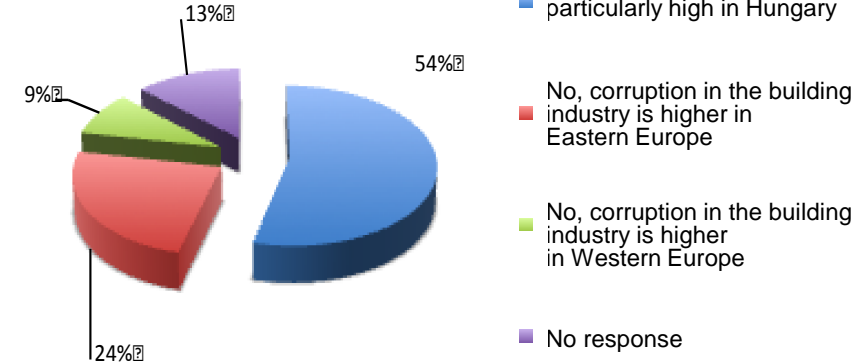
To what extent do you think politics contributes to the maintenance of corruption?



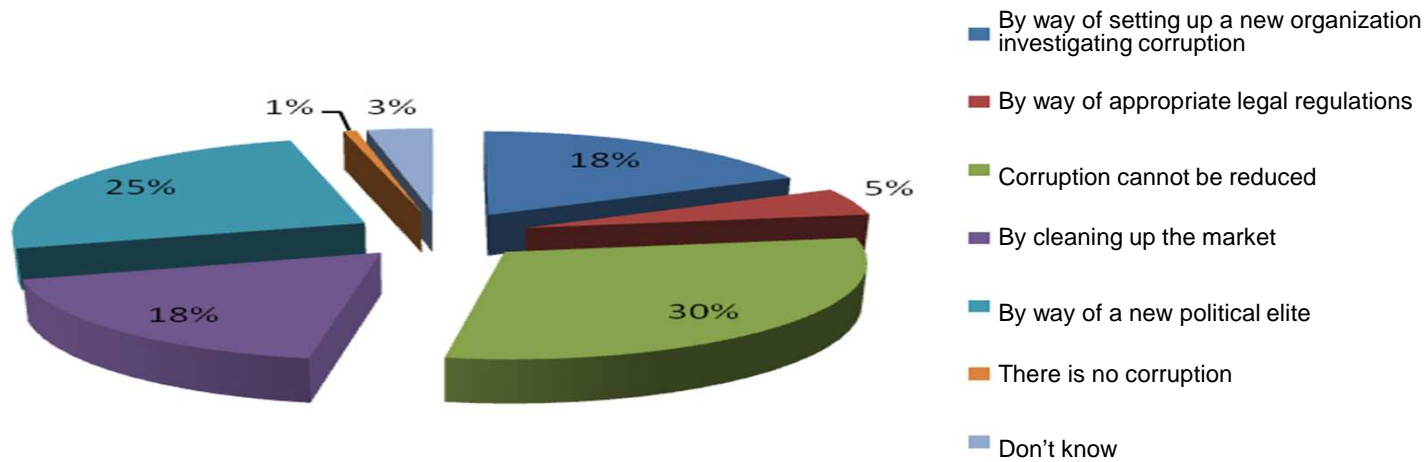
Would you accept work where you have to pay kick-back money to the customer?



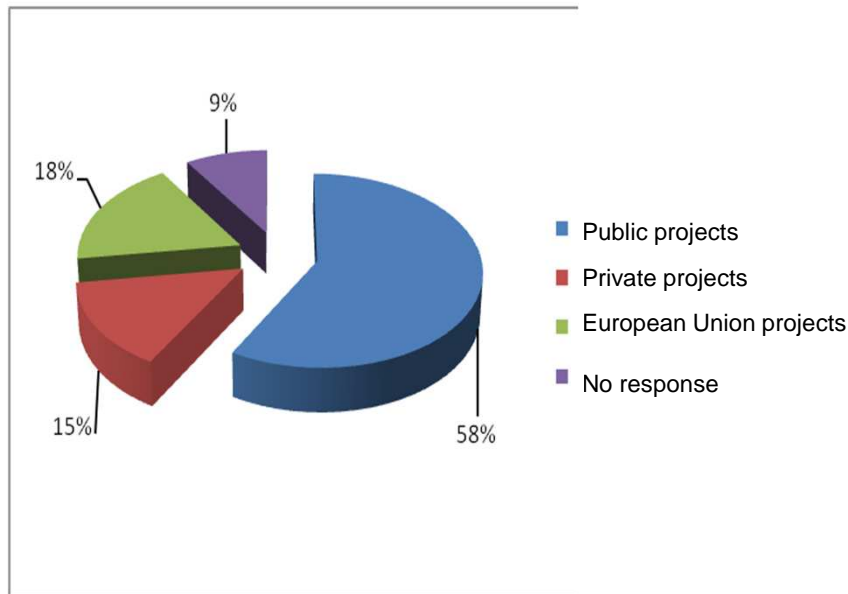
Is the rate of corruption higher in Hungary than in other countries?



In your opinion, how could corruption be reduced?



In case of which types of projects is the risk of corruption higher?



Public projects

Smaller rate → no own sources available

Corruption is present:

- Local governments
- Authorities

Private projects

Forms of corruption:

- The involvement of off-shore companies
- The responsibility of liquidators
- Fictitious invoices
- "Circle of friends"

European Union projects

MHUF 8,000,000 available from funds aimed at reducing disparities

The hotbed of corruption:

- Using a company managing projects
- Increase of political influence

CORRUPTION IN THE CONSTRUCTION INDUSTRY IN GERMANY

Basic data:

- Examining small and medium-sized companies (Leitner, Otto Reischl, M-Haseitl Bau, etc.)
- Number of respondents: 37 persons
- The content of the questionnaire was identical

Findings:

1. According to 100% of the respondents, there is no corruption in the construction industry in Germany.
2. According to 100% of the respondents, politics in Germany is not involved in construction industry tenders.
3. Also 100% of the respondents never encountered corruption.
4. The architects, engineers, financial professionals and company managers who filled in the questionnaires (100% of respondents) said they would never participate in or accept work in which they would have to pay kick-back money.

THANK YOU FOR YOUR ATTENTION!