

ROOM

WITH BENEFITS

Transparency of tourism subsidies
and exposure to corruption
during the epidemic in Hungary

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The study was created with the support of the Transparency International Secretariat in the framework of the Countering Further Distortion of Level Playing Field in Tourism and Hospitality Sector and Beyond Amidst the Pandemic project.

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The manuscript was completed on November 1, 2021.
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ISBN 978-615-6413-00-0

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EXECUTIVE SUMMARY

As a result of closures and restrictions, one of the sectors most severely affected by the pandemic was tourism worldwide, including in Hungary. The epidemic has broken the dynamic growth of the sector and a significant number of workers have left the sector. The government has offered a number of tools to save businesses and employees, on which the state has spent nearly HUF 800 billion in 2020, according to the estimates of the professional top-level organization of the Hungarian Tourism Agency (HTA) Ltd. At the same time, however, the epidemic situation served as an excuse to provide much more substantial, non-normative subsidies from public funds in a form that lacks transparency.

Of the measures taken to assist and relaunch the sector, the Kisfaludy Program's tourism development grants utilized some of the largest amount of funds: in 2020, Kisfaludy2030 Ltd., owned by the Hungarian Tourism Agency Ltd., provided a record amount of direct grants worth almost HUF 219 billion. By mid-September 2021, another nearly HUF 10 billion in public funds had been awarded under the program. The application and distribution mechanisms of the program have been lacking transparency for years. During the epidemic, just when the sector was the most vulnerable, these abuses became particularly apparent. In addition, the direct grants were largely financed by the Economy Protection Fund, which was set up to alleviate the damage caused by the epidemic. It is highly debatable which expenditures have proven to be really necessary and effective in remedying the damage caused by the epidemic.

In this study, Transparency International (TI) Hungary summarizes the development and operation of the support scheme, and the changes that have taken place during the epidemic. Our analysis addresses the shortcomings of the legal system and presents specific cases that most vividly highlight the abuses, and are able

to exacerbate the corruption exposure of the support scheme. In addition to summarizing the experiences, we considered it important to formulate proposals for the improvement of transparency based on lessons learned in Hungary as well as international practice. To prepare this study, we relied on source and data analysis, and conducted semi-structured interviews and background discussions with industry stakeholders.

The following are the reasons why we consider the decision-making mechanisms of the tourism development grants of the Kiszaludy Program to be non-transparent and risky from the point of view of corruption.

Concentration of resource allocation in favor of pro-government actors

While grants were awarded in almost 16,000 cases under the Kiszaludy Program in 2020, the most significant sources went to a narrow circle in which pro-government businesses and municipalities were over-represented. The winners of the 100 largest grants took more than 70 percent of the total amount, about HUF 158 billion. Just a few examples: the facilities of the Hunguest Hotels hotel chain belonging to the interests of Lőrinc Mészáros, won HUF 18 billion, almost a tenth of the record amount of grants allocated in 2020. While the projects of Appeninn Holding received HUF 16 billion in 2020 and 2021 in five different categories. More than 80 percent of the funds provided to municipalities went to cities led by Fidesz politicians. All of this can have a huge impact on market competition in a sector where the vast majority of players are micro and small enterprises. Some companies and projects are recurring winners of the program, while others receive billions in public money as a whole new player in the sector. In addition, in the last two years, hotel developments implemented with large amounts of subsidies are no longer required to be procured in all cases, so the identity of the contractors, i.e. the final beneficiaries of public funds, is not required to be disclosed by the grantees.

Conflicting donor relationships

Among the grantees, companies owned by people directly employed by HTA and employees of the organizations under its supervision appeared year after year, including during the epidemic. We consider this to be a conflict of interest and unethical.

Unknown decision criteria

The permissive regulation allows HTA and Kiszfaludy2030 Ltd., which operates in the subordination of HTA, to allocate public funds without an announced (and transparent) tender. In the case of individual grants, eligibility conditions and evaluators of the applications are not known, despite the fact that the National Authority for Data Protection and Freedom of Information obliged HTA to publish the list of decision makers in 2021. The organization does not clarify in the data published on its website which beneficiaries have received grants from tenders and which ones have received individual grants e. Distributing funds without tendering has been a best practice at the top-level tourism organization since 2018. During the epidemic, a very significant part of the resources – almost a third of all subsidies in 2020, i.e. almost HUF 73 billion according to our calculations – were granted as individual aid under completely opaque conditions. Fidesz-led cities, certain players in the hospitality industry and cross-border tourism businesses have also received significant funding in this construction.

Shortcomings in disclosure of information

The opacity of the program is also apparent from the fact that Kiszfaludy2030 Ltd. publishes less and less details about its financial aspects and decision-making processes year by year. The list of supported organizations and projects on the organization's website is in a form that is not suitable for summarizing the results. It is not possible to identify the winners and the amounts involved in each call. Under the current legislation, however, the final beneficiaries of public funds should be made public, regardless of whether HTA or Kiszfaludy2030 Ltd. considers the awarded and allocated grants as part of a tender or as individual grants.

In order to get acquainted with the application materials, TI Hungary submitted a request to access data of public interest to Kisfaludy2030 Ltd., which, however, refused to respond. TI Hungary is of the opinion that the withholding of data of public interest can be considered a breach of the law. The organization therefore filed lawsuits against Kisfaludy2030 Ltd. in some of the cases that are also included in the study; such as the cases related to the application files of Hunguest Hotels Ltd., Appeninn Hegyvidék Llc., the local government of Felcsút village, Laposá Gasztro Llc. and Laposá Friss Llc. No judgement has been rendered in these legal proceedings by the date this study was completed.

Based on the above, TI Hungary recommends that decision-makers in the tourism industry extend their efforts to make the sector more transparent to the support system as well. They should make the application and evaluation criteria transparent, clear and normative so that public funds for the development and aid of tourism serve the interests of the sector as a whole.

1 | INTRODUCTION

Aim and background of this study

Tourism may very well be the sector hardest hit by the coronavirus crisis. Subsidies in this area are of paramount importance for retaining the workforce and maintaining the competitiveness of businesses. In view of all this, it is not surprising that the sector in Hungary received significantly more state subsidies in 2020 than ever before. Remarkably high amounts of development grants were distributed under the Kiszfaludy Program as well, the press, however, repeatedly reported on cases of suspected abuse in connection with the distribution of funds. The aim of the present study is to examine and summarize the concerns raised in the assessment of tourism development grants. Our study also covers pre-epidemic tourism processes, for in order to assess the current situation, it is inevitable to explore the transformation and reorganization of the market, legal and institutional environment in the years preceding the epidemic. In addition to summarizing the experiences, we considered it important to make recommendations for improving transparency aspects based on the lessons learned.

Methods used in this study and their limitations

We used mainly secondary sources to conduct our analysis. We have collected more than 200 articles and studies on matters and processes concerning tourism subsidies. For our work, we used the data published on the websites of the Hungarian Tourism Agency Ltd. (HTA) and Kiszfaludy2030 Tourism Development Nonprofit Ltd. (hereinafter Kiszfaludy2030 Ltd.) for grants awarded between 2017 and 2021. The data published in the PDF is only suitable for further calculations after an alteration in form. They are also quite limited

in content: based on the data, neither the range of winners associated with each call, nor the purpose of the projects can be identified, so we often had to interpret them on the basis of press information. We also used public company information to find out about the background of the companies involved.

In order to fill in the missing information, we submitted a request for data of public interest in six cases. We requested information partly from Kisfaludy2030 Ltd., partly from some supported organizations. All the supported organizations that we contacted answered our questions, except for Kisfaludy2030 Ltd., who refused to answer, therefore we filed a lawsuit to obtain the necessary data.

In addition to source and data analysis, we organized semi-structured interviews and background discussions. During the preparation of the study, we asked professionals from different backgrounds, top executives of tourism companies, representatives of civil and professional organizations, academic researchers, local government leaders and investigative journalists to share their experiences and forward-looking proposals related to the topic. Between June 1 and September 21, 2021, a total of 10 interviews were conducted and 3 technical discussions were organized with 11 participants. The sensitivity of the topic is shown by the fact that a significant number of participants, 9 out of a total of 21, shared their experiences anonymously. Relevant observations on these conversations are cited in the study. In addition, we sent questions to four relevant organizations: the HTA, Kisfaludy2030 Llc., Appenninn Holding Plc., and the 3rd constituency of Pest County (Fidesz). However, we did not receive a response to our inquiries.

2 | THE PLACE OF TOURISM IN THE NATIONAL ECONOMY

In recent decades – until the coronavirus epidemic – tourism has proven to be one of the fastest growing economic sectors worldwide. As a result of globalization, the rise of low-cost airlines, and the relatively cheap air fares associated with them, international travel has become a socioeconomic phenomenon available to a more people than ever before.¹ The number of cross-border journeys in 2019 exceeded 1.5 billion (for comparison: in 1950, only 25 million tourist arrivals were registered worldwide), and spending amounted to USD 1,700 billion. Tourism accounted for about 10 percent of world GDP, and the sector provided employment for about one-tenth of all workers.² Within global trends, European data show a similar picture: in 2019, tourism and hospitality accounted for 9.5 percent of GDP on the old continent, and the share of employment within the total workforce exceeded 10 percent.³

In Hungary, the economic performance of the sector has also shown significant growth in the last two decades, until the appearance of the coronavirus in the spring of 2020. According to the data of the Hungarian Central Statistical Office (HCSO), the number of guests and guest nights increased significantly, although at a variable rate, except for the period of the global financial crisis of 2008-2010.⁴ Within this, the period between 2013 and 2017 was particularly dynamic, when the number of both guests and guest nights increased at a rate of over 5 percent (yearly, compared to the previous

1 | János Csapó–Katalin Lőrincz (2020): *A turizmus gazdaságban betöltött szerepe és irányai Magyarországon a covid-19 előtt és után. Geometódika* (<https://geometodika.hu/2020/08/23/a-turizmus-gazdasagban-betoltott-szerepe-es-iranyai-magyarorszag-a-covid-19-elott-es-utan/>)

2 | Csapó-Lőrincz, *Ibid.*, referring to data from international organizations.

3 | See World Travel and Tourism data at: <https://wttc.org/Research/Economic-Impact>

4 | See the detailed data of the HCSO: https://www.ksh.hu/stadat_files/tur/hu/turoo17.html

year). The number of guest nights spent by foreigners was markedly higher after 2010 than before; It did not exceed 11 million in any year until 2011, but by 2019 it had approached 15.8 million.

The favorable growth indicators of the sector in Hungary (as well) are weakened by some aspects. The regional and temporal concentration is strong, as 60 percent of tourists chose Budapest in 2019, and Lake Balaton is a popular destination, and tourism is primarily concentrated on the summer months.⁵

All this may contribute to the fact that – according to the HCSO data – the “accommodation and hospitality” sector’s share of the gross value added was only 2 percent even in the peak year, i.e. in 2019, although this is a noticeable increase from 1.6 percent in 2015.⁶ At the level of the national economy, the sector’s share of investment (1.3 percent) and employment (4.2 percent) remained modest, although both indicators increased in the years before the pandemic.

The World Travel and Tourism Council (WTTC) publishes more favorable data on the sector in Hungary than the HCSO:⁷ it estimated the contribution of “travel and tourism” to GDP at 7.8 percent in 2019 and the proportion of people employed in the sector at 9.2 percent of the workforce, i.e. 416 000 people; the former is significantly, the latter is barely lower than the global average.⁸ The difference between the data of the HCSO and the WTTC may be explained by the fact that in the former the so-called multiplier effects are not included under the heading “accommodation and hospitality”. Beyond the accommodation and hospitality services in the narrower sense, the travel and tourism also includes passenger transport, travel agencies, spa visits and sports and leisure activities.⁹

The pandemic and the crisis have broken the previously dynamic growth of the sector worldwide. Added value in the travel and

5 | Csapó-Lőrincz, Ibid.

6 | HCSO (2021): *Helyzetkép a turizmus, vendéglátás ágazatról* (https://www.ksh.hu/apps/shop.kiadvany?p_kiadvany_id=1064040&p_lang=HU); Page 3 table 1

7 | WTTC is a recognized international professional organization and think tank that brings together leading companies in the industry. For more information on their operation, see: <https://wttc.org/About/About-Us>

8 | <https://wttc.org/Research/Economic-Impact>, see country infographics

9 | Cf. HCSO (2019): *Turizmus-szatellit számlák*, 2018. (<https://www.ksh.hu/docs/hun/xftp/idoszaki/turizmszatt/2018/index.html#aturizmus65kaljrulthozzkzvetlenlagdphez>); see Figures 4 and 5

tourism sector – according to WTTC data – fell by almost half in 2020 compared to the previous year, while the number of employees decreased by 61.6 million, or 18.5 percent, during the same period. Some of the older workers were lost “forever” to the sector as they could not or did not want to wait for the forced hiatus caused by the closures and looked for another occupation. And training a new workforce takes time.

The impact of the pandemic was even more dramatic in Hungary: according to the WTTC, while the economy as a whole was in recession of 5.3 percent in 2020, the travel and tourism sector saw a 54.4 percent decline in economic performance. Furthermore, 6.7 percent fewer people worked in the sector than a year earlier.¹⁰ The HCSO published even more dramatic employment data in the “accommodation and hospitality” sector in the narrower sense: the number of employees decreased by 8.5 percent in 2020, which is several times higher than the national average (a reduction of 0.9 percent). Within this, the second quarter saw the largest decline, almost a fifth less people worked in this field then.¹¹ The volume of investments in the sector decreased by 16 percent, which is also significantly below the 4 percent national average.¹²

In many countries around the world, the biggest victims of the crisis were clearly those accommodation and hospitality providers that cater to foreign tourists and are located mainly in metropolitan areas. Everywhere in the European Union, the number of guest nights spent in tourist accommodation has fallen by at least 30 percent. In 2020, Hungary was the seventh worst performer in the EU in this ranking with a decrease of 56 percent, while the three out of the four Visegrád countries (Czech Republic, Poland and Slovakia) all saw a 45 percent decrease.¹³ Within all visitors, the drop in the number of guest nights spent by foreign tourists was even more dramatic at 78 percent in Hungary.¹⁴

10 | See country data (Hungary) on the WTTC interface: <https://wtcc.org/Research/Economic-Impact>

11 | HCSO (2021), Ibid. page 3

12 | HCSO (2021), Ibid. page 3

13 | HCSO (2021), Ibid. page 2 Figure 2

14 | SAO (2021): *A turizmus helyzete a járvány előtt és alatt*. (hereinafter: SAO tourism study) https://www.asz.hu/storage/files/files/elemezések/2021/turizmus_jarvany20210325.pdf?cti=1259; page 6

Data for the first half of 2021 are also depressing. The average room occupancy in hotels in Budapest was 80 percent less than in the first half of 2019.¹⁵ The situation in the country as a whole is slightly better due to the recovery of domestic tourism, but the decline is still significant: in July 2021, the number of guest nights spent in short-stay accommodations was less than half the level of two years ago, and in the first six months of 2021, the revenue of the domestic hotel industry was 69 percent lower than in the first half of 2019. All of this is linked to a drastic decline in international tourism, which – according to experts at Oxford Economics – will only be able to return to pre-crisis levels in 2024.

As the study of the State Audit Office (SAO) points out,¹⁶ the pandemic revealed the weaknesses of the sector. These include the high share of the black and grey economy, low level of technological development and wages, the higher than healthy level of territorial and temporal concentration, and the inaccessibility of services for nationals due to high prices.

The risks of corruption in the sector – which will be detailed in further sections in this study – have already been highlighted – albeit indirectly – by a previous KPMG study on the use of EU funds, commissioned by the Hungarian government. This study concludes that this “area of intervention” has “a strong potential to distort competition”.¹⁷ The authors of the study thus explained that the area was not in the focus of EU funding in previous seven-year budget cycles.

In parallel with the sustained flattening of the epidemic curve, a revival of the tourism sector is expected. Based on the experience of previous crises, leisure tourism can recover first, followed by business and conference tourism. As epidemic awareness has become embedded in people’s thinking, sustainable tourism guaranteeing

15 | Source of the data in this paragraph: MNB (2021): Commercial Real Estate Market Report (<https://www.mnb.hu/letoltes/kereskedelmiingatlan-piaci-jelente-s-2021-oktober-hun.pdf>), page 19-20

16 | SAO tourism study; page 6

17 | KPMG (2017): *A magyarországi európai uniós források felhasználásának és hatásainak elemzése a 2007-2013-as programozási időszak vonatkozásában Beavatkozási terület szintű szakmai elemzések.* (https://www.palyazat.gov.hu/magyarorszag_i_europai_unios_forrasok_elemzese); page 148

safety and hygiene and with a focus on leisure activities – especially domestic tourism – is likely to become more popular in the future than before the epidemic.¹⁸

18 | Csapó-Lőrincz (2020), Ibid, SAO tourism study.

3 | BACKGROUND – THE TRANSFORMATION OF THE DOMESTIC TOURISM SECTOR

In 2016, a proposal projecting a radical reorganization of the institutional system of Hungarian tourism came into the possession of Hvg.hu.¹⁹ The material was written by the Cabinet Office of the Prime Minister and approved by Minister Antal Rogán. The document summarized the reorganization of state tasks in tourism with the aim of achieving more efficient operations and increasing public revenues from the sector. To implement the plan, the proposal envisaged a new institutional structure and a unified tourism concept, citing the significant role of Budapest – at that time still led by Mayor István Tarlós – as well as Lake Balaton, among others. According to the proposal, the new organization to replace Hungarian Tourism Ltd. will be the “central organization related to tourism.” It includes all the other new institutions, coordinates and manages the whole area, and supervises virtually all branches of tourism, from rural hospitality to conference tourism.

The top-level organization was established in 2016: the Hungarian Tourism Agency (HTA) Ltd. under the leadership of Zoltán Guller, CEO. His work – as acknowledged by Zoltán Guller in 2018 – is also assisted by the Prime Minister’s daughter Ráhel Orbán, who graduated in the field of tourism, as a volunteer “occasionally but continuously.”²⁰ In 2018, the supervision of the HTA was taken over from the Ministry of National Development by the Cabinet Office of the Prime Minister, headed by Antal Rogán, who signed the proposal.

With the establishment of the HTA, a new chapter began in Hungarian tourism. During the reorganization, a parallel can be observed

19 | Zsófia Gergely: *Totális központosítást tervez a turizmusban az Orbán-kormány* (https://hvg.hu/itthon/20160203_uj_turizmus_szervezet_orban_kormany)

20 | Bálint Szalait: *Orbán Ráhel is beleszól a turizmus irányításába* (https://index.hu/gazdasag/2018/03/06/orban_rahel_is_beleszol_a_turizmus_iranyitasaba/)

between the institutional and support system, the legal environment, and the changes of ownership of enterprises and real estate related to tourism. To understand the anomalies that have developed during the epidemic, it is worth briefly reviewing the history.

An irresistible offer

From the mid-2010s, a conspicuous positioning began in the tourism sector by actors close to the government, typically in the field of accommodation and port management. Among the new players were a number of well capitalized entrepreneurs in the construction and real estate industries, including the Prime Minister's son-in-law István Tiborcz, his childhood friend Lőrinc Mészáros, as well as their consortium and business partners. István Tiborcz's first major purchase on the shores of Lake Balaton was the acquiring of the Keszthely marina.²¹ At the end of 2014, the company of the Prime Minister's son-in-law bought the rights for operating the port and the lease rights of the related area through the local government for HUF 330 million for 15 years. After the case was made public, István Tiborcz got out, but several actors related to him remained. The CEO of the yacht harbour, for example, is Zsolt Miklós Péter, who held a senior position at Elios Innovatív Ltd., the Prime Minister's son-in-law's former street lighting company investigated by OLAF.²² Through Pannon Tessera Hospitalis Ltd., István Tiborcz also acquired interest in the Helikon and Hullám hotels in Keszthely, which later has fallen into the hands of his former business partner, the owner of the WHB construction group, Attila Paár as well.²³ Later, Tiborcz's BDPST Group acquired 11 hotels, mostly in Budapest.

21 | Babett Oroszi: *Orbán veje és üzlettársai vitorlásokötöt vettek karácsonyra Keszthelyen* (<https://atlatszo.hu/2015/01/21/orban-veje-es-uzlettarsai-vitorlaskikotot-vettek-karacsonyra-keszthelyen/>)

22 | András Bódis: *A NER tényleg bevette a Balatont: mutatjuk a 42 órási projektet* (<https://www.valaszonline.hu/2020/05/29/balaton-szalloda-molo-fejlesztes-tiborcz-garancsanyi/>)

23 | The company is no longer in the interest of Attila Paár, but the renovation of the Helikon Hotel supported by the Kisfaludy Program is carried out by Attila Paár's company, West Hungária Bau Kft., source: Márton Vég: *Közpénzből magánmilliárd: tökéletes NER-körforgás Keszthelyen* (<https://mfor.hu/cikkek/vallalatok/kozpenzbol-maganmilliard-tokeletes-ner-korforgas-keszthelyen.html>)

In the year of the establishment of the HTA, Lőrinc Mészáros also became interested in the hotel business, and the largest Hungarian chain, Hunguest, immediately aroused his interest. The hotel chain formerly belonged to Tamás Leisztinger, known as the oligarch of the left.²⁴ He eventually got his foothold in the hotel chain in 2016, but it was not until 2018 that it was fully absorbed by Konzum Plc., which was then managed by Gellért Jászai and in which Lőrinc Mészáros, former mayor of Felcsút held interests. The stated goal was to establish Hungary's largest tourism company. In 2016, Mészáros acquired one of the most valuable assets of the liquidated Questor Group, the Lifestyle Hotel Mátra in Mátraháza, as well as the Austrian Holiday Resort Kreischberg-Murau, which was sold after the Buda-Cash broker scandal.²⁵ It was at this time that the Ramada in Balatonalmádi, now known as Hotel Bál Resort, was added to the Mészáros Empire. Hunguest has since enriched the portfolio of Opus Global Plc., which belongs to the family of Lőrinc Mészáros.

In 2017, the Balatontourist network, which mainly includes campsites on Lake Balaton, was also added to the interests of Lőrinc Mészáros.²⁶ However, most of the interests have since been sold by the company. Hotel and apartment house developments are underway on several campsites belonging to the group, such as on the campsites in Balatonfüred and Balatonszemes.

A special element in the change of ownership of tourism businesses and real estate in recent years was also pointed out by three of our independent interviewees. Owners of successful tourism businesses often receive an “irresistible offer”, and if they do not accept it, they put pressure on the entrepreneurs to facilitate the sale. For example, the threat of tax inspection may be a “motivating” tool, for which it is not so difficult to find a reason in a sector such as tourism and hospitality, where the grey economy is strongly present, as the SAO's previously mentioned report suggests.²⁷

24 | Gábor Varga G.: *Leisztinger megváltik a Hunguesttől* (<http://nol.hu/gazdasag/20101217-leisztinger-megvalik-a-hunguesttol-918681>)

25 | Dénes Csurgó: *Mészáros köre halmozza a szállodákat* (<https://index.hu/gazdasag/2016/05/26/meszaros.kore-halmozza-a-szallodakat>)

26 | Ákos Keller-Alánt: *Az ellopott Balaton* (<https://magyarnarancs.hu/belpol/az-ellopott-balaton-109188>)

27 | SAO tourism study; page 6

Target date: 2030

The Hungarian Tourism Agency has formulated long-term plans after its establishment: the share of tourism should increase to 16 percent of GDP by 2030. It also set a target of doubling the number of guest nights in short-stay accommodation by 2030.²⁸ Significant resources have been mobilized to achieve these goals, since, as stated in the HTA's since-renewed 2030 strategy: "in recent years, the engine of the sector's development has been EU and state funding."²⁹ By 2020, a total of HUF 569 billion in direct grants was disbursed to various development projects.³⁰ For a long time, EU resources has been the main source of funding in the tourism sector. HUF 257 billion was used within the framework of the EU-funded Operational Programmes – Economic Development and Innovation Operational Programme (EDIOP), Competitive Central-Hungary Operational Programme (CCHOP), Territorial and Settlement Development Operational Programme – aimed at developing the tourism sector between 2016 and 2020.

A significant part of the funds went to the development of Lake Balaton's tourism.³¹ According to Miklós Oláh, vice-president of the Association of Balaton Civil Organizations, research manager of the non-profit Lake Balaton Development Coordination Agency, resources allocated to Lake Balaton were below the national average prior to 2010, as the decision-makers at the time did not consider it worthwhile to finance developments for the short season. "After 2010, the major innovators of the tourism industry started to develop the multi-season Lake Balaton: they wanted to create new seasons by developing its attractiveness, which may result in a 6-8-month season, thus, the spring and autumn occupancy also started to grow, albeit very slowly" – he concludes.

Renovation of accommodations proved to be one of the most important target areas for subsidies. Several of the interviewees interviewed by TI Hungary pointed out that the involvement of external

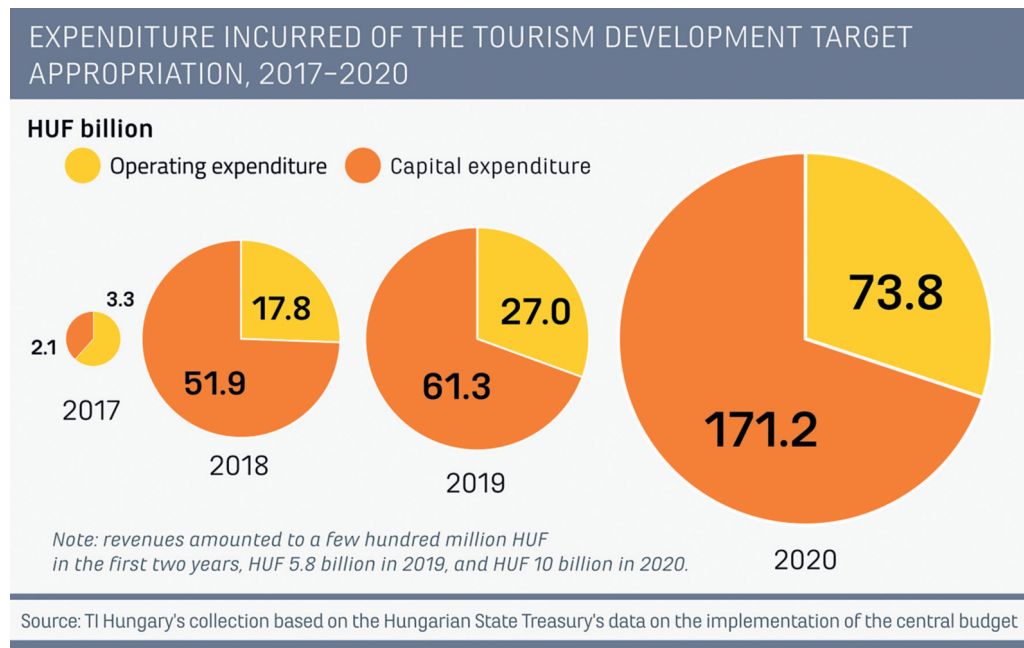
28 | SAO tourism study, page 26

29 | HTA (2021): *Turizmus 2.0*, page 137 (https://mtu.gov.hu/documents/prod/NTS2030_Turizmus2.0-Strategia.pdf)

30 | HTA (2021), *ibid.*, page 137

31 | 1861/2016. (XII.27.) government decision

Figure 1



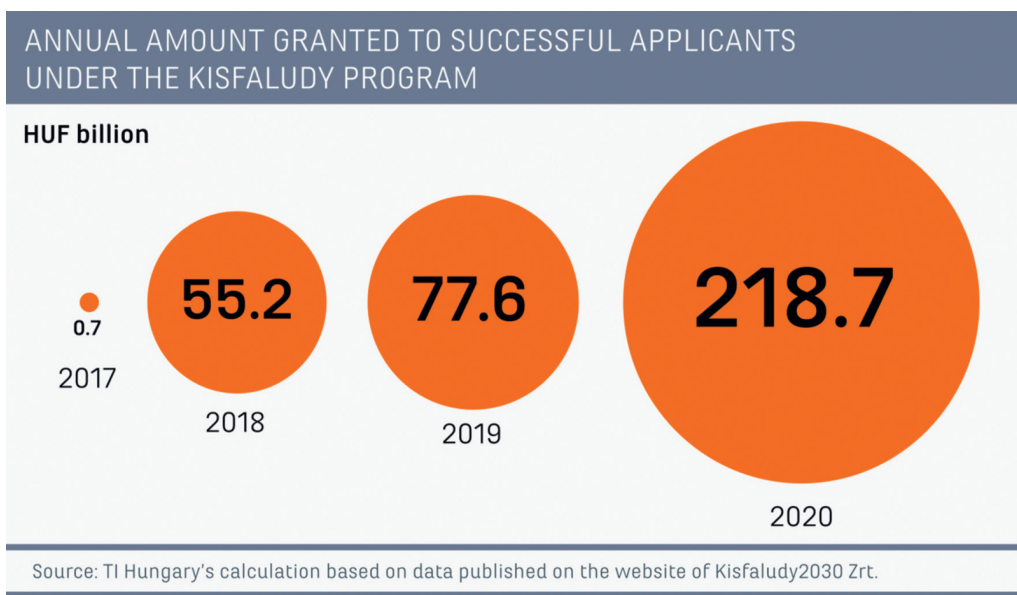
sources is essential in the case of countryside hotel developments. “Today, it is not possible to develop a hotel outside Budapest from our own resources rationally” – said one of our hotel industry sources. In addition to accommodation development, however, the KPMG report³² evaluating the use of EU funds also drew attention to the importance of attraction development, the replacement of skilled labor, cooperation between different organizations and taking into account local specificities.

In 2017, a program even larger than the EU funds was launched mainly³³ from budgetary resources, namely through the so-called tourism development target appropriation.³⁴ It was then announced

32 | KPMG (2017), *ibid.*, page 174

33 | According to the program's website, EU funds can in principle be used (source: <https://info.kisfaludyprogram.hu/programrol/atekintes>), but in some calls for proposals available on the program's website (source: <https://info.kisfaludyprogram.hu/lezart-palyazatok/lezart-palyazatok-archiv>), the central budget, i.e. the tourism development target appropriation, is always mentioned as a source.

34 | The source of tourism development subsidies is the so-called tourism development target appropriation, which defines the items that can be accepted under the title of tourism expenditure. The current amount of the tourism development target appropriation is included in the budget law. (Source: SAO tourism study, page 22)



that the “largest tourism development program of all time”, the Kisfaludy Program, would be launched, coordinated by Kisfaludy2030 Ltd., owned and supervised by the HTA. The program originally envisaged that all accommodation facilities in Hungary would be renovated from HUF 300 billion by 2030; from family guest houses to five-star hotels, but later the construction of new hotels was made possible and the program extended to other areas. In 2017, a limit of HUF 10 billion per year was set as a framework for the tourism target appropriation³⁵, then the threshold was raised more and more³⁶ (Figure 1).

In 2019, almost HUF 80 billion was awarded within the framework of the Kisfaludy Program according to the data published on the organization’s website, while in 2020 awards were made in the amount of almost three times the previous year’s value, HUF 219 billion (Figure 2). A government decision passed in March 2020 provided for the government to spend an additional HUF 581.3 billion on the development of tourism in the period from 2021 to 2027.³⁷

35 | 1549/2017. government decision

36 | 347/2018. government decision, point 7

37 | 1099/2020. government decision

As the Kisfaludy Program grew, more and more suspected cases of abuse came to light. In 2018-2019, pro-government actors regularly appeared among the major beneficiaries. Several projects linked to Fidesz MPs received direct grants, for example a guest house in Hollókő belonging to Zsolt Becsó MP; CDHT Hotel Projekt Llc.; a joint venture between István Garancsi, Zsolt Hernádi and Sándor Csányi developing hotels in Tihany; the castle hotel in Zalacsány belonging to Gábor Széles; and the Andrassy Residence Wine and Spa in Tarcal, a five-star hotel connected to Lőrinc Mészáros and later to István Tiborcz.³⁸

The transparency of the selection criteria has been questionable especially in the case of so-called individual grants, for the award of which there is no publicly available notice. In these cases, it is not known how and through what channels applicants will be informed about these opportunities, and who will decide on the selection based on what criteria. These were the grants awarded by HTA to some of its own consultants as well.³⁹ This is how BDKJ-Real Estate Llc., the company of Attila Paár, the former business partner of the Prime Minister's son-in-law received HUF 1.4 billion for the renovation of the castle in Bodajk. At the time of writing and article about the nature of these subsidies, no decision has been made about this grant, but the investor was so confident in the positive assessment of the application that he had already announced a public procurement so that the renovation could begin as soon as possible. "Even before the coronavirus epidemic, it was known that the HTA had a "bag" of applications where the aspects of subsidies were completely opaque. It was clear that familiarity was the basis on which these resources were allocated, which was a foreshadowing of the current allocation of resources." – explained one of our university sources familiar with the industry.

38 | Márton Vég: *Fideszes képviselők is kaptak több tízmilliós ajándékot* (<https://www.napi.hu/magyar-vallalatok/turizmus-szalloda-palyazat-kepviselo.677703.html>).

39 | Csaba László Horváth – Tamás Mázsár: *Fű alatt osztja az adófizetői százmilliókat a Magyar Turisztikai Ügynökség* (<https://24.hu/belfold/2020/02/26/magyar-turisztikai-ugynokseg-kisfaludy-program-tamogatas-zoob-kati-balatonboglar/>).

4 | MEASURES DURING THE EPIDEMIC

While grants were targeted at the development of the sector in the pre-epidemic situation, public intervention has proved essential to rescue distressed businesses and workers in the sector during the pandemic. The government made many times more of its previous resources available at the time of the epidemic. In his January 2021 annual evaluation video, Zoltán Guller stated that the state had spent HUF 800 billion to support tourism in the previous year. “The measures were aimed at saving jobs and keeping businesses alive” – stressed in the video the CEO of the HTA.⁴⁰ We wanted to ask the organization how much was spent on the various protection measures, but our questions were not answered. The toolkit for rescuing the tourism sector is also presented in the SAO’s study on tourism, but it does not comment on its efficiency or transparency. The Office states however that “the state has a key role to play in crisis management. In the future, this may include the creation of conditions that link the disbursement of support by public funds to the development of the crisis resilience of tourism operators.”⁴¹

Epidemic management toolkit

Extensive disease control measures have included tools to support workers and employers, but the level of benefits, the design of conditions and the transparency have varied greatly. The following is a list of the major measures taken by the government to protect businesses and workers in the tourism sector, in parallel with – and often on the pretext of – the epidemic. The government also referred

40 | Zoltán Guller: *Nyáron indulhat újra a magyar turizmus* (<https://turizmus.com/szabalyozas-orszagmarketing/guller-zoltan-nyaron-indulhat-ujra-a-magyar-turizmus-1173091>).

41 | SAO Tourism study, page 6

to the Kisfaludy Program as an economic protection measure; this is presented separately given its significance.

2020

- From March 1 to June 30, workers in the endangered sectors, such as tourism, have been granted a social security exemption, and employers have been exempted from bearing tax and parafiscal charges.⁴²
- From March 1 to December 31, no tourism development contribution had to be paid.⁴³
- From March 18 to June 30, leases could not be terminated unilaterally by landlords, a moratorium on loan repayment was introduced.⁴⁴
- From April 1 to June 30, a job protection wage subsidy system was introduced for part-time employment, the amount was maximized at 70 percent of the net wage for lost time, 70 percent of the double of minimum wage, and the reduction in working hours had to be a minimum of 15 percent and a maximum of 75 percent.⁴⁵
- The Economy Protection Fund was established on April 6,⁴⁶ providing funding for tourism development subsidies.
- From April 22 (with effect from December 31 2021), no social contribution tax had to be paid on the benefit in kind transferred to the Széchenyi Rest Card⁴⁷, the maximum of the benefit increased.
- From September, Széchenyi Tourist Card Overdraft, which received preferential state guarantee and interest subsidies as well as cost subsidies, was introduced.⁴⁸
- The sectoral wage subsidy was launched in November, under which a subsidy equal to 50 percent of the gross wage of an employed person was granted, up to a maximum of 150 percent of

42 | Government decree 47/2020.

43 | Government decree 47/2020.

44 | Government decree 47/2020.

45 | Government decree 105/2020.

46 | Government decree 92/2020.

47 | Government decree 140/2020.

48 | Portfolió: Megjelent a 0 százalékos kamatozású Széchenyi Turisztikai Kártya (<https://www.portfolio.hu/bank/20200924/megjelent-a-0-szazalekos-kamatozasu-szechenyi-turisztikai-kartya-450052>).

the minimum wage.⁴⁹ The measure has been extended several times until May 31, 2021.

- 80 percent of the loss of revenue from leisure accommodation bookings registered until November 8 has been reimbursed to accommodation providers for the period from November 11 to December 10.⁵⁰
- From November 13, VAT on food and beverages sold for take-away or home delivery has been reduced from 27 percent to 5 percent.⁵¹ The measure was valid until August 1, 2021.
- The deadline for programs and projects implemented from the budgetary support provided at the expense of the central budget has been extended to the same extent as the duration of the emergency.⁵²

2021

- From January 1, companies acting as intermediary service providers (eg. travel agency, event organizer) will be exempted from paying the tourism development contribution.⁵³
- From June, self-employed persons (such as tour guides) who could not receive a wage subsidy could apply for a one-time contribution of HUF 219 000.⁵⁴

Measures have often been supplemented in response to the epidemic, but this has not always been done in a timely and sufficient manner, according to market participants and experts interviewed. For example, the wage subsidy system for the protection of jobs and workers in vulnerable sectors has changed particularly frequently. The government also used the European Union's SURE loan program to finance the latter, amounting to HUF 180 billion in the entire economy.⁵⁵ "The picture of subsidies is mixed; they were certainly not sufficient, nor were they run long enough in time. The amount of

49 | Government decree 485/2020.

50 | Government decree 485/2020.

51 | Government decree 498/2020.

52 | Government decree 709/2020.

53 | Act CXVIII. Of 2020 amending certain tax laws (Magyar Közlöny, No. 2020/261.)

54 | Government decree 310/2021.

55 | Gábor Károly: *Varga Mihály az Indexnek: A GDP 8 százalékát költöttük a védekezésre*

wage subsidies is low compared to other countries. There were not really any resources allocated to operational costs for reopening” – answered a hotel manager requesting anonymity. István Nagy-Szász, Managing Director of CPI Hotels in Budapest, sees the sector suffering most from the unpredictability of the situation and subsidies, as well as labor migration. “The labor market has absorbed people. A third of those who left the hotels and hospitality found a job with better conditions, not only in terms of salary, but also in terms of weekend work and holidays” – says István Nagy-Szász. In hospitality in particular, some businesses operate in the gray area, workers are registered as earning minimum wage, so declining incomes have driven many workers out of the profession who have never returned.

Meanwhile, players in several sub-sectors – such as tour and event organizers or bus and coach companies – have received compensation too late. Self-employed persons not included in the wage subsidy, such as tour guides, temporary accommodation providers (Airbnb)⁵⁶, could receive a one-off compensation.

Development grants

Among the resources allocated for the support and development of the tourism sector, the Kisfaludy Program, in which non-refundable grants from public funds were awarded to an unprecedented extent in 2020, totaling almost HUF 219 billion, stands out for several reasons.⁵⁷ The amount is divided between the program’s calls for proposals summarized below (*Table 1*) and the individual grants already mentioned, which are not subject to transparent conditions and are not included in the calls. Expenditures on individual grants cannot be clearly summarized on the basis of the data published on the website of Kisfaludy2030 Ltd.,⁵⁸ as they do not indicate which grants were awarded under which calls. We asked Kisfaludy2030

56 | ITM: 219 ezer forintot kaphatnak a bértámogatásra nem jogosult önfoglalkoztatók (<https://koronavirus.gov.hu/cikkek/itm-219-ezer-forintot-kaphatnak-bertamogatásra-nem-jogosult-onfoglalkoztatók>).

57 | The table here: https://info.kisfaludyprogram.hu/media/uploads/dokumentumok/lezart_palyazatok/2020/kisfaludy_program_lezart_palyazatok_2020.pdf?v=final2020

58 | The main page of the closed applications: <https://info.kisfaludyprogram.hu/palyazati-informaciok/lezart-palyazatok>

Ltd. about the exact amount of the expenses, but they did not respond to our question. In the absence of an answer, we estimated the available funds for each call based on the list and press releases.

Table 1: Calls for tender of the Kisfaludy program closed in 2020

Title of the call	Budget allocated to the call (HUF billion)	Maximum intensity	Amount of grant (HUF million)	
			minimum	maximum
Kisfaludy Accommodation Development Structure				
Development of private and other accommodations	60.00	100%	1.0	8.0
Development of existing high-capacity hotels and construction of new hotels	20.00	70%	300.0	–*
Development of five-star hotels	0.50	70%	100.0	500.0
Kisfaludy Balaton E-port Development Structure				
Component "A": Establishment of new ports and expansion of existing ports in the prime tourism development area of Lake Balaton	4.00	50%	100.0	1000.0
Component "B": Expansion of existing ports in the prime tourism development area of Lake Balaton	0.50	60%	6.0	30.0
Kisfaludy Spa Development Construction stage IV.				
Development of water slides in Lake Balaton	0.70	100%	–	60.0–100.0**
Renovation of Tourinform offices and information points	0.45	100%	15.0	25.0
Support for tour guides	0.30	100%	0.2	1.0
* The maximum amount of grants may even exceed the amount calculated in accordance with Article 4 (1) (a) of Commission Regulation (EU) No 651/2014.				
** The former in the case of small grants, the latter in the case of investment grants for the development of local infrastructure.				
Source: the website of Kisfaludy2030 Ltd.				

According to our calculations, almost two-thirds of the grants in 2020, HUF 130-140 billion, were awarded under the Kisfaludy Accommodation Development Structure, which means that, almost half of the HUF 300 billion budget announced in 2017 for the period until 2030 was spent in one year. In the call for the development of private and other accommodation with up to 8 rooms, 14,000 accommodation establishments received HUF 41.5 billion in support, a maximum of HUF 1 million could be requested per room.⁵⁹ The

59 | Világgazdaság (S. T.): *Meghosszabbították a magánszálláshely-pályázat elszámolási határidejét* (<https://www.vg.hu/turizmus/2021/03/meghosszabbítottak-a-maganszálláshely-pályázat-elszámolási-hataridejet>).

largest amount of support was announced for the tenders for the development of “high-capacity hotels and the construction of new hotels”, totaling HUF 83.5 billion,⁶⁰ which is more than four times the HUF 20 billion budgeted in the call. An additional HUF 1.5 billion was spent on the development of five-star hotels,⁶¹ so three times the amount announced in the tender was allocated here. However, according to our calculations, the list of 2020 includes a total of HUF 96 billion worth of projects with a title referring to the development and construction of accommodation, each of which received more than HUF 8 million in support.⁶² Thus, we can assume that not HUF 85 billion,⁶³ but HUF 11 billion more support was awarded as development support for high-capacity accommodation and five-star hotels.

The tender for the development of existing high-capacity hotels and the construction of new ones attracted attention not only for its size but also for its unusual conditions: it provided a minimum of HUF 300 million, but potentially an unlimited amount of direct grant for 70 percent of the investment costs of facilities with at least 100 rooms. In addition, instead of more than three months, there was an unusually short deadline of only a few working days for the preparation of the complex application material, as Christmas and New Year also fell into this tight period,⁶⁴ and the tender was suspended before the original deadline. Kisfaludy2030 Ltd. justified this by stating that “the demand of funds for the received applications has reached a multiple of the announced budget.”⁶⁵

60 | Dániel Bitá– Tamás Mázsár: 83 milliárd forintot osztottak ki szállodafejlesztésre, Mészáros és Garancsiék is nagyot szakítottak (<https://24.hu/belfold/2020/05/26/szallodafejlesztes-mtu-magyar-turisztikai-ugynokseg-balaton-meszaros-garancsi/>).

61 | Márton Vég: Rogán Antal ügynöksége 1,5 milliárd közpénzt adott luxusszállodák bővítésére (<https://mfor.hu/cikkek/makro/rogan-antal-ugynoksege-15-milliard-kozpenzt-adott-luxusszallodak-bovitesere.html>).

62 | We can think of this from the fact that private accommodation establishments could receive a maximum of HUF 8 million in development support. Accommodation development projects that received a higher amount could receive support on a different basis.

63 | HTA: Új szakaszába lépett a Kisfaludy Program (<https://mtu.gov.hu/cikkek/uj-szakaszaba-lep-a-kisfaludy-program-1645>).

64 | József Spirik: Gyanús gyorsasággal happolták el a nagy hotelek ingyen milliárdjait (<https://24.hu/fn/gazdasag/2020/01/13/szallodafejlesztes-palyazat/>).

65 | Márton Vég: Mindenki rárepült az állami ingyenzépre – kevés volt a 20 milliárd forint is

In addition to accommodation development, a number of other areas received support in 2020, but within a much more modest framework. Applications for the development of electric ports are worth around HUF 5 billion in the 2020 list. About 10 billion went to beach and water slide development, mainly for municipalities and municipal companies. Almost HUF 1 billion in grants was awarded to folk musicians and gypsy musicians, approximately half a billion to Tourinform offices and an additional HUF 100 million to tour guides.

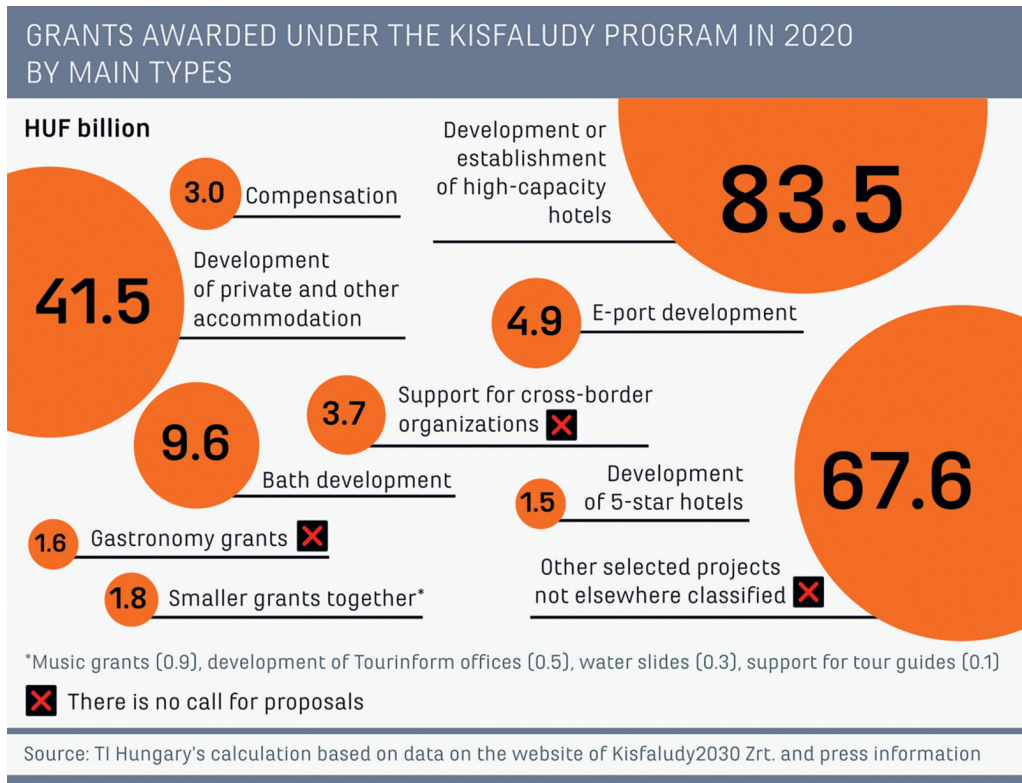
Based on the table of winners, almost HUF 73 billion, i.e. one third of the support awarded in 2020, cannot be attributed to any announced program, therefore we conclude that from this amount the beneficiaries received public funds through individual applications, under unknown conditions. These items include a total of approximately HUF 3.7 billion allocated to cross-border tourism organizations⁶⁶ and HUF 1.5 billion allocated to the hospitality industry, as these were not advertised on neither the previous website of Kisfaludy2030 Ltd. nor the renewed one from the autumn of 2021. The remaining subsidy of HUF 68 billion cannot be clearly categorized, there are for example grants allocated to spas, municipalities and some campsites as well. (We also included in this a questionable HUF 10–11 billion in accommodation subsidies, as the conditions of the application are not known.)

The almost HUF 219 billion included in the 2020 list (*Figure 3*) also includes the 80 percent compensation worth around HUF 3 billion that could be received by accommodation establishments for lost earnings from reservations that could not be used due to closures for the period from November 11 to December 10, 2020. A condition for this was that workers could not be laid down and they were paid even when the accommodation providers or hotels were closed.⁶⁷

66 | Hajnalka Joó: *Ismerős vállalkozók tűnnek fel a határon túlra fizetett milliárdos támogatások körül* (https://hvg.hu/360/20210120_Kisfaludy_Program_hataron_tuli_tamogatások).

67 | Tamás Mázsár: *Mészáros Lőrinc szállodalánca csaknem 300 millió forintot kapott az elmaradt foglalások után* (<https://24.hu/kozelet/2021/01/28/hunguest-hotels-allami-tamogatás-mtu-kompenzacio/>).

Figure 3



In 2021, Kisfaludy2030 Ltd. distributed almost HUF 10 billion in support.⁶⁸ The winners of this year's grants received support for the development of accommodation and hospitality establishments, the development of attractions, the development of infrastructure and other developments, but such tenders for 2021 are not available on the institution's website. In other words, it is not known on what basis the beneficiaries received support, so it is assumed that these were also awarded as individual grants.

In addition, the HTA provided grants directly to some beneficiaries.⁶⁹ In 2021, projects linked to the organisation's own consultants

68 | Based on the list as of September 15, 2021: https://info.kisfaludyprogram.hu/media/uploads/dokumentumok/lezart/2021/kf_2021_lezart.pdf?v=1

69 | A list of beneficiaries was published on the HTA website in the years before 2021 as well. Until 2019, this overlapped with the list of support published on the website of Kisfaludy2030 Ltd., while in 2020 it mainly covered the organizations under its maintenance and the partner organizations.

and to staff members of the institutions supervised by it⁷⁰ appear among the grants listed on a separate list of the agency, amounting to a total of HUF 6 billion,⁷¹ which will be described in more detail later in the case studies. Among the supporters, it is important to mention the Ministry of Finance,⁷² which provided an additional HUF 4.3 billion for the development of 9 hotels and the establishment of 8 guest houses in Pest County.

The amount of tourism development subsidies, which is many times higher than in previous years, has been provided, among others, from the Economy Protection Fund (EPF) set up to alleviate the damage caused by the epidemic.⁷³ It is highly debatable which expenditures were actually necessary and effective in repairing the damage caused by the epidemic. In the spring of 2020, the government reallocated HUF 1,345 billion to the fund from other budgetary resources, but the expenditures far exceeded this later. Payments made from the EPF amounted to HUF 3,628 billion in January 2021, and their exact purpose and source can only be known by keywords. It appears that in 2020 the Cabinet Office of the Prime Minister received HUF 176 billion from the HUF 205 billion allocated to it for tourism development and another HUF 3 billion for the tasks of the HTA, according to the Magyar Közlöny (Hungarian Gazette).⁷⁴ In February 2021, the government decided that the HTA should receive another HUF 12.2 billion from the funds renamed as the Economic Restart Fund,⁷⁵ and then reallocated another HUF 5 billion for tourism purposes.⁷⁶

70 | Csaba László Horváth – Tamás Mázsár: *Turisztikai pénzeső: milliárdok az Orbán Ráhel-közeli ügynökségnek, 70 millió az Echo TV volt vezetőjének*

71 | List of grants for 2021: https://mtu.gov.hu/documents/prod/tamogatasi-szerzodesek_2021.pdf

72 | *Kétmilliárd forintos szállodafejlesztési pályázat indul* (<https://koronavirus.gov.hu/cikkek/ketmilliard-forintos-szallodafejlesztesi-palyazat-indul>).

73 | Government decree 92/2020.

74 | Iván Sztojcssev: *A gazdaságvédelemre szánt pénzeknek legfeljebb a negyede mehetett válságkezelésre* (https://hvg.hu/gazdasag/20210119_gazdasagvedelmi_alap_szamok).

75 | Géza Németh: *Majdnem 150 milliárd került át másik kalapba* (<https://www.napi.hu/magyar-gazdasag/koltsegvetes-oktatas-egyetem-csoportositas.723176.html>).

76 | Géza Németh: *A turizmusra és a hulladékgyártásra milliárdokat csoportosított át a kormány* (<https://www.napi.hu/magyar-gazdasag/atcsoportositas-koltsegvetes-turizmus-hulladekgyartas-kozlony.735390.html>).

5 | CASE STUDIES

In the following, we will look at cases that are a good example of the irregularities surrounding the Kisfaludy Program. The unprecedented amount of grants distributed during the epidemic are allocated among the winners in a highly concentrated manner. An article of Válasz Online showed that half a percent of the applicants took away two-thirds of funds worth approximately HUF 300 billion committed in 2018–2020 for the purpose of accommodation, adventure park and beach development,⁷⁷ the vast majority of which were subsidies distributed in 2020 during the epidemic. Many organizations and projects have received over and over again extremely high amounts of funds, up to several billion HUF in the Kisfaludy Program year after year, while the supported investments can be realized with very little own contribution and therefore at a moderate risk. “The intensity of the whole thing is the craziest part, averaging 67 percent according to the Kisfaludy Program’s website. A support program such as Kisfaludy is unheard of not only in Europe, but in the entire world, that the only risk of a project is whether the tenderer can put it together and organize the subcontractor” – says András Bódis, a journalist at Válasz Online, who has published several investigative articles on Kisfaludy grants and beneficiary companies in recent years.

After the big money was allocated, the “socialization” of the program started in 2020, so for example the accommodation development was extended to smaller private accommodation establishments. András Bódis was informed that in some cases the HTA recruited applicants from tourist publications, who could still re-

77 | András Bódis: *Sokkoló: a kormány az igénylők fél százalékának adta a turisztikai támogatások kétharmadát* (<https://www.valaszonline.hu/2021/02/26/turisztika-tamogatasok-ugynokseg-mtu-guller-zoltan/>).

ceive support based on the invoices of previous renovations. “This is a case of incitement to support, with not a single normative element, deadlines do not matter either. In fact, we see a bottomless bag and we don’t know who makes the decisions and on what basis; this also raises the issue of criminal liability” – he sums up his view. The disproportions of the program were also confirmed by one of our sources in the hotel sector. “A relatively small number of people had access to the really big money. The small players got some too, but not in proportion” – he stressed.

In addition, a significant part of the beneficiaries of hotel and port development and construction subsidies are not even tourism companies, but are mainly engaged in real estate transactions. It is not a condition either that the winner has a background in tourism. One of the most glaring examples of this is the case of a Adventor Hotel Llc., a company of a former soccer player, which was established one day before the high-capacity hotel development tender, but eventually received HUF 8 billion in support from the Kisfaludy Program in 2020. Prior to the announcement of the results, László Szijj, the fourth richest person in Hungary, also known as the consortium partner of the Mészáros family, became one of the owners.⁷⁸

Together, these can have a huge impact on market competition in a sector where the vast majority of players, 98 percent, are micro and small enterprises.⁷⁹ Tourism is typically a sector with a large number of SMEs, so it is important that the state, as a central entity in the economy, paves the way for the sector. But this is not the case at all. There are very serious state interventions in terms of rules, incentives, in terms of funding, but these interventions are not intended to help this sector, which is largely dominated by SMEs, but to support the advocacy of a very narrow range of interests – explained a university lecturer requesting anonymity.

Due to the non-transparency of the grants, TI Hungary submitted a request to access data of public interest to Kisfaludy2030 Ltd. and to several beneficiaries involved in the case studies, from whom it requested information on the application for grants and decision-

78 | Bálint Fabók: Szobánként 77 millió forint közpénzt kap három magyar szupergazdag közös szállodája (<https://g7.hu/kozelet/20200610/szobankent-77-millio-forint-kozpenzt-kap-harom-magyar-szupergazdag-kozos-szallodaja/>).

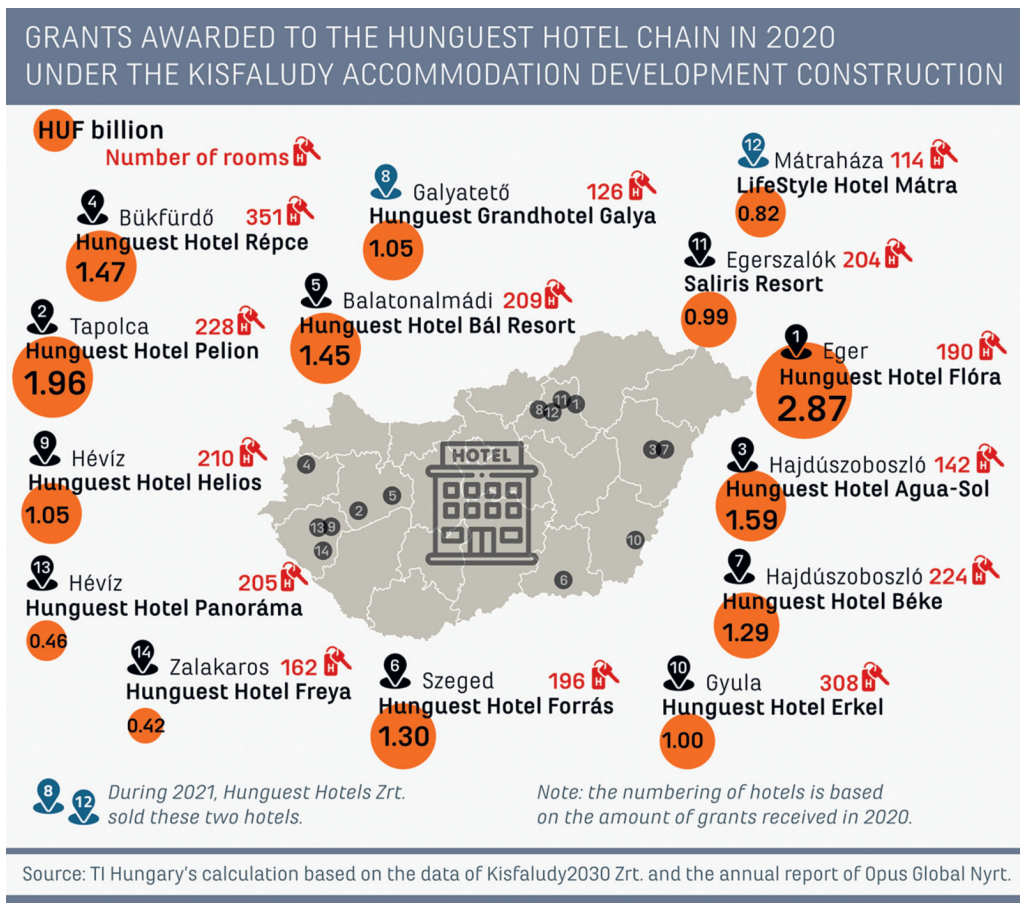
79 | HTA (2021), Ibid., page 59

making. The contacted supported organizations answered our questions, but Kisfaludy2030 Ltd. refused to answer, so we filed a lawsuit to access this information.

Hunguest Hotels

One of the biggest winners of the tourism subsidies in 2020 was certainly Hunguest Hotels Ltd., which belongs to Lőrinc Mészáros. The hotel chain received a total of more than HUF 18 billion in subsidies: HUF 17.7 billion was received for the development of 14 facilities in the group under the Kisfaludy Accommodation Development Structure, supplemented by HUF 300 million in compensation (Figure 4). The company won almost one-fifth of the HUF 83.5 billion budget

Figure 4



to the 2020 financial statement of Opus Global Plc., which owns the chain, “with the start of the renovations in connection with the Kisfaludy program, advances related to the support were obtained in the amount of HUF 8.8 billion at the end of the year”.

One of our sources, who asked for anonymity, pointed out that Hunguest Hotels had already submitted the bulky application files covering 14 hotels on December 23, 2019, just 3 days after the publication of the call for the development of high-capacity accommodation. This was the call that Kisfaludy2030 Ltd. suspended earlier than the original date due to the increased interest, so instead of three months, there was an unusually short time, only 17 days to prepare significant documentation, according to market information. Due to the tight deadline, few were able to enter the competition. “Everyone knew there would be such a tender, but exactly when and under what conditions, only a few would” – said our source requesting anonymity.

As an expectant of billions in subsidies, Hunguest Hotels laid off nearly a third of its employees during the epidemic, although there were plenty of reserves in the company: in addition to the sales revenue of 26 billion in the previous year, they had a pre-tax profit of HUF 3 billion, which was not taken out of the company (Figure 5). In the light of the redundancies, it is particularly interesting that the government considered the Kisfaludy Program to be one of the “measures to reduce unemployment” when it had to list the measures it had taken to reduce unemployment⁸⁰ in order to benefit from the European Union’s so-called SURE program.⁸¹

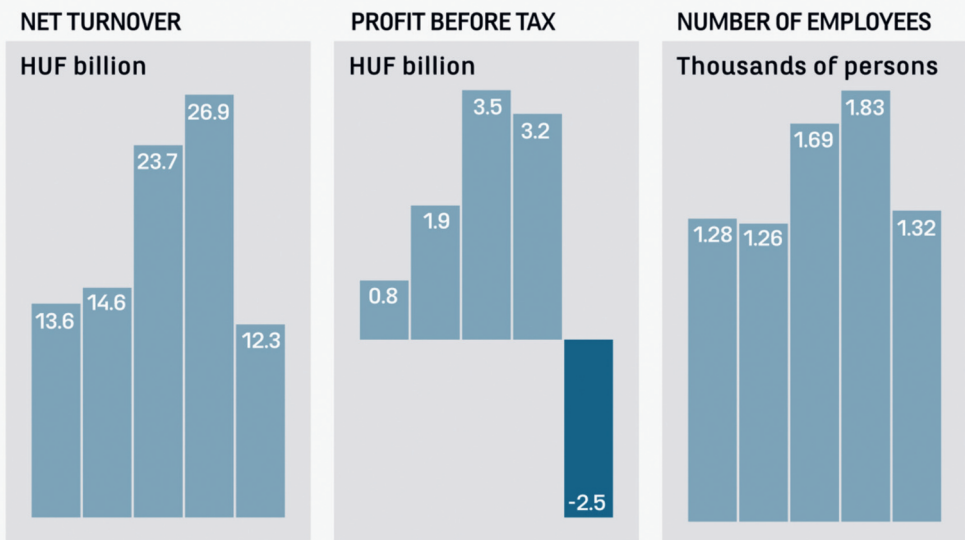
It is an interesting coincidence that, in parallel with the an-

80 | Orsolya Vincze: *Mit adtak nekünk a brüsszeliék? EU-s gazdasági intézkedések a járvánnyal kapcsolatban* (<https://k.blog.hu/2021/05/11/eu-valsagkezeles>).

81 | The SURE program is a European instrument for temporary support to reduce unemployment risks in an emergency. It provides financial support in the form of loans up to a total of EUR 100 billion to EU Member States that need to mobilize significant financial resources to combat the negative economic and social effects of the coronavirus epidemic. Source: (https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_hu).

Figure 5

THE MAIN PROFIT INDICATORS AND NUMBER OF EMPLOYEES OF HUNGUEST HOTELS ZRT., 2016-2020



Source: Opten Kft.

It is an interesting coincidence that, in parallel with the announcement of the support options for the development of high-capacity accommodation, significant relief has been introduced in the Public Procurement Act.⁸² As a result of the amendment, supported organizations where the amount of state support exceeds HUF 300 million (regardless of what percentage of the total project it is and whether the procurement reaches the EU threshold) and where the intensity is less than 75 percent do not have to carry out public procurement.⁸³ In addition to hospitals, schools, buildings for higher education or administrative purposes, this also applies to the construction of so-called leisure and entertainment facilities,

82 | Act CXLIII of 2015 on Public Procurement 5. §.

83 | However, the rule remains that if the total budget of a project exceeds the EU threshold and the aid intensity exceeds 50 percent, and if the total cost of the project does not reach the EU threshold but the aid intensity exceeds 75%, then a person who is not otherwise subject to the Public Procurement Act must also conduct a public procurement procedure.

development of high-capacity accommodation, an intensity of precisely 70 percent has been set.

Therefore in Hunguest, due to the current changes in public procurement provisions, public procurement were not required even in investments made by large amounts of state subsidies. The hotel company has not yet revealed which company or companies it commissioned to renovate the hotels, and how and on what criteria the contractors were selected.⁸⁵ In any case, Épkar Ltd., owned by Szeivolt Holding, carries out the works in the cases of the Grandhotel Galya and the Béke Hotels in Hajdúszoboszló, according to the company's Facebook page.⁸⁶ Szeivolt Holding has common interests with WHB Llc., which is linked to Attila Paár, a member of the business circle of the Prime Minister's son-in-law.⁸⁷ The two companies jointly own Körösaszfalt Ltd. and Magyar Építő Ltd., for example.

There is a lot of interest around subsidized facilities. The Grandhotel Galya has meanwhile been transferred from Hunguest to Galya Top Property Llc., the latter is indirectly owned by Zsolt Komonczi, who is cooperating with the Prime Minister's son-in-law in several other projects as well.⁸⁸ While the Lifestyle Hotel Mátra in Mátraháza and the two Austrian hotels of the Hunguest Group were purchased by the BDPST Group of István Tiborcz.⁸⁹

Club Aliga and Appeninn Plc.

84 | Márton Vég: Szállodaépítések közpénz-milliárdokból, de közbeszerzés nélkül (<https://mfor.hu/cikkek/makro/szallodaepitesek-kozpenz-milliardokbol-de-kozbeszerzesnelkul.html?fbclid=IwAR3Lj5O110D5pjFpU4bNg8f3gaNiibLOMjqlSk3JdCSxWsV2pplZEhd9hIo>).

85 | Márton Vég: Titok, hogy ki tatarozza Mészáros Lőrinc vidéki szállodáit közpénz-milliárdokból (<https://mfor.hu/cikkek/vallalatok/titkolja-meszaros-lorinc-szallodalanca-hogyki-ujitja-fel-kozpenz-milliardokbol-a-videki-szallodait.html>).

86 | <https://www.facebook.com/Epkar/posts/2700022666764482>, <https://www.facebook.com/Epkar/posts/2778064978960250/>

87 | Erika Domokos: Átrendeződés a tenderbajnok építőipari cégeknél (<https://www.napi.hu/ingatlan/atrendezodes-a-tenderbajnok-epitoipari-cegeknel.643600.html>)

88 | András Bódis: Vagyonösszevonás választás előtt: Tiborcz István köre ráúszott a NER-elit javaira (<https://www.valaszonline.hu/2021/08/17/tiborcz-istvan-balazs-attila-adnan-polat-hitelek-vagyonosszevonas/>).

89 | Erika Domokos: Újabb hotel került Mészáros Lőrinc-től a BDPST-hez (Újabb hotel került Mészáros Lőrinc-től a BDPST-hez - Napi.hu).

Appeninn Holding Plc. won almost HUF 10 billion within the framework of the Kisfaludy Program for the development of Club Aliga in Balatonvilágos, which was a resort and port in the socialist era. The amount came to the company in three installments. In 2020, Pro-Mot Llc.,⁹⁰ which is majority-owned by Appeninn Plc., received almost HUF 1 billion; Appeninn Hegyvidék Llc., which was in the meantime renamed Hellnarik Hospitality Llc., received HUF 7.5 billion; then in 2021 they could pocket another HUF 1.3 billion in support. It is planned to build a port in the area called Aligaliget, a hotel with 150-200 rooms, wellness facilities, a conference center, shops, a café and sports grounds as well. The amount of subsidies seems to be extremely high, especially considering that the previous owners of Pro-Mot Llc. obtained the resort complex for HUF 5.5 billion in 2007, then Appeninn bought the company and its real estates for HUF 4.4 billion in 2019.⁹¹

Appeninn Plc. was a joint venture between Lőrinc Mészáros and István Tiborcz until 2020, but both of them left the company in April 2020, before the huge accommodation and port development subsidies were granted. Attila Balázs, the head of the Bayer Construct Group, who has a good business relationship with István Tiborcz's circle, acquired the shares of Lőrinc Mészáros.⁹² Tiborcz's stake was acquired by Dániel Jellinek, known primarily as a real estate investor. István Tiborcz justified the sale of his share with the fact that "he does not want to be the owner of a company that seeks to receive state and municipal subsidies"⁹³, according to our sources however, he was seen several times in the Club Aliga after the sale.

90 | The minority owner of Pro-Mot Kft. is Lexan Aliga Kft., the CEO of which is Zsolt Komonczai. (Source: György Kerényi: *Vagyongkezelő, kormányrendelt, állami milliárdok: már minden szél a Club Aliga felé fúj* (<https://www.szabadeuropa.hu/a/club-aliga-szivek-norbert-allami-vagyongkezelolo/31003180.html>))

91 | Imre Fónai: „A környezethez való jog nem alapjog” – elutasította az Ab a helyiek panaszát a Club Aliga miatt (<https://magyararancs.hu/kismagyarország/a-kornyezethez-valo-jog-nem-alapjog-elutasította-az-ab-a-helyiek-panaszat-a-club-aliga-miatt-239839>).

92 | András Bódis: *Minőségi csere a NER első sorában: Balázs Attila az új üstökös* (<https://www.valaszonline.hu/2020/04/29/bayer-construct-balazs-attila-balaton-kikotoberuhazas/>).

93 | Portfolio: *Tiborcz István: Ezért szálllok ki az Appeninn-ből* (<https://www.portfolio.hu/inatlan/20200422/tiborcz-istvan-ezert-szallok-ki-az-appeninn-bol-427724>).

Appenninn's company papers is signed by Endre Hamar, a lawyer who is also a business partner of Tiborcz, and handles the affairs of BDPST Ltd., which is majority owned by István Tiborcz.⁹⁴

The history of the investment is a good example of the concentration of resource allocation in pro-government circles, while it is still questionable whether the area, which is renovated using HUF billions in public funds, could ever be used by the local population. Club Aliga is not entirely owned by Appenninn. Of the 47 hectares previously owned by the state, 37 hectares were purchased by Pro-Mot Llc., which, for the remaining 10 hectares, received property management rights for 49 years. However, according to the property management contract, a total of 7 hectares of roads, promenades, public parks and piers would belong to the municipality as public space. This should be handed over to the village as a public place under a 2013 contract between the owner and the municipality and a ministerial decree. The area of Club Aliga includes a one and a half kilometers long segment of the 4.5 kilometers long shore of Balatonvilágos. The land registry has not yet registered the municipality's rights of use for the 7-hectare public area in the land register. In addition, in August 2020, the government identified the development of Club Aliga as a project of particular importance for the national economy, which deprived the local government of the right to dispose of and regulate the area.⁹⁵

“The government decree allowed this remaining 10 hectares to be privatized, they want to ban us from here with an investment that was made possible by the subsidies funded by our tax payments – emphasized András Bukovszki, vice-president of the non-profit Aliga Spa Association, which represents local interests. The association is fighting to ensure that the public continues to have access to the coast as a public area, and to that end, to withdraw the priority status from the area. The municipality and the association lodged a constitutional complaint against the government decree, but it was rejected by the Constitutional Court.⁹⁶ At a public forum

94 | Bódis András: Sokkoló: a kormány az igénylők fél százalékának adta a turisztikai támogatások kétharmadát (<https://www.valaszonline.hu/2021/02/26/turisztika-tamogatások-ugynokseg-mtu-guller-zoltan/>).

95 | Government decree 388/2020.

in October 2021⁹⁷, the investor promised that the beach and roads would be available to the public under “regulation,” but did not specify what the regulation meant.

However, some of the lakeside plots in question have been subdivided. “In March, we noticed that the area is no longer listed under a lot number in the land register, but has been divided into 15 lots of 2,000 to 3,000 square meters each, reaching the lakeshore, and there is no promenade in front of it anymore. We heard that these plots are already being sold in the highest circles” – said Enikő Rada, secretary of the Aliga Spa Association. According to Appeninn Plc., although access to the shore would be maintained at certain points, the information on the subdivision of certain lakeshore plots was confirmed; the move was justified by the fact that the sale of the plots would finance most of the investment.⁹⁸ In the light of the almost HUF 10 billion grants awarded for the investment, it is difficult to see what need there is for the anticipated additional revenue from the sale of the waterfront plots.

In addition to Aliga, Appeninn Plc. manages several projects that received grants at the forefront of the Kiszalud Program during and before the epidemic. One of the winners, Solum Invest Llc., which operates the port of Balatonfüred, became partially owned by Appeninn through several intermediaries – from Lajos Simicska’s Közgép to Zsolt Nyerges and then to Dániel Jellinek of Indotek Ltd. – on January 9, 2020, i.e. just two days after the closing of the accommodation grant applications.⁹⁹ The minority owner of the company is the already mentioned Attila Balázs. The hotel, designed by Solum-Invest and receiving support from the Kiszalud Program, is being constructed on the Balatontourist campsite in Balaton-

96 | Constitutional Court 3299/2021.AB on the rejection of a constitutional complaint.

97 | Tamás Mázsaár – Máté Rengei: *Bemutatták a Club Aliga fejlesztési terveit – a legfontosabb kérdésre nincs válasz* (<https://24.hu/belfold/2021/10/07/club-aliga-fejleszt-es-balatonvilagos-lakossagi-tajekoztato/>).

98 | András Zsuppán: *Elsőpri Aliga elvárásolt világát a NER-közeli óriásfejlesztés* (<https://www.valaszonline.hu/2021/06/25/club-aliga-balaton-balatonvilagos-ner-kozeli-oriasfejleszt-es-szocializmus-kadar-villa/>).

99 | Fabók Bálint: *Szédületes tempóban cserélődtek a szupergazdagok a füredi kikötő körül, miközben az ötmilliárd közpénzt kapott* (<https://g7.hu/kozelet/20200803/szeduletes-tempoban-cserelodtek-a-furedi-kikoto-kozul-mikozben-az-otmilliard-kozpenzt-kapott/>).

füred linked to Lőrinc Mészáros. In 2020, Appeninn Plc. became the majority owner of Dreamland Holding as well, through which it gained interest in several projects in Szántód, Tokaj and Visegrád, which also received billions in support in the Kisfaludy Program in 2018–2019.¹⁰⁰ In Balaland, Szántód, the section of the coast that is considered to be a public area according to local regulations, was also closed off, under the pretext of ongoing constructions, but the guests of the already completed apartments could still use the otherwise closed area.¹⁰¹

Together with these items, including Club Aliga, the tourism projects managed by Appeninn have received a total of HUF 22.8 billion in grants in recent years (Table 2).

Pro-government municipalities and Felcsút

While pro-government businesses won big on the Kisfaludy Program, further winners of the really large grants awarded in 2020 during the epidemic were Fidesz-led municipalities. According to an article on G7.hu, out of the HUF 38 billion allocated to local governments,¹⁰² almost HUF 32 billion (about 83 percent) went to municipalities where a mayor from Fidesz was elected in 2019. Overall, in terms of the number of supported municipalities, more non-governmental municipalities – mostly with independent leadership – won than pro-government ones, but they received much smaller amounts in 2020 than the latter. Each settlement received an average of HUF 290 million.

In addition to the issue of political affiliation, these large grants

100 | Károly Csabai: *Megszületett a Balaton új szállodakirálya* (<https://mfor.hu/cikkek/valalatok/a-ner-es-szallodakirallyal-butorozott-ossze-orban-viktor-vejenek-korabbi-erdekeltsege.html>).

101 | Árpád Gyóffy: *Szántód – Balaland – Úgy tűnik, mégis kizárják a pórnépet a Balaton használatából* ([https://www.balantontipp.hu/balaton_i_hirek/szantod-balaland-ugy-tunik-megis-kizarjak-a-pornepet-a-balaton-hasznalatabol/?fbclid=IwAR1IPDwwHkqDAOkg-aONY1dXLkGoVz\]k1KuiAQa9n6GSo\]X\]kHa-hz1Qu56w](https://www.balantontipp.hu/balaton_i_hirek/szantod-balaland-ugy-tunik-megis-kizarjak-a-pornepet-a-balaton-hasznalatabol/?fbclid=IwAR1IPDwwHkqDAOkg-aONY1dXLkGoVz]k1KuiAQa9n6GSo]X]kHa-hz1Qu56w)).

102 | Municipalities and consortia of municipalities are included in the calculation, but municipal companies are not; source: Fabók Bálint: *A fideszes települések közel 500-szor több turisztikai támogatást kaptak, mint az ellenzékiek* (<https://g7.hu/kozelet/20210219/a-fideszes-telepulesek-kozel-500-szor-tobb-turisztikai-tamogatast-kaptak-mint-az-ellenzekiek/>).

Table 2: Winning Kisfaludy-supported projects linked to Appeninn Plc.

Project	Title of the supported project	Supported company	Year of support	Amount of grant, HUF billion
Aligaliget	Development of Club Aliga Hotel and Resort Center	Appeninn Hegyvidék Llc.	2020	7,35
	Development of tourist attractions and services in Club Aliga	Pro-Mot Hungária Llc.	2021	1.30
	Development of the port belonging to the Club Aliga resort area	Pro-Mot Hungária Llc.	2020	1.00
Balatonfüredi Sailing Center	Accommodation Development in Balatonfüred Sailing Center	Solum-Invest Llc.	2020	5.13
	Development of e-port in Balatonfüred Sailing Center	Solum-Invest Llc.	2020	1.00
BalaLand	BalaLandHotel ***** – family hotel in the middle of Lake Balaton	Szántód BalaLand Ingatlanfejlesztő Llc.	2019	3.45
	Development of BalaLand Familypark, a family theme park open all year	Szántód BalaLand Ingatlanfejlesztő Llc.	2018	3.45
Other	Exclusive accommodation development of the Grand Hotel Tokaj *****	Tokaj Csurgó Völgy Ingatlanfejlesztő Llc.	2018	3.45
	Development of Lepence pool and spa	Visegrád Lepence Völgy Strandfürdő Llc.	2019	2.99
	Attraction development of the Tokaj priority tourism development area	TATK Kft.	2019	0.99

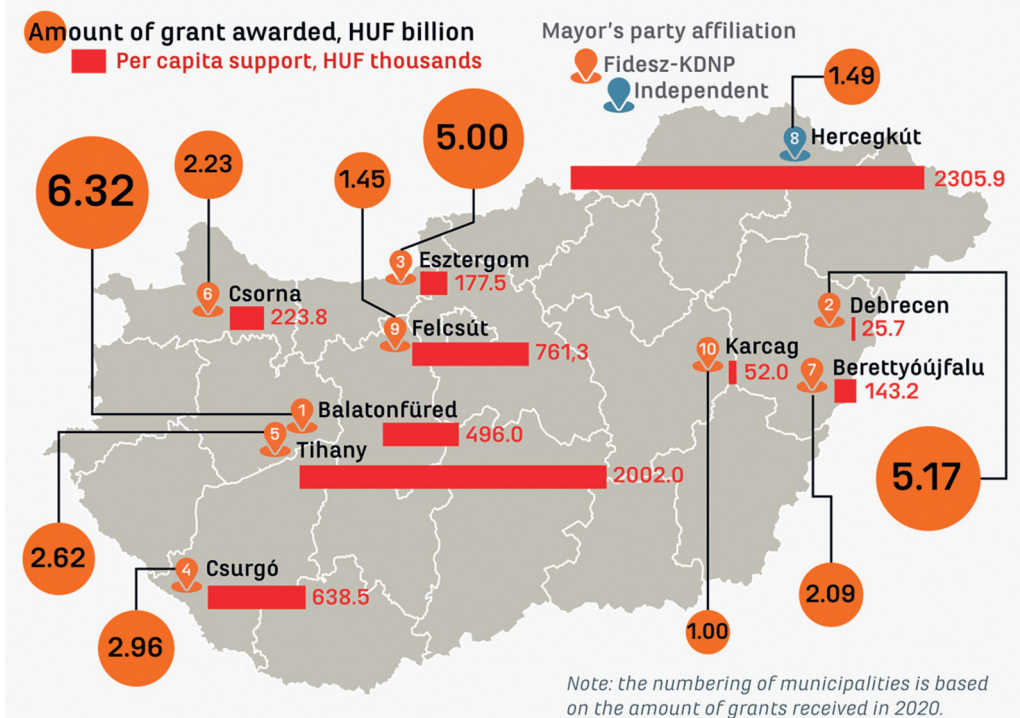
Source: compilation by TI Hungary based on the data of Kisfaludy2030 Ltd.

are also interesting because the municipalities were affected by only two Kisfaludy calls for beach and slide development, with a maximum amount of HUF 30 million and HUF 100 million, respectively, although they could apply with more than one investment at a time. Without exception, the sums of billions were awarded to individual projects that were not linked to any call for tender, so the decision criteria were not known.

Nine of the ten municipalities receiving the most money are

Figure 6

THE 10 MUNICIPALITIES RECEIVING THE LARGEST AMOUNT OF GRANTS IN 2020 FROM THE KISFALUDY PROGRAM



Source: Kisfaludy2030 Zrt., HCSO, TI Hungary collection

Nine of the ten municipalities receiving the most money are Fidesz-led, and the mayor is independent in Herceghát (Figure 6). Balatonfüred won the most money, HUF 6.3 billion, in second place is Debrecen with HUF 5.2 billion (received for the development of the spa and the doll museum), and Esztergom received the third largest amount, HUF 5 billion. Herceghát, which received the highest amount of support per capita, applied for the establishment of a wine tourism theme park.

Felcsút, not exactly known for its significance for tourism, but rather as the birthplace of Prime Minister Viktor Orbán, was among the ten municipalities receiving the most tourism support as well, receiving HUF 1.5 billion for the development of the environment around the local flood peak reduction reservoir for tourism pur-

will use public funds to build a restaurant, a panorama terrace and a sports field at the Felcsút station of the light railway with disputed occupancy, next to the boating lake also established by the use of public funds. According to the technical specifications of the project, the development of the attraction, located only 40 km from Lake Venice, which is much more important in terms of tourism, was justified by “social needs”.¹⁰³ The evaluators of the Kisfaludy grants consider the project so important that in 2019 it already received almost HUF 15 million for the preparation of preliminary studies.

The open public procurement for the construction, carried out in accordance with the national procedure, was won by Fejér-B.Á.L. Ltd., the family company of Lőrinc Mészáros. The local government estimated the work at HUF 916.2 million, their bid was HUF 915.9 million, so they aimed great.¹⁰⁴ It has not yet been announced which company will run the restaurant.

TI Hungary submitted a request for accessing data of public interest to Kisfaludy2030 Ltd. and Felcsút municipality in order to clarify certain issues related to the supported project. We asked the municipality how they became aware of the possibility for grants. In his reply, notary of Felcsút wrote that “the sponsor provided support for the project from domestic resources upon individual request”.¹⁰⁵ The sponsor, i.e. Kisfaludy Ltd., sent a link to the guidelines and announcements valid in the given period as well¹⁰⁶, which, however, does not contain any relevant information about the conditions of individual applications. So, the question of how the municipality became aware of the possibility was not answered. We requested the release of data on the details of the tender procedure from Kisfaludy2030 Ltd., but they replied that the “fulfillment on

103 | HVG: „Társadalmi igény”, hogy közpénzből kilátó és sportpálya épüljön a felcsúti kisvasút melletti csónakázótóhoz (https://hvg.hu/zhvg/20210811_Tarsadalmi_igeny_hogy_kozpenzbol_kilato_es_sportpalyaepuljon_a_felcsuti_kisvasut_melletti_csónakazotohoz).

104 | Marianna Kovács-Angel: A felcsúti kisvasút mellé újabb közpénzes turisztikai attrakció épül (<https://24.hu/fn/gazdasag/2021/07/22/felcsut-to-etterem-meszaros/>).

105 | See more in the reply of the notary of Felcsút, dated 20 September 2021 and sent the same day, which is in the possession of TI Hungary.

106 | The link in question: <https://info.kisfaludyprogram.hu/palyazati-informaciok/utmutatok-kozlemenyek>; Access: 20/09/2021

time would endanger the performance of the tasks related to the management of the tenders announced by Kiszfaludy2030 Tourism Development Nonprofit Ltd. due to the emergency, as well as the management of legal relationships relating to the grants awarded on the basis of legislation”, therefore, they can comply with the data request within 45 days.¹⁰⁷

The Balaton Circle and the HTA consultants

While the hospitality industry has also been hit by the epidemic, there has been no call for restaurants and hospitality establishments under the Kiszfaludy Program. However, hospitality was not completely excluded from the Kiszfaludy Programs of 2020 and 2021, but only those few who were aware of opportunity could apply for individual grants without any tender process.

In 2020, Kiszfaludy2030 Ltd. awarded nearly HUF 1.5 billion in individual support to the forty members of the Balaton Circle and the Stylish Rural Restaurants (SVÉT), which brings together caterers, confectioners and winemakers around Lake Balaton. A scandal broke out in the Balaton Circle over the distribution of money, since not all members received support. Those rejected only found out about the benefits awarded to the other members of the organization when the list summarizing the 2020 subsidies was published on the website of Kiszfaludy2030 Ltd. “People were specifically invited based on a system we did not know, the playing field was not level, members of the association became either category A or category B, which we would never have thought before, as the main driving force of the association was cooperation” – Balázs Tóth, managing director of the BL Yacht Club in Balatonlelle, told 24.hu.¹⁰⁸

Opinions are divided on who might have been on the list and how they got there. Winemaker Bence Laposa however, then president of the Balaton Circle, remained on the list himself, and thus

107 | See more in the reply of Kiszfaludy2030 Ltd. in the e-mail dated and sent on 1 October 2021, which is in the possession of TI Hungary.

108 | Tamás Mázsár: „Nem voltam irigy rájuk, az zavart, hogy a tagtársaik szemébe hazudtak” (<https://24.hu/belfold/2021/05/10/balaton-kor-toth-balazs-laposa-bence-magyar-turisztikai-ogynokseg/>).

his two wine terraces received the largest grant from the Balaton Circle, HUF 71.5 million twice. TI Hungary submitted a request for accessing data of public interest to the two supported companies, Laposa Friss Llc. and Laposa Gasztro Llc. We wanted to know from both companies how they were informed about the possibility of obtaining support. In their identical responses the companies mentioned a form called “Interface for Support Application Submission”¹⁰⁹ available on one of the HTA websites as a source of information. However, this interface does not provide details on the eligibility requirements for obtaining the grant. Another interests of the winemaker received totally almost half a billion HUF for accommodation development in two parts in 2018 and in 2020.

Another piquancy of the case is that Bence Laposa, as previously revealed by 24.hu, also works as a paid consultant for HTA.¹¹⁰ However, he claims “the two have nothing to do with each other, as his mandate does not cover tenders.”¹¹¹ Previously, it was revealed that several reputable HTA consultants’ own business received support while they received payment from the agency. In addition, some grants are awarded on the basis of an individual decision. Pál Rókusfalvy’s companies, Rókusfalvy Birtok Llc. and Rókusfalvy Fogadó Llc., received a total of more than HUF 400 million in development grant in 2020, while the winemaker was acting as a consultant to the HTA. In his response to the press, he denied having to do anything with the decision-making process for grants.¹¹² Companies owned by Zoltán Szabadics, Chairman of the Board of Balaton Shipping Company (Bahart Ltd.), which is supervised by HTA, are also recurring winners of the grants from year to year. Its companies received almost HUF 3.6 billion in four installments – be-

109 | Interface for Support Application Submission: <https://mtu.gov.hu/tamogatas>

110 | Tamás Mázsár: *Borbás Marcsi és Laposa Bence mellett cégvezetéstől eltiltott képviselő is a turisztikai ügynökség fizetett tanácsadója* (<https://24.hu/belfold/2021/05/19/magyar-turisztikai-ugynokseg-mtu-tanacsadok-rokusfalvy-pal-zoob-kati-laposa-bence-borbasmarcsi/>).

111 | Tamás Mázsár: *Laposa Bence: Nincs sem palotám, sem Ferrarim* (<https://24.hu/kozelet/2021/02/18/laposa-bence-interju-badacsony-magyar-turisztikai-ugynokseg-kisfaludy-program-egyedi-tamogatas/>).

112 | Csaba László Horváth–Tamás Mázsár: *Turisztikai pénzeső: milliárdok az Orbán Ráhel-közeli ügynökségnek, 70 millió az Echo TV volt vezetőjének* (<https://24.hu/belfold/2021/09/15/mtu-guller-zoltan-kisfaludy-program-orban-rahel-divatugynokseg-egyedi-tamogatas-kozpenz/>).

tween 2018 and 2021 – within the framework of the Kisfaludy Program¹¹³ and most recently on the HTA's own support list for the construction of an adventure park a winery and guest house, as well as for hotel development.

“It is a completely opaque system: it is not known how much money they manage, who makes the decision, so we filed a lawsuit in the case as well” – says Tamás Mázsár, a journalist at 24.hu, who has been following the development of the Kisfaludy Program for years together with Csaba László Horváth, a journalist at 24.hu. The lawsuit initiated by 24.hu is aimed at finding out who are the members of the professional panel named as the decision maker by Zoltán Guller, head of HTA, who decide on individual grants. In his 2020 interview with Világgazdaság, Zoltán Guller stated in connection with the assessment of individual applications that “HTA will spend less than 2 percent of the managed funds on individual grant decisions by 2030. It is important to note that in these cases we expect the same application documentation as for each call for proposals, and a professional panel will make decision on the applications received.”¹¹⁴ However, according to TI Hungary's calculations, the proportion of projects in the program that received individual grants and are not connected to any call is not 2 percent in 2020, but rather 30 percent, and in 2021, as we mentioned, no new calls were published on the program's website. The decision-makers however were not named by the CEO of HTA: “during the evaluation of the applications submitted outside the tender system, the received documentation is reviewed by HTA's experts on the basis of legal, budgetary and professional aspects, and this professional panel prepares the decision recommendation. At the end of the process, the final decision is made by the CEO of HTA in accordance with the relevant legislation.”¹¹⁵ The National Authority for Data Protection and Freedom of Infor-

113 | András Bódis: *Sokkoló: a kormány az igénylők fél százalékának adta a turisztikai támogatások kétharmadát* (<https://www.valaszonline.hu/2021/02/26/turisztika-tamogatások-ugynokseg-mtu-guller-zoltan/>)

114 | Tünde Sándor: *Egymilliárdos vis maior keret a turisztikai ügynökségnél* (<https://www.vg.hu/turizmus/2020/03/guller-zoltan-egymilliardos-vis-major-keretet-hozott-letre-a-turisztikai-ugynokseg/>).

115 | Tamás Mázsár: *Egy koronavírusos tájékoztató videóból derült ki, hogy a turisztikai ügynökség továbbra is titokban osztja a közpénzt* (<https://24.hu/belfold/2020/04/30/mtu-egyedi-tamogatas-kisvonat-balatonboglar/>).

mation has called on HTA to publish the names of the members of the professional board, but this has not happened since.¹¹⁶

116 | Report of the National Authority for Data Protection and Freedom of Information regarding the non-fulfilled request to access data of public interest of the Hungarian Tourism Agency: https://www.naih.hu/files/Infoszab_jelentes_NAIH-2021-2095-1.pdf

6 | APPLICATION, TENDER, CONFLICT OF INTEREST – REGULARITY OF THE DISTRIBUTION OF GRANTS

Although the website of Kisfaludy2030 Ltd. contains “application information”¹¹⁷ and “closed applications”¹¹⁸ menu, it is not self-evident that the state funds intended for the development of tourism will reach the beneficiaries through a tender process or as a result of a different solution. The basic rules for the transparency of state aid from the state budget, i.e. from public funds, are laid down in the State Budget Act¹¹⁹ and the Transparency of State Aid Act.¹²⁰ The concept of tender is not defined by either of these, which means that the term is used in the ordinary sense by the law.

According to everyday terminology, a tender is a competitive selection process in which all stakeholders, i.e. all potential beneficiaries, can participate under the same conditions. Therefore, the same requirements apply to all participants in a tender, and thus equal opportunities prevail. The decision on the outcome of the tender can only be made on the basis of pre-determined criteria that are known or can be known to all concerned at the time of the tender, the rules cannot be changed midway. Tendering is therefore a restricted procedure in which the discretionary power of the person awarding the grant is limited. These conditions do not apply to grants awarded on the basis of an application, which can be decided with much greater freedom.

In the case of tendering, the sponsor shall address the potential beneficiaries and – depending on the narrower or broader definition

117 | Application information menu at the website of HTA: <https://info.kisfaludyprogram.hu/>

118 | Closed application menu at the website of HTA: <https://info.kisfaludyprogram.hu/palyazati-informaciok/lezart-palyazatok>

119 | Act CXCV of 2011 Chapter 6.

120 | Act CLXXXI of 2007 (hereinafter: the Transparency Act)

of the conditions of the tender – involve a smaller or larger proportion of those concerned in the procedure. By contrast, support granted on the basis of an application follows exactly the opposite logic: the prospective beneficiary contacts the sponsor directly and only the applicant participates in the procedure, so there is no competition.

In the case of the Kisfaludy Program, it is not possible to decide unequivocally whether the often exceptionally large amounts of state aid will be distributed through tenders or outside of the tendering processes. The laws just cited allow for both solutions. As a result of the permissive regulation, neither HTA nor Kisfaludy2030 Ltd., which operates under the former’s authority, is obliged to announce a tender when distributing grants for the development of tourism. Therefore it cannot be criticized from a legal perspective that these grants are made in whole or in part at the request of a prospective beneficiary, to the exclusion of other potential beneficiaries.

TI Hungary considers it probable that Kisfaludy2030 Ltd. did not award the subsidies that attracted significant public attention, such as those received by Hunguest Hotels Ltd. and Appenninn Plc., to the beneficiaries in a tender process. This assumption is supported by the fact that Kisfaludy2030 Ltd. in response to questions submitted by the *Ki mit tud?* (Who knows what?) application – operated by *Átlátszó.hu* with the purpose of submitting requests to access data of public interest – and raised on the support received by these two beneficiaries, stated that “no tender application has been submitted”.¹²¹ Kisfaludy2030 Ltd. did not deny the fact of the support, only its granting through a tender process. In order to find out some details of the grants of the two indicated beneficiaries discussed in this study, including the evaluation criteria and the participants in the evaluation, TI Hungary also submitted a request for accessing data of public interest to Kisfaludy2030 Ltd. As we did not receive an answer to our questions, we filed a lawsuit, which is still pending at the time of completing this study.

121 | Messaging on the *Ki mit tud?* website: https://kimittud.atlatszo.hu/request/hunguest_hotels_tamogatasai#incoming-24983

In other, no less disturbing cases of support, such as in the case of subsidies granted to the municipality of Felcsút, and to the companies linked to Bence Laposa, we also submitted requests for accessing data of public interest. In these cases, we assumed that Kisfaludy2030 Ltd. decided on awarding these grants in a specific procedure, without a tender, at the request of the beneficiaries. The outcome of these requests for information was described in the chapters dealing with these cases.

At the same time, the importance of Kisfaludy2030 Ltd. deciding on subsidies in a tender system or on the basis of individual applications should not be overestimated, as the fate of public funds does not depend on the procedure itself. Let us recall the fate of the grants worth approximately HUF 4 billion awarded by the Bethlen Gábor Fund from the so-called Urban Civic Fund. Although a tender meeting the formal requirements was issued in this case, the adequacy of the procedure is called into question by the fact that in almost all cases, only beneficiaries considered reliable by the governing party received support.¹²² In terms of conflicts of interest and transparency, the legislation actually equates the public funds received by the tender system and by individual application. Under the almost identical provisions of the Transparency Act and the State Budget Act., the data generated during the assessment of both tenders and applications for grants are public.¹²³ In view of this, we can state that Kisfaludy2030 Ltd. breached the law when it refused to release the data of public interest requested by TI Hungary.

However, the series of legal problems do not end here. The Transparency Act also contains conflict of interest requirements, according to which, among others, a person who participated in the procedure for awarding the grant as a decision maker may not receive subsidies. The exclusion extends to close relatives of such persons and to companies owned by any of them – that is, either by the person or by a close relative.¹²⁴ In view of this, it is questionable whether

122 | András Bódis: *Választási Fidesz-alap: megvan, hová tűntek az állami civilpénzek* (<https://www.valaszonline.hu/2021/09/01/varosi-civil-alap-fidesz-valasztokeruletek-lista/>).

123 | See State Budget Act 56 / D. § (1) and § 3 (1) of the Transparency Act.

124 | Section 6 (1) (a) of the Transparency Act.

the grants granted by Kisfaludy2030 Ltd. in the total amount of more than HUF half a billion to beneficiaries employed by the HTA or acting as its consultants – such as Laposa Friss Llc. and Laposa Gasztro Llc. belonging to Bence Laposa, or the companies of Pál Rókusfalvy, also an HTA consultant – does not fall under the prohibition of conflicts of interest imposed by the Transparency Act. In the absence of such an investigation, we will not receive a reassuring answer to the question of conflict of interest, unless we accept the claim of those concerned that the grants allocated to their business interests and their advisory capacity are unrelated as such.

7 | BACKGROUND AREAS

The concentration of grants allocated during an epidemic also causes disproportions. Some sub-sectors and municipalities did not receive benefits, or they received it to a much more modest extent, while in others the increasing level of investments in the tourism sector is causing problems. In the following, we summarize the experiences through the examples of the victims of the inconsistent support system and the accelerating pace of real estate development.

Bleeding them dry

While the hotel industry, for example, has had access to significant resources during the epidemic, some important sectors – also affected by the pandemic and crisis – have apparently been neglected by decision-makers. As with hospitality establishments – and despite previous promises –, no official tender call was made to campsites¹²⁵ under the Kisfaludy Program, only individual grants were awarded.¹²⁶

In the autumn of 2020, HTA issued a tender with a funding of HUF 700 million to compensate the organizers of the cancelled popular music festivals. It was not possible to apply for this on the basis of cancelled events, only on the basis of companies, up to a maximum of HUF 35 million, while the organizers of the most important festivals host several major events. In the end, only HUF 200 million was distributed among the 27 applicants, so the winners

125 | Tamás Mázsár: *A kivételezettek kapják, a többiek egy éve várják a balatoni kempingtámogatást* (<https://24.hu/belfold/2021/04/24/balaton-kemping-tamogatas-mtu/>).

126 | Hírbalaton.hu: *Guller: újabb 150 milliárd forint turisztikai fejlesztésekre, ebből ötmilliárd balatoni kempingekre* (<https://www.hirbalaton.hu/guller-ujabb-150-milliard-forint-juturisztikai-fejlesztesekre-mti/>).

received HUF 7.4 million on average.¹²⁷ The HUF 5.3 billion Warehouse Concert Series, also coordinated by HTA, served to save the popular music sector. However, half of the amount was spent on organization and communication, with the participation of Antenna Hungária Ltd.¹²⁸ In the hope of further support, the Music Hungary Association's popular music umbrella organization submitted a five-point package of proposals, one of the most important points of which would have been the introduction of a 5 percent discounted VAT rate on concert and festival tickets,¹²⁹ but this proposal was rejected by policymakers.

"They bleed the festival sector out not necessarily intentionally, but rather recklessly. There is no such rush here as in hotels. There are no tangible real estates, but hundreds of thousands of people work in it" – said an influential industry player. In his view, subsidies to the sub-sector are disproportionate to the sector's role in tourism, which rivals that of the hotel market. His company also tried to submit an individual application for support to HTA, as 2020 was closed with a loss of more than HUF one billion. He did not receive a formal reply to the request, but it was informally stated that he was not considered desirable among the beneficiaries due to his previous political views. For the support of the tour guides, the entire HUF 300 million budget of the tender call made within the framework of the Kisfaludy Program could not be used by the parties concerned either, barely HUF 100 million was distributed. The profession is mainly concentrated in the capital, while only rural people could apply. HTA first explained all this by saying that "Budapest's guest flow will be the first to regenerate and show a growing trend again".¹³⁰ On the contrary, the pandemic affected Budapest's

127 | HTA Podcast, No 15: *Bértámogatás, 80 százalékos visszatérítés, könnyűzenei fesztiválok támogatása* (<https://soundcloud.com/csodasmagyarorszag/mtu-podcast-15-resz-bertamogatas-80-szazalekos-visszaterites-konnyuzenei-fesztivalok-tamogatas>).

128 | Dávid Sajó: *A nagy raktárkoncerttrükk: segítségbe csomagolt NER-nyomulás* (<https://telex.hu/belfold/2020/10/16/raktarkoncert-antenna-hungaria-konnyuzene-tamogatas>).

129 | Hvg.hu: *Támogatást és kulturális áfát kérnek a fesztivál- és rendezvényszervezők* (https://hvg.hu/kkv/20210215_turizmus_vendeglatas_fesztival_rendezveny_koronavirus_tamogatas_afacsokkentess).

130 | Tamás Mázsár: *Hihetetlen magyarázatot adott a turisztikai ügynökség, miért nem kaptak támogatást a budapesti idegenvezetők* (<https://24.hu/belfold/2020/10/07/budapest-turizmus-idegenvezetok-tamogatasa-mtu/>).

tourism, which is mainly based on foreign tourists, more seriously than in rural locations. The explanation was later modified on the program's website so that Budapest was excluded from funding due to its higher level of development than the EU average. However, this justification does not appear to be valid either, as projects in Budapest also appear from time to time among the individual beneficiaries of the Kisfaludy Program. Thus received the development of the Dorottya Experience Center in the capital in 2019 HUF 3 billion and in 2021 Costes Llc., which operates a Michelin-starred restaurant in Budapest and is linked to Károly Gerendai, also received a grant of HUF 70 million.

SZENTENDRE – STOPPED SUBSIDIES

Szentendre also received individual grants for tourism. The municipality on the banks of the Danube, known as a tourist center, would have been entitled to a HUF 8.2 billion budget under a 2017 government decision to support the development of the Danube Bend. Of this, in addition to the renovation of the church hill that housed the Arpad-era church, the city could spend HUF 2.6 billion for the reconstruction of the Gallery on the Main Square, the reconstruction of the former trading house, and another HUF 2.6 billion for the reconstruction of the Danube Promenade. However, the situation changed after the former Fidesz-led city elected the candidate of the Organisation for the Livable Szentendre as mayor in 2019. HTA suspended payments in 2020, while the condition of the buildings continued to deteriorate, and the church hill and merchant house had to be closed.

Szentendre has also received support for the development of the local spa several times within the framework of the Kisfaludy Program, however, the agency intends to recall the latest support of about HUF 30 million. The mayor of Szentendre, Zsolt Fülöp, believes that options of local governments has been significantly more limited during the epidemic, and not only because of the withholding of taxes. According to Zsolt Fülöp, the president of the local Fidesz constituency also has a say in what developments are supported. "The municipalities have not only been hit by the epidemic, but also by

the government, their options are severely limited, it is about survival for them. In order for any serious development to start, you need to be on good terms with the right comrade” – explained the mayor. As he said, those who stay in the background and do not interfere in matters of national importance can do well in this system. We also contacted Eszter Vitályos, the constituency president responsible for the matter, but he did not answer TI Hungary’s questions about the role of the president of the constituency in awarding grants for local development and whether political considerations were taken into account in decision-making.

Environmental and residential aspects

One of the main targets of investments and development subsidies has been Lake Balaton. Some of the newer investments on the waterfront are accompanied by the destruction of reeds – often without a permit – which has become particularly prevalent in recent years.¹³¹ During the preparations for the BalaLand investment in Szántód, for example, 3,742 square meters of reeds disappeared between June 2017 and May 2018,¹³² but according to the authorities, no cause of reed death was found, so no proceedings were taken. In the case of the Aligaliget project in Balatonvilágos, a study on the environmental impacts of the investment were later initiated by the Somogy County Government Office, although it had previously stated that no reason for the refusal of an environmental permit has risen in connection with the planned development.¹³³ At the same time, it is not necessary to be a big investor in order to break the rules on the lakeshore, the population also prefers to build their own pier or even a tennis court in place of the reeds, as

131 | Hírbalaton.hu: „Még mindig nem értik az emberek mi a tét” – balatoni nádirtások elrettentő szankciók nélkül (<https://www.hirbalaton.hu/meg-mindig-nem-ertik-az-emberek-mi-a-tet-ujabb-balatoni-nadirtasok-nadkarositasok/>).

132 | Márton Vég: Lakóparkok: meghökkentő nyilatkozatot tett Rogán Antal (<https://www.napi.hu/magyar-gazdasag/rogan-balaton-lakopark-onkormanyzat.690724.html>).

133 | András Vas: Csatát nyertek a helyiek Aligán, de háborút még nem (<https://nepszava.hu/3134786-csatat-nyertek-a-helyiek-aligan-de-haborut-meg-nem>).

mentioned by the mayor of one of the municipalities of the shores of Lake Balaton. As soon as you they buy a waterfront plot, they immediately think they have the right to the water as well. I filed 30-40 complaints about it in January, but nothing has happened since” – voiced the mayor of a municipality in Lake Balaton, where they are constantly fighting the destruction of reeds and dredging carried out by the residents. Although the water authority entitled to punish offenders keeps track of these cases, it does not have sufficient financial resources to eliminate the irregularities.¹³⁴

Municipalities are not always opposed to these investments either, as inflows of tax revenue are needed everywhere, especially in the light of the tax removals experienced during the epidemic. Several of our sources in municipal leadership mentioned that their problem is not the lack of development money, but the retention of workforce and the financing of operating costs, while the revenues from tourism are unpredictable. At the same time, the options of local governments in approving investments have become limited, as the power to issue construction permits has been transferred to government offices, they can only follow the changes by local regulations if they know how to do so. “In this economic environment, you have to build, there is money, there is will. The economic environment and the local tourism market are changing at such a rate that it is impossible to follow it with local regulations. It would have to be adjusted annually, which is not technically or financially possible” – explained the mayor of a small municipality on the northern shore. Builders are thus taking advantage of regulatory gaps and the fact that government agencies penalize the investor only in the rarest of cases. That is why some municipalities of Lake Balaton – such as Szigliget and Paloznak – are tightening the municipal development plans and local building regulations to restrict constructions.¹³⁵

134 | Narancs.hu: *Évtizedek óta tudják, hogy lopják a tavat: egy kis „magan Balaton”, stéggel* (<https://magyarnarancs.hu/kismagyarorszag/evtizedek-ota-tudjak-hogy-lopjak-a-tavat-egy-kis-magan-balaton-steggel-241476>).

135 | Györgyi Balla: *„Egy szálloda vagy egy nyaraló nem létszükséglet” – elégük lett a beépítési lázból a balatoni polgármestereknek* (https://hvg.hu/gazdasag/20210712_balaton_epitkezes_szigliget_paloznak).

However, tightening local regulations does not prevent an investment from being declared a priority in the national economy, as has been the case with Club Aliga. According to the act on the regulation of the development of the shore of Lake Balaton,¹³⁶ no building may in principle be located within 30 meters of the lake's regulatory shoreline – except for the pool port and related buildings –, however, if investment is declared a priority, the obstacle to the development of the shore area will be removed. This is also what the locals fear in the case of the port of Csopak. During the reorganization of Bahart Ltd. launched in epidemic, it sold several properties, including the port of Csopak. In the municipality on the northern shore, the local government unexpectedly waived its pre-emption right. The area was bought for 16 times the opening bid, for HUF 889 million, by the new owner, Major Llc., one of the interests of Dömper Llc., which regularly tenders in public procurement, although only 2 percent of the site can be built in until it is reclassified.¹³⁷ According to the locals, it is unlikely that someone will create a public park here for almost HUF 900 million. In any case, the new owner immediately surrounded the area with a fence, so the municipality lost its only port, and the residents lost the last cohesive shoreline that could be visited free of charge. “As in previous years, on the day of the last Blue Ribbon Sailing Race, I recommended to my guests to go ashore to watch the start, because it is a rare sight when there are still 60 boats together on the water. The next question was, but where; I could have sent them only to a paid beach” – recalls Rózsa Szauer, who, in addition to providing accommodation services, is the president of the Women for Balaton Association, which is protesting against the closure of the area among other NGOs. According to Rózsa Szauer, investors often approach investments in Lake Balaton as if “they wanted fur boots but bought flip-flops”, i.e. they want to use an area in a completely different way from its original purpose. This is when the local council would have to intervene, but this happens in the rarest cases – and this was especially true during the epidemic –, just as local civilians are only notified at the last minute of major investments.

136 | Act CXXXIX of 2018 on the spatial planning plan of Hungary and some of its priority areas.

137 | Tamás Mázsár: Kiderült, ki fizetett „értelmezhetetlenül magas árat” a csopaki kikötőért (<https://24.hu/fn/gazdasag/2020/12/20/csopak-kikoto-lanchid-ner/>).

LAKE FERTŐ DEVELOPMENTS – INVESTOR INTERESTS OVERRIDE EVERYTHING

An example of the anomalies in the authorization of large investments is the case of a Lake Fertő tourism development. Within the framework of large state project, an eco-center, a sports center, a hotel, apartment houses, a campsite, a new spa and a port will be built in the environmental protection and world heritage area of the Fertő-Hanság National Park. In 2016, the government earmarked only HUF 7.9 billion for the planned tourism development, but the costs by now have reached HUF 32 billion. The epidemic could not stop the construction either. Mészáros és Mészáros Llc., owned by Lőrinc Mészáros, won the tender worth HUF net 9.4 billion for the construction of the port, the pier and the sewage treatment plant, among others. During the epidemic, the hotel's architectural plans were authorized, and the owners had the thatched-roofed stilt houses – which were listed by UNESCO – in the investment area demolished on their own expense.

Several international and domestic NGOs and the Austrian Ministry of the Environment – which is concerned with the border areas – have protested against environmental damage and for preserving local values. The details of the investment have been investigated by the European Commission due to the Natura 2000 involvement, and by UNESCO and ICOMOS due to the area being a world heritage site. According to the Association of Friends of Lake Fertő, a member of the Great Lakes Coalition, which is a civil initiative launched for the protection of lakes affected by large investments, the development permit does not comply with the legislation in force in several respects. "The local government amended the municipality development plan, increasing the site coverage up to 30 percent in an area that did not even exist. It was originally an area of 12 hectares, the rest will be filled from the dredged mud to the reed site, so there will be an area of 60 hectares, a third of which will be built on" – lists Gyula Major, the head of the association. Investment in a Natura 2000 site that is not related to nature conservation management and has a negative impact on habitats and protected species could only have been made in the overriding public interest, but this is not the case here.

8 | INTERNATIONAL GOOD PRACTICES

The granting schemes of two EU Member States, Austria and Portugal, are set out below as an example of how to regulate support schemes introduced due to the epidemic in a transparent and normative way. In both places, the tourism sector is particularly successful, accounting for a significant share of the economic performance of the countries in question, more than 10 percent of GDP, which is why the effects of the epidemic have been particularly pronounced. Nevertheless, both countries, and Portugal in particular, are characterized by the fact that they do not provide direct subsidies to the companies concerned, but preferential loans with a state guarantee. In Austria, there are also types of direct grants that are available to all companies in the sector. This is complemented by tax incentives for the sector, which benefit not only companies in the industry but broad sections of society as well. The reduction of value added tax (VAT) to 5 percent in the sector was one of these incentives.

Austria

Tourism is an important pillar of the Austrian economy: its direct share was 11 percent of GDP before 2020.¹³⁸ About 244,000 full-time jobs were registered in the tourism-related industries, accounting for 6.4 percent of Austrian employment. The first closures, introduced by Austria on March 16, 2020, have led to a loss of revenue in most tourism-related areas. However, in the summer months of 2020, the tourism sector strengthened again in Austria, so the decrease in the number of guest nights was less pronounced than in

138 | Data for 2019 based on the findings of World Travel and Tourism Council (<https://wtcc.org/Research/Economic-Impact>).

Southern Europe.¹³⁹ The Austrian government has introduced various measures to help both the economy as a whole and specifically to alleviate the situation of the tourism industry.

Among the tax policy measures to support the tourism and cultural sector, VAT was reduced to 5 percent by the end of 2021. This applies primarily to revenue from the sale of food, beverages and accommodation, but it is also applied to ticket sales to theaters, zoos, museums, circuses, cinemas and exhibitions.

Regarding general economic measures, the credit moratorium for individuals and micro-enterprises should be highlighted (although it should be noted that this was ordered by the Austrian government for a much shorter period of time than the Hungarian one). The loan guarantees available to everyone were also a real help. Mention should also be made of the so-called “closure subsidy”, which in November 2020 accounted for 80 per cent of the revenue in the same period last year for accommodations and hospitality establishments, and 20 per cent for retail. This form of support was normatively open to all companies concerned. In December 2020, the maximum support was 50 percent, from January 2021 it was 30 percent, but limit was increased to 45 percent in the third month, for example, as “March bonus”.

Direct grants are available to sole proprietors and micro-enterprises up to a maximum of EUR 30,000. Any company that met the minimum criteria set by the government could apply for these (such as the fact that the company has both its registered office and its principal place of operation in Austria and had no economic difficulties before December 31, 2019). Within five days of the submission, a government expert examined the applications to see if there was a likelihood of harm. If the result of the investigation was positive, the application was forwarded to the appropriate government body, which allocated the amount in three installments.¹⁴⁰ All of these measures are part of a EUR 50 billion COVID-19 recovery package.

139 | Fenz, G. – Stix, H. – Vondra, K.: ‘Austrian tourism sector badly hit by COVID-19 pandemic’, in: Monetary Policy & The Economy Q4/20 – Q1/21 (https://www.oenb.at/dam/jcr:7edfa13d-a743-40ed-914d-f8387f134296/04_mop_Q4_20-Q1_21_Austrian-tourism-sector-badly-hit-by-COVID-19-pandemic.pdf).

140 | Invest in Austria: Support measures for companies affected by COVID-19 (<https://investinaustria.at/en/blog/2020/03/covid-19-support-measures-companies.php>).

Subsidies specifically for the tourism sector – which are specifically targeted at small and medium-sized enterprises operating there – are managed by the Austrian Tourism Bank.¹⁴¹ Here, the bank mainly provided guarantees for bridge loans and paid a maximum of EUR 1 million in compensation to event organizers for missed events. In the event of insolvency of tour operators, the Tourism Bank guarantees the advances paid by travelers. For caterers, a maximum of EUR 20,000 is provided for the creation of outdoor spaces. In addition, all companies in the sector can benefit from the suspension of the payment of loan installments for 2020 and 2021.¹⁴²

Portugal

Portugal is one of the leading European destinations where the importance of tourism in the economy is prominent. In 2019, the tourism sector accounted for 17.1 percent of GDP,¹⁴³ growing twice as fast as the Portuguese economy as a whole. The industry employed 9 percent of the workforce.¹⁴⁴ The effects of the epidemic cannot yet be quantified, but the number of arrivals fell by 70 to 80 percent in 2020 (at the time of the full closures, the decline was 90 to 100 per cent of course).¹⁴⁵ The measures taken by the Portuguese government were normative, and they published the basic requirements and the tender steps in a transparent and well-communicated way as well.

141 | Originally known as Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., its main task is to support economically viable tourism investments with credit products. The goal is specifically to help projects that will generate a high proportion of foreign guest nights (source: <https://www.oekb.at/en/tourism-services.html>).

142 | The presentation of the Austrian measures is based on the chapter on Austria of the United Nations World Tourism Organization (UNWTO) publication 'COVID-19: Measures to Support the Travel and Tourism Sector' (<https://www.unwto.org/covid-19-measures-to-support-travel-tourism>).

143 | Data for 2019 based on World Travel and Tourism Council findings (<https://wtcc.org/Research/Economic-Impact>).

144 | OECD: *Tourism Trends and Policies 2020* (<https://bit.ly/3m46jCK>), page 263.

145 | The impact of the COVID-19 outbreak on the tourism and travel sectors in Portugal: Recommendations for maximising the contribution of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) to the recovery. (https://www.portugal2020.pt/sites/default/files/ccosta_for_ec.covid-19.report_txt.final_.pdf) European Commission, February 2021, page 19

Measures targeting tourism focus on state-guaranteed loans provided through the banking system. This was mainly available for hospitality establishments, travel agencies, event organizers and accommodations, with a separate fund for micro and small enterprises in each category. The loan products can be used for a period of four years, but repayment will not have to start until the end of 2021. The system of financing schemes is quite complex, but the Portuguese tourism agency, Turismo de Portugal, provides online consultation for potential participants. Through this, they provide one-to-one assistance to companies in identifying the support and financing opportunities open to them, and also cooperate with them in applying for these.¹⁴⁶

The Portuguese government has also provided support for the organizers of the events cancelled in 2020, namely by reimbursing the costs incurred. With regard to general support measures for the economy as a whole, it is important to emphasize that Portugal mainly supports start-ups through various funds, specifically with a view to allowing them to start growing after the epidemic. In addition, the payment of loan installments was suspended until September 30, 2021, for both individuals and businesses.¹⁴⁷

146 | COVID-19: *Turismo de Portugal lança medidas de apoio ao setor* (<http://www.turismodeportugal.pt/pt/Noticias/Paginas/turismo-de-portugal-lanca-medidas-apoio-setor.aspx>).

147 | The presentation of the Portuguese measures is based on the chapter on Portugal of the United Nations World Tourism Organization (UNWTO) publication 'COVID-19: Measures to Support the Travel and Tourism Sector'. (<https://www.unwto.org/covid-19-measures-to-support-travel-tourism>).

9 | RECOMMENDATIONS FOR IMPROVING THE TRANSPARENCY OF TOURISM DEVELOPMENT GRANTS

Making the tourism sector more prudent is an important goal according to both SAO and HTA. In its strategy until 2030, the HTA identifies reporting and tax cuts in the sector as a means to achieve that.¹⁴⁸ However, TI Hungary believes that the transparency of the top-level tourism organization's own support system also needs to be thoroughly reformed. The following is a summary of the recommendations that have emerged from preparing the study, processing the sources, discussions with stakeholders and the examination of international good practices. We present our proposals grouped according to the areas of intervention.

Conditions and evaluation mechanisms for calls for proposals

- *Preference for normative instruments:* International experience has shown that forms of support during the epidemic that are available to all actors in a given sector or sub-sector as an automatic right were favored as opposed to targeted support and applications for subsidies based on individual decisions. In particular, high-intensity grants should be avoided. In this way, the distortive nature of state aid on competition can be reduced and possible disproportions can be avoided.
- *Clear application criteria:* practice should be avoided where not all potentially eligible actors have access to the application channel and conditions.

148 | HTA (2021), *Ibid.*, page 68

- *Sound and transparent decision-making mechanisms*: as stated in the cited NAIH report,¹⁴⁹ the composition of the professional panel carrying out the evaluation of grant applications should be published.
- *Reducing conflicting donor relationships*: the beneficiaries must not have interests linked to employees of the HTA.

Transparent communication about grants

- *Transparency in data sharing*: the data on the awarded grants shall be published in such a way that the supported projects and the calls for proposals, or the absence thereof, can be clearly identified on the basis of their content. The data should be accessible to all, clear, comparable from year to year and published in a format suitable for aggregation.

Suggestions for the implementation of the developments

- *Transparent sustainability*: government agencies should also involve independent experts in the evaluation of environmental impact studies, especially when deciding on investments that are of high priority for the government or the national economy.
- *Extensive consultation of development plans*: Regardless of the epidemic situation, local representatives, residents and the relevant non-governmental organizations must be informed in time about investments made from public funds or affecting public areas.

149 | NAIH (2021): *A Nemzeti Adatvédelmi és Információszabadság Hatóság jelentése a Magyar Turisztikai Ügynökség által nem teljesített közérdekű adatigényléssel kapcsolatban* (https://www.naih.hu/files/Infoszab_jelentes_NAIH-2021-2095-1.pdf).