

BLACK BOOK II.



Corruption
and State Capture
in Hungary



Civitas Institute



TRANSPARENCY
INTERNATIONAL
HUNGARY

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FOREWORD

On behalf of Civitas Institute Plc, Transparency International Hungary publishes for the second time as a separate publication a Black Book describing the characteristics and practical implementation of corruption in Hungary. The Black Book II. focuses on the time since the 2018 parliamentary elections, but looks back to 2010 and beyond in the overall assessment.

The Black Book II. consists of two main sections. In the first part of the volume, we present analyzes of the nature, mechanisms and consequences of corruption in Hungary. In this section, you will read about state capture and the destruction of the rule of law, the impact of corruption on economic development, the systemic abuse of the public procurement system and the EU funding system, and, finally, the colonization of the media along political interests.

This is followed by a shorter or longer description of the – in our opinion - most striking cases of corruption since 2018. The cases are divided into five groups, out of which the first five cases are explained in more detail, the others in a concise manner. These case studies confirm that the exercise of public power and corruption in Hungary are intertwined, and that abuses often go unpunished.

In the making of the case reports, we partly used TI Hungary's own investigative, law and research work, and partly relied on public press information. Steps taken to obtain information of public interest, complaints and court judgments in relevant lawsuits are also among the sources for describing cases of abuse.

TI Hungary's position has always been that not only conduct sanctioned by a final court judgement is considered corruption. Any abuse of public power and public trust aimed at unjustified private gain can be classified as corruption. The concept of corruption is therefore used in this broad sense, including the political aspects of the phenomenon and its implications for public finances. We are convinced that the fate of public money must be a matter of public knowledge.

The volume is also enriched by the writings of two internationally renowned scholars, an economist and a legal expert. Daron Acemoglu, professor of economics at Massachusetts Institute of Technology (MIT), discusses the economic damage of corruption, while András Sajó, a former judge at the European Court of Human Rights, looks to the future and examines ways to restore the rule of law.

Although the volume is not an easy read, in our opinion it contributes to getting a reliable picture of Hungary today.

Transparency International Hungary

THE PRICE OF CORRUPTION*

BY DARON ACEMOĞLU

Corruption has a corrosive effect on the market, institutions, and norms.

Much evidence shows that markets allocate resources better and encourage more innovation than central planning. But whether and how markets function, and who benefits from their operation, depends on what types of institutions and social arrangements they are embedded in. Markets have sometimes been captured by powerful interests, which have used monetary transactions as a means of extracting resources from others, for example, when land has been expropriated from indigenous communities in Latin America or Africa in the name of the market economy, or key resources have been monopolized by politically connected individuals. At other times, markets have acted to constrain the worst abuses by political elites, for example, when the erosion of access to labour markets paved the way to the collapse of feudal privileges of medieval political elites.

Corruption undermines modern markets by destroying the true lifeblood of complex economic transactions, a level playing field and trust. When rich or powerful individuals can acquire advantages that push them ahead in the market economy (for example, obtaining procurements or licenses when they should not, or getting their children into undeserved jobs or educational institutions), the playing field becomes tilted, and the allocation of talent needed for complex economic transactions is distorted. Worse, corruption erodes trust in market institutions, with potentially far more damaging long-term consequences. In Latin America, for example, decades of corruption by economic elites have convinced much of the population that markets are inherently unfair and cannot work even when supported by democratic institutions.

* Daron Acemoglu is Institute Professor of Massachusetts Institute of Technology (MIT). This essay was written at the request of Transparency International Hungary.

For similar reasons, corruption also sabotages democratic institutions. Democracy, undoubtedly the political system that provides the greatest voice to regular people, is even at the best of times a fragile institution. It requires the ability of all segments of society to participate in politics, and even more fundamentally, it presupposes their belief that this participation is meaningful and will continue in the future. But such participation cannot truly happen when there is endemic corruption, because corruption swiftly permeates the political process, enabling those with the ability and the right connections to pay bribes to acquire additional political power or even occupy and monopolize key offices. Rampant corruption thus invalidates the belief that every citizen has a voice and a vote that counts.

Perhaps even more consequentially, corruption transforms norms of behavior, sometimes even morphing into what social scientists refer to as “culture of corruption”. When that happens, any pretense of fair play and people rising because of meritorious reasons disappears. As corruption is normalized, it can even come to be seen as the natural state of affairs, something that is part of the essence of a nation that can never be eradicated. Once norms are so damaged, rebuilding institutions, improving markets, and stamping out criminal behavior becomes even harder.

A recent illustration of the costs of corruption in the Western world can be seen in Ukraine, which has some of the highest levels of perceived (and by all accounts actual) corruption in the world. At the time of its independence, Ukraine was slightly richer than neighboring Poland. But since then, Ukraine’s economy has been mired in corruption, leading to three decades of anemic growth, while Poland’s economy has grown steadily and rapidly. As of 2020, Polish income per capita in purchasing power parity exceeds \$34,000, while Ukraine’s hovers around \$13,000.

However, look a little deeper, and corruption, though highly damaging to the Ukrainian economy, is as much as symptom of problems as their cause.

Ukraine has a highly oligarchic system, in which political elites and a few businesses are able to dominate the economy and politics. Corruption in Ukraine is fed by the system, which leads both to high corruption (as politicians are bought and sold), and to low corruption (as bribes change hands for licenses or for other routine matters).

This state of affairs has its roots in the ways in which Ukraine gained its independence, without disempowering Communist Party elites. In this, Ukraine followed the playbook of many other republics of the former Soviet bloc (but notably not Poland or the Baltic republics) where independence

and transition away from communism took place under the leadership of former communist elites who, in many of the countries, reinvented themselves as nationalist independent leaders.

This type of political transition has not worked out well in any of the republics. The situation has been worse in Ukraine because its Communist Party elites, and the oligarchs they helped create and empower in the business world, have been in a constant tussle to gain supremacy and power over their rivals since independence. These elite-dominated politics partially account for the hijacking of Ukraine's two color revolutions by the same oligarchic forces.

There are clear parallels between the experiences of Ukraine and Georgia, where politics during the early phase of Georgia's independence was also dominated by former Communist Party elites. In Georgia, too, this led to an incredibly high level of high and low corruption — there was huge in-fighting between elite groups, both politically and in the streets. But in Ukraine it's been even more persistent and apparently with fewer solutions.

Poland, on the other hand, was able to avoid this fate, partly because independence was spearheaded by its grassroots trade union movement, the Solidarity, as I discuss below. Furthermore, the collapse of the Soviet Union also brought the near-complete repudiation of Poland's communist ruling elite. The country also benefited from the process of accession to the European Union, which strengthened the movement for reforming its institutions and cleaning up corruption. These early reforms have been critical for Poland's phenomenal growth performance.

Poland, however, also emphasizes that after decades of communist rule, and the corruption and lack of civil society organization that this brings, building better institutions will require a long process. Some of the major achievements of Polish democracy, including freedom of media and active civil society participation in politics, are now in danger under the semi-authoritarian rule of the Law and Justice Party. Not coincidentally, corruption is back in Poland.

But the political nature and the pernicious effects of corruption are perhaps better illustrated by another transition economy, Hungary. Hungary was also able to sideline its communist elites during transition and benefited from accession to the EU. It even achieved rapid growth, until EU accession. However, since 2010 it succumbed to an authoritarian, corrupt rule of a single party and a single politician, the Fidesz Party led by Viktor Orbán. All government-critical NGOs are now under constant pressure, most of media has

been captured by the ruling elite, and even most of universities are now under direct government control.

Corruption has skyrocketed in Orbán's Hungary, mostly orchestrated by the Fidesz Party itself. This is most clearly visible in the ways in which European Union funds are used and misused. The Hungarian experience also underscores that we cannot pin our hopes on external forces, in this instance the European Union, for institutional reform or stamping out corruption. Although EU accession was useful in energizing political reform in Poland and Hungary, today EU funds feed corruption, and their protestations and limited sanctions do not seem to change the internal dynamics in either country.

*

If corruption is a symptom, then it is apparent that one cannot change political institutions by just tackling corruption. Fighting corruption has to be undertaken in the context of a broader effort to build better institutions. But how can this be done?

This is, in some sense, the topic of my recent book with James A. Robinson, *The Narrow Corridor*.

The key focus of the book is on liberty and institutions that support it. But the thesis is relevant for understanding the development of other aspects of inclusive institutions — institutions that can support democratic governance, societal participation and economic fairness.

These types of institutions cannot be imposed by top-down laws. They cannot be designed by political, economic or even technocratic elites. It cannot be done by (civil) society going its own way, ignoring and evading laws. It necessitates a balance between state and society, between non-elites and elites, between laws and protests.

In the book, we developed these ideas both conceptually and in the context of the history of the last 3000 years. Here, I would like to share the basic conceptual framework of the book, which I will then use to discuss how corruption can be confronted.

The main thesis of the book can be summarized with a figure, which I borrow from there.

This figure showcases the forces that shape the long-run evolution of different political systems. It focuses on two characteristics of different political and social systems. On the horizontal axis, we have the power of society, meant to capture the ability of society to organize collective action, act ac-

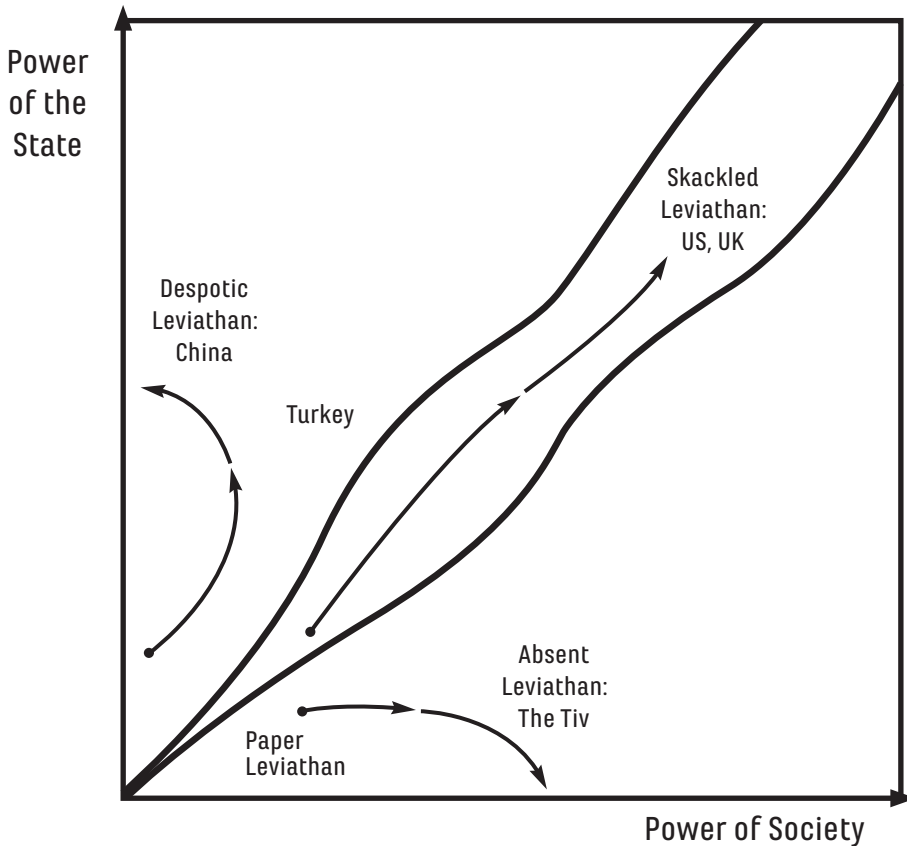


Figure 1 | The framework from *The Narrow Corridor*

According to its norms and values, participate in politics and most importantly withstand efforts by the state and elites to impose schemes on it. On the vertical axis, we have the power of the state, representing the capacity of state institutions and the power of economic and political elites controlling the state and commanding the key places in the economy and politics. State power has both a repressive element (the more powerful the state is, the more it can silence opposition and society at large) and an organizational aspect (the more powerful the state is, the more it can provide public services, collect information, resolve disputes, and deal with societal problems).

In our framework, state-society relations determine the nature of political power. This is summarized by the three regions depicted in the figure. In the region on the left, we have the “Despotic Leviathan”, where the state is

despotic in the sense that it can implement policies or impose its wishes without input from society. The dynamics, represented by the illustrative trajectory, are inexorably towards lower levels of societal power — and indeed, the trajectory moves gradually towards the vertical axis, where society's power against the state reaches a minimum. These dynamics are reminiscent of a simplified version of Chinese political history, where state, bureaucratic and elite power has typically been much greater and has consistently undercut society's organization and political participation.

This is a situation of imbalance, but it isn't the only one. Its polar opposite is where the state and its institutions are weak. This opposite configuration, which we dubbed "Absent Leviathan", is best illustrated by political and social arrangements among small-scale or stateless societies. For example, the Tiv in central Nigeria illustrate how a very different social arrangement, without third-party enforcement of laws and strong norms against hierarchy, can endure for long periods of time. Though this alternative arrangement avoids the despotism of elites and state institutions, it does not enable the development of better public services and dispute resolution, and generally prevents economic and social development.

More interesting is the region in the middle, the narrow corridor. This corridor is defined by a balance of power between state and society. The trajectories in this region look very different than those outside of it. While those outside involve one side ultimately becoming stronger at the expense of the other, inside the corridor state and society can simultaneously gain capacity and strength. This, we argue, is the hallmark of a different type of state and the different nature of political power, and we label it the "Shackled Leviathan" to capture the notion that the state is still strong, but it is monitored and controlled by society and ultimately by democratic institutions.

The heart of our theory is that true democratic participation and liberty, as well as economic incentives encouraging innovation and experimentation, can only flourish within the corridor. The corridor itself, though precarious at the best of times, can be bolstered by societal mobilization and participation. Institutions matter, but a cleverly-designed constitution or the right set of institutions are never sufficient to protect the corridor, nor are they a true bulwark against threats to democracy. Put simply: democracy is seldom given to the people; it is often taken and almost always in need of defense by the people.

In the book, we provide several historical and contemporary examples of how countries enter into the corridor and sometimes how they leave it. Here,

let me illustrate these ideas by returning to Poland's political economic reform process after the fall of communism.

Some commentators interpret the success of Poland as a libertarian miracle with rapid liberalization of markets and shock therapy. This is indeed the sort of policy reform that many Western economists and policymakers who descended on Warsaw after the fall of Berlin Wall wanted to implement.

But reality is more complex. What James Robinson and I argue in *The Narrow Corridor* is that much more important than the shock therapy was the political process that made the reform process more legitimate. So it was critical, even if going against the wishes of Western experts, that the Solidarity and broader societal mobilization prevented some of the more extreme market reforms. There was broad-based societal mobilization. Strikes skyrocketed. There were protests, demonstrations and societal action everywhere. In response, the government had to bring trade unions in, allocate more resources to the state sector, introduce a personal income tax, and take the edge off of shock therapy. This provided legitimacy to the reforms, and got society on board.

This type of political mobilization did not take place in the early phases of the transition away from central planning and Soviet rule in Georgia or Ukraine, stacking the cards in favor of the elites hijacking the process.

*

What are the lessons for fighting corruption? Although it would be naïve to expect that there is a clear playbook for limiting corrupt practices and changing norms against corruption, there are some relevant lessons that are useful to underscore. The most important one is that fighting corruption cannot be separated from efforts limiting the power of political and economic elites and a broader process of building institutions. Moreover, the power of elites can be most effectively curbed by bottom-up political participation — rather than simply relying on a constitution or other elites doing so. In fact, a powerful, authoritarian president declaring an anti-corruption crusade is often an excuse for eliminating rivals (as has recently been the case in China).

This is also the reason why democracy and anti-corruption drives are inextricably linked. Hence, one general lesson is that strengthening democratic institutions is key, and this is true even when democratic processes are sometimes entangled with corrupt practices. This perspective, of course, does not condone such corrupt behavior, but suggests that, rather than sacrificing

democracy, the first order of business should be to curb political corruption, especially among pro-democracy forces.

In this context, free media and reliable information about politics in general and corruption specifically become central. When sunlight shines on corrupt practices, it becomes easier for regular people to organize and oppose such behavior, and demand reform in the political system that enables it in the first place. This is why, in my opinion, organizations such as Transparency International have a critical role to play in combating corruption and political capture by elites. It is also the reason why independent non-governmental organizations and civil society groups are under constant pressure in authoritarian regimes such as Hungary, Russia, or Turkey.

I.
NATURE,
MECHANISMS
AND CONSEQUENCES
OF CORRUPTION

I.1. DESTRUCTION OF RULE OF LAW AND ABUSES OF PUBLIC AUTHORITY

The capture of the state in the last decade

Transparency International Hungary has repeatedly expressed its belief in recent years that there are serious problems of transparency and accountability in the functioning of public power in Hungary. The problems did not start in 2010. TI Hungary warned about the dangers of institutionalizing corruption as early as 2008.¹ The situation has deteriorated further since then, and systemic corruption has developed in Hungary as a result of the events of the past decade. In practice, this means that corruption “does not appear as a malfunctioning of state power, but rather as a method used by the state”², in other words the holders of state power deliberately use questionable and even illegal means to achieve their political and wealth goals. It is a global phenomenon that the notion of corruption is changing: nowadays not only the “traditional” bribery cases based on transaction is considered corruption, but the manipulation of resource allocation as well.³

At present, state power does not seek to serve the general common good, it is not regarded as their primary task, but the enrichment of certain selected individuals and circles. In Hungary, the state, which has almost unlimited power, and the business circles close to it, work together in an opaque cooperation that determines public and business decisions. This phenomenon is known as state capture.⁴ As part of this process, the government has progres-

1 | *Corruption Risks in the Business Sector National Integrity Study*, Part Two, page 31 (Budapest: Transparency International 2008 (<https://bit.ly/3A96Ecm>). Cited in Transparency International Hungary, *Proposals for Reducing Corruption in Hungary*, page 12 (<https://bit.ly/2Yioyw8>)

2 | *Black Book – Corruption in Hungary between 2010 and 2018*, Civitas Institute – Transparency International Hungary, 2018, page 10 (<https://bit.ly/3Aa2CAD>)

3 | See: In: Rothstein, Bo (2011): *The Quality of Government. Corruption, Social Trust, and Inequality in International Perspective*. Chicago-London: The University of Chicago Press, p. 148

4 | State capture takes many forms. In general, a distinction is made between oligarchic and party-based state capture, see Innes, Abby (2013), *The Political Economy of State Capture in Central Europe*, *Journal of Common Market Studies*, pp. 88-104. The Hungarian case goes beyond this, however, because it was not business groups from outside the political system, nor the

sively and almost without exception abolished the autonomy of the institutions that are supposed to be independent of it and whose original function was to control the executive. The government has, so to speak, invaded these institutions by entrusting the management of most of them to people loyal to it. Behind the cloak of apparent independence, in fact, most of the organs of state power have become the executors of the government's will. The subordination of institutions that were supposed to be independent to the government – although, fortunately for the citizens, not all of them fully met the intentions of the power holders – was a protracted process in several stages.

The Public Procurement Authority, for example, expresses its goodwill towards the government by standing idly by and watching public procurement that is managed to the advantage of powerful business circles. Thanks to this friendly misguided approach, a subsidiary of the Hungarian National Bank was able to purchase furniture from the company of the son of the central bank's president without a public procurement procedure.⁵ Other institutions with obvious loyalty to the authorities include the National Media and Infocommunications Authority (NMHH), the State Audit Office, the Competition Authority and several other high authorities.

The situation of the judiciary is also worth mentioning. It is almost a truism that the public prosecutor's office has rushed to the aid of the government in a number of high-profile corruption scandals of public interest, either by halting proceedings or by failing to prosecute years of investigation⁶. The prosecution has also attracted the attention of the Council of Europe's Group of States Against Corruption (GRECO). GRECO's evaluation report highlighted the need for "an adequate system of checks and balances in the functioning of the prosecution service to prevent abuse and corruption" and stressed that Hungary should do more in this respect.⁷

formal structures of the ruling party, that captured the state, but an informal group of politicians, oligarchs and businessmen, in which the head of government had the 'final say'. This form of 'state capture' is usually labeled 'politics'. See Stoyanov et al. (2019) : *State Capture Assessment Diagnostic*. Sofia: Centre for the Study for Democracy; Martin József Péter (2020): *Oiling or grinding the gears? The NER's Corruption and Economic Performance in International Comparison*. In *Social Report*. p. 66. Retrieved from https://www.tarki.hu/sites/default/files/2020-10/060_089_Martin_web.pdf.

5 | Gabriella Nagy (Corruption.hvgblog.hu): *can a furniture purchase affect the security of the country?* (<https://bit.ly/3vyntN8>)

6 | Katalin Erdélyi (Átlátszó.hu): *Sabotaged investigations: 20 important cases stalled at the prosecutor's office* (<https://bit.ly/3b65i7W>)

7 | Greco Eval IV Rep (2014) 10E (<https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016806c6b63>) page 3

However, until recently, the courts have retained their professional autonomy, which has meant that, despite many attempts and measures by the government, there was no judicial bias in the courtrooms in favor of state power. It is questionable whether the latest developments, above all the appointment of Mr. András Varga Zs., who is more likely to be favorably disposed towards the judiciary than the other judges, and not independently of this, the introduction of rules strengthening the powers of the head of the supreme judicial forum, will in future undermine the integrity of the judiciary, which has been preserved so far.⁸

As a result, for many years now, the system of democratic checks and balances has been broken and the majority of institutions of rule of law have been in a state of limbo.⁹

The impact of the covid virus outbreak on the rule of law

Developments in 2020-2021 will further top what has been achieved so far, which clearly show that the government has accelerated the dismantling of the democratic scene under the guise of protecting against the COVID virus epidemic. At the time of publication of this study, there has been almost two years of uninterrupted emergency governance. The Empowering Act has been extended once again, and at the time of finalizing the manuscript of this paper, it was valid until 1 January 2022.¹⁰

This gives the government a very wide margin of maneuver, including the power to govern the country by decree. Of course, TI Hungary does not dispute that extraordinary situations require extraordinary solutions, and the coronavirus epidemic is undeniably an extraordinary situation. However, we cannot fail to notice that the government is using the exceptional powers for two main purposes. One is to secure as much money as possible for itself, and the other is to further consolidate its power.

Below we will first discuss the latest manifestations of the increasingly severe government pressure on local governments, as well as recent significant

8 | On the independence of the courts and the state of the judiciary, see: *An illiberal Chief Justice* (<https://bit.ly/3m4kOHR>), *Now is the time to start worrying* (<https://bit.ly/3G5yGK5>) *Hungary's new Chief Justice: a governmental belt in the court system* (<https://bit.ly/2Ze6oMW>)

9 | See, for example, Transparency International Hungary, *Proposals to curb corruption in Hungary*, p.11 (<https://bit.ly/2Yioyw8>); Transparency International Hungary, *Corruption in Hungary in the shadow of the coronavirus epidemic. Results of the Corruption Perceptions Index 2020*, page 4 (<https://bit.ly/3uBo1So>).

10 | See § 1 of Act CII of 2021 amending Act I of 2021 on the control of the coronavirus pandemic.

cases of public money being turned into private property. This is followed by a discussion of how this process is embedded in the current government's ambition to influence state power even beyond its term of office.

Increasing pressure on local governments

Concentration of power is also increasing at the expense of local governments led by the current opposition. In the early stages of the coronavirus epidemic, this was reflected in the removal or cancellation of the most important discretionary resources of local authorities, such as taxes on vehicles and parking fees,¹¹ and the halving of local business taxes¹². The government has also established special economic zones, which means that the licensing powers of the municipality concerned in relation to the companies operating in the zone, as well as the tax revenues from these companies, are transferred to the county municipalities¹³. The solution first applied to the Samsung factory in Göd¹⁴ and later applied by the government in the Dunaújváros area¹⁵. In both cases, opposition municipalities were deprived of their revenues and powers by designating a special economic zone, as if to carve out part of their territory. The decree on special economic zones has subsequently been enshrined in law, which suggests that the authorities intend to apply this solution on a permanent basis, even after the emergency situation has passed.¹⁶

In practice, however, it is the municipalities not under government leadership that have been the losers, as a result of not only the Special Economic Zones legislation, but also of the tax revenue restrictions that at first sight seem to affect all municipalities in the same way. In fact, the government has injected substantial capital into the main government-run municipalities in the form of discretionary funds.¹⁷ In contrast, opposition-led cities have

11 | Péter Bucsky (G7.hu): *local governments were already on the floor before the government had even started to hit them* (<https://bit.ly/2ZhHfk8>)

12 | Portfolio.hu: *Orbán's unexpected announcement has divided mayors* (<https://bit.ly/3nhzYsD>)

13 | For more on further austerity measures affecting municipal governments, see Transparency International Hungary: *Corruption in Hungary in the Shadow of the Coronavirus Epidemic* Corruption Perceptions Index Results 2020, pages 12-13 (<https://bit.ly/3uB01So>)

14 | Kiss Soma Ábrahám (Merce.hu): *the government pushes the expansion of the Samsung factory in Göd with another four billion* (<https://bit.ly/3l5S3u2>)

15 | Portfolio.hu: *Government's decision published: another special economic zone is coming, Dunaújváros could lose a lot* (<https://bit.ly/3laMxq6>)

16 | Iván Stoichev (Hvg.hu): *The law on special economic zones has been passed* (<https://bit.ly/3l8XloE>)

17 | Péter Pető (24.hu): *After the government cut the business tax, it gave billions in subsidies to Fidesz cities for Christmas* (<https://bit.ly/3B6jGlf>)

received significantly smaller amounts of tied aid only¹⁸. In other words, the authorities are mitigating the effects of the financial constraints they have created themselves through individual bargaining, i.e. by giving way to political considerations. The Association of Hungarian Local Authorities has also spoken out against the selective budget compensation provided by the government.¹⁹

One third of Hungarian citizens live in the municipalities that came under opposition leadership following the 2019 local elections. The examples described above show that the authorities are trying to bring the population of these settlements to “better understanding” by selectively punishing them according to the party affiliation of the local authorities.

When public money becomes private property

Occupation of the tourism sector

A striking example of the allocation of state resources according to party political preferences is the more than HUF 300 billion that was allocated for tourism development in the 2018-2020 period, but of which nearly HUF 219 billion was allocated in 2020. More than two-thirds of the public money went to less than half a per cent of the applicants, and the biggest beneficiaries include the oligarchs of the National Cooperation Regime (NER).²⁰ Although the government has made public the names of the beneficiaries and the amount of aid they received, the Hungarian Tourism Agency (MTÜ), the apex professional body that handed out the money, is keeping secret what applications were used as the basis for deciding who should receive the aid and on what basis. This was not prevented by the public statement in which the National Authority for Data Protection and Freedom of Information (NAIH) declared the secrecy to be illegal.²¹

Meanwhile, one of the sectors hardest hit by the pandemic due to closures and restrictions was tourism worldwide, including Hungary. The gross value

18 | Sándor Czinkóczi (444.hu): *after the cut in business tax, every Fidesz town received Christmas money from the government* (<https://bit.ly/3pt7f78>)

19 | Marianna Biró: *Association of Municipalities: looting our cities is not governance* (<https://bit.ly/3b09p5s>)

Source of the original communication: <https://bit.ly/3m5BVsv>

20 | András Bódis (Válaszonline.hu): *Shocking: the government gave two thirds of tourism subsidies to half a percent of applicants* (<https://bit.ly/3l9QEXc>)

21 | See National Authority for Data Protection and Freedom of Information report NAIH-2095-1/2021 (<https://bit.ly/3BboA7y>).

added of accommodation and food services fell by approximately 32 percent in 2020 compared to the previous year²². The number of nights spent in commercial accommodation fell by 57 percent compared to 2019, and although occupancy rates in hotels, guesthouses and campsites started to increase again in 2021, they were still significantly below pre-pandemic levels²³. Even during the first wave of the epidemic, the decline in employment was already most pronounced in tourism and hospitality²⁴, with large numbers of workers leaving the sector in subsequent waves. The government has offered a number of instruments to rescue the sector, such as wage and contribution subsidies, credit moratoria and extended credit facilities, for which the MTÜ estimates that the state has spent nearly HUF 800 billion²⁵. However, this has not proved sufficient to attract back a significant proportion of workers, and the sector is still facing labor shortages.²⁶

Among the measures taken to boost the sector, one of the biggest drain on resources has been the Kisfaludy Tourism Development Program grants, whose application and allocation mechanisms have been opaque for years. However, during the epidemic, when the sector was at its most vulnerable, these abuses became even more striking: a record amount of nearly HUF 219 billion²⁷ in non-refundable subsidies was disbursed by Kisfaludy2030 Zrt., over which the MTÜ exercises ownership and control. The organization has distributed a further HUF 9.5 billion in 2021²⁸. The program was financed from budgetary resources, largely from the Economic Protection Fund, which was set up to mitigate the effects of the epidemic.²⁹

One of the fundamental anomalies of the program is the highly concentrated way in which resources have been allocated. While more than 16,000 grants were awarded under the Kisfaludy Program in 2020, the largest

22 | Hungarian Central Statistical Office, "Situation of the tourism and catering sector, 2020" (ksh.hu)

23 | Hungarian Central Statistical Office, "Turnover of commercial accommodation establishments, Quick Guide" (ksh.hu)

24 | Hungarian Central Statistical Office, "Labor market trends, 1st half of 2020" (ksh.hu)

25 | Turizmus.com: Zoltán Guller: Hungarian tourism can start again in summer (<https://bit.ly/3DvG5Qy>)

26 | Zoltán Jandó (G7.hu): those who left because of the epidemic have no intention of returning to work in tourism (<https://bit.ly/3BwKLFq>)

27 | See information on the 2020 grants published by Kisfaludy2030 Zrt. (<https://bit.ly/3BxhOsP>)

28 | As of 15 September 2021, See information on 2021 grants published by Kisfaludy2030 Zrt. (<https://bit.ly/3lufa1C>)

29 | Iván Stoichev (Hvg.hu): up to a quarter of the money for economic protection could go to crisis management (<https://bit.ly/3mE7MQp>)

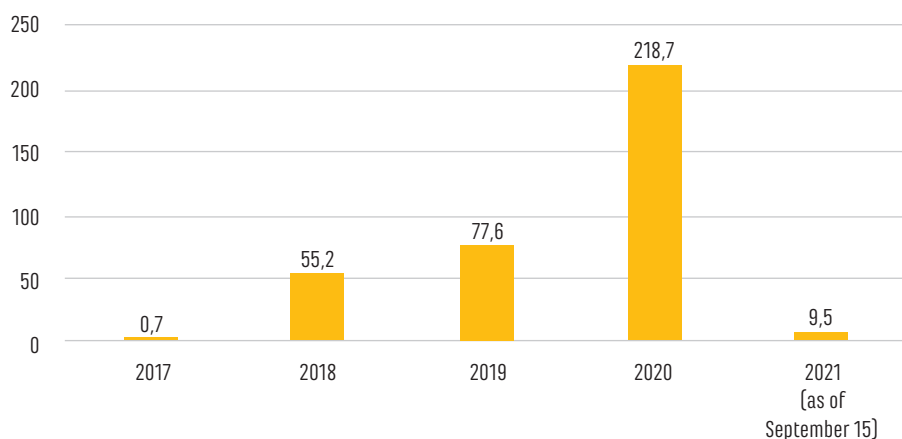


Figure 2 | Annual amount of closed Kiszaludy Program grants (HUF billion)

Source: TI Hungary calculation based on data published on the Kiszaludy2030 Zrt. website

amounts were allocated to a narrow group of companies and municipalities close to the government.³⁰ In addition, some companies and projects received funding more than once, in several different forms. The market-distorting effect is exacerbated by the fact that the aid is available to businesses at a very high intensity and therefore with a low own contribution margin (for example, in the case of hotel development and establishment, the share of grants in the total project budget can be as high as 70%).

Below is a summary of the most striking cases of the 2020-2021 Kiszaludy Grants³¹:

- Hunguest Hotels, which belongs to Lőrinc Mészáros, has received HUF 17.7 billion for the renovation of 14 of its rural hotels;
- two companies of Appenninn Holding, owned by Mészáros and István Tiborcz, received almost HUF 10 billion until April 2020 for the development of the Club Aliga hotel, service and port in Balatonvilágos, and one of their investments in Balatonfüred also won around HUF 6 billion for hotel and port development. The company's new main shareholders are real estate entrepreneur Dániel Jellinek and Attila Balázs, a former business partner of Tiborcz;

30 | András Bódis (Válaszonline.hu): *Shocking: the government gave two thirds of tourism subsidies to half a percent of applicants* (<https://bit.ly/3l9QFXc>)

31 | See information on the 2020 grants published by Kiszaludy2030 Zrt. (<https://bit.ly/3BxhOsP>)

- Mészáros' business partner and construction entrepreneur László Szíjj, also known for his yachting activities for government officials, has received HUF 8 billion in several installments: for the development of a five-star hotel in Keszthely (HUF 4 billion), the renovation of the Greenfield Hotel Bükfürdő (HUF 2 billion) and the development of the Hotel Fagus Conference & Spa in Sopron (HUF 2 billion);
- The joint interest of István Garancsi, Sándor Csányi, Zsolt Hernádi, CDHT Hotel Projekt Kft. received HUF 8.6 billion for the construction of the Tihany Castle Hotel and Training Centre Hotel.

While Kisfaludy2030 Zrt. published detailed guidelines for some grants, such as for hotel, port or beach development, a substantial package of tens of billions in 2020 was found without any other explanation in the form of so-called individual grants. In these cases, it is not known how the applicants were informed of the opportunity, on the basis of what criteria and who awarded the sums, which could also amount to several billion forints. In this completely opaque scheme, significant funds were also allocated to Fidesz-led cities³², deserving players in the hospitality industry and tourism businesses from abroad. Meanwhile, year after year, including in 2020 and 2021, the winners included consultants of the MTÜ, senior officials of its partner institutions and government politicians, whose preferential treatment may prove unethical, especially in light of the unclear tender decision-making mechanisms.³³

The opaque nature of the program is reinforced by the fact that Kisfaludy2030 Zrt. publishes fewer details on its financial aspects and decision-making mechanisms on its website every year, and the list of supported organizations and projects is distributed in a PDF format that is unsuitable for aggregating results, so that it is not possible to identify which winners and how much money is allocated to each tender. The list of the names of the decision-making board is also concealed by the MTÜ, to the extent that, as indicated above, it has not been released even in response to a request from the NAIH.³⁴

32 | Bálint Fabók (G7.hu): *the Fidesz municipalities received nearly 500 times more tourism subsidies than the opposition ones* (<https://bit.ly/3iRMP3A>)

33 | Tamás Mázsár (24.hu): *in addition to Marcsi Borbás and Bence Laposa, a representative banned from leading a company is also a paid consultant of the tourism agency* (<https://bit.ly/3Fzo15E>)

34 | Report of the Hungarian National Authority for Data Protection and Freedom of Information on the failure of the Hungarian Tourism Agency to comply with a public interest data request, https://www.naih.hu/files/Infoszab_jelentes_NAIH-2021-2095-1.pdf

Public law Hungaricum: public trusts with a public purpose

However, the consequences of the government's outsourcing of thousands of billions of euros of national wealth to non-state entities are far more serious.³⁵ For this purpose, a new and genuinely public law solution, the system of public interest trusts funds (hereinafter referred to as "PITFs"), was invented. The 35 PITF³⁶ set up in 2021 have both acquired unimaginable wealth and taken over a very wide range of public tasks from the state.

Of the formerly state-owned shares of Mol and Richter, 25-25% were transferred to the PITFs, thus national assets worth more than a thousand billion forints were practically privatized. The government completed this record-breaking transfer of assets by transferring real estate and cash. For example, the foundation that originally ran the Mathias Corvinus College, a modest boarding college, was turned into one of the most generously endowed foundations, with HUF 500 billion in state assets in shares and other assets.³⁷ The wave of outsourcing has primarily affected the higher education sector, leaving only one state-run higher education institution outside Budapest and only five in the capital.³⁸

However, the transfer of public functions is not limited to higher education, as university clinics have also been taken over by foundations, along with university medical schools. In other words, in the future, no small part of health care will be provided by non-state providers, whereas at the beginning of the previous decade the government was busy privatizing hospitals that had been run by the municipalities.

The organization of public functions and national assets into foundations (PITFs) is an unprecedented development in the world, and is mainly used to convert public funds into private wealth.

Dubious health related purchases on the pretext of the epidemic

The government has allocated national wealth to private organizations on an unprecedented scale through the creation of the PITFs. But this does not

35 | Miklós Ligeti (Telex.hu): *What I stole is already mine – government foundations for eternity* (<https://bit.ly/3iwAK3x>)

36 | See Annexes 1-2 of Act IX of 2021 on public interest trusts with a public function.

37 | Miklós Ligeti (Korrupció.hvgblog.hu): *are they playing the rule of law? The Mathias Corvinus Collegium Foundation does not hide its contracts* (<https://bit.ly/3oy5vjk>)

38 | The Eötvös József College in Baja remained state-owned (<https://bit.ly/3AamYJG>). Five universities in Budapest (the Liszt Ferenc University of Music, the Budapest University of Technology and Economics, the Hungarian University of Fine Arts, the National University of Public Service and the Eötvös Lóránd University of Sciences) also remain state-maintained.

mean that the authorities have abandoned other, more traditional ways of redirecting public wealth. In this context, in addition to the multibillion-euro bonuses granted for the development of tourism discussed above, it is worth highlighting certain health care related purchases made to combat the coronavirus epidemic, or at least under the pretext of doing so.

The Ministry of Foreign Affairs and Trade has spent more than HUF 300 billion to purchase more than 17,000 ventilators. The government was unable to sell any of the ventilators it purchased at a price far above the market price and in quantities many times greater than the quantity required, as TI Hungary's public interest request revealed. It is already certain that the main beneficiaries of all this were the suppliers. Fourcardinal Tanácsadó Kft. reported revenues of nearly HUF 50 billion and profits of HUF 16 billion in 2020, of which the owners took out HUF 15.5 billion in dividends.³⁹ And a Malaysian-based company has done HUF 176 billion in business with the Hungarian government.⁴⁰

The public procurement of coronavirus vaccines was similarly scandalous. Danubia Pharma Kft, a previously unknown company with just three employees, won a purchase order worth 55 billion forints. Among the many seriously suspicious elements of the deal, it is worth highlighting that Hungary bought the Chinese vaccines at a price of EUR 30 per unit, significantly higher than the market price of EUR 13.4 at the time.⁴¹ The overpriced purchase resulted in an extra profit of more than HUF 15 billion for the intermediary company, which was used without justification.⁴²

Another interesting aspect of the transactions described is that Fourcardinal, a major player in the ventilator business, and Danubia Pharma Kft., a mediator of Chinese vaccines, may be backed by the same group of people: the brother-in-law of Péter Szijjártó's former deputy Minister of Foreign Affairs and Trade, László Szabó, Márk Szeverényi and his associates.⁴³

39 | András Bódis (Válaszonline.hu): *crazy profit: the NER's favorite "epidemic company" wins 16 billion because of Covid* (<https://bit.ly/2Ze6rs6>)

40 | Babett Oroszi (Hvg.hu): *The Foreign Ministry has contracted for more ventilators than it could have known* (<https://bit.ly/3B6uuWK>)

41 | Balázs Gabay (Index.hu): *It is shameful that they want to harm Hungarians and the Hungarian state in this way* (<https://bit.ly/3ptznP5>)

42 | Zoltán Ágoston – Balázs Gabay (Index.hu): *Hungary has been ripped off by 17 billion forints, Péter Szijjártó's ministry says only the left wing party is attacking* (<https://bit.ly/3jqZtqr>)

43 | András Bódis (Válaszonline.hu): *we also found the Fidesz media leader's brother-in-law in the big ventilator business* (<https://bit.ly/3Ba89Y5>)

The rediscovered concession

In terms of the scale of public money at stake, the procedures still partly underway at the end of this study are at most comparable to the PITFs, which, at least if they go ahead as planned by the government, will turn waste management and the construction and operation of motorways into a corporate trust for decades to come. The government has launched concessionary procurement procedures to privatize these two sectors for 35 years. In addition to these two sectors, the government has also ensured that its chosen players in the world of gambling will remain dominant in the market for decades to come. One of the most important players in the casino market, which was already parceled up on a friendly basis, has had its existing operating license extended for 35 years. As a result of the procedure, presumably without competitive tendering, the company ultimately owned by István Garancsi and Kristóf Szalay-Bobrovniczky will have exclusive rights to operate the casinos in Budapest until 2056.⁴⁴

In all likelihood, these procedures are designed to ensure that business actors loyal to the current power can obtain government contracts with guaranteed long-term profits. In addition, the procedures for waste management and motorway concessions may be illegal under both national and EU law.

Narrowing the scope of the future government

As mentioned in the introduction to this chapter, the wealth transfers described above are not solely intended to give the current holders of power permanent access to public funds. The stakes of the parliamentary elections due in spring 2022 are higher than ever for Viktor Orbán and Fidesz. The decisions the government has outlined may have been taken in preparation for the time after the possible loss of power. The use of public funds and state assets to build up reserves, which are not insignificant in relation to the budget as a whole, could serve the purpose of ensuring that, if Fidesz is voted out of power, the resources needed for political survival and to hold together the hinterland that has been built up since 2010 will still be available.

In this respect, the PITFs are of particular importance, as their governing bodies are mostly made up of people loyal to the current government and they are also trying to make them irremovable. So, in contrast to the ‘perpet-

44 | Gergely Brückner – Fruzsina Előd (Telex.hu): *István Garancsi and Kristóf Szalay-Bobrovniczky received a 35-year casino concession in the capital in a big secret* (<https://bit.ly/3Fgm6r2>)

ual rent' of waste collection and motorway management, it is not simply a question of the current authorities providing the companies they control with uninterrupted public revenue, presumably so that they can continue to have a plentiful supply of money at their disposal in the future. It is true that there is also a risk that Fidesz, forced into the role of parliamentary opposition, might want to use the PITFs to strengthen its own financial position. However, a much more serious problem will be that the foundations will also perform a number of public functions in the fields of higher education and health care, as well as in the management of strategic national assets. The loyalty of the members of the decision-making bodies, appointed for perpetuity as the current government intended, to the current government raises not only constitutional questions about access to public assets, but also questions about the democratic requirement of separation of powers.

By setting up foundations for certain public tasks and public funds and by granting long-term concessions, the government is clearly signaling its dual intention to extend its own influence as far as possible while at the same time limiting the political and power scope of its potential successors.

The extension of the limits of the sphere of influence dominated by the current holders of power is partly achieved by the continuous reduction of the freedom of action of the future government(s). Thus, while the political elite currently governing Hungary has almost unlimited influence in state life, paradoxically, it can be observed that the formal power of the government has been losing ground for years.

This is also reflected in the fact that more and more organizations, originally directly subordinate to the executive, are being taken out of direct government control. Electoral administration bodies became independent in 2013, when the Territorial Election Office, formerly part of the Ministry of Interior, was succeeded by the National Election Office, formally independent of the government.⁴⁵ Also in 2013, the Hungarian Energy and Public Utilities Regulatory Office was given this status as the successor to the Hungarian Energy Office.⁴⁶ A similar example is the power to appoint the external members of the Monetary Council of the central bank: since 2014, the Parliament has been electing the external members of the Monetary Council, whereas previously, on the proposal of the government, the President of the Republic decided on their appointment.⁴⁷

45 | See Title 28 of Law XXXVI of 2013.

46 | Law XXII of 2013

47 | This amendment was introduced by Law I of 2011.

One of the most recent steps in this process is the creation of a new public body, the Regulated Activities Authority, which will exercise public powers in the areas of gambling organization and tobacco retailing, among others. The super-authority, which is independent of the government, is exercising from October 2021 the powers previously vested in the government in the areas of casino concessions, national tobacco shops and mining.⁴⁸ In addition, reference is made to a bill to transform the National Atomic Energy Authority, currently under the Government, into a state authority independent of the Government.⁴⁹ Although this appears to be mere speculation at the moment, it is difficult to dismiss the suspicion that the current government wants to remove the issue of the licensing of the Paks II project from the remit of its successor, which may be of a different party.

The question may be raised as to how, if Viktor Orbán remains head of government after the 2022 elections, he will assert his political will in the areas that have been devolved from the executive. After all, the independence of these organizations will also apply vis-à-vis the government of the day, including the current government in power. It is true that the NER, which is increasingly relying on informal solutions rather than institutional governance, has not been bothered by state actors seeking to limit its power: it has either dismantled them or subjugated them.

I.2. THE IMPACT OF CORRUPTION ON ECONOMIC DEVELOPMENT

There is a wealth of research, policy analysis and studies showing that corruption and economic development are interlinked.⁵⁰ Corruption is a major cause and consequence of “bad governance” and, when it becomes systemic, it is associated with violations of the rule of law. When biased state institu-

48 | Law XXXII of 2021. The powers of the Regulatory Authority for Regulated Activities are further extended by Articles 86 – 89 of Bill T/17283 on measures to modernize certain procedures and further strengthen citizens’ security (<https://www.parlament.hu/irom41/17283/17283-0008.pdf>)

49 | Draft Law T/16224 on the amendment of certain laws in connection with the status of the Nuclear Regulatory Authority (<https://www.parlament.hu/irom41/16224/16224-0009.pdf>)

50 | Cf. e.g. Organization for Economic Cooperation and Development (2012) Issues Paper on Corruption and Economic Growth. Working Paper. 1-43. <https://bit.ly/31HDcih>; Acemoglu, Daron & Robinson, James, A. (2013) *Why do nations fail?* HVG Publishing.

tions that seek to consolidate the power of the current elite do not prosecute corruption, but tolerate or encourage it, it often leads to economic loss and increased inequalities. This correlation is not always immediate, but often delayed over time.

In the short term, corruption can have an apparently “greasing” effect on economic performance – for example, by overpricing public procurement, which on paper can lead to higher investment value and thus higher growth – but in the longer term it is difficult or impossible to sustain⁵¹. A matching thesis is that bias and systematic distortion of resource allocation in favor of those close to power cause even greater losses at the macro level than the wealth stolen⁵², apparently because they make corruption the norm or even legalize it.

If access to resources is dependent on the favor of the state actors, this leads to the marginalization of fair competition and merit-based performance, and the spread of a rent-seeking mentality that seeks to curry favor with the powers that be. In this case, the ruling political and business elite, and in particular the members of the circle of cronies and oligarchs close to the government will have increasing power and wealth. Citizens who are loyal to power may also prosper, while the part of society that is unwilling or unable to take such an oath of allegiance will benefit little from the common good.

Corruption and economic performance

In the European Union in 2020, the correlation between economic performance as measured by GDP per capita and the most well-known corruption indicator, Transparency International’s Corruption Perceptions Index (CPI), was stronger than in previous years (see Figure 3). Hungary is stuck in the EU’s bottom tier, i.e., among the most corruption-prone Member States with low national income, despite the fact that in the seven years prior to the Coronavirus outbreak, the economy grew significantly, averaging more than 4 percent⁵³, and the Gross

51 | Cf. Acemoglu & Robinson (2013), Ibid. On the inconsistency between Hungary’s short- and long-term economic performance over the past decade, see Martin, József Péter (2020): Resource Reallocation and Ambiguous Economic Performance in a Captured State – The Case of Hungary. In: *Systems, Institutions, and Values in East and West: Engaging with János Kornai’s Scholarship*. CEU Press, 2020 (Szerk. D. Pirooska és M. Rosta) pages: 173–201..

52 | C.f. Rothstein, Bo (2011) *The Quality of Government: Corruption, social trust and inequality in international perspective*, Chicago: Chicago University Press.

53 | See József Péter Martin (2020) Sanding or Greasing? The NER corruption and economic performance in international comparison. *Társadalmi Riport (Social Report)* Retrieved from: <https://bit.ly/3wl4dDn>, p.76.

A CPI és az egy főre jutó GDP közötti kapcsolat, 2020

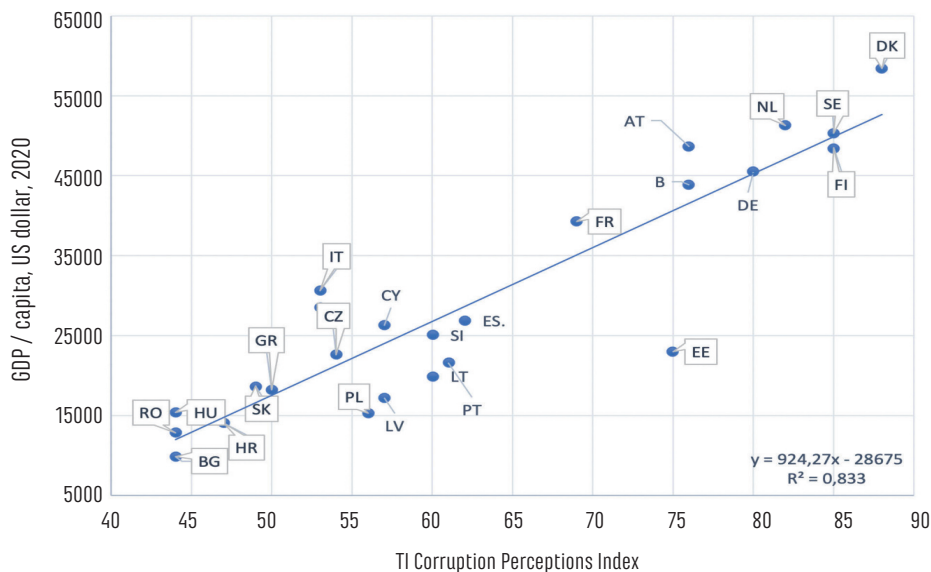


Figure 3 | Correlation between corruption and national income in EU countries
Correlation between CPI and GDP per capita, 2020

Source: Transparency International, IMF,⁵⁴ TI Hungary calculations

Note: The higher the Corruption Perceptions Index score, the lower is the exposure to corruption. Among the EU Member States, Luxembourg (USD 110 000 GDP per capita) and Ireland (USD 80 000 GDP per capita) have been excluded for technical reasons due to their specific situation and the different way of national account systems compared to other Member States. R² value in the figure shows the strength of the correlation between GDP per capita and the Corruption Perceptions Index score, which is 0.83, so the correlation between the two variables is significant.

Domestic Product (GDP) per capita increased from USD 12 903 in 2012 to USD 16 470 in 2019.⁵⁵

Figure 2 shows Hungary's position in the region for the year 2020. According to the CPI, the three most corrupt countries in the EU are Hungary, Bulgaria and Romania. Hungary is clearly the worst performer among the four "Visegrad" countries in terms of corruption, ranking worse than two countries in terms of GDP per capita, and only slightly ahead of Poland. Croatia has

55 | See: <https://www.imf.org/en/Publications/WEO/weo-database/2020/October/select-country-group>

54 | See: <https://www.imf.org/en/Publications/WEO/weo-database/2020/October/select-countries?grp=2903&sg=All-countries/Emerging-market-and-developing-economies/Emerging-and-developing-Europe>

slightly less corruption than Hungary, although it also has a slightly lower national income. Greece is the closest of the Southern EU Member States to this group of Central and Eastern European countries.

Despite several years of economic boom until the coronavirus epidemic, the serious structural problems inherited from the past of the Hungarian economy persisted and have not been remedied. These problems did not arise in the aftermath of the crisis caused by the current pandemic, but long before. Analyses suggest that the erosion of the rule of law and the closely related centralization and systemic corruption were the main reasons why, despite unprecedented EU support averaging around 4 per cent of GDP per year, the Hungarian economy has failed to put itself on an inclusive growth path over the past decade.⁵⁶ Despite a relatively high growth rate, the aggregate economic expansion in Hungary between 2010 and 2019 was 30 percent, which, contrary to success propaganda of the government, was only enough to put Hungary at the bottom of the regional midfield.⁵⁷

Poor institutional environment, declining competitiveness

The competitiveness of the Hungarian economy is weak compared to Western and regional peers, and persistently so, which can be partly explained by the unsatisfactory functioning of the institutional system. According to the World Economic Forum's comprehensive 2019 competitiveness ranking, which also organizes the meetings in Davos, Hungary was ranked 47th in the world, ahead of only Croatia, Greece, Romania and Bulgaria among EU member states⁵⁸. Another assessment of relevance to business, the World Bank's *Doing Business* 2020 survey, puts Hungary in a similar category, 52nd in the world.⁵⁹

56 | Cf. Martin (2020): Greasing or sanding?...? Ibid.; Dóra Györfly (2021). Catching up in East-Central Europe between two crises. *Közgazdasági Szemle (Economic Review)*. January 47–75. p. 57 | See Martin (2020) Oiling or grinding...? Ibid. page 80. Between 2005 and 2010, the situation was even worse, with Hungary leading the region in terms of cumulative growth rate.

58 | Hungary's competitiveness has taken a nosedive since the turn of the millennium: in 2001, Hungary was the 28th most competitive economy in the world, while in 2016 it was only 69th. This compares only to a limited extent with the 47th place in 2019, because there was a methodological change in the meantime. The World Economic Forum has produced a comprehensive ranking of the competitiveness of countries around the world for the past 20 years, but in 2020 this was cancelled due to the coronavirus epidemic, and only a partial analysis focusing on a few countries and topics was produced. <https://www.weforum.org/reports/the-global-competitiveness-report-2020> The latest overall Hungarian competitiveness situation is therefore based on the 2019 report and data.

59 | See: <http://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>

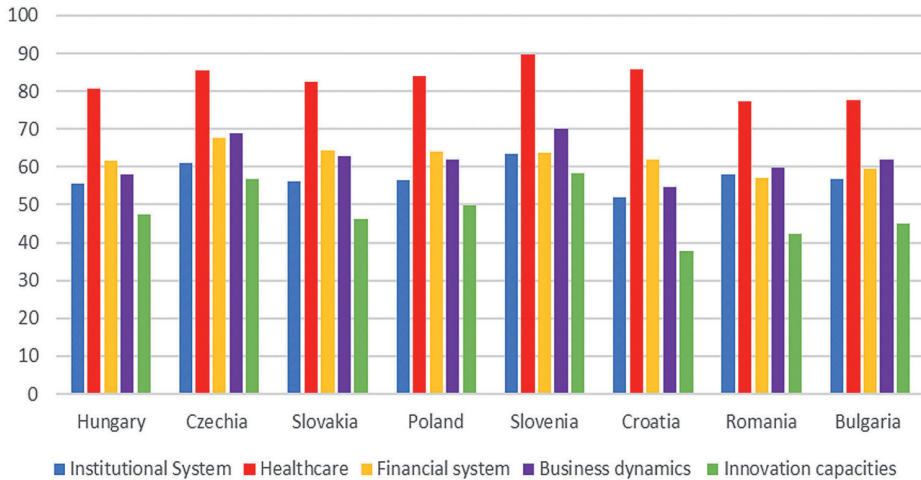


Figure 4 | Some factors of competitiveness in CEE countries, 2020

Source: World Economic Forum, Competitiveness Report, 2020; Kopint-Tárki, TI Hungary calculations

Note: The higher the score, the higher the competitiveness

As noted by the World Economic Forum, the performance of the institutional system, which also influences exposure to corruption, is one of the weakest in the region, below the average of the Visegrád countries and significantly worse than the average of the 37 countries surveyed (see Figure 4)⁶⁰. In a new development, the Hungarian National Bank (MNB) is now also dissatisfied with competitiveness, although it is mainly the government's progressive education and healthcare reforms that it is calling to account – and rightly so – and it does not (yet) talk about corruption and institutions.⁶¹

Surprising investment activity

Despite the poor institutional environment, the investment situation is complex. Between 2004 and 2016, the investment-to-GDP rate (the volume of investment as a share of GDP) declined almost hand in hand with the erosion of the rule of law,⁶² confirming the thesis that the erosion of the rule of law, together with the deterioration of the business environment, also dampened

60 | For more on this, see Kopint-Tark's analysis: <https://www.kopint-tarki.hu/hirek/ujdonsagok/versenykepesseg-2020-ban/>

61 | See: <https://www.mnb.hu/letoltes/versenykepessegi-jelentes-hun-2020-0724.pdf>

62 | Martin (2020): Greasing or Sanding...? Ibid. 83. o.

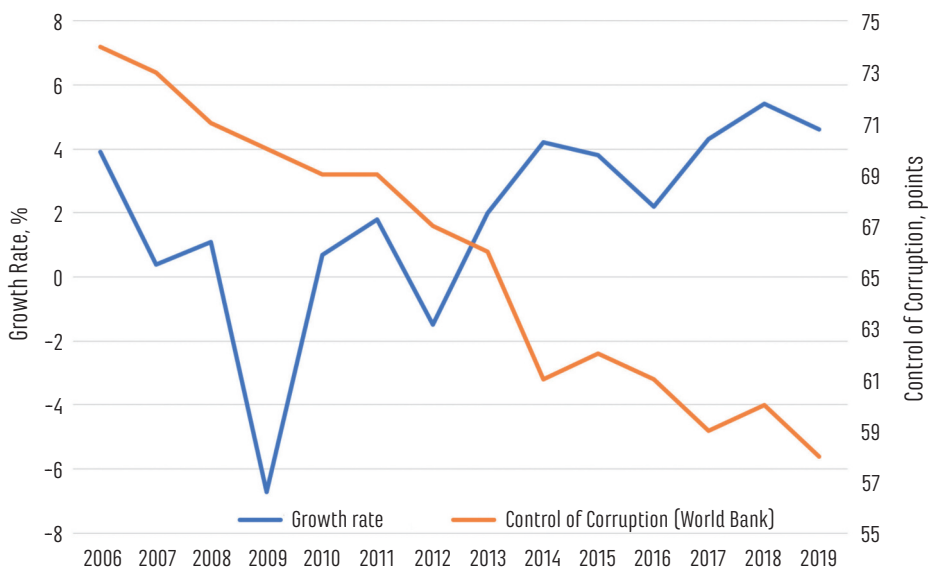


Figure 5 | Corruption and growth rate in Hungary until the pandemic

Source: Eurostat, World Bank WGI

Note: The Corruption Control Index is one of the six governance indicators of the World Bank. The Governance Indicators reflect business and expert opinions. The lower the score on corruption control, the higher the corruption

investment activity. Later, between 2016 and 2020, this correlation did not prevail: the investment rate was very high during this period, exceeding 27% in 2019 and 2020, meaning that Hungary had the highest investment rate of all EU countries.⁶³ Even more surprising was the fact that, not only public investment, which is largely financed by EU funds, but also business investment has soared; in 2019, Hungary’s business investment rate was the second highest in the EU, slightly behind the Czech Republic⁶⁴.

Several factors can explain the increase in investment despite the destruction of the rule of law. As inflation has consistently exceeded the central bank’s base rate after 2016, the abundance of resources due to “cheap money” has led to low interest rates on loans, which has helped investment. The Central Bank’s Growth Loan Program gave a further boost to capital accumula-

63 | See Eurostat data: https://ec.europa.eu/eurostat/databrowser/view/sdg_o8_11/default/table?lang=en

64 | See Eurostat data: https://ec.europa.eu/eurostat/databrowser/view/sdg_o8_11/default/table?lang=en, including the business investment rate

tion. The stimulus has included the stability of macro indicators, at least until the outbreak of the coronavirus.

And perhaps the most important factor: a significant part of economic actors has “priced in” the erosion of the rule of law and systemic corruption in the second half of the last decade, accepting it as a kind of “new normal”. In any case, it is a fact that growth has accelerated until the pandemic despite the deteriorating corruption situation, partly thanks to a surge in investment (see Figure 5).

Impact of the pandemic

The crisis caused by the pandemic that hit in March 2020 made the vulnerability of the Hungarian economy clear, and at the same time raised the level of opaque public spending and the mismanagement of funds by crony circles to a new level. Huge tourism subsidies, the overpricing of health care related purchases, the allocation of assets to foundations, the motorways, waste management and casino concessions all serve in large part to enrich individuals and organizations close to the government (see previous chapter). What is common to these financial benefits is that they lack transparency, equal opportunities and normativity.

Hungary’s macroeconomic position, like that of almost all countries in the world, was temporarily shaken in 2020 by the global crisis caused by the epidemic. Unemployment rates rose somewhat, investment, which had been soaring, fell temporary, and inflation, partly driven by external and partly internal factors, also rose to dangerous levels, reaching one of the highest in the EU in 2021. Most dangerously, the tight fiscal policy of a decade has been replaced by a no-strings-attached spending spree. There are two reasons for this: firstly, the epidemic provides a good excuse to support loyal circles, and secondly, vote-buying ahead of the 2022 elections.

The Hungarian government, unlike vast majority of developed countries, did not spend large sums of money to help the impoverished as a result of the epidemic crisis – the duration of unemployment benefits, for example, which are unparalleled in the EU, was not increased, nor was the amount – but on direct support for the economy, including a significant financial transfer to opaque and crony circles. This is how the public deficit rose to 8.1 percent of GDP in 2020⁶⁵, the target for 2021 is 7.5 percent, and it is highly doubt-

65 | See: <https://ec.europa.eu/eurostat/databrowser/product/view/tecoo127?lang=en>

ful whether the 5.9 percent deficit target for 2022 will be met⁶⁶. Pre-election spending has a long tradition in Hungary over the past decades, but the tax cuts and rebates projected for early 2022 could lead to even more money being spread around than before.

During the epidemic, the government's decades-long debt reduction policy was annulled, with public debt hitting a 25-year peak in just a few months. This was topped by HUF 1600 billion (EUR 4.4 billion) of foreign currency debt in September 2021. The latter was necessary because, due to the problems in "anti-corruption framework" and "shortcomings in the judiciary", i.e., state corruption and systematic breach of the rule of law, the European Union is withholding the EUR 7 billion that Hungary is supposed to receive from the Recovery Fund.

Meanwhile, the economy seems to be returning to growth. After a recession of 5% in 2020, the economy is expected to expand by around 6% in 2021, pulling up the confidence indices that fell in 2020. The GKI Gazdaságkutató Zrt's Business and Consumer Confidence Indices were in record high territory in the pre-pandemic period, falling back in spring 2020, only to rebound again from April 2021⁶⁷.

In conclusion, despite the high level of corruption and the erosion of the rule of law, the Hungarian economy has experienced significant growth. In the longer term, however, a much cleaner (corruption-free) environment would be needed to achieve an inclusive development that can empower broad masses.

I.3. INFECTION OF CORRUPTION IN THE PUBLIC PROCUREMENT SYSTEM AND THE ALLOCATION OF EU FUNDS

The impact of the epidemic on the Hungarian public procurement system

The negative impact of the coronavirus outbreak on the economy also affected public procurement procedures. In 2020, the number of public procurement procedures fell by 25% compared to the previous year, from 9,837

66 | See this Central Bank's report: <https://www.mnb.hu/letoltes/koltsegvetesi-jelentes-2021-06.pdf>, p. 9.

67 | <https://www.gki.hu/language/hu/>

to 7,431, which is particularly low when compared to the last ten years: in 2014 and 2015, more than 14,000 public procurement procedures were carried out in Hungary. On the other hand, if we look at the value of procedures, the decrease compared to 2019 was only 5 percent: from HUF 3430 billion in 2019, public procurement procedures worth HUF 3263,5 billion were carried out. The latter accounted for 6.9 percent of GDP in 2020, compared to 7.3 percent in 2019. The 6.9 percent is in line with the average of the last ten years, but is lower than in 2017, for example, when nearly 10 percent of GDP was spent on public procurement.⁶⁸ According to the Public Procurement Authority's flash report, the number of public procurement procedures in the first half of 2021 will remain at the same low level as the previous year, while the value of public procurement procedures has already reached the pre-epidemic level of the first half of 2019.⁶⁹

From the above figures, it can be concluded that fewer, but in some cases much larger, investments have been made through public procurement since the outbreak. The Flash Report also shows that this was not done in the name of fighting the epidemic: in the first half of 2021, there were around 200 more public procurement procedures for construction projects than in the same period in 2020, and their value exceeded the first half of 2020 by nearly HUF 200 billion.

Most of the purchases related to the epidemic were presumably carried out without a public procurement procedure. However, the government has been unusually cautious in regulating public procurement in emergency situations. Government Decree No.48/2020 (III.19),⁷⁰ which was in force between 20th of March 2020 and 17th of June 2020, provided for derogation from the public procurement rules on the basis of an individual exemption for procurements directly related to the protection against the coronavirus or for the effective functioning of the state bodies or groups managing the protection. Individual exemptions were decided by the Prime Minister based on general rule. The application form for the exemption had to include a detailed justification of the procurement need and the expected consequences of not obtaining the procurement. Before applying for an individual exemption, the

68 | The Public Procurement Authority's 2020 Report to Parliament, page 10 (<https://bit.ly/3cb5z01>)

69 | Public Procurement Authority's Flash Report in Semester 1, 2021, page 3 (<https://bit.ly/3mH9KzI>)

70 | Government Decree No.48/2020 (III. 19) (IV.) on the measures to be taken during an emergency situation ordered in order to prevent a human pandemic causing mass disease that en-

contracting authority had to assess whether it could not carry out the procurement using the existing framework agreement resulting from the centralized procurement procedure. According to the procedures laid down in the Regulation, the necessity and justification of the request for individual exemption was verified in several stages: by the contracting authority's supervisory body (the body managing the chapter), then by the State Health Care Centre and finally by the Operational Staff. Even with an individual exemption, three tenders were requested, if possible.

It can be seen that the government has sought a balanced legislative solution, but we do not know how these rules have been applied in practice, as no public data on exempted procurements have been published. As in the case of the scandalous purchase of ventilators, and the purchase of Chinese-made vaccines discussed above, it is not clear who exempted them from public procurement rules and how. However, it is important to note, and the Public Procurement Authority has also stressed this in its informative note⁷¹, that in urgent and emergency cases, the current “normal” public procurement rules also provide a solution – requiring however, at least, the disclosure of the main details of the contract *ex post*.

Competition in the public procurement market remains limited

The area of public procurement in general, in Hungary, too, is highly exposed to corruption. The fact that competition in the Hungarian public procurement market is very limited significantly increases the risk of corruption. Although the legal framework is considered adequate, the practice does not reflect the principles enshrined in the law – whether these are enforced is seriously questionable.

The proportion of single-bidder public procurement procedures above the EU threshold is one of the highest in the EU: in 2019, 40% of procedures above the EU threshold – i.e. high value – had only one bidder⁷² (data based on the European Commission's Internal Market Scoreboard, the latest available data in this report at the end of 2021 was for the year 2019).

At the same time, the Hungarian government's Recovery and Resilience Plan (RRP), the document required for the mobilization of the European

71 | Opinion of the Public Procurement Authority on certain public procurement issues in the context of the emergency declared in relation to the spread of the coronavirus (<https://bit.ly/2YFslU9>)

72 | Single Market Scoreboard, Public procurement, Indicator 1 (<https://bit.ly/3FCu3Xp>)

Union's Recovery and Resilience Fund for 2020, provides interesting information. According to the data of the Hungarian Electronic Public Procurement System (EPPS), the share of single-bid public procurement procedures was 41.9 percent in 2019, while in 2020 it was 40.2 percent. In the RRP, the Hungarian government explicitly acknowledges that the domestic EPPS shows a similar situation to the European Commission's scoreboard.⁷³ It is a unique contradiction that, meanwhile, statistics published by the Public Procurement Authority show an improving competitive situation in recent years. In its 2021 report, the Authority puts the proportion of single tender procedures at 25%.⁷⁴ In any case, the European Commission had previously stressed in its 2018 country report that the Public Procurement Authority could not substantiate its methodology for its improving statistics.⁷⁵

The concentration of the public procurement market is also significant. According to data from the Corruption Research Centre Budapest (CRCB), in 2019 companies considered close to the government were⁷⁶ single-bidders to win 51% of public contracts without a competitor⁷⁷. This ration jumped to 68% in the first third of 2020. These companies won 27 percent of all money spent on public procurement between 1st of January and 30th of April 2020. Companies in this group won between 0.4 and 1.8 percent of all public money spent on public procurement between 2005 and 2010, rising to 17 percent in 2013 and 21 percent in 2019. This group of companies was the "worst performer" in the post-2010 period in 2015, when they won just 5 percent of public contracts. That was the year of the open break-up between Lajos Simicska and Viktor Orbán, and the new network of companies, now mostly built around Lőrinc Mészáros, had not yet been set up.⁷⁸ If we narrow down the performance of these same companies to construction projects only, we find

73 | Hungary's Recovery and Resilience Plan, draft, 2nd of July 2021, Retrieved 11th of August 2021, pages 290-291 (<https://bit.ly/3Dslqgr>)

74 | The Public Procurement Authority's 2020 Report to Parliament, page 18 (<https://bit.ly/3ob5z01>)

75 | European Commission Country Report 2019 (<https://bit.ly/3oTmR3d>)

76 | The Corruption Research Centre Budapest lists around 30 companies in this category. The list of companies can be found on page 50 of the study below. CRCB. 2020. New Trends in Corruption Risk and Intensity of Competition in the Hungarian Public Procurement from January 2005 to April 2020. CRCB Flash Report 2020:1, Budapest: CRCB. (<https://bit.ly/3AuoweR>)

77 | Péter Magyar (444.hu): *the Mészáros family's state orders broke all records during the epidemic* (<https://bit.ly/3oNONFT>)

78 | CRCB. 2020. New Trends in Corruption Risk and Intensity of Competition in the Hungarian Public Procurement from January 2005 to April 2020. CRCB Flash Report 2020:1, Budapest: CRCB. (<https://bit.ly/3oSBunG>)

that they won more than 38% of the value of the contracts that were awarded in 2020. In 2010, their share was only 2.2 percent.⁷⁹

Another negative aspect of the Hungarian public procurement system is that there is no effective control mechanism. In 2020, as we have seen above, there were more than 7,000 public procurement procedures in Hungary, which is a record low. For the audit work of the Public Procurement Authority, we quote from the Authority's 2020 annual report: "The number of inspections ordered in 2020 was 91, and the number of infringements investigated was 41."⁸⁰

At the same time, the public procurement system in Hungary cannot be considered efficient. In 2018, it took 141 days on average to reach a decision in Hungary, and in 2019 it took 131 days on average between the receipt of bids and the award of the contract.⁸¹ In terms of the length of the procedure ranks us to the 5th to 6th worst in the European Union. For example, this indicator in Poland it was 64 days and in the Czech Republic 105 days in 2019. Long public procurement procedures are bad because they both increase costs and create uncertainty for both contracting authorities and the bidders.

Use of EU funds: is the EU taking action against irregularities?

As the 2014-2020 EU programming period comes to an end on 31st of December 2020, it is worth assessing the results of this seven-year EU budget cycle. In the 2014-2020 programming period, Hungary received €25 billion in funding from the European Structural and Investment Funds. On average, this amounted to 4% of Hungary's GDP per year. On average, half of all public procurement in Hungary is partly or fully financed by EU funds.⁸²

Despite all this, Hungary's competitiveness has been weak over the past decade or more, as we have already shown above. In the 2014-2020 EU programming period, 60 percent of resources were devoted to direct economic development. In the 2007-2013 period, this share was only 24%, even though competitiveness indicators already seemed to show that this type of support

79 | CRCB. 2021. Orban's Cronies in the Hungarian Public Tenders in Construction, 2005-2020 (<https://www.crcb.eu/?p=2876>)

80 | The Public Procurement Authority's 2020 Report to Parliament, page 70 (<https://bit.ly/3ob5z01>)

81 | Single Market Scoreboard, Public procurement, Indicator 6 (<https://bit.ly/3FCu3Xp>)

82 | The Public Procurement Authority's 2018 Report to Parliament, p. 12 (<https://bit.ly/3BBavk6>)
Note that the Public Procurement Authority has not published this data since 2018.

was used with very low efficiency. A study commissioned by the government to evaluate the effectiveness of EU programs⁸³ surprisingly states that “the impact of business development grants on GDP is not significant” and “it cannot be said that the aid programs have had a significant anti-crisis effect”. The study also concludes that the output-enhancing effect of the business development programs can be considered modest and that they have had a markedly negative impact on employment. “The first evidence of the output-enhancing effect of business development programs was in 2009, when there was a small increase of 0.1 per cent. By 2015, this had risen to a total of 0.6 per cent, to around HUF 316 billion. This is a modest result compared to the level of business development aid.”⁸⁴ As for the employment rate, the authors of the study found a negative correlation, meaning that the aid had a negative impact on employment, despite the objective of increasing employment. The main reason for this negative result is that the largest amounts of aid were paid for technological development.⁸⁵ Overall, the effectiveness of domestic development programs is generally considered to be low.

In 2020, the main event – apart from the coronavirus epidemic – was the adoption of the European Union budget for 2021-2027. Although the European Commission had already presented the budget package to the Council and the European Parliament in May 2018, its adoption was delayed until the end of 2020 for two main reasons: the so-called ‘rule of law’ debate and the coronavirus epidemic. The budget package consists of (i) the EU budget itself, i.e. the Multiannual Financial Framework; (ii) the so-called Next Generation EU “recovery fund” adopted in response to the epidemic; (iii) the Council Decision on the EU’s own resources; and (iv) the regulation governing the so-called rule of law mechanism, which could ultimately suspend EU funds if a member state violates the rule of law. The latter has led Hungary and Poland to threaten to veto the whole package.⁸⁶

83 | “Analysis of the use and impact of EU funds in Hungary for the 2007-2013 programming period”, KPMG, 2nd of March 2017 (<https://bit.ly/30771aW>)

84 | “Analysis of the use and impact of EU funds in Hungary for the 2007-2013 programming period”, KPMG, 2nd of March 2017, p. 92 (<https://bit.ly/30771aW>)

85 | Analysis of the use and impact of EU funds in Hungary for the 2007-2013 programming period”, KPMG, 2nd of March 2017, p. 95 (<https://bit.ly/30771aW>)

86 | The regulation governing the rule of law mechanism itself could not be vetoed by the Hungarian and Polish governments, as it had to be adopted by qualified majority in the Council, which was achieved without the Hungarian and Polish votes, although the Hungarian and Polish governments voted against. However, unanimity was required for the adoption of the other elements of the budget package.

According to the main points of the political compromise agreed on 11th of December 2020, (i) the European Commission, together with the Member States, will draw up guidelines before the Regulation is applied, which will be finalized only after the Court of Justice of the European Union has ruled on the proceedings brought by Hungary and Poland to annul the Regulation; (ii) the new Regulation will only be applied if other procedures in EU law would not allow for a more effective protection of the EU budget; (iii) the Regulation will be applied from 1st of January 2021 and will only apply to budgetary commitments made under the new Multiannual Financial Framework, including the Next Generation EU.⁸⁷ From an EU law perspective, the above mentioned compromise is of particular concern, as the review procedure before the Court of Justice of the European Union has no suspensive effect: an adopted EU law could and should be applied from the date of its entry into force.

This is why the European Parliament has strongly criticized the compromise agreed by the European Council, questioning its compatibility with EU law. However, the European Commission recognizes the terms of the Council compromise as binding.⁸⁸ Given that actual payments from the 2021-2027 budget are not yet expected in the course of 2021, the regulation will not actually be applied until the second half of 2022.⁸⁹ Hungary will receive more EU funds than ever before in the 2021-2027 period, some €40.6 billion after deduction of payments, compared to €32.1 billion in the 2014-2020 period.⁹⁰ At the time of writing this study, the Commission has not adopted the Partnership Agreement for Hungary,⁹¹ which is necessary to mobilize traditional EU funds, nor the above-mentioned RRP. On the contrary, the Commission has already adopted the recovery plans of 22 EU Member States by the end of 2021, 16 of which have already received the first installment of the funds allocated.⁹² Once adopted by the Commission, the recovery plans of the Member States still have to be approved by the Council, after which the disburse-

87 | European Council conclusions, 11th of December 2020 EUCO 22/20 (<https://bit.ly/3AwYPxa>)

88 | Attila Weinhardt (Portfolio.hu): *Tough words from Brussels after a declaration of war: we will record all violations of the rule of law from January and we will take action* (<https://bit.ly/3iUhqhx>)

89 | The European Court of Justice started hearing the case on 11th of October 2021.

90 | For comparability, the calculations were made at 2018 prices and based on the EU net cash flow balance, i.e. the amount less the amount paid by the Hungarian state to the EU budget. The calculations were based on the following article by portfolio.hu: Attila Weinhardt: *The government plans to spend 2050 billion of new EU money on transport and rural development* (<https://bit.ly/3lvekkY>)

91 | Hungary's Partnership Agreement on the use of cohesion funds for the period 2021-2027, draft, 30th of September 2021, Retrieved 8th of October 2021 (<https://bit.ly/3FMHLHF>)

92 | European Commission, Recovery and Resilience Facility webpage (<https://bit.ly/3uZIS1s>)

ment of the installments can start. Based on this timetable, Hungary will not receive EU money until 2022.

The Structural Funds – the “traditional” EU funds – and the Recovery Fund are complementary, not separate. Some programs may be funded by one or the other, and there may be overlaps between projects supported by the two types of funds. However, the Recovery Fund can only be used to implement projects that can be completed and accounted for until the end of 2026, while the Structural Funds for the 2021–2027 programming period can be used until 2030, so the adoption of the RRP as soon as possible is a priority for both the European Commission and Member States.

In the RRP, Member States are required to present to the European Commission, among other things, the challenges they have faced during the epidemic and the factors that have helped to mitigate the impact of the epidemic and increase resilience; the interventions and measures (investments and/or reforms) they intend to take to achieve the objectives set in the light of the challenges; and how the reforms and investments they have made fit in with the EU’s country-specific recommendations in the annual country reports.

In September 2021, the State secretary for EU Development of the Ministry of Innovation and Technology said that one of the main issues still under negotiation is that the European Union expects Hungary to better manage corruption risks. The state-secretary noted that “if we look at the facts, we are doing very well in the fight against corruption in Hungary”. He added: “Unusually, here the EU institutions do not rely on facts but on press reports and opinions.”⁹³

In the meantime, the Hungarian government has practically started the implementation of both funds in Hungary, as the first SME tender with a HUF 200 billion budget was announced on 12th of July 2021 and the first payment from the Recovery Fund was made in early August 2021. These will be advanced from the domestic budget and covered by a large issue of foreign currency bonds in September 2021.⁹⁴

93 | Portfolio.hu: *Agreement on Hungarian recovery plan may be reached soon, but if not, there is still money* (<https://bit.ly/3uZ51wY>)

94 | Portfolio.hu: *Agreement on the Hungarian recovery plan may be reached soon, but if not, there is still money* (<https://bit.ly/3uZ51wY>)

Systemic misuse of EU funds

Although the State Secretary of the Ministry of Innovation and Technology said that the European Commission does not rely on facts when criticizing the corruption risks related to the use of EU funds, TI Hungary has already written in 2015 and has repeatedly stated in several places that the use of EU funds in Hungary involves several systemic corruption risks.⁹⁵ According to this, not only are the institutions of the state unable to filter out these risks, but in many cases the institutions themselves create opportunities for abuse. The aim is to spend huge sums of money quickly, which is why EU-funded projects are often over-planned, i.e. the amount of money approved is higher than actually needed. Over-planning and inadequate control contribute significantly to the proliferation of over-pricing of EU projects. TI Hungary's 2015 research cited above found that overpricing can affect more than 90 percent of projects, with an average value of 25 percent.

The organizations that decide on the beneficiaries of EU funds, monitor how the funds are spent and design the projects they support operate under the same managing authority, which is integrated into the ministries and responsible for managing EU funds. In other words, the organizations concerned are under the authority of the same leadership (Deputy State Secretary or ultimately Minister). The project monitoring bodies are therefore particularly counter-interested to carry out this task, as it would both slow down the absorption of funds and, if shortcomings or irregularities were discovered, would make the government itself suspect that it had not taken sufficient care in selecting beneficiaries. The institutional guarantees of the effective independence of the audit bodies, both at organizational and staff level, are highly questionable. It is typical that the Hungarian audit body, the General Directorate for the Audit of European Aid, which is to be set up in accordance with EU standards and is independent of the Hungarian managing authorities, operates within the Ministry of Finance and is staffed by government officials.

95 | Transparency International Hungary Foundation (2015) *The corruption risk of EU funds in Hungary* (<https://bit.ly/3lx7QSN>)

I.4. THE COLONIZATION OF THE MEDIA

Media freedom and corruption are interlinked, and the indicators describing the two phenomena show a strong correlation⁹⁶. The Transparency International Corruption Perceptions Index and the Freedom House Press Freedom Index show a strong positive correlation: countries with high levels of corruption have less free media, and vice versa: countries with less corruption have more free media⁹⁷. A free media can play two roles in reducing corruption: on the one hand, it allows for pluralism of information and access to information (transparency function), and on the other hand, it controls those in power (accountability function). In a democratic context, the exposure of abuses can deter potential perpetrators of corruption.

Information asymmetries exist not only in economic but also in political markets. Freedom of the media, diversity of the press and fuller access to information are important because they can reduce this imbalance and thus contribute to the consolidation of democracy and the reduction of corruption. However, if the corrupt elites use the media partly or entirely for their own purposes, the cost of access to information will rise and asymmetries will increase.

Diversity of information at risk

The Hungarian media system shifted from “multi-party colonialism” to “one-party colonialism”⁹⁸ in the last 30 years of post-communism, and the duopolistic structures (government vs. opposition, left vs. right) that prevailed until 2010 were replaced by the monopolization of the media market after Fidesz’s first victory with two-thirds (constitutional) majority in the 2010 election. Biased journalism and clientelism were still features of much of the

96 | See, for example, World Bank Institute (2000) *The Media’s Role in Curbing Corruption, Working paper*; and Brunetti, Aymo & Weder, Beatrice (2003) *A free press is bad news for corruption, Journal of Public Economics*, Vol. 87, Nos. 7-8, pp. 1801-1824.

97 | In 2018, the correlation coefficient (r) was 0.84 and the coefficient of determination (r squared) was 0.72, indicating a strong relationship. See József Péter Martin (2019). *Corruption and press freedom in the light of Hungarian trends. Médiakutató*, Vol. XX, No. 3, pp. 10-11. Download: https://mediakutato.hu/cikk/2019_03_osz/01_kez_a_kezben_a_lejton.pdf

98 | See: Péter Bajomi-Lázár (2015): *Colonization of the media: Why do certain Central and Eastern European governments respect the freedom of the press – and why not others? Politikatudományi Szemle*, XXIV. évf. 1. sz. 58-82 o.

Hungarian media before 2010, but “polarized pluralism”⁹⁹ was not in danger back then. After the post-2010 autocratic turnaround of the Orbán government, the government, for reasons of power politics, intervened in the domestic media system, not only in the state sector but also in the market segment, in many cases and in a harsh manner, threatening the fundamental right to a diverse media landscape.

After Fidesz’s first “two-thirds” electoral victory (in 2010) and its rise to government, more and more organs have become government mouthpieces. The public media had been degraded from public service to state-run, and then many other privately owned organs changed owners and became servants of power. This trend accelerated in the middle of the decade. Media pluralism, i.e., plural, factual and objective reporting, has been under threat. This declining trend is reflected in the Freedom House Press Freedom Index. The organization’s 2012 report was the first to apply the label “semi-free” to the Hungarian media, and this has been confirmed by Freedom House’s indexes and related studies published since then.¹⁰⁰

Extremely distorted market and partisan, manipulative regulation

The Achilles’ heel of the Hungarian media system – closely linked to the established crony state capitalism and systemic corruption – is the distortion of market conditions and the near-total impossibility of fair, regulated competition. This process is being driven by distorted regulation biased towards the government and pro-government economic and political actors, on the one hand, and by the media market capture by pro-government media owners and oligarchs, on the other. The 2015-2016 period was a watershed for both processes: after the 2015 break-up of Viktor Orbán and his confidant Lajos Simicska, who managed the pro-government press portfolio, the model of moderate concentration based on one oligarch (Lajos Simicska) was replaced by a model of full concentration, in which – at least for a while – several oligarchs (e.g., Lőrinc Mészáros, Árpád Habony, Andy Vajna) played a role.

99 | Vö: Dobek-Ostrowska, Boguslawa & Glowacki, Michal (2015): *Democracy and Media in Central and Eastern Europe 25 years on*. Peter Lang Editon. Korruptió és sajtószabadság a magyar trendek tükrében. Médiakutató, XX. évfolyam, 3. szám, 10–11. oldal Letöltés: https://mediakutatoldalhu/cikk/2019_03_osz/01_kez_a_kezben_a_lejton.pdf

100 | For Freedom House reports on media freedom, see <https://freedomhouse.org/issues/media-freedom>. The report for 2019 also uses the term “semi-free” to describe the media situation in Hungary.

There are already several examples of the rules of the game being changed to suit the government's needs in the period up to 2015, the most important of which is the media law from 2011, and the filling of the media authority with pro-government loyalists, which has been repeatedly criticized by the European Union. "Mouthpiece journalism" and censorship in pro-government organs and propaganda publications is virulent and direct. Contrary to its label, the public media have been a venue for state propaganda for a decade and cannot be considered a serious source of news. At the same time, the state media receive a generous and dynamically growing share of taxpayers' money: in 2018, they received HUF 81 billion, rising to HUF 83 billion in 2019, HUF 85 billion in 2020 and HUF 118 billion in 2021.¹⁰¹

The pro-government regulation capture continued after 2016, with the unprecedented concentration of media markets in the European Union in November 2018, when the management of some 450 pro-government media titles was merged into a single conglomerate, the Central European Press and Media Foundation (CEPMF). CEPMF has since managed even more, almost 500 titles. The government has exempted the foundation from competition oversight on the grounds of national strategic interest.¹⁰²

The biased, manipulative operation of state institutions can also be seen in the case of the partial merger of two independent media groups, RTL Klub (a TV channel owned by the German Bertelsmann Group) and Central Média (an independent media company owned by a Hungarian entrepreneur), which was not allowed by the competition authority. As a recent development from 2021, the allocation of radio frequencies also showed political intent, especially as Klubrádió was deprived of its frequency and was "exiled" to the internet¹⁰³. Regulatory means were also used to replace the then disgraced Lajos Simicska in the billboard market with another government oligarch, István Garancsi¹⁰⁴.

Not unrelated to the above, there have been huge changes in the media market. The first really "black" year of the press market was 2016, when – and also in the following period – a number of media critical of the government

101 | Source: Média1.hu, Parliament's Committee on Budget: <https://media1.hu/2020/10/20/mtva-kozmedia-allami-tamogatas-2021/>; <https://www.parlament.hu/irom41/13331/13331.pdf>

102 | Based on Government Decree No.229/2018 (XII. 5.).

103 | <https://telex.hu/kult/2021/03/11/klubradio-frekvencia>

104 | See Attila Bátorfy (2017) *From the Captivity of the State to the Captivity of the Market. Médiakutató*, Spring-Summer, pp. 7-30.

ceased to exist or were taken over by pro-government players.¹⁰⁵ For example, Népszabadság (a leftist and then the largest daily) and Heti Válasz (a center-right weekly) have ceased to exist, Origo.hu (the largest news portal) and Figyelő (an independent economic weekly) have become government mouthpieces, to name just a few of the outlets with a long history. TV2, one of the largest commercial television channels, has also become an uncritical government mouthpiece. Furthermore, the county newspapers have been completely, and the radio market almost completely swallowed up by the government steamroller.

The ownership structure of the media market has changed fundamentally in recent years. Today, virtually only the Bertelsmann Group, which operates the largest commercial television channel RTL Klub, remains as a foreign owner in the media market. The other foreign investors have either left the country or assisted the government's party takeover. The earlier assumption that foreign ownership provides a form of immunity from the centralizing ambitions of domestic politics has long been overturned.

Crude intervention in the advertising market

Looking at government influence on media market segments, the Internet media are the most likely to retain market-like conditions, while the rest are essentially captured by public authorities and/or private economic actors linked to the ruling parties (see Table 1).

The most important tool of market distortion is the redirection of public advertising to pro-government organs. Data analysis has shown that public money in television, online media and printed media has gone overwhelmingly to pro-government organizations.¹⁰⁶ In 2019, the Mérték, a think tank has turned to the European Commission about this obvious distortion of

105 | For example, the Mérték Media Analysis Workshop has collected data on the rise of media loyal to the government, see <http://mertek.eu/wp-content/uploads/2017/05/MertekFuzetek11-2.pdf>.

107 | See detailed calculations in Bátorfy, Attila, & Urbán, Ágnes. (2019). State advertising as an instrument of transformation of the media market in Hungary. *East European Politics*, 36(1), pp. 44-65. This reveals huge differences: in 2017, the pro-government Origo.hu received 44.5 percent of all public advertising allocated to the internet segment, while the still independent Index.hu received 4.5 percent. The pro-government Magyar Idők, which existed between 2015 and 2018, took 87.5 percent of all state advertising in the print press.¹⁰⁷ Vö: <https://atlatszol-dalhu/2018/07/30/nem-csak-az-allami-a-piaci-hirdeteseket-is-elteriti-a-politika-korrupcioval-atszott-az-ugynoksegi-piac/>

	Turnover (billion HUF)	CEPMF* market share (%)	Market share of pro-government media (CEPMF + other players) (%)
Print	64,8	78,9	81,0
Radio	3,5	22,4	82,2
Television	81,6	8,9	56,9
Online	10,0	41,3	41,3
Total	159,9	39,6	66,2

*CEPMF is Central European Press and Media Foundation (KESMA)

Share of pro-government media in the political news market, 2018¹⁰⁷

competition, i.e., illegal state aid, as it is (should be) a basic requirement to advertise where the audience can be reached.¹⁰⁸

But private companies' advertising is also often hijacked by public authorities, albeit in more sophisticated ways, appealing to a perceived or real sense of threat and conformity.¹⁰⁹ Companies do not necessarily base their advertising decisions on objective circulation figures, but on an expression of loyalty to public authorities. The earlier distinction, before 2010, when the political pressure was exerted by political parties and the business pressure was exerted by market players, has become meaningless, as the two effects are now merged and combined by now.

Partisanship, substandard, uncultured

Never before after the change of regime more than thirty years ago has the state power intervened so brutally in the media – once called the fourth branch of power. The problem with the pro-government media is not primarily that they present a biased viewpoint, but that they ignore any professional rules of journalism. The shallow standards offered by vast majority of pro-government media – not only state-owned but also nominally private – do

107 | Source : Mérték Médiaelemző Műhely (Mérték Media Analysis Workshop) (2019): <https://mertek.eu/wp-content/uploads/2020/01/MertekFuzetek17.pdf>, pp. 50-51.

108 | See: <https://media1.hu/2019/01/17/unios-panasz-a-magyar-mediarendszer-torzitasa-miatt/> Mérték also made a submission to the EU competition authority in 2016, concerning the financing of public media, but no decision has yet been taken on that either.

109 | Vö: <https://atlatszo.hu/2018/07/30/nem-csak-az-allami-a-piaci-hirdeteseket-is-elteriti-a-politika-korrupcioval-atzott-az-ugynoksegi-piac/>

more harm to the Hungarian public than impartiality. An even more far-reaching problem is that the culture of debate has essentially disappeared in Hungary: “Anyone who tries to refute the other person will within moments either grab an axe or be struck down.”¹¹⁰

110 | “Democracy has not become a social value” – interview with Gábor Polyák, a media scientist. *Magyar Hang*. 1st of October 2021. p. 4.

II.
CORRUPTION
IN
PRACTICE

II.1. THE REALLOCATION OF RESOURCES, OR “WHAT THEY CALL CORRUPTION IS FIDESZ’S MAIN POLICY”

1. Public assets are transferred to foundations as elections approach

Unprecedented levels of public wealth (including institutions, universities) are being divested by the government from the state and given to foundations. This may be particularly important in the event of a change of government, because the current government, through the people it has delegated, can keep the outsourced assets and the transferred institutions in its own interests. It will therefore be much more difficult for the new government to interfere in the operation of institutions previously under state control.

The Hungarian National Bank (MNB) was the first to experiment with the pooling of public funds into foundations, when it transferred HUF 267 billion of assets to the Pallas Athéné group of foundations back in 2013-2014. TI Hungary was the first to protest against this, calling the billions of Euros of money disbursed illegal.¹ The MNB argued that the assets transferred to the foundations did not come from the budget, but from the central bank's profits, and therefore did not constitute public money, so it did not have to account for their use in public. TI Hungary disagreed with this – because the central bank is a public institution that creates and spends public money – and sued the foundations one by one, and won the lawsuits.² However, Fidesz came to the rescue of the central bank and in 2016 passed a law stating that public money given to the foundation “lost its public money character”.³ TI Hungary

1 | TI says MNB's HUF 160 billion spending may be illegal, Transparency International Hungary (<https://bit.ly/3nNkuNr>)

2 | Böszörményi v. PADA judgment, Transparency International Hungary (<https://bit.ly/3EE6mNf>)

3 | Tamás Fábrián (Index.hu): *Lajos Kósa explains how public money disappears* (<https://bit.ly/2ZSOot1>)

also protested against the legislation, pointing out that the bill passed was in clear contradiction with the Fundamental Law, which requires full publicity in the use of public funds.⁴ Finally, the Constitutional Court ruled that the foundations of the Central Bank are managed from public funds and perform a public function.⁵ The Curia⁶, as well as the National Authority for Data Protection and Freedom of Information⁷ and the Public Procurement Arbitration Committee⁸, have reached a similar conclusion in their decisions on the foundations of the Central Bank.

In 2019, the government first set up a foundation to maintain Corvinus University of Budapest, and then joined the foundation running Mathias Corvinus College as an affiliate. In 2020, both foundations received 10-10 percent of Mol and Richter shares⁹ worth around HUF 600 billion.¹⁰ These will provide the foundations with significant dividend income, for example HUF 12-12 billion in 2021.¹¹

In December 2020, the public interest trusts funds, which are increasingly often abbreviated by the acronym “PITFs” in everyday language, were also included in the Fundamental Law. This means that a simple change of government would not affect their status, which could only be changed by a two-thirds majority.¹²

The steamroller started in 2021, when bills were voted through in April to put 11 universities under the responsibility of PITFs. The government has also created a whole series of additional PITFs, which will take over mainly cultural, training, research and talent management tasks from the state.¹³ These have been filled to varying degrees with public assets. Some have re-

4 | Lex Pallas Athéné Foundations, Transparency International Hungary (<https://bit.ly/3wbpy23>)

5 | 6/2016 (III. 11.) AB decision (<https://bit.ly/2ZNKWhG>); Index.hu: AB: Public money remains public money given to MNB foundations (<https://bit.ly/31jM6lD>)

6 | Index.hu: The Curia has ruled: the MNB foundations' spending must be disclosed (<https://bit.ly/3q4GdmH>)

7 | Resolution NAIH/2016/2937/2, National Authority for Data Protection and Freedom of Information (<https://bit.ly/3q1Fum7>)

8 | NOL.hu: MNB foundations are running ahead (<https://bit.ly/3pXTVYr>)

9 | Portfolio.hu: Corvinus University Foundation receives Richter and Mol package (<https://bit.ly/3byfHtB>)

10 | Miklós Ligeti (Corruption.hvgblog.hu): the chicken that lays golden eggs is served - 600 billion forints worth of shares will be owned by a foundation (<https://bit.ly/3w7Z4hQ>)

11 | Corvinus University of Budapest, the foundation that maintains Corvinus, receives a significant dividend (<https://bit.ly/3q2JkLY>)

12 | Márk Herczeg (444.hu): “The mother is a woman, the father is a man” - Fidesz-KDNP voted for the 9th constitutional amendment (<https://bit.ly/3bBppLC>)

13 | Hvg.hu: The government has just concreted its intellectual and cultural hinterland (<https://bit.ly/3w83yoG>)

ceived valuable blocks of shares; others have ‘merely’ been enriched with state property, including mansions, resorts or plots of land. It is estimated that they were endowed with thousands of billions of forints of state wealth.¹⁴ The state has not been left with a single Mol share, although it bought back 21 percent of the shares from Russia’s Surgutneftegaz for HUF 500 billion in 2011.¹⁵

As a result of the restructuring, there are no public universities left in the countryside. In the autumn of 2021, only five universities and one college started the academic year in state-run universities.¹⁶

The government may have chosen the foundation form to ensure that the assets could not be repossessed.¹⁷ Once assets have been transferred to a foundation, they cannot be reclaimed under the law, and the foundation cannot be dissolved because the law does not allow the founder to change his mind. In other words, public assets that have been transferred to the PITFs can no longer be converted back into public assets. The assets of the PITFs are managed by boards of trustees, which are mainly filled with pro-government politicians and persons close to the government. To this end, the rules on conflicts of interest have been amended¹⁸ to allow members of parliament, mayors, local government representatives, government ministers, state secretaries and senior government officials to sit on the boards of trustees and supervisory committees of the PITFs and to receive their royalty payments from them.¹⁹ They can earn good money there, with an average of one to one and a half million forints paid to a member of the board of trustees.²⁰ Finally, the trick was also used of transferring to the boards of trustees the right to appoint new trustees, which is usually vested in the founder. The next government would thus have no say in who the members of trustees would be, meaning that the inventor of this system intended to keep the assets now being passed on to the PITFs under the control of those loyal to the current holders of power, even until the end of time.²¹

14 | Balázs Bozzay (Telex.hu): *Fidesz voted to organize thousands of billions of public assets into foundations, the power grab has begun* (<https://bit.ly/3bF6z6c>)

15 | Népszava.hu: *Orbán slipped on Mol oil* (<https://bit.ly/3k2Bk9V>)

16 | Alexandra Tóth (EduLine.hu): *Only five state universities can remain in the country: six out of ten students are already studying in a model-changing institution* (<https://bit.ly/3nUcERZ>)

17 | Miklós Ligeti (Telex.hu): *What I stole is already mine - government foundations for eternity* (<https://bit.ly/3koRD7g>)

18 | András Domány (Hvg.hu): *new property grant for foundation universities* (<https://bit.ly/3bCv3Nv>)

19 | Zsolt Semjén KDNP MEP’s bill, Parliament.hu (<https://bit.ly/3GKgq9n>)

20 | Hvg.hu: *DK asked how much the heads of university foundations get paid* (<https://bit.ly/2ZUsm7V>)

21 | Miklós Ligeti (Telex.hu): *What I stole is already mine - government foundations for eternity* (<https://bit.ly/3koRD7g>)

In June 2021, the opposition parties jointly submitted a petition to the Constitutional Court to annul the law on the PITFs. Fifty MPs signed the initiative to ask the body to “help save the remaining state assets”.²² TI Hungary has sent a separate petition to the Constitutional Court, stating its view that the rules on the management of the PITFs and the recapitalization of the state are contrary to the constitutional provisions on the preservation of national assets.²³

If the Constitutional Court, packed with pro-government candidates, does not annul the law, then a two-thirds majority at most will be needed to recover the thousands of billions of Euros in state assets that have been outsourced, but even then it will not be easy. Even if the regulation on the PITFs is simply deleted in a cardinal law and by amending the Fundamental Law, the decisions taken until the liquidation of the PITFs will remain valid, so they can even continue to pass on the assets entrusted to them, TI Hungary pointed out.

22 | Marianna Kovács-Angel (24.hu): *the opposition appealed to the Constitutional Court against the outsourcing of public property to foundations* (<https://bit.ly/3EE8PqV>)

23 | Amicus curiae, Transparency International Hungary (<https://bit.ly/3kFslM4>)

2. The Ministry of Foreign Affairs' special ventilator business

The Ministry of Foreign Affairs and Trade has made a big purchase of ventilators. The ministry, led by Péter Szijjártó, bought much more than the direst emergency scenarios had suggested it would need, and at a much higher price than other countries or market players: 17,000 machines for a total of HUF 300 billion. A large part of them have been in the process of being disposed of for some time. The mediator companies have, of course, made a fortune this time too.

In March 2020, when it became clear that a coronavirus outbreak could not be avoided and that protective equipment, mainly masks and respirators, was needed, Prime Minister Viktor Orbán announced that he would send “scouts and raiders to all parts of the world, and traders and diplomats are working” to obtain them.²⁴ At the time, there were 2,000 ventilators in the country, and it was calculated that in the most pessimistic scenario, up to 8,500 machines might be needed at the peak of the epidemic. This is also a huge amount, as the Hungarian health system does not have enough specialists to operate that many ventilators. Nevertheless, the State Department has purchased more than 17,000 machines at a cost of more than HUF 300 billion. Meanwhile, even the State Health Supply Centre has purchased 2,500 machines.²⁵

A tenth of that would have been enough, as at the peak of the epidemic, no more than 1,500 ventilators were needed at the same time, when the country set a world record for the death rate at the end of March 2021.²⁶

It is no wonder that the health service could not do anything with so many machines, and most of them have been lying unused ever since. In September 2020, the government allocated HUF 2.5 billion to create a warehouse where surplus machines can be stored in safe conditions.²⁷ In the meantime, the government has also donated machines to friendly countries such as Kyrgyzstan, Mongolia, Uganda, Cape Verde, Ukraine and the Czech Republic. In October 2020, Hungarian ambassadors were also asked to enquire about the

24 | Press statement by Viktor Orbán after the meeting of the operational body, Kormány.hu (<https://bit.ly/3GUklQX>)

25 | Péter Bucsky (G7.hu): *The state hospital provider bought nearly 2500 ventilators for half the price of the Foreign Ministry* (<https://bit.ly/3o0foWc>)

26 | Index.hu: *Tragic record: never before were so many people on a ventilator* (<https://bit.ly/3BNOvl2>)

27 | Mfor.hu: *the Orbán government builds a respirator warehouse with HUF 2.5 billion* (<https://bit.ly/3wliWJO>)

need for ventilators in their host countries. Diplomats have not had much success in this regard.²⁸

TI Hungary asked the Ministry of Foreign Affairs about the overbuying: how many they planned to sell, which type they would get rid of and at what price, and how many they have managed to sell so far, but it turned out that not a single unit has been sold in more than three months.²⁹ “Negotiations are ongoing and no public information has been generated on this subject,” the ministry said. It is no wonder that a government decision to sell ventilators in excess of strategic stockpiles was taken shortly before the epidemic peak in March 2021.³⁰ The Minister of Human Resources was asked to assess the exact quantity and type of machines to be sold, in consultation with the Minister of the Interior and the Minister of Foreign Affairs, and then to take measures to sell them. TI Hungary asked the ministry for the results of the survey, but the request for data was refused. TI Hungary has therefore gone to court to obtain the release of public interest data in order to find out how much taxpayers would lose in the event of a sale.³¹

The Ministry of Foreign Affairs bought the machines for an average of HUF 20 million, while the state hospital provider bought them for half as much, HUF 10.8 million to be precise³² Comparing the numbers internationally, the differences are even greater. The European Commission launched an EU public procurement procedure to buy 110,000 ventilators, in which the 26 participating Member States – i.e. all but Hungary – spent HUF 4.5 million worth in Euros to buy each machine.³³

Interestingly, you can also compare the prices per kilo. Eurostat measures not only values but also volumes, so you can calculate how much a country has bought a kilogram of ventilators for. For Hungary, it was €653, almost 8 times more than the EU average, 10 times more as for the Netherlands and 14 times more as for Germany.³⁴

28 | Attila Kálmán (24.hu): *Written evidence has emerged that the State Department ordered ambassadors to peddle ventilators* (<https://bit.ly/3CRccuz>)

29 | Hvg.hu: *The Ministry of Foreign Affairs has not sold a single ventilator so far* (<https://bit.ly/3o3o1Ay>)

30 | Government Decision 1106/2021 (III. 10.) on the sale of medical equipment

31 | József Spirk (24.hu): *Kásler's ministry pretends to have no idea whether it has managed to get rid of the ventilators* (<https://bit.ly/3whp1M1>)

32 | Péter Bucsky (G7.hu): *The state hospital provider bought nearly 2500 ventilators for half the price of the Foreign Ministry* (<https://bit.ly/3o0foWc>)

33 | Judit Windisch - Viktória Serdült (Hvg.hu): *we bought Chinese ventilators very expensively* (<https://bit.ly/3wgXiLn>)

34 | Zoltán Jandó (G7.hu): *we either bought ventilators wither light as a feather or incredibly expensive* (<https://bit.ly/3nZGUv4>)

Most of the equipment was bought by the State Department from a Malaysian company, GR Technologies: 6,258 units, for HUF 176 billion, which is more than HUF 28 million per machine.³⁵ Contrary to the logic of the market, the largest number of machines cost the most in terms of units. Less than a month after the deal, the company's owner, Vinod Sekhar, bought a \$20 million luxury yacht and a Bombardier BD-700 private jet.³⁶ TI Hungary says the purchase raises suspicions of irregular and wasteful management.³⁷ A public interest request was submitted to the Ministry of Foreign Affairs and Trade to find out the details of the deal, but the ministry did not respond, so the anti-corruption NGO turned to the courts.³⁸

Among the Hungarian intermediaries, Fourcardinal Tanácsadó Kft. supplied the most equipment to the Foreign Ministry, a total of 1,000 units. According to their 2020 report, they had an excellent year: with HUF 49.5 billion in revenue, they recorded a profit of HUF 16 billion – a 32 percent profit margin – and took out HUF 15.5 billion in dividends.³⁹ The company has many ties to Viktor Orbán's chief advisor Zsuzsanna Rahó, whose sibling was the CEO. Fourcardinal Kft. and Danubia Pharma Kft., the intermediary of the Chinese vaccine, may be backed by the same circle: Péter Szijjártó's former deputy, László Szabó's brother-in-law, Márk Szeverényi and his associates.⁴⁰ The company stopped at the top: the owners decided to liquidate Fourcardinal Kft. on 1st of September 2021.⁴¹

35 | Babet Oroszi (Hvg.hu): *The Foreign Ministry has contracted for more ventilators than it could have known* (<https://bit.ly/3bHzTsW>)

36 | Zoltán Haszán (444.hu): *6258 ventilators was delivered to the Hungarian government, then bought a private jet and a luxury yacht* (<https://bit.ly/3EMSRV9>)

37 | Malaysianow.com: *Watchdog presses Hungary govt to reveal details of half-a-billion dollar contract to Malaysian businessman* (<https://bit.ly/3GUBgmj>)

38 | Atv.hu: *Respirator procurement: Transparency is waiting for answers from the Ministry of Foreign Affairs* (<https://bit.ly/3b1tfCX>)

39 | András Bódis (Válaszonline.hu): *crazy profit: the NER's favorite "epidemic company" Covidon wins 16 billion* (<https://bit.ly/3CSnkHb>)

40 | András Bódis (Válaszonline.hu): *we also found the Fidesz media leader's brother-in-law in the big ventilator business* (<https://bit.ly/3o4EdIm>)

41 | Márton Vég: *The company that slashed billions on the government's purchase of ventilators will be liquidated* (<https://bit.ly/3G9jziB>)

3. The tentacles of Chinese vaccine procurement are reaching the government

A Chinese supplier of a coronavirus vaccine has made a bomb deal with the government through an intermediary company. The state paid much more for the first generation vaccine than for the more modern second and third generation, and the Chinese sold their product to many countries at much lower prices. For a long time the government kept the identity of the lucky intermediary secret. It turned out that the HUF 55 billion contract was signed with an unknown small company, with influential government officials behind the stooges.

On 30th of January 2021, Minister of Foreign Affairs and Trade Péter Szijjártó announced that Hungary will purchase 5 million doses of vaccines from the Chinese manufacturer Sinopharm.⁴² This was made possible after the National Institute of Pharmacy and Food Health (OGYÉI) granted the authorization. The OGYÉI approved the Chinese vaccine on the basis of a government decree issued a few days before. The government decree instructed the OGYEI to authorize, without waiting for the results of the expert studies, vaccines that are licensed in at least three countries, including at least one EU or EU candidate country, and that have been administered to at least one million people⁴³ The Minister for Foreign Affairs, Péter Szijjártó, was designated to determine whether one million people had received the vaccine. Sinopharm met the criteria, having vaccinated people in a candidate country, Serbia.

The details of the procurement were kept secret for a long time by the government, a series of public interest requests⁴⁴ were rejected⁴⁵ by various ministries, until finally, in mid-March, Gergely Gulyás, the Minister of Prime Minister's Office, posted the contract on his Facebook page. It turned out that the HUF 55 billion deal had been tweaked by an almost unknown little company, Danubia Pharma Kft., a company with three employees that acted as an intermediary between the Hungarian state and the Chinese pharmaceuti-

42 | Hungary buys five million doses of vaccines from Chinese company Sinopharm, Kormány.hu (<https://bit.ly/3GPBifp>)

43 | Government Decree 19/2021, Hungarian Official Gazette (<https://bit.ly/2ZXEpbO>)

44 | Katalin Erdélyi (Átlátszó.hu): *We have not received the contracts for the purchase of Chinese and Russian vaccines from the Ministry of Foreign Affairs and the Prime Minister's Office* (<https://bit.ly/3k5mlft>)

45 | Zoltán Haszán (444.hu): *the government hides the Chinese and Russian vaccine contracts* (<https://bit.ly/3qbmXOh>)

cal company. Syntonite Kft., founded on 27 November 2020, was also involved, with two suspected owners.⁴⁶ One of them left the company a week after the contract was signed and handed over his stake to Danubia Pharma's managing director, Máté Tuza.⁴⁷

Máté Tuza admitted that they are not the real owners: "The owners of the company are Hungarian professional investors who see their future in improving the situation of the Hungarian healthcare system", he said, but he did not say more.⁴⁸ The opaque ownership structure has led to several complaints, but these have been rejected by the police.⁴⁹

The press, however, has revealed that behind Danubia Pharma may be Márk Szeverényi and his circle, who have also made a fortune on the import of ventilators through Fourcardinal Tanácsadó Kft. Márk Szeverényi's brother-in-law László Szabó, after resigning from his position as CEO of TEVA pharmaceutical factory, was Péter Szijjártó's deputy at the Ministry of Foreign Affairs, and was later appointed Ambassador to Washington. He left this post, perhaps coincidentally, just at the very time of the ventilator business, to become CEO of the government press empire Mediaworks. And Márk Szeverényi's brother, Ivonn Szeverényi, was appointed ambassador extraordinary plenipotentiary in the summer of 2020 at the suggestion of Péter Szijjártó, whose task is "helping Hungarian companies wishing to export innovative products and services to foreign markets."⁵⁰

The Sinopharm vaccine was purchased by the state from Danubia Pharma Kft. for €30 net price, meaning that the vaccine, which is not even licensed in other EU countries, was more expensive than other vaccines used in Hungary. Compared to other countries, the purchase of vaccines was also quite expensive, with the Senegalese government, for example, buying it for €13.4 per unit.⁵¹ It is not known for how much the intermediary company bought the vaccine from the manufacturer, but a pharmaceutical industry official

46 | Márton Sarkadi Nagy (Átlátszó.hu): *The change of ownership of the Hungarian company that bought Chinese vaccines with a confusing background could have been a sham* (<https://bit.ly/3GOvDpY>)

47 | 24.hu: *Chinese vaccine deal: the owners of the Hungarian company that made the 55 billion purchase revealed* (<https://bit.ly/3wdgZ6G>)

48 | Balázs Gabay (Index.hu): *from arable land to Airbus: everything behind the Chinese vaccine procurement* (<https://bit.ly/31jthPt>)

49 | András Bódis (Válaszonline.hu): *The police refuse to investigate the Sinopharm case - but there are bigger problems* (<https://bit.ly/3BEgtzO>)

50 | András Bódis (Válaszonline.hu): *we also found the Fidesz media leader's brother-in-law in the big ventilator business* (<https://bit.ly/3EHZNxZ>)

51 | Balázs Gabay (Index.hu): *It is shameful that they want to harm Hungarians and the Hungarian state in this way* (<https://bit.ly/3pt2nP5>)

said that the market price of the vaccine at the time of purchase was between \$26 and \$28, meaning that the Hungarian company was making a profit margin of \$10, which could have given it a profit of \$50 million (HUF 15 billion).⁵²

But it was not just the price of the vaccine that was a problem; its effectiveness could also be a source of doubt for many. According to the WHO's analysis, "there is very little certainty that the Chinese vaccine will protect people over sixty and those with chronic illnesses".⁵³ This means that millions of people need to be revaccinated to be truly protected.⁵⁴ This is in line with the findings of the Sinopharm vaccine summary of product characteristics published by the OGYÉI. It shows that the manufacturer's knowledge of the vaccine's efficacy is limited in people over 60. The document states: "The available data suggest that the levels of neutralizing antibodies are lower in people over 60 than in people aged 18-59".⁵⁵

Hungarian pharmaceutical professionals may have been aware of all this during the authorization process, and TI Hungary's enquiries have revealed this. In February 2021, the organization submitted a public interest information request to the OGYÉI, asking for the release of the documents related to the authorization of the Eastern vaccines, i.e. the Chinese and Russian vaccines. The OGYÉI extended the deadline to reply from 15 to 45 days and then to 90 days without giving any reason, but TI Hungary did not wait for this and went to court.⁵⁶ The OGYÉI then refused to disclose the data from the vaccine manufacturer on the grounds of commercial confidentiality.⁵⁷ In the ensuing lawsuit, OGYÉI first promised to release the data,⁵⁸ but failed to do so, and on TI Hungary's motion the court ordered it to release the data on the efficacy of the two vaccines.⁵⁹

52 | Zoltán Ágoston – Balázs Gabay: Hungary has been ripped off by HUF 17 billion, Péter Szijjártó's ministry says only the left is attacking (<https://bit.ly/3jqZtqr>)

53 | Evidence Assessment: Sinopharm/BBIBP COVID-19 vaccine, World Health Organization (<https://bit.ly/3GRJJqE>)

54 | 444.hu: Let's check the effectiveness of vaccines! (<https://bit.ly/3q6SF5E>)

55 | Sinopharm information for professionals, Erodium.hu (<https://bit.ly/3ERdCph>)

56 | OGYÉI refused to respond for 90 days, the case goes to court, Transparency International Hungary (<https://bit.ly/3BLBYPg>)

57 | Public interest reporting, OGYÉI/0678-3/2021 (<https://bit.ly/2ZQR4eh>)

58 | Ákos Keller-Alánt (Szabadeurópa.hu): It is still not known on what basis the Russian and Chinese vaccines were approved (<https://bit.ly/3k6jByq>)

59 | We won an important first instance case against the OGYÉI in the case of the domestic licensing of Sinopharm and Sputnik vaccines, Transparency International Hungary (<https://bit.ly/3q7v4BO>)

4. Opposition towns are plundered through special economic zones under special legislation

The government can also squeeze the targeted municipalities by declaring them special economic zones, and at the same time put the county assemblies, which are all led by the governing party, in a position of power. Indeed, if an industrial park is reclassified, it is transferred to the jurisdiction of the county assembly, together with the tax revenues it generates. So far, two towns that have recently become opposition municipalities have been the losers, with the beneficiaries being the Fidesz county councils and the pro-government municipalities neighboring the plundered municipalities.

On 11th of March 2020, the government declared a state of emergency due to the coronavirus epidemic and put in place a special legal regime to protect against it. On 17th of April, two government decrees were issued in response to the coronavirus outbreak: one allowing the government to designate a special economic zone in any municipality.⁶⁰ The other has already designated the first affected town, which was Göd.⁶¹

The Special Economic Zone will be removed from the “jurisdiction” of the city, the ownership of the land will be transferred to the county government, as will all the powers and powers previously vested in the municipal government, and the local tax revenues from the area will be transferred to the county government. According to the decree, the government may declare a site of economic importance and its immediate surroundings as a special zone if the government has declared it to be an investment of national economic priority, with a cost of at least HUF 100 billion and affecting a significant part of the county, in order to avoid massive job losses or to carry out new investment or expansion.

In the case of Göd, the SEZ concerned the Samsung factory and its surroundings, where the South Korean company plans to expand production with one of the world’s largest battery factories.⁶² With the government decree, the city has lost a third of its budget revenues, as Samsung will no longer

60 | Government Decree 135/2020 (IV. 17.) on the measures necessary to ensure the stability of the national economy in the context of the emergency situation

61 | Government Decree No 136/2020 (IV. 17.) on the designation of a special economic zone in the administrative area of the town of Göd

62 | Györgyi Balla (Hvg.hu): *almost no one knew what the government was up to in Göd* (<https://bit.ly/3bIrN3e>)

pay business tax to Göd, but to the Pest County municipality.⁶³ There is also a political color to this, as in 2019 an opposition mayor and council of representatives were elected in Göd, while the Pest County Municipality, like the other counties, remains under the government party leadership.

Commenting on the government's decision, Csaba Balogh, Mayor of Göd, said, "What does this mean for our city? It is practically a death sentence."⁶⁴ The mayor also criticized the fact that in future neither the municipality nor the residents of Göd will have a say in what happens in the industrial park, what and where is built, or what polluting activities can be carried out. Csaba Balogh has appealed to the Constitutional Court against the government's decree to take 20 percent of the city's land and deprive it of a significant part of its revenue.⁶⁵

In February 2021, the Constitutional Court rejected the complaint submitted by the municipality.⁶⁶ It found that the taking of land and tax revenue did not violate the Fundamental Law. However, it also ruled that the government and Parliament cannot disable local governments. It stipulated as a constitutional requirement that "the National Assembly shall provide local governments with budgetary or other material support commensurate with the performance of their mandatory duties and powers. The National Assembly may, in times of emergency, reduce these funds for reasons of public interest, but in so doing it may not make it impossible for local governments to operate or to discharge their constitutionally protected functions."⁶⁷

In June 2020, the National Assembly strengthened the Government Decree on Special Economic Zones by law, and lowered the HUF 100 billion investment threshold to HUF 5 billion.⁶⁸

The second Special Economic Zone was declared in Fejér County in June 2021, at the instigation of the Fidesz President of the Fejér County Assembly.⁶⁹

63 | Hvg.hu: *The government took away a third of the budget of the opposition Göd by decree* (<https://bit.ly/2ZSVonQ>)

64 | Csaba Balogh, Facebook Posts (<https://bit.ly/3q9ue7s>)

65 | Hvg.hu: *The mayor of Göd turns to the Constitutional Court because of the government's action* (<https://bit.ly/3mKB2Gr>)

66 | The designation of the Göd Special Economic Zone is not contrary to the Fundamental Law, Constitutional Court (<https://bit.ly/3o1Gggo>)

67 | András Domány (Hvg.hu): *At home: the Constitutional Court says the Göd special zone is OK, but gave a little beauty patch* (<https://bit.ly/3GUlCHF>)

68 | Iván Stoichev (Hvg.hu): *The law on special economic zones has been passed* (<https://bit.ly/3k8NGgW>)

69 | Gergely Brückner (Telex.hu): *The heat is on Dunaújváros: a secret plan to take billions from the opposition town* (<https://bit.ly/3BLmpa4>)

Its victim was Dunaújváros, where, like Göd, an opposition mayor and council of representatives replaced the former Fidesz leadership, and the opposition also won the parliamentary by-election in the constituency in February 2020.

The government decree named the area Duna-mente – Fejér County, which will be created in the administrative area of Ivánca and Rácalmás, two settlements neighboring Dunaújváros.⁷⁰ This puts Dunaújváros in a difficult position because the industrial park was created with the financial contribution of the city and because it had previously agreed on the distribution of the business tax revenue with the two other municipalities. The Hankook tyre factory is located in this industrial park, and the country's largest Greenfield investment, the battery factory of South Korean SK Innovation, will be located here, according to an announcement by Foreign Minister Péter Szijjártó in January 2021. By redirecting business tax, billions of forints are lost from the budget of Dunaújváros every year.⁷¹

70 | Government Decree 362/2021 (28.VI.), Net.jogtár.hu (<https://bit.ly/3CLTZOx>)

71 | Balázs Cseke (Telex.hu): *The government has decided on a special economic zone, the opposition-led Dunaújváros may lose billions* (<https://bit.ly/31kMFeX>)

5. Billions of public money for fake parties

Hungary's unique campaign finance rules allow fake parties with no real support to steal billions of Euros in parliamentary election campaigns. The authorities have so far been able to recover only a fraction of the damage caused. As things stand, fraudsters will still have a free run in 2022.

According to Transparency International Hungary, during the 2014 and 2018 elections, fake parties were able to steal a total of around HUF 7 billion in public funds for campaign contributions.⁷² This was made possible by the extremely generous Campaign Financing Act, which provides each individual candidate with a HUF 1 million subsidy, and the parties were also able to receive an additional HUF 150 million (in the case of a minimum national list of 27 candidates) to HUF 600 million (by setting up a maximum list of 106 candidates) depending on the number of individual candidates. The nomination of candidates was made much easier by introducing multiple nominations and reducing the number of recommendations required (from 750 to 500).

The numbers show how tempting free money was: in 2010, only 16 parties were running, and only 6 had a national list.⁷³ By contrast, in 2014, 94 organizations flew onto the elections and 18 national lists had been produced.⁷⁴ By 2018, campaign contributions had been tightened up in several respects (parties must pay back their funding if they get less than 1% of the vote, and party leaders are liable for repayment with their personal assets), but this did not deter the enterprising: that year, 105 parties tried, 23 of which succeeded in producing a national list.⁷⁵

While a national election campaign normally consumes considerable sums of money, up to several times the amount of state campaign contributions, the fake parties and their candidates were at best only running a sham campaign, so they could use most of the money for their own purposes, with very

72 | Campaign fog – Campaign financing lessons and recommendations – Monitoring campaign spending in the 2014 parliamentary and local elections, TI Hungary (<https://bit.ly/3CpQEvd>); This Hungaricum is costing Hungarians billions – TI Hungary reveals how the fake parties used state campaign funding, TI Hungary (<https://bit.ly/3jMxNfP>)

73 | Parties with the most registered candidates and lists in 2010, Választás.hu (<https://bit.ly/3pKZklN>)

74 | Parties with the most registered candidates and lists in 2014, Választás.hu (<https://bit.ly/3jHiq8A>)

75 | Parliamentary elections 2018 – national lists, Választás.hu (<https://bit.ly/3mpbGhn>)

lax accounting. Only individual candidates had to account for their 1 million HUF donation, and they could offer this amount to the parties nominating them, in which case the party had to account for it. TI Hungary only managed to obtain the data from the Hungarian State Treasury after several years of litigation following the 2018 elections.⁷⁶

Amazing things have come to light. For example, there was an organization that bought HUF 35.3 million worth of raw meat from a company with a minimal turnover for campaigning purposes. It was also common for the entire amount received, up to tens of millions of forints, to be paid to a single company, even if it had a completely different profile or was newly established. In many cases, it could be seen that the money was channeled to companies linked to the party. TI Hungary calculates that in 2018 alone, HUF 410 million could have been defrauded in support of individual candidates⁷⁷Including party list donations, the amount irregularly spent during the 2018 parliamentary election campaign is close to HUF 3 billion.⁷⁸ The state has been able to recover almost none of this, despite the fact that parties below 1 percent were fined and the Treasury handed over the recovery to the tax authority: according to K-Monitor, only HUF 1.2 million was recovered from the fake parties.⁷⁹

Criminal accountability of the leaders of the fake parties is also moving at a snail's pace. For example, after six years, in July 2020, Mária Seres, who ran a real fake party network, was accused of embezzling HUF 117 million in the 2014 elections, but no further developments are known.⁸⁰

It is a common experience that even if a conviction has been handed down, the accused have received very light sentences: for example, a party leader who could not account for HUF 20 million was fined HUF 300,000.⁸¹

The easy money will still be there in 2022, with the governing two-thirds amending the rules on only two points: first, the individual responsibility for

76 | TI Hungary: *fake parties – This Hungaricum is costing Hungarians billions* (<https://bit.ly/3CnCJip>)

77 | 410 million forints disappeared from the state campaign funding of the individual candidates of the fake parties – TI Hungary files a complaint, TI Hungary (<https://bit.ly/3jJNSmG>)

78 | Besides the governing parties, campaign corruption was a big winner in the 2018 elections, TI Hungary – Political Capital (<https://bit.ly/3DtDebe>)

79 | K-Blog: *Without consequences: the NAV has not collected a single penny from the 2018 fake parties* (<https://bit.ly/3Ejtwbw>)

80 | Hvg.hu: *Mária Seres and her husband may be behind half a dozen fake parties in the last eight years* (<https://bit.ly/3Cr6Gy9>)

81 | Hvg.hu: *It took five years of investigation to bring charges against the fake party woman, Mária Seres* (<https://bit.ly/3vPuvxe>)

the repayment of parties that performed below 1% immediately after the 2018 elections was extended beyond the leaders of such parties to their candidates, and second, the number of individual candidates required to stand on the national list was recently increased from 27 to 71.

II.2. THE LEADERS OF THE “PARTY STATE” AND THEIR RELATIVES

6. The Batida Castle of János Lazar

Based on his asset declaration it was dubious where the money came from to purchase the hunting lodge of Batida, and at first the former Minister of the Prime Minister’s Office denied to have anything to do with it, later on János Lázár admitted that indirectly he owns the hunting lodge in Batida.

At first, János Lázár, then Minister of the Prime Minister’s Office, denied that he had anything to do with the hunting lodge in Batida, which was wedged among his lands, bought by his advisor, lawyer Jenő Kulik in 2015, and then annexed to the Grosswiese Zrt.⁸² He now admits to at least an ownership stake in the imposing property, which began construction in 2017. Experts have estimated the cost at several hundred million forints, and János Lázár’s wealth declaration⁸³ (54.8 million forints in savings with 87 million forints in debt) did not explain how he could afford it. Thus, when the first newspaper articles appeared about János Lázár’s luxury estate, the politician deflected, claiming that he was not even sure what land his family owned.⁸⁴

Yet the coincidences are striking: the day after János Lázár’s mother bought the 1.6 hectares of land around the castle, the property was purchased by the politician’s lawyer in December 2015. Two days later, János Lázár’s minor child and János Lázár’s mother bought the two plots of land (one of 8 hectares and the other of 3.6 hectares) through which the hunting lodge can be approached from the main road. Half a year later, János Lázár and his mother acquired ownership of a further 27 hectares of land next to the castle.

82 | Krisztián Magyar (Magyararancs.hu): *János Lázár and his family are expanding next to a mysterious luxury mansion* (<https://bit.ly/3CoSt4F>)

83 | János Lázár’s 2017 asset declaration, Parliament.hu (<https://bit.ly/3jLGx5W>)

84 | Gergely Nyilas – Sándor Joób (Index.hu): *we visited the hunting lodge built in the middle of the Lázár fields* (<https://bit.ly/3moN1JH>)

“I have two choices: either I will try to sell the land as soon as possible, or I will buy a stake in the company that owns the castle”, said János Lázár, and everyone thought he was being ironic.⁸⁵ But he wasn’t joking: just a few months later, at the beginning of the new term, he made a confession of assets: he disclosed an 8.1 percent stake in Grosswiese Zrt. that owns the castle.⁸⁶ Since then, his stake has increased further, and in his most recent declaration⁸⁷ he has already declared 22.92%.

With the recognition of János Lázár’s ownership position, or more precisely the acknowledged increase of the politician’s ownership share, the company behind the castle, Grosswiese, is also doing better and better. According to their report, in 2020, despite the epidemic, they achieved a turnover of HUF 80 million, which is HUF 20 million more than a year earlier. Of this, profits amounted to 40 million, meaning that they operate with an outstanding profit margin of 50 percent. The hunting lodge can be rented for 500,000 forints a day, but it is rented in a closed circle through hunting companies.⁸⁸

János Lázár’s land around the castle increased further in 2021: the politician bought a 21-hectare field next door for HUF 57.2 million. Of this, only 10 percent was self-financing, the rest was paid for by a bank loan. The Lázár estate in Batida now covers at least 72 hectares.⁸⁹

85 | Rita Szlavkovits (Hvg.hu): *there are some issues that are beyond János Lázár’s capabilities* (<https://bit.ly/3bmT4rM>)

86 | Sándor Czinkóczi (444.hu): *János Lázár confesses to having a connection to the hunting lodge built on his family estate* (<https://bit.ly/2ZB3gdS>)

87 | János Lázár’s 2020 asset declaration, Parlament.hu (<https://bit.ly/3mjiLzP>)

88 | László Csaba Horváth (24.hu): *the coronavirus did not harm János Lázár’s castle company: last year it recorded its biggest revenue ever* (<https://bit.ly/2ZuhGwi>)

89 | Eszter Katus – Csaba Segesvári Átlátszó.hu): *János Lázár gets another land at the hunting lodge in Batida, he has signed a contract for 23 hectares* (<https://bit.ly/3mmkFQ7>)

7. Money rain for Ádám Matolcsy

Ádám, one of the sons of György Matolcsy (the central bank president), is now probably a billionaire.

Ádám Matolcsy's first big deal was the acquisition of Balaton Bútorgyár Kft. in 2016, followed by a succession of EU and state subsidies and government orders. The purchase of the furniture factory was a juicy deal in itself: the purchase was financed by the MNB loan program and the loan was taken from the bank of Ádám Matolcsy's uncle, Tamás Szemerey, the bank of the Growth Loan Bank. In other words, Ádám Matolcsy took out the special loan created by the central bank president's grandfather from his banker uncle, and the risk was borne by the state. And with this money, a smaller company acquired a company ten times bigger than his, because Ádám Matolcsy bought the factory through his company, Magyar Stratégiai Zrt.⁹⁰

A year later, this small company also bought Origo.hu, one of the largest Hungarian news portals, from another pro-government owner, meaning that the son of the central bank president owned Origo.hu until he, along with many other pro-government media owners, voluntarily offered it to the Central European Press and Media Foundation in December 2018.⁹¹

It was easy for Ádám Matolcsy to take comfort in his furniture factory, as he was able to furnish a number of public institutions, hospitals, courts and universities. The University of Physical Education alone was contracted for HUF 223 million.⁹² Finally, there were even suspicions of a conflict of interest when Ádám Matolcsy's interests also provided furniture for the building of the central bank headed by his father. They refused to say how much they had bought for the newly refurbished Post Office Palace (Postapalota).⁹³ This has already attracted the attention of opposition MPs, who have turned to the Attorney General, Péter Polt, who has interpreted the questions as a denunciation. The police said that the transaction could at most raise ethical

90 | Márton Kasnyik (444.hu): *the son of György Matolcsy suddenly became the owner of a big furniture factory* (<https://bit.ly/2ZBKpjb>)

91 | Márton Kasnyik (444.hu): *Matolcsy's son bought Origo* (<https://bit.ly/3CAImLu>)

92 | Zsuzsanna Tamásné Szabó (24.hu): *the company of Matolcsy's son may deliver furniture to the University of Physical Education for a few million more* (<https://bit.ly/3vYgAou>)

93 | György Unyatyinszki (Népszava.hu): *the Matolcsy business is in full swing: a mysterious shipment has arrived at the central bank* (<https://bit.ly/3bnLw8g>)

questions, and that this did not justify criminal action.⁹⁴ TI Hungary has turned to the Public Procurement Authority (PPA)⁹⁵ because MNB-Ingatlan Kft. had not followed a public procurement procedure for the purchase of furniture,⁹⁶ but the PPA said it was lawful to do so because the procurement was exempted on national security grounds.⁹⁷

Balaton Bútorgyár has received a total of HUF 630 million in non-refundable EU funding over two years, the largest amount for the smart office program.⁹⁸ The company of Ádám Matolcsy also received Hungarian state aid during the coronavirus pandemic: shortly after the outbreak of the pandemic, Balaton Bútorgyár was given HUF 287 million.⁹⁹

94 | Illés Szurovecz (444.hu): *police say it is at most an ethical question whether furniture from Ádám Matolcsy's furniture factory is brought to the Postal Palace* (<https://bit.ly/3EAFum9>)

95 | *Initiation of an ex officio redress procedure, TI Hungary* (<https://bit.ly/2ZyXzNm>)

96 | György Unyatyinszki (Népszava.hu): *Public procurement according to wish – The MNB company may have illegally squandered public money* (<https://bit.ly/2ZH3Eri>)

97 | Gabriella Nagy (Corruption.hvgblog.hu): *can a furniture purchase affect the security of the country?* (<https://bit.ly/3mplish>)

98 | László Horváth Csaba Horváth (24.hu): *furniture factory of Ádám Matolcsy receives money from Brussels for the fifth time* (<https://bit.ly/2ZBvoii>)

99 | Privátbankár.hu: *Another small state subsidy for a friendly company* (<https://bit.ly/3nmf1aH>)
Hvg.hu: *The company of György Matolcsy's son received nearly 300 million in government support* (<https://bit.ly/3DFxrQh>)

8. The Orbán family has earned more than 15 billion since 2014

While Viktor Orbán's salary as prime minister has not increased a penny since 2010, and even his deputy state secretaries are now paid more than him, the family's income has multiplied many times over.

In 2010, Viktor Orbán earned HUF 1 million 508 thousand 400 gross as head of government, in 2021 he earned HUF 1 million 508 thousand 350 forints, which is with 50 forints less.¹⁰⁰ Now, not only ministers and state secretaries, but also deputy state secretaries and ministerial commissioners receive higher salaries. At the same time, the revenues of companies owned by the Orbán family have skyrocketed.¹⁰¹

In the government term between 2010 and 2014, the mining companies partly owned by Viktor Orbán's father, Győző Orbán, generated a few tens of millions of forints in dividend income per year, and most of the profits were retained. From 2014 onwards, their revenues increased dramatically, and in that year they took out 535 million forints from Dolomit Kft. and Nehéz Kő Kft. The billion mark was passed in 2015, when the mines generated dividends of HUF 1 billion 320 million. According to G7.hu, since 2014, Viktor Orbán's father and his brothers have taken HUF 7.4 billion from their three most important companies – Dolomit, Gánt Kő and Nehéz Kő.¹⁰²

A good part of the revenue and profits from mining companies came from orders realized by the state or EU funds. They have been subcontractors in several large EU-funded projects, for example, in 2017 Nehéz Kő Kft. won a 300 million contract for the South Balaton railway renewal.¹⁰³ Companies boast very high profit margins. In 2018, 41 percent of the turnover of Dolomit Kft. remained as profit after tax, and a year later this incredibly good ratio was improved, with 45 percent of the revenue enriching the owners. Capacity problems are not expected to arise in the future, as Dolomit Kft. requested in 2019 to increase the mine's output tenfold, and the municipality of Zámoly did not stand in the way.¹⁰⁴

100 | Blikk.hu: *After more than ten years, Viktor Orbán's salary has changed: but why was his salary cut?* (<https://bit.ly/3bqrUAt>)

101 | Tamás Nótin (Index.hu): *How much do members of the government earn?* (<https://bit.ly/3pNJoAA>)

102 | Zoltán Jandó (G7.hu): *the Orbán family earned HUF 15 billion in seven years, not from wages and salaries* (<https://bit.ly/3bw59Lx>)

103 | Zöldi Blanka (Direkt36.hu): *Viktor Orbán could hardly believe that his family members were working as subcontractors on a state construction project. Now here is the proof* (<https://bit.ly/3EqS2rk>)

104 | Ákos Keller-Alánt (Magyararancs.hu): *Orbán Győző would increase the capacity of his mine tenfold* (<https://bit.ly/3jPKeyb>)

In addition, a dolomite exploration license has been obtained for 23 hectares near Gánt. Their current dolomite mine covers half of this area.¹⁰⁵

To the billions from the mining companies we can add the dividends collected by Viktor Orbán's son-in-law. István Tiborcz married into the family in 2013, when he married the prime minister's first-born child, Ráhel. His star then soared, initially with the support of Lajos Simicska, the then-oligarch-in-chief, and János Lázár, the then leader of the Fidesz parliamentary group. In 2015, István Tiborcz already took out hundreds of millions in dividends from one of his companies. When he was forced to sell Elios, a company that had cashed in on public lighting tenders, he was left with 3 billion forints.¹⁰⁶ It is well known that the EU Anti-Fraud Office (OLAF) found serious irregularities in the operation of this company.¹⁰⁷ Since then, István Tiborcz has moved into the real estate business and the tourism industry, which is his wife Ráhel Orbán's area of expertise.¹⁰⁸ According to company papers, Ráhel Orbán has been part of István Tiborcz's business network since this summer, when she was appointed managing director of Budapest Koncept Kft., a company owned by her husband.¹⁰⁹ István Tiborcz's companies buy up country manor houses, castle monuments,¹¹⁰ downtown buildings and giant lands with panoramic views on Svábhegy.¹¹¹ They are already expanding abroad, with a four-star hotel in Spain and, according to them, other hotel acquisitions in southern Europe.¹¹² In the past two years, István Tiborcz's largest real estate company, BDPST Zrt, has paid a total of HUF 3,5 billion in dividends.

In total, more than HUF 15 billion from mining companies and companies owned by Viktor Orbán's son-in-law have been transferred to the Prime Minister's family over the past seven years.¹¹³

105 | Zoltán Jandó (G7.hu): Viktor Orbán's family may explode in a new area (<https://bit.ly/3vUHLAw>)

106 | András Becker (Átlátszó.hu): We investigated how the investigative authority and the prosecutor's office sabotaged the investigation of the Elios case (<https://bit.ly/3CtQcWc>)

107 | Zsolt Kerner (24.hu): How Orbán's son-in-law's company cheated – we have obtained the OLAF report (<https://bit.ly/3Cugl7d>)

108 | Gergely Ditróy (Portfolio.hu): István Tiborcz: I owe the best deals to my critics! (<https://bit.ly/3brl3qw>)

109 | András Bódis (Válaszonline.hu): Fake news from Viktor Orbán: it is not true that 80 percent of the top rich are left-wing (<https://bit.ly/3bqSg5k>)

110 | László Horváth Csaba Horváth (24.hu): Wine restaurant, cigar room, cinema room planned for István Tiborcz's luxury Buda apartment (<https://bit.ly/3pQxFzL>)

111 | Gabriella Horn (Átlátszó.hu): Another billion worth property bought by István Tiborcz's company in the Buda Hills (<https://bit.ly/3BuQ2wf>)

112 | BDPST Group expands in Spain, BDPST release (<https://bit.ly/3GChegf>)

113 | Zoltán Jandó (G7.hu): the Orbán family earned HUF 15 billion in seven years, not from wages and salaries (<https://bit.ly/3Ewgms0>)

9. Viktor Orbán's flights

At first, the Prime Minister was “forced” to fly on private planes belonging to oligarchs close to the government, but then the Defense Forces purchased several planes capable of flying state leaders.

In the summer of 2018, Prime Minister Viktor Orbán flew in an Austrian-registered Bombardier Global 6000 private jet to Bulgaria to watch his favorite football team play in the Champions League qualifying match between Ludogorec and Videoton. This is a very expensive, \$60 million (18 billion forints) luxury plane, which costs around 1.5-3 million forints per hour to operate. This could hardly have been financed by Viktor Orbán's salary as Prime Minister (HUF 1.5 million) and the savings he declared in his assets declaration¹¹⁴ (HUF 993 000). After Átlátszó.hu found this out,¹¹⁵ Viktor Orbán's chief of press revealed that he was travelling as a guest of István Garancsi, the owner of Videoton, and the trip did not cost taxpayers a single penny.¹¹⁶

“Thirty years ago I went like this. This is how I will go next week, and this is how I will go the week after” – this was Viktor Orbán's reaction in Parliament when he was asked about it by MEPs. He replied to concerns that István Garancsi would ask him for something in return for his travels by saying: “I'd like to see the man who obliges me!”¹¹⁷ István Garancsi's company won a HUF 25 billion contract to build a sports hall in Székesfehérvár, a week after Orbán's statement.¹¹⁸ Although the construction was cancelled in January 2019 because the costs were deemed too high, the project was given the green light again in August 2021, when it was given a HUF 32.4 billion, which was already not considered high.¹¹⁹

If the prime minister had received the airplane ride, which cost millions of forints, as a gift, he should have declared it in his assets declaration, but

114 | Viktor Orbán's 2017 asset declaration, Parlament.hu (<https://bit.ly/3EvljBf>)

115 | Katalin Erdélyi (Átlátszó.hu): *Viktor Orbán, the private jet, the luxury yacht and the Mészáros clan – we know where they went on holiday this summer* (<https://bit.ly/3EBj1AJ>)

116 | Zoltán Batka – Ákos Zoltai (Népszava): *Garancsi takes Orbán on a luxury private plane* (<https://bit.ly/3CwIESz>)

117 | Richárd Tóth (Hvg.hu): *Orbán finally spoke out about luxury flights: this is how I have been travelling for thirty years* (<https://bit.ly/31aWrQN>)

118 | Mfor.hu: *25 billion for the Garancsi family to build the new sports hall in Fehérvár* (<https://bit.ly/3pO26Xr>)

119 | Zoltán Haszán (444.hu): *the hockey hall in Székesfehérvár may be more expensive, but it can still be built* (<https://bit.ly/3Ev2U7v>)

he did not. The chairman of the parliamentary immunity committee, who is a member of the governing party, refused to take legal action against the prime minister. He argued, among other things, that “a trip to a sporting event in which Hungarians or Hungary are taking part cannot be considered a gift”.¹²⁰

In the meantime, the Hungarian Defense Forces have purchased four planes – two Dassault Falcon 7X luxury aircraft¹²¹ out of which one of them is registered as a civilian aircraft, furthermore two Airbus A319 troop transport aircraft¹²² – that are capable of flying state leaders. So Orbán no longer needs to be invited by pro-government businessmen to fly. Although the government insists that these are not government aircraft, they have nevertheless been used more than 80 times by government officials in the year and a half since their purchase. They have also been used in exotic locations such as Panama City, Dubai, Las Vegas and Cape Verde. But there have also been occasions when Prime Minister Viktor Orbán and his Foreign Minister Péter Szijjártó travelled to Belgrade (370 kilometres), which is not that far by car, on two separate jets for the same program.¹²³

Since then, another Airbus has been added to the fleet, which Péter Szijjártó took advantage of when he used three planes at the same time on his trip to Mongolia at the end of July: an Airbus 319 took him to Ulaanbaatar, he flew back with Falcon, and the 33 ventilators given as a gift were transported with the newly acquired Airbus A330.¹²⁴

120 | Katalin Erdélyi (Átlátszó.hu): *No asset declaration proceedings against Viktor Orbán for luxury flying* (<https://bit.ly/2YoHWxV>)

121 | Hvg.hu: *HMH reacted: they really bought two Falcons, supposedly for the Hungarian Defense Forces* (<https://bit.ly/2ZE6OMO>)

122 | Hvg.hu: *Tibor Benkó presented the “non-steering machines” in Kecskemét* (<https://bit.ly/2ZChUlt>)

123 | Katalin Erdélyi – Krisztián Szabó (Átlátszó.hu): *“Not government planes”, but Péter Szijjártó regularly uses the planes of the Hungarian Defense Forces* (<https://bit.ly/3msYPur>)

124 | József Spirk (24.hu): *“We don’t need to take much stuff” – Szijjártó said, but three planes flew to Mongolia* (<https://bit.ly/3BAWFgQ>)

10. The Orbán hacienda in Hatvanpuszta

According to the HVG – the empire, which will serve the luxurious comfort of the Orbán family, will be largely completed by August 2021 on the site of the former archduke’s estate in Hatvanpuszta. The luxury investment, estimated at billions of forints, will be completed by the autumn, with only the interior decoration work left to be done.

The 13-hectare site, which was once the model farm of Archduke Joseph Habsburg, is owned by CZG Ingotlanforgalmazó Kft., a company owned by Győző Orbán, the Prime Minister’s father. In an interview with journalist Krisztina Ferenczi in 2012, Lőrinc Mészáros, then mayor of Felcsút, claimed that he rented the land and stored agricultural machinery on it.¹²⁵ This is contradicted by the fact that no one has seen such machinery there since then. According to Lőrinc Mészáros, he had rented the property for ten years, for HUF 15.5 million a year and paid for the whole thing in one lump sum in advance.¹²⁶ This HUF 155 million is the amount of the loan 127 taken out by CZG Kft, co-owned by Győző Orbán, to buy the property.

The originally state-owned land adjacent to the farm was acquired by Lőrinc Mészáros, also known as a confidant of the Prime Minister, when it was put up for auction by the state in 2016.¹²⁸ This means that the hundreds of hectares surrounding the 13-hectare farmstead entered in “friendly hands”.

Construction accelerated in 2019 after Fidesz-KDNP’s third two-thirds victory. Independent MEP Ákos Hadházy flew in a small plane over the heavily guarded area and took aerial photos. They show brand new building dug deep into the ground, presumably for an underground car park, and the location of the lifts.¹²⁹ Two listed buildings have also been demolished, for which the Fejér County Government Office has given permission.¹³⁰

125 | “I don’t give a shit what anyone says” – Lőrinc Mészáros vs. Krisztina Ferenczi on Vimeo (<https://vimeo.com/42115699>)

126 | *MagyarNarancs.hu*: Daddy Orbán bought, Lőrinc Mészáros pays: this is how Viktor Orbán can use a property for free (<https://bit.ly/3pRGN7b>)

127 | Marianna Kovács-Angel (24.hu): Győző Orbán’s companies received more than 2 billion in the Year of Families (<https://bit.ly/3mHopJn>)

128 | Márk Herczeg (444.hu): Lőrinc Mészáros acquired the land next to the farmstead in Hatvanpuszta for HUF 44.4 million (<https://bit.ly/3nHsVdc>)

129 | Sándor Czinkóczi (444.hu): Large-scale construction works have begun on the Orbán family’s estate in Hatvanpuszta (<https://bit.ly/3GEowvh>)

130 | László Szily (444.hu): The Orbán family demolished with permission the second listed building during the construction of the manor house in Hatvanpuszta (<https://bit.ly/3nKnj1O>)

Other footage of the large-scale construction project has also come to light. They show a meticulous attention to detail and lavish luxury.¹³¹ It has also been revealed that a vast, stately library is being built. The secrecy is such that we can only guess at the cost, but it seems certain to be in the billions. It certainly could not be financed from the gross monthly salary of Prime Minister Viktor Orbán and his MPs (HUF 2.7 million/month in 2021). The income from the Orbán family (parents, brothers and sisters and son-in-law) companies is of course much higher. These businesses have generated HUF 15 billion in the last seven years. If everyone put this into the construction, the money might be available.¹³²

131 | Babet Oroszi – Márton Gergely (Hyg.hu): *A palace on its own – we uncovered the secrets of the Orbán mansion in Hatvanpuszta* (<https://bit.ly/3BvCqkD>)

132 | Zoltán Jandó (G7.hu): *the Orbán family earned HUF 15 billion in seven years, not from wages and salaries* (<https://bit.ly/317o1ve>)

11. The business of Antal Rogán's new wife's family

Cabinet Minister Antal Rogán's new wife, Barbara Rogán, and her family's gigantic land acquisition in the Dédestapolcsány area has finally failed, but they have something to console themselves with. And Antal Rogán's man got hold of the local castle.

Antal Rogán remarried at the end of 2020. This was only revealed in his January 2021 declaration of assets, where the name of his spouse must be indicated, as the politician, who had previously lived his private life in the public eye, did not make a big deal of his wedding. Shortly before the wedding, the family of the minister's new wife, who had been living in average living conditions, signed a contract to buy 1,022 hectares of land worth HUF 1 billion 665 million.¹³³ One fifth of the property would have gone to Barbara Rogán. But they did not stop there: they bought a further 149 hectares from two other sellers for more than HUF 182 million.¹³⁴ The land is located near Barbara Rogán's home village of Dédestapolcsány in Borsod-Abaúj-Zemplén County. In all the contracts, the buyers were prepared to cover 95 percent of the purchase price with bank loans, according to the sales contract, which is an unusually high proportion.

With such an acquisition, Rogán's new family could have become large landowners in one fell swoop, but in the end the county government office rejected the transaction on formal grounds, so no loan was taken out.¹³⁵ The authority did Antal Rogán a great favor, because in the meantime the gigantic sale had come to light due to the "overzealousness" of one of the local authorities concerned: Tardona had posted the sale contract on its website, even though it was not obligatory.

From where and how can a rural family living in previously average conditions acquire such a large estate? How could he have obtained a bank loan of over HUF 1.5 billion from the state-owned Budapest Bank? The completely indefensible and inexplicable case has caused too much of a scandal and,

133 | Joó: Hajnalka (Hvg.hu): *shortly before their marriage, Antal Rogán's new wife became a landowner* (<https://bit.ly/3pMzgXo>)

134 | Sándor Czinkóczi (444.hu): *the family circle of Rogán's new wife did not stop at the 1.6 billion land acquisition, they added 149 hectares before the wedding* (<https://bit.ly/2ZByovD>)

135 | Sándor Czinkóczi (444.hu): *the government office could have blocked the land purchase of the Barbara Rogán's family at the finish line* (<https://bit.ly/2ZA7jxo>)

according to newspaper reports, has even drawn the disapproval of Prime Minister Viktor Orbán.¹³⁶

However, Minister Rogán and his circle have not completely given up on Dédestapolcsány. The local 5,000 square meter castle and the 13 hectares of land around the building were acquired by the entrepreneur Ádám Fintha-Nagy in May 2021. During Antal Rogán's time as mayor of District V, he also acquired a number of inner-city municipal properties at a much discounted price.¹³⁷

However, Barbara Rogán's family is not completely left in the lurch either: last year, the minister's new father-in-law bought himself into a consulting company, Ductus Kft., for HUF 750.000, and then received a HUF 315 million loan from Budapest Bank. This is interesting because the company had shortly before received HUF 2 billion 232 million in non-refundable state aid for agricultural consultancy under the EU-funded rural development program.¹³⁸ The bank loan was needed to cover the tender co-payment. Its disbursement was presumably facilitated by the fact that the CEO of Budapest Bank, András Puskás, is an old confidant, former deputy mayor and neighbor of Antal Rogán. The Ministry of Agriculture refused to disclose any details of the tender, so a lawsuit was launched with the help of Transparency International Hungary to find out who had judged the tenders and what kind of checks had been carried out so far.¹³⁹

136 | Tamás Fábrián – Fruzsina Előd (Telex): *A winding road led to the mowing down of Barbara Rogán's land purchase plan* (<https://bit.ly/3CJM7gN>)

137 | Péter Zsidai (Magyarnarancs.hu): *The ace of the downtown real estate auction of Rogán's time bought the castle in Mrs Rogán's village* (<https://bit.ly/3jQjcjF>)

138 | Márton Nagy Sarkadi (Átlátszó.hu): *2.2 billion state subsidy for the consulting firm owned by Antal Rogán's new father-in-law* (<https://bit.ly/3brGS9q>)

139 | Babet Oroszi (Hvg.hu): *the Ministry of Agriculture is hiding the details of the billion (HUF) worth tender linked to Barbara Rogán's family* (<https://bit.ly/3Cudlry>)

12. The unparalleled business success of Cecilia Rogán-Gaál

The former wife of the Minister in charge of the Prime Minister's Office is still very successful after her divorce, thanks to generous support from state-owned companies.

The first major scandal involving Antal Rogán, the Minister in charge of the Prime Minister's Office, was the previously concealed luxury apartment in the name of his then wife, Cecilia Rogán-Gaál. The wife had no independent income as a housewife, and Antal Rogán's legal earnings would not have been sufficient to buy the property in Pasa Park, worth hundreds of millions. In 2016, Cecilia Rogán-Gaál stepped out of the housewife role and bought out a billionaire entrepreneur, István Bessenyei, owner of Valton Security, to join her first company, Nakama & Partners, alongside her girlfriend Kata Sarka.

The "employment" of his wife was also good for Rogán, when soon afterwards he was able to blame the helicopter scandal on Cecilia Rogán's "business activities".¹⁴⁰ The helicopter trip, estimated at one and a half million forints, was explained by the fact that it was part of a barter deal between the air carrier company and Nakama & Partners.

In its first year, Nakama & Partners had a turnover of only HUF 50 million and a profit of HUF 7.7 million.¹⁴¹ After that, however, the company began to soar like Lőrinc Mészáros: after two years, they had already recorded HUF 1.2 billion in sales and HUF 438 million in profit.¹⁴² In the autumn of 2019, Cecilia Rogán-Gaál divorced Antal Rogán, but the success streak did not stop when the company was "on its own": in 2019, it entered the media business with the acquisition of Top News Hungary Kft., and its interests in 2020 had a turnover of HUF 679.8 million and a profit after tax of HUF 571.4 million, which means that they operated with an exceptionally high profit margin of 84 percent.

The secret of its success lies in the generous support of public companies, which donate hundreds of millions to its events. The Fitbalance sporting events started to receive public money from the moment they were bought

140 | Ildikó Csuhaj – Gábor Varga G. (Nol.hu): *the Rogán family travelled to the media celebrity's wedding in incredible luxury* (<https://bit.ly/2ZILdT6>)

141 | Tamás Fábrián (Index.hu): *Kata Sarka's mysterious boyfriend is the key to the Habony family's helicoptering* (<https://bit.ly/3CyROhp>)

142 | Index.hu: *The turnover of Cecilia Rogán and Kata Sarka Rogán's company exceeds one billion forints* (<https://bit.ly/3w1b7gI>)

by Cecilia Rogán-Gaál. In the first year, it received half a billion forints in subsidies from Hungarian Electricity Works, Szerencsejáték Zrt. and Antenna Hungária.¹⁴³ Since then, Szerencsejáték Zrt. has been an enthusiastic sponsor of Cecilia Rogán-Gaál's events, and in autumn 2020 it provided the most sponsorship money, HUF 140 million, for these events.¹⁴⁴

The fact that Antal Rogán's ex could remain so successful despite the divorce cannot be unrelated to the person of the cabinet minister. Nothing is more telling of this than Cecilia Rogán-Gaál's name-change tactics in the company papers. First he dropped the name Rogán and used his maiden name Cecília Gaál. Then, a week later, although married to someone else, she reverted to the surname Rogán-Gaál, as it might after all ring more bell with state decision-makers.

143 | Babett Oroszi (Hvg.hu): *sports events linked to Cecilia Rogán received almost half a billion forints of public money* (<https://bit.ly/3nO2m67>)

144 | K-Monitor, Facebook posts (<https://bit.ly/318JdE8>)

13. Péter Szijjártó on László Szijj's luxury yacht

Minister of Foreign Affairs and Trade Péter Szijjártó holidayed with his family on the boat of a multi-billionaire businessman who received state orders.

While presenting the image of a statesman working feverishly to resolve the Belarusian crisis with his foreign minister colleagues, in those days Péter Szijjártó was actually on holiday with his family on board the cruise ship Lady MRD in the Adriatic Sea.

Péter Szijjártó was busted in the summer of 2020 by a photographer working for *Átlátszó.hu*, who managed to take a picture of the ship near Split.¹⁴⁵ Luxury yachts of the Lady MRD type, 42 meters long and with three decks, cost more than 60 million forints per week to charter.¹⁴⁶ This could only be paid from Péter Szijjártó's legal income (his gross ministerial salary of HUF 2 million and his MP's fee of HUF 1.1 million) if he received his three-year allowance in one lump sum in advance and then spent nothing else for three years.

The boat is owned by László Szijj through a Maltese company, and it is unlikely that Péter Szijjártó would have paid market rent to the businessman who has become a multi-billionaire through state orders, because the boat is registered as a "pleasure craft". This means that only the owner and his guests can use it, not rent it out. Not only Szijjártó, but also Lőrinc Mészáros and other businessmen close to the government have been on board.

According to TI Hungary, Péter Szijjártó's yachting raises conflict of interest issues, as one of the country's leading politicians was on holiday on a yacht owned by an oligarch who got rich on public procurement.¹⁴⁷

László Szijj's road construction company, Duna Aszfalt Zrt., produced unprecedented results in 2020, the year of the Foreign Minister's yachting: with a turnover of HUF 175 billion, it generated a profit of more than HUF 26 billion, of which HUF 7 billion was paid out as dividends.¹⁴⁸

145 | Dániel Németh (*Átlátszó.hu*): Foreign Minister Péter Szijjártó is discussing the Belarusian crisis on László Szijjártó's luxury yacht in the Adriatic (<https://bit.ly/3qb4EPF>)

146 | Bálint Fabók (*G7.hu*): a luxury yacht like the one Szijjártó travelled on can be chartered for 60 million a week, but he couldn't pay for it (<https://bit.ly/3EwH8QX>)

147 | Balázs Litauszky – Barna Kéri (*RTL News*): According to József Martin it is a conflict of interest case that Péter Szijjártó is on holiday on the yacht of László Szijj (<https://bit.ly/3GceLZm>)

148 | Zoltán Jandó (*G7.hu*): While Szijjártó was sitting on his yacht, his company was making 70 million a day (<https://bit.ly/3Ez1b11>)

László Szíjj's 42-metre Lady MRD seems to have outgrown its life: in 2021, they bought a larger yacht, the 50-metre Seagull MRD, which costs at least €30 million (HUF 10.5 billion) and for which the motorboat alone cost €87 million.¹⁴⁹

149 | Katalin Erdélyi (Átlátszó.hu): *NER is sailing on the Adriatic with a bigger and more expensive luxury yacht than the previous one – László Szíjj László is the owner of Seagull MRD* (<https://bit.ly/3Ezeyyq>)

14. Kosa Lajos, the Fidesz politician who wanted to be one of the richest men in Europe

For a long time, we thought that Lajos Kósa, a Fidesz leader and former mayor of Debrecen, was a slick politician. Yet he fell for a simple rural con woman with whom he spent years chasing a non-existent fabulous inheritance.

Lajos Kósa has been involved in many embarrassing cases in recent years, being called Mr. 10 percent and Mr. 20 percent¹⁵⁰ in US diplomatic telegrams leaked by the Wikileaks website.¹⁵¹ He has also had an uncomfortable time with the pig farm that his octogenarian mother, who retired as a public health nurse, bought from a company in liquidation and subsequently won a 123 million in EU subsidy.¹⁵²

But most embarrassing of all was his collaboration with the “heiress of Csenger”, Maria P. (then known as Mrs. Gábor Sz.), which showed both his greed and his unusual gullibility, uncharacteristic of a politician. Maria P., who is either under house arrest or under arrest, is accused of 20 counts of fraud. She is accused of defrauding victims of a total of HUF 780 million by promising them a fabulous inheritance, and her trial started in April 2021.¹⁵³ Lajos Kósa was questioned as a witness by investigators, but has not yet appeared in court.

The alleged inheritance was much larger than the 1,300 billion forints mentioned in the press, because according to the documents seized by the police, Maria P. had expected a much larger amount, a total of 9,900 billion forints in Euros, Dollars and Swiss francs, excluding the alleged factories and other assets. In other words, if it had been real and she had received it, the Csenger housewife would have had a fortune comparable to the richest people in the world. Lajos Kósa, however, was not suspicious of any of this, and would himself have gladly accepted a share of the fabulous inheritance.

For example, the Fidesz politician accepted 24.09% of the Credit Industrial et Commercial Bank in a gift contract, believing that Maria P. owned 99%

150 | Blikk.hu: Wikileaks: Lajos Kósa, the Mr. 20% (<https://bit.ly/3bJ8ZAQ>)

151 | Debrecen – Fidesz Fiefdom With Growing Jobbik, Cable Wikileaks (<https://bit.ly/3FoSDAv>)

152 | Sarkadi Nagy Márton (Népszava.hu): pigs are fattening up at the farm owned by Mama Kósa with a hundred million tender money (<https://bit.ly/3q7axNv>)

153 | Balázs Cseke – Gergely Nyilas (Telex.hu): heiress from Csenger: Kósa has my bank card (<https://bit.ly/2ZVc8uZ>)

of the bank.¹⁵⁴ This is the fifth largest French bank, much larger than any Hungarian financial institution. If the gift had gone through, Lajos Kósa would have been the richest Hungarian (after Maria P., of course) and would have been one of the richest businessmen in Europe. According to Blikk, HUF 67.5 billion from the 2018 dividend alone would have “accrued” to the governing party MP. In addition, the heiress from Csenger also “gifted” the politician with a Swiss aviation company, specifically 5 percent of the company’s dividend income for five years.

Lajos Kósa’s family members were not left out of the gifts either: Mária P. promised 2.6 million Euros (HUF 930 million) to Lajos Kósa’s wife and mother. Lajos Kósa’s wife later rejected the gift before a notary, and his mother told the police that someone could have forged her signature because she had not signed the gift contract.

Lajos Kósa would have been willing to go to great lengths for his inheritance. For example, he made several trips to Germany to meet with the then German Finance Minister Wolfgang Schäuble.¹⁵⁵ The meetings were organized by the woman from Csenger, but were always cancelled at the last minute by the German side, or so Mária P. made Lajos Kósa to believe that. This was revealed by the testimony of the politician’s wife, whom her husband wanted to take with him as an interpreter. According to Lajos Kósa’s testimony, he met Mária P. four times, including at a lawyer’s office and at the UBS Bank. Several hotel bills in Switzerland were seized from Maria P.¹⁵⁶ In court, she testified that she had paid the politician’s hotel bills and that Lajos Kósa had actively sought to obtain her inheritance.

The fact that Lajos Kósa is not as much of a patsy as he seems is clear from the letter Mária P. wrote to her children and to the European Court of Human Rights. In the letter, she claimed that the politician had asked for the money from an EU project to be transferred to her bank account because his position prevented him from requesting it at his own. A total of HUF 68.3 million was paid to her by a company in Izsák, in 18 installments between February 2014 and October 2015. Lajos Kósa and his driver took turns to go to Maria

154 | Kozák Dániel (Blikk.hu): *the heiress would have made Kósa a multimillionaire banker* (<https://bit.ly/3GOvhj3>)

155 | Kozák Dániel (Blikk.hu): *Blikk has obtained the confession of Lajos Kósa’s wife* (<https://bit.ly/3mKpy5X>)

156 | Blikk.hu: *Hotel bills confiscated from the heiress of Csenger* (<https://bit.ly/3CM8TVh>)

P. to collect the money.¹⁵⁷ The woman claimed that she got into trouble because the company wanted to paper the transaction as a loan contract afterwards, and she signed the contract on Lajos Kósa's advice. The company later issued a payment order for the loan. Maria P. was unable to pay because she had given the money to Lajos Kósa in the meantime. The company then reported the woman from Csenger for fraud.

157 | Blikk.hu: *The confession in the case of the heiress from Csenger: shocking allegations about the Fidesz politician* (<https://bit.ly/3q5Nin2>)

15. 77 billion for the World Hunting Expo, which is not a world expo

Billions are spent on leading politicians' hobbies, including the hunting exhibition, which the government has designated as a priority event.

The World Expo on Hunting and Wildlife was first organized by the government in 2015, and it was only in 2019 that it was revealed that the event would not actually be a world expo.¹⁵⁸ An astute reader of HVG discovered that the International Bureau of World Expositions had not added the event to the official list of world expos. Despite this, the event has been advertised as a world expo in Hungary all along, and they have not held back on spending. The total cost of the Budapest program, which ran from late September to mid-October 2021, was HUF 77 billion, the largest item of which was the renovation of Hungexpo, which cost HUF 55 billion.¹⁵⁹

In a 2017 government decision, only HUF 387.5 million was allocated for the expo. After that, only on legal advice and on other tasks were spent more by the organizing company, the Egy a Természettel Nonprofit Kft¹⁶⁰. For the year 2021, contracts worth HUF 378.4 million have been concluded with Győri and Sárhegyi Law Office. (The law firm is also a frequent recipient of government contracts, which may be due to the fact that Tibor Győri, one of the firm's eponymous lawyers, has a long-standing relationship with Prime Minister Viktor Orbán and at one time held the position of State Secretary at the Prime Minister's Office.) In 2020, nearly HUF 1.4 billion was paid out for communications, most of it to Gyula Balásy's interests in government poster campaigns, which were contracted to do another half a billion for communications in 2021. Up to HUF 5.5 billion could go on communications and event organization, according to the contracts signed.¹⁶¹ The main gate of the expo, made by sculptor Miklós Gábor Szőke, was not skimped on either, with the work, consisting of thousands of antlers, costing HUF 240 million.¹⁶²

158 | Hvg.hu: *Semjén's event dream will cost 50 billion, yet it will not qualify as a world exhibition* (<https://bit.ly/3BKBatS>)

159 | Hvg.hu: *The renovation of Hungexpo is finished, we show what 55 billion was enough for* (<https://bit.ly/2YmIL49>)

160 | Marianna Kovács-Angel (24.hu): *Hundreds of millions for lawyers, tens of millions for Hír TV – this is how the company organizing the hunting expo spends its money* (<https://bit.ly/3GTTRix>)

161 | Marianna Kovács-Angel (24.hu): *another half a billion forints have been invested in the communication of the hunting expo* (<https://bit.ly/3BQnHRk>)

162 | Zoltán Molnár (24.hu): *the antler sculpture of the World Hunting Expo will cost HUF 240 million* (<https://bit.ly/2Ylv5X8>)

The hunting expo is the heart of two of the government's passionate hunters, Deputy Prime Minister Zsolt Semjén and Zoltán Kovács, State Secretary for International Communications and Relations. Zsolt Semjén's reindeer hunt in Sweden was even investigated by the local authorities after a local farmer claimed that an animal belonging to his herd had been shot and transported by helicopter. And in November 2018, Zoltán Kovács was appointed as a government commissioner for the exhibition, and received a special state secretary's salary for his work – meaning that as a government commissioner, Zoltán Kovács received double state secretary's money.¹⁶³ János Lázár, a Fidesz MEP and former Minister of the Prime Minister's Office, refused the invitation, despite being a great hunter.¹⁶⁴

Just how much the government cared about the hunting expo is shown by the fact that it was declared a priority event together with the International Eucharistic Congress.¹⁶⁵

163 | Government Decision No.1633/2018 (XI. 30.), Hungarian Official Gazette (<https://bit.ly/3EU-OIFf>)

164 | András Stumpf (Válaszonline.hu): "I will not be squeezed out" – János Lázár speaks out (<https://bit.ly/2ZZUZQQ>)

165 | Hvg.hu: *The World Hunting Expo and the Eucharistic Congress have been declared events of special importance* (<https://bit.ly/3bNiWNQ>)

II.3. DEALERS, TRADERS, PERSONS WHO GET OFF BIG

16. Sándor Balogh, a billionaire who did business with the state, disappeared without a trace

Sándor Balogh, the economic director of the company that organized the 2017 World Swimming Championships, the mastermind and one of the profit-makers of Hungarian trading houses abroad, has been in hiding for more than a year and a half. The businessman also ran a network of hundreds of companies, 60 of which were registered in an apartment owned by the minister without portfolio in charge of national property.

Sándor Balogh came into the limelight as the economic director of the Bp2017 Nonprofit Kft., which organized the 2017 World Swimming Championships, the largest ever budgeted (costing more than HUF 107 billion) domestic sporting event, and has since been placed into liquidation and removed from the register. The manager, who was rightly criticized for the escalating costs and the considerable additional expenses incurred long after the event, has been involved in shady dealings since the 1990s, but he got away with everything for a long time, presumably thanks to his good political connections.

The economic portal G7.hu dedicated a special article to the mysterious businessman and his network of companies.¹⁶⁶ Four companies were found that at the time of writing (December 2018) were on the National Tax and Customs Office's (NAV) list of companies with tax debts of more than HUF 100 million. In addition, another thirty related companies were identified that were previously on the tax authority's list of companies with tax arrears of over HUF 100 million. This means that the companies owned by Mr Balogh have caused at least HUF 3 billion in damage. However, as it is not possible to determine from the NAV list by how much the actual tax arrears exceeded the HUF 100 million threshold, the total damage could be several times higher.

166 | Bálint Fabók – Zoltán Jandó (G7.hu): *The most outrageous Hungarian businessman who fools the state but always gets higher* (<https://bit.ly/3mlFQls>)

What makes this all the more piquant is that some of the companies that have defrauded the state of hundreds of millions, sixty to be precise, were registered in an apartment in Rózsadomb owned by Sándor Balogh's ex-wife, Andrea Mager, the minister without portfolio responsible for the management of national assets since 2018.¹⁶⁷ These companies were typically owned directly or indirectly by Sándor Balogh. The Minister defended herself by claiming that until 2016 the apartment was used by an accountancy firm and that she was therefore unaware of the companies registered there.

Sándor Balogh has received government contracts not only for the World Swimming Championships, but also for his good international contacts, especially in Africa. He pushed for the establishment of Hungarian chambers of commerce abroad, and his own company was able to open a regional office in Africa with state support.

Sándor Balogh finally ran out of steam when he commissioned two private investigators to find out whether there were any proceedings at the tax authority involving him or his companies.¹⁶⁸ He was to be arrested in November 2019, but the businessman was tipped off and flew to Dubai the day before. Since then, international arrest warrants have been issued on his name in several other cases, but to no avail. There are reports that he may be hiding in Africa.¹⁶⁹

Tax authorities suspect him of tax evasion amounting to HUF 587 million.¹⁷⁰ In June 2021, he was indicted in one of the cases for buying influence, and in the indictment the prosecution asked for a prison sentence to be served for Sándor Balogh, who was on the run.¹⁷¹

167 | Bálint Fabók – Zoltán Jandó (G7.hu): *the new minister's apartment was the site of a network of companies that defrauded the state of hundreds of millions* (<https://bit.ly/3ElQE9l>)

168 | István Bereznay (Index.hu): *Several people have pleaded guilty in the case of Andrea Mager's ex-husband* (<https://bit.ly/2ZBmCzB>)

169 | Brigitta Csikász (Blikk.hu): *could Sándor Balogh have gone from Dubai to Africa?* (<https://bit.ly/3miocfu>)

170 | Bálint Fabók – Zoltán Jandó (G7.hu): *The economic director of the World Water Championships was fired, he is suspected of tax evasion of HUF 587 million* (<https://bit.ly/3bj7B7P>)

171 | András Dezső Dezső (Hvg.hu): *At home: in exchange for Cuban cigars and a hunting rifle, the NAV's chief investigator gave Sándor Balogh sensitive data concerning him* (<https://bit.ly/3CloJpj>)

17. Zsolt Borkai's affairs were not prosecuted, he was only forced to resign

The Adriatic yacht orgy of the former mayor of Győr, Zsolt Borkai, drew the public's attention to the previous business deals of the mayor and his circle as well.

Recordings of a politician's debauchery in Croatia were leaked during the 2019 municipal election campaign by a blog called Az ördög ügyvédje ("The devil's advocate").¹⁷² Almost everyone who was able to participate in and benefit from the corruption cases in Győr was on board. Although Zsolt Borkai stated that he had paid for the voyage and did not finance it from public funds, just the rent for the boat would have cost the mayor the salary of at least two months.¹⁷³ The business dealings of Zsolt Borkai and co. make it clear however how he could afford the luxury trip. They could have earned a minimum of HUF 4–5 billion on the Audi plots in Győr alone.¹⁷⁴

In 2012, it was reported that the municipality's lawyer, Zoltán Rákosfalvy, bought arable land on the outskirts of the city at a favorable price, which were then reclassified as industrial areas within a few weeks. It failed to garner much attention back then, however.¹⁷⁵ A short time later, the lawyer sold this area to SR Invest Logistics, a limited liability company owned by a company in Luxembourg, and in which the sellers had a stake, but it was not yet well known at that time. Audi finally acquired the area for many times the original price paid by Zoltán Rákosfalvy through further company transactions. Zoltán Rákosfalvy and co. gradually withdrew money in the form of dividends from SR Invest Logistics Llc. – which had since been renamed Immobilien Trade Center Llc. –, about HUF 1.5 billion in eight years. For example, shortly before the Adriatic yachting, HUF 250 million were withdrawn.¹⁷⁶

According to G7.hu's research, while Zsolt Borkai was the mayor, 37 percent of public procurements – a total of HUF 18.3 billion – landed at the business

172 | <https://neocasino.wixsite.com/ezazordogugyvedje>

173 | Batka Zoltán (Népszava): Főszezonban milliók kellenek egy olyan luxusjacht kibérléséhez, mint amelyen lefilmezték Borkait (<https://bit.ly/2Zrg6LE>)

174 | Jandó Zoltán (G7.hu): Rövid út vezet a Borkai-ügytől a Fidesz–KDNP legfelső köreiig (<https://bit.ly/3be3Doq>)

175 | Dezső András (Hvg.hu): Jól jártak a „luxemburgiak” a Fidesz-közeli ügyvéddel (<https://bit.ly/3vQHZZy>)

176 | Spirk József (24.hu): 250 milliót vettek ki Borkaiék orgiája előtt a barátok cégéből (<https://bit.ly/2ZvtaQ9>)

interests of the yachting group.¹⁷⁷ And they were grateful. For example, the son of Zoltán Borkai, Ádám, drew a monthly salary of HUF one million from a company with no regular income owned by Zoltán Rákosfalvy, and the former mayor's wife, who works as a teacher, obtained a four-hectare luxury estate.¹⁷⁸ Her daughter, Petra, bought a restaurant from the entrepreneur Ervin Szabó, who was also on the yacht, and who owns the company that won the tender issued by the municipality for the catering tasks of the European Youth Olympic Festival in Győr in 2017 for HUF 896 million, four times more expensive than the losing offer.¹⁷⁹

Several complaints were filed about the business deals of Zoltán Borkai and co., and an investigation was launched after a report filed by Transparency International Hungary on the Audi land transactions¹⁸⁰, but the police terminated the proceedings in the absence of a criminal offence.¹⁸¹ In connection with the report filed by TI Hungary, the police stated that the plots serving as the location for the subsequent factory expansion were first transferred from SR Invest Logistics Llc. to A-K Projekt Éplog Llc., then in March 2015, the latter company merged with Audi's Hungarian office. The police emphasized that due to the merger, all the property of A-K Projekt Éplog Llc., including the real estate concerned, was transferred to Audi Hungária Motor Llc. – that is, Audi in Hungary “acquired the property without financial compensation” (*sic!*). Therefore, according to the police, Audi's Hungarian office acquired the land purchased by Zoltán Rákosfalvy free of charge. According to the decision to close the investigation, a fraud was not committed during the transaction because “in all cases, the contracts concluded were actually performed”. The police also explained that Zoltán Rákosfalvy had been in a contractual relationship with the local government of Győr since 2006 and that in the course of this activity he was “legally entitled to obtain information about Audi's intention to expand”.¹⁸²

177 | Bucsky Péter (G7.hu): A botrányhősök 18 milliárdot kaszáltak, mióta Borkai a polgármester (<https://bit.ly/3nDAFFY>)

178 | Pap Szilárd István (Mérce.hu): Hadházy: Borkai pedagógus felesége hatalmas luxustelket vásárolt össze az évek során (<https://bit.ly/3mlx8DH>)

179 | Index.hu: Négyszer drágább ajánlattal győzött egy győri pályázaton a Borkai-szexhajó egyik vendége (<https://bit.ly/3GsWdow>)

180 | Ligeti Miklós (TI): Szex, hazugság, videó – a Borkai-botrány jogi háttere (<https://bit.ly/3cWZSKL>)

181 | Transparency International Magyarország: Feljelentésünk alapján nyomozás indult a Borkai-ügyben! (<https://bit.ly/3vPYrJz>)

182 | See decision no. 29022/722/2019. of Rapid Response and Special Police Service National Bureau of Investigation, Corruption and Economic Crimes Division, Department of Priority »

After several years of litigation, the local government of Győr released the declaration of assets of Zsolt Borkai for 2017 and 2018. These documents presumably do not give a true picture of the increase in wealth.¹⁸³ The latter declaration includes HUF 15 million in cash from inheritance and HUF 10.5 million in bank loans, as well as two real estate properties in Győr and three hectares of arable land in Sokorópátka – that is, he is not rich on paper. In rationale of the above-mentioned decision to terminate the investigation, the police also stated that “during the examination of the wealth and income situation of the Borkai family, it was established that the lawful income of all the members of the family covered the increase in wealth, including the acquisition of the real estate in Sokorópátka, as well as the cost of the construction of the superstructures located on it”¹⁸⁴.

The only political consequence of the scandals of Zsolt Borkai was that he was forced to resign less than a month after he won the mayoral election.¹⁸⁵

» Affairs on the closing of the investigation in: Király András (444.hu): *A rendőrség szerint nem történt bűncselekmény a győri Audi-telek értékesítésekor* (<https://bit.ly/3z1A2aU>). The findings and quotations are based on the grounds of the decision to close the investigation.

183 | Kis Zoltán (Átlátszó.hu): *Íme, itt olvasható Borkai Zsolt kiperelt 2017-es és 2018-as vagyonyilatkozata* (<https://bit.ly/2XQFXMq>)

184 | See decision no. 29022/722/2019. of Rapid Response and Special Police Service National Bureau of Investigation, Corruption and Economic Crimes Division, Department of Priority Affairs on the closing of the investigation in: Király András (444.hu): *A rendőrség szerint nem történt bűncselekmény a győri Audi-telek értékesítésekor* (<https://bit.ly/3z1A2aU>).

185 | Hvg.hu: *Borkai Zsolt lemond* (<https://bit.ly/3CnKGUY>)

18. The mayor also applied for CSOK for his ten-flat house

Now that's family love! Csaba Dióssi, the mayor of Dunakeszi, had a ten-flat apartment building built for his family with his family company, so that his four children and his father could be apart and still be together. He has also applied for the family home loan (CSOK) for one of the apartments. The building was approved by the municipality he heads.

Csaba Dióssi bought a 1699 square meter building plot in Dunakeszi in 2004.¹⁸⁶ At that time he was only a municipal councilor in the town, but in 2010 he was elected mayor and Fidesz Member of Parliament. He planned to build a ten-apartment condominium on the plot in a family house zone with the family-owned Turan Bt., of which the mayor was the managing director. The planning documents were submitted to the municipality he chaired in September 2011, which issued the building permit in January 2012.

Under the legislation in force at the time, the first-instance building authority functions were performed by the territorially competent municipalities, so there may be a conflict of interest. Indeed, the Public Administration Act prohibited notaries from acting in cases in which the mayor was the opposing party. In response to a request from Magyar Narancs, which investigated the case in 2021, György Molnár, the notary, said that “the building permit procedure initiated by Turan Bt. in 2011 was conducted in a proper manner, there was no conflict of interest”.¹⁸⁷ György Molnár was the notary at that time, appointed by the body of representatives in October 2011.¹⁸⁸

The mayor handed over the management and the office of Turan Bt. to his son in 2016, the following year Csaba Dióssi bought four apartments from the company, in 2019 another apartment, and the other five apartments were bought by his father. The mayor owns more than 400 square meters of apartments in the house, according to his asset declaration.¹⁸⁹

The politician also made use of the family home-building benefit, thus obtaining HUF 9.8 million.¹⁹⁰ Csaba Dióssi admitted to the local newspaper

186 | Csaba Dióssi's 2012 asset declaration (<https://bit.ly/3CHUTvr>)

187 | Máté Béres (Magyarnarancs.hu): the office of the mayor of Dunakeszi approved the construction of a condominium by his company (<https://bit.ly/3k5AN74>)

188 | György Molnár, Kölcsey Ferenc City Library database (<https://bit.ly/3nXaxNh>)

189 | 2021 asset declarations, Dunakeszi (<https://bit.ly/3BEK4ch>)

190 | Máté Béres (Magyarnarancs.hu): the mayor of Dunakeszi bought apartments from his own family company, and also took up the CSOK (<https://bit.ly/3BINUBk>)

Dunakeszi Post that after he left the company, he bought the flats and was able to use the CSOK, “completely legally”.¹⁹¹ “This is a creation of the government, a family support option that is ideal for us, large families, and encourages and rewards having children,” the politician with four children added.

191 | Dunakeszipost.hu: *Csaba Dióssi about the city, the developments, his flats, his grandfatherhood* (<https://bit.ly/3bFI21c>)

19. Tricky double subsidy for the pension of László L. Simon

László Simon, Fidesz MEP and former state secretary, has received state and EU funds many times, but he proved to be particularly unscrupulous and greedy when it came to the subsidies he received for his pension in Gárdony.

László L. Simon has never had to worry about missing out on any handouts, state or EU grants, or a good government contract: his expanding business empire wins hundreds of millions a year in various legal titles.¹⁹² So it wasn't particularly striking when the owner of the long-established 13-room Simon Pension applied for a state pension development grant under the Kiszfaludy Program. A year later, the Kiszfaludy Program continued, with the Hungarian Tourism Agency launching a call for applications for room renovation for smaller accommodation providers, with a budget of HUF 1 million per room. László L. Simon and his family didn't want to miss this opportunity either, so they renamed the accommodation Bikavölgyi Pension and tendered with a new company, Bikavölgyi Kft. They won another HUF 4 million.¹⁹³

After the fraud was discovered and DK MP Ágnes Vadai asked Péter Polt, the Attorney General, the National Tax and Customs Office (NAV) launched an investigation, but after a few months, in February 2021, it was closed, as they considered the "act not a crime".¹⁹⁴ The tax authority justified the termination of the proceedings on suspicion of budget fraud by arguing that the total value of the two grants was less than €200,000 (HUF 70 million), i.e. they were considered to be small grants under EU competition law, and therefore there was no reason to exclude that the second tender for the development of a pension was submitted to the MTÜ.¹⁹⁵

László L. Simon and his family tried to comply with the requirements of the tender for small rural accommodation, according to which a maximum of 8-roomed guesthouses with 16 beds could apply for room renovation subsidies, by registering their apartment house separately with the Gárdony mu-

192 | Gábor Miklósi – József Spirk (Index.hu): *where there is no grass, there is no soil* (<https://bit.ly/3CsxUnX>)

193 | Kozák Dániel (Blikk.hu): *this is the trick that made him millions twice in the pension competition L. Simon* (<https://bit.ly/3pTK4Tw>)

194 | Reply of the Prosecutor General to the written question, Parliament.hu (<https://bit.ly/3bpjBVq>)

195 | Blikk.hu: *No more investigation into L. Simon's pension* (<https://bit.ly/2Ybtcw2>)

nicipality in December 2019. Thus, even though the apartment house is at the same address as the boarding house with a total of 13 rooms and 39 beds, the NAV considers that this was not a reason for exclusion from the tender.

This embarrassing incident did not cause a break in László L. Simon's career, and in August 2021 he was appointed Director General of the Hungarian National Museum.¹⁹⁶

196 | L. Simon László appointed new Director General of the Hungarian National Museum, Hungarian National Museum (<https://bit.ly/3jQxKj1>)

20. The mayor's privilege that brings millions

The case of the mayors who failed in the 2019 municipal elections drew the public's attention to a peculiar political privilege: the multi-million holiday pay-offs for the unused vacation days of municipal leaders that have been accumulating for years.

The average worker is entitled to 20 days of basic leave per year, which can be increased to a maximum of 37 days with additional leave (with three minor children and the age of 45). Mayors are entitled to 39 days off each year, and if they do not take all of them, the remaining days can be carried over to the following year.¹⁹⁷ The Labor Code and the Government Administration Act are stricter on this: unused holidays for employees or ministry workers are lost after 31 March of the following year.

This is how many outgoing mayors submitted requests for more than a hundred days of leave to the incoming council, costing local authorities millions of forints in the budget. In the capital, Zsolt Láng, Fidesz mayor of District II, is the top performer, having submitted a request for 154 days of unused leave to the municipality.¹⁹⁸ This amounted to a gross of HUF 7.3 million, which, together with his three months' severance pay, meant that the failed mayor could leave with more than HUF 10 million.

Zsolt Láng took an average of only 8 days off per year, so if we are to be honest, he worked winter and summer with little rest. Yes, but his Fidesz colleague Gergely Gulyás documented their trip to France in the summer of 2016 on his Facebook page, when they watched the Hungarian-Portuguese football match at the European Championship. The match fell on a working day on Wednesday, and the Mayor's Office of District II revealed that the mayor had not taken any leave for that day either.¹⁹⁹

The national record holder with 160 days of leave was András T. Mészáros, mayor of Érd, who, like Zsolt Láng, pocketed 7.3 million HUF in leave replacement.²⁰⁰

197 | Kttv. – Act CXCV of 2011 on Civil Servants, Collection of Legislation in Force (<https://bit.ly/3qae9hR>)

198 | *Blikk.hu: Zsolt Láng became the new Budapest record holder: he received HUF 7.3 million for 154 days of unused vacation* (<https://bit.ly/3k8FgGk>)

199 | *József Spirk (24.hu): Zsolt Láng was also working on paper when he watched the Hungarian-Portuguese match in Lyon* (<https://bit.ly/3nU2e5z>)

200 | *Blikk.hu: Failed mayors get millions for their unpaid holidays* (<https://bit.ly/3F3vY6D>)

Not all the newly elected mayors have let the unscrupulous leave swaps go unchecked: the mayor of District VIII, András Pikó, has launched an investigation into whether his predecessor, Botond Sára, and his deputies acted properly when they applied for leave replacement of more than 80 days, burdening the district's general reserve with a total of more than HUF 10 million. The investigation found that the Botonds Sára had acted irregularly in their leave payments.²⁰¹ The council did not even vote on the proposal to replace the former mayor's leave.²⁰²

201 | Balázs Cseke (Index): *Pikó: Sára Botond's exchange of leave was irregular* (<https://bit.ly/3nU3Pl4>)

202 | Extract from the minutes of the 19th of December 2019 meeting of the District VIII Council (<https://bit.ly/3BNN8my>)

21. Real estate affairs of Judit Varga

Housing subsidies, CSOK for a house on Lake Balaton, a giant loan for a minimum co-payment – Judit Varga, Minister of Justice, and her husband, a state-owned company director, took advantage of every opportunity.

From October 2018, Judit Varga also received a monthly state allowance of HUF 300,000 for the use of official housing in addition to her then State Secretary's salary. On paper, this was OK, since according to her asset declaration, she did not own a property in Budapest, only in Balatonhenye. But G7.hu spotted that Judit Varga and her husband, Péter Magyar, the head of the Student Loan Centre, were listed as hosts of an Airbnb apartment in the city centre.²⁰³ The apartment was owned by Péter Magyar, and according to the politician's asset declaration, they earned HUF 4 million a year from short-term rentals.

According to the Government Decree on allowances for state executives, the housing conditions of the spouse of a minister or state secretary must also be taken into account when providing an official residence.²⁰⁴ The Prime Minister's Office explained Judit Varga's housing allowance by saying that the law requires a "suitable flat", which Peter Magyar's 46-square-metre flat does not meet, as there are five of them, including three small children. The apartment was advertised as 76 square meters, as it had a 30-square-metre gallery.

At the beginning of 2020, Judit Varga and her husband already had their own apartment: with a bank loan, they bought two flats in five different parcel numbers, in reality in one condominium, with a total area of 270 square meters, in one of the most patriotic parts of Buda, in the XII district of Kútvölgy.²⁰⁵ What made the transaction interesting was that the down payment was only HUF 8 million and the bank loan was HUF 192 million. A co-payment of just 4 per cent is quite unusual, as according to the Bank of Hungary's debt brake regulation, the minimum co-payment for a HUF loan must

203 | Bálint Fabók (G7.hu): *Orbán's new minister gets 300,000 (HUF) a month for housing while her husband's apartment earns millions from tourists* (<https://bit.ly/3kda1K3>)

204 | 275/2015 (IX. 21.) Government ordinance, Collection of Legislation in Force (<https://bit.ly/3CTg2mu>)

205 | Barnabás Balázs (Blikk.hu): *Judit Varga and her husband spent 200 million on apartments* (<https://bit.ly/3CT3Q5p>)

be 20 per cent. Thus, Judit Varga and his wife probably had to present additional collateral for the loan.²⁰⁶

Judit Varga's newly purchased property in Buda drew attention to their house in Balatonhenye, which looks like a holiday home.²⁰⁷ They built it with the help of the family home creation grant, and the HUF 10 million CSOK was registered on the property's title deed in September 2017. As CSOK cannot be applied for a holiday home, only for a residential property where the applicants live, Judit and Varga, who were still working in Brussels at the time, said that they would move to the village of 150 people with their three children after their mandate expired.²⁰⁸ They explained that, in the meantime, they had both got jobs in Budapest, so they had asked the bank granting the CSOK subsidy for an extension: they would not have to live in the property for five years. Judit Varga later said that if they did not move into the house in Balatonhenye by the deadline, they would have to repay the HUF 10 million subsidy with interest.²⁰⁹

206 | Gergely Brückner (Telex.hu): *Judit Varga's apartments: how to take a loan of 192 million for a 200 million purchase?* (<https://bit.ly/3CYpcyo>)

207 | Gergely Brückner – Sándor Joób – Attila Rovó (Telex.hu): *In the last few years Judit Varga has become a great real estate magician* (<https://bit.ly/3bRn5jC>)

208 | Gergely Brückner (Telex.hu): *How could Justice Minister Judit Varga receive a ten million CSOK subsidy for her holiday home?* (<https://bit.ly/3BLQsOV>)

209 | Barna Kéri (RTL.hu): *if necessary, Judit Varga will pay back the 10 million with interest* (<https://bit.ly/3mP6qni>)

22. Socialist practices in Kispest

A secretly recorded video drew attention to the Socialists' practices in Kispest, in which one of their councilors boasted about the white dust he was gathering.

An MSZP municipal councilor from Kispest talked about corruption and shenanigans of local government officials in a very relaxed mood, apparently on secretly recorded recordings that were obtained by Magyar Nemzet and Hír TV.²¹⁰ Csaba Lackner bragged, while he was gathering white dust on the table in front of him, that he brings home one and a half million forints a month (while on paper he receives a net salary of between 300-400 thousand from the municipality), and that anyone who does not earn HUF 100 million a year in district politics is stupid.²¹¹

He also told us about his former colleague, the head of the district's asset management, Krisztián Kránitz, known as Mr. Forty Percent.²¹² In the recording, he described his colleague as a money-grubber, whose wealth he estimated at HUF 200-250 million. As for Mayor Péter Gajda, he claimed that he invests his money in real estate, and that while he only received HUF 3 million in a settlement dispute, Krisztián Kránitz had pocketed HUF 12 million. Transparency International filed a criminal complaint which resulted in a police investigation.²¹³

These recordings were released shortly before the 2019 municipal elections, but despite this, not only was Péter Gajda re-elected as mayor (with 58.6% of the vote), but Csaba Lackner won his constituency. Csaba Lackner, who is suspected of corruption, was expelled from the MSZP and asked to give back his seat, but he refused to do so.²¹⁴

It had already been decided before the leaking of the recordings that Krisztián Kránitz would not continue as a MEP, but his salary as director of

210 | Péter Bohus (Index.hu): MSZP mudslingers, corruption, spitting on the Kispest audio recordings (<https://bit.ly/3k8d6ep>)

211 | Attila Kálmán (24.hu): Hír Tv: A MSZP member of Kispest talked about corruption cases while waving a bag of white powder (<https://bit.ly/3ELU1Xy>)

212 | Balázs Bácskai (Magyarnemzet.hu): Mr. Forty Percent is also there around Christmas's team (<https://bit.ly/2YjLRGc>)

213 | TI Hungary: TI filed a complaint based on the leaked recordings on the MSZP party members of Kispest (<https://bit.ly/34nimps>). The complaint can be found here: <https://bit.ly/3HNznbz>.

214 | Index.hu: Csaba Lackner, who was involved in the cocaine scandal in Kispest, was expelled from the MSZP (<https://bit.ly/3EIQbhl>)

the trusteeship was doubled, as Csaba Lackner had predicted in one of the recordings.²¹⁵ Csaba Lackner also spoke about Krisztián Kránitz's hidden property in Spain.²¹⁶ This property near Alicante was identified in February 2020 by the local Momentum MP Anikó Paróczai.²¹⁷ Krisztián Kránitz denounced the Momentum's politician. The prosecutor's office said that he had committed a crime of misuse of personal data,²¹⁸ and after the politician lodged a complaint, reviewed the decision and found that the presentation of the holiday home of the municipal manager was not a crime after all.²¹⁹

In the municipality, an anti-corruption committee was set up at the initiative of LMP to investigate the allegations on the tapes. However, the coronavirus outbreak prevented them from carrying out any meaningful work, and the mandate of the committee was not extended by the mayor, Péter Gajda.²²⁰

Due to the many scandals, the district's canteen tender, which was to be awarded to an external company for ten years at a cost of HUF 10 billion, has attracted particular attention. Three bidders were going for the tender, but only one submitted the HUF 5 million bid: Szakácstünder Kft., founded last year by a 24-year-old footballer from BKV Előre, and its subcontractor is Klassz Menza Kft., which, according to independent MEP Ákos Hadházy, is backed by Lőrinc Mészáros.²²¹ Although the competent committee had selected Szakácstünder as the winner, Péter Gajda decided not to sign the contract until he had received a resolution from the Public Procurement Authority. The Public Procurement Arbitration Committee finally fined the municipality HUF 100 million for having tendered in a non-competitive way.²²²

215 | Juli Boros (444.hu): *the salary of the trustee called "Mister Forty Percent" in the scandalous Kispeszt audio recording was really doubled* (<https://bit.ly/3D0L30V>)

216 | Balázs Bácskai (Magyar Nemzet.hu): *document confirms Kránitz's real estate deal in Spain* (<https://bit.ly/2ZRaPNF>)

217 | Marianna Kovács-Angel (24.hu): *Momentum again attacks the protagonists of the Kispeszt corruption scandal* (<https://bit.ly/2ZVO0Ik>)

218 | Marianna Kovács-Angel (24.hu): *the prosecutor's office says that the Momentum politician committed a crime when he showed the Spanish villa of the head of the Kispeszt property management company* (<https://bit.ly/3BJykW8>)

219 | Index.hu: *The concealed Spanish villa of the MP from Kispeszt is still a matter of public interest* (<https://bit.ly/3nXa3qL>)

220 | Marianna Hutter (Azonnali.hu) *Péter Gajda will not extend the mandate of the anti-corruption committee in Kispeszt* (<https://bit.ly/3wfx8Zt>)

221 | Zsolt Sarkadi (444.hu): *according to Hadházy, the municipality of Kispeszt would outsource public catering without competition in a 10 billion tender* (<https://bit.ly/2ZWD7GN>)

222 | Juli Boros (444.hu): *the public procurement authority has rejected the suspicious Kispeszt cafeteria tender* (<https://bit.ly/3GRPrbN>)

23. Convicted former mayor avoids prison for years

Margit Veres, the former mayor of Balmazújváros, was sentenced to five years' imprisonment in 2018 for accepting bribes. Years have passed since then, but the politician has still not gone to prison. And István Tiba, a Fidesz MP from the region, got off scot-free, even though witnesses said the mayor passed on the bribes to him.

On 21st of December 2012, Margit Veres received an envelope containing HUF 5 million from a contractor whose company had received a HUF 180 million grant from the municipality for the construction of an event hall. Margit Veres, who was the town clerk at the time, kept 450,000 of the 5 million and passed the rest on, as it turned out, to the then mayor István Tiba, who was also the Fidesz MP for the constituency.²²³ Margit Veres also received a free VW Passat worth HUF 3.2 million from the entrepreneur.

When the investigation was launched in 2015, Margit Veres was already mayor, as István Tiba could not be both mayor and MP due to the new conflict of interest law, and the politician chose the latter.²²⁴ István Tiba got away with the criminal case, even though he received a bribe of HUF 4.55 million, he was only questioned as a witness.²²⁵ He defended himself by saying that he had only received it on loan to settle debts owed by Balmazújváros Sport Kft. Átlátszó.hu looked at the company's balance sheet data and found that it had a cash balance of HUF 74 million on the anniversary date, so it can be ruled out that it would have had liquidity problems three working days before the end of the year.²²⁶

In 2017, Margit Veres was sentenced in the first instance to two years' suspended imprisonment, while the entrepreneur received a suspended prison sentence of one and a half years.²²⁷ In April 2018, the black hole came, and in the second instance the mayor received a five-year sentence and was banned from public office for five years.²²⁸ Margit Veres had to resign from

223 | Zsolt Kácsor (Nol.hu): *the mysterious bribe money ended up with a Fidesz mayor, but he is only being questioned as a witness* (<https://bit.ly/3CTiaLo>)

224 | Nol.hu: *Mayor questioned over suspicious sports hall construction* (<https://bit.ly/3q8QA9b>)

225 | Zsolt Kácsor (Nol.hu): *the mysterious bribe money ended up with a Fidesz mayor, but he is only being questioned as a witness* (<https://bit.ly/3CTiaLo>)

226 | András Becker (Átlátszó.hu): *Serious verdict, missing actor – Balmazújváros mayor sentenced to serve a final prison term* (<https://bit.ly/3womGis>)

227 | Index.hu: *Suspended prison sentence for the mayor of Balmazújváros* (<https://bit.ly/3o4lKUv>)

228 | Vaskor Máté (24.hu): *the mayor of Balmazújváros got five years in prison* (<https://bit.ly/3q9m3bi>)

her post as mayor, but she did not go to prison, despite the fact that she lost her appeal for review before the Curia in December.²²⁹

Margit Veres submitted a petition for clemency to President János Áder, and the Minister of Justice was allowed to postpone the start of her sentence until the petition was considered.²³⁰ Whether János Áder had pardoned the former mayor, the Office of the President of the Republic said that it “cannot provide information on pardon issues”.²³¹ The Ministry of Justice also did not answer whether they had granted Margit Veres a pardon from starting her prison sentence.

Margit Veres has been at large for more than three years, and has been appearing at public events.²³² Not even former Fidesz MEP Roland Mengyi has had this privilege. He had to start his four-year prison sentence and is currently a resident of Kecskemét prison.

229 | László Horváth Csaba Horváth (24.hu): *The former mayor of Balmazújváros, sentenced to prison, can only trust János Áder* (<https://bit.ly/3BSLujo>)

230 | László Horváth Csaba Horváth (24.hu): *How the former mayor sentenced to 5 years avoids prison* (<https://bit.ly/3BOLhOj>)

231 | Péter Zsidai (Magyararancs.hu): *the five million of the minions* (<https://bit.ly/3k8vKmj>)

232 | Tamás Polgár Tóth (Dereciner.hu): *Margit Veres, former mayor of Balmazújváros, convicted of bribery, avoids prison for three years* (<https://bit.ly/3C2AoJ3>)

II.4. THE INDISCREET CHARM OF THE NEW HUNGARIAN BOURGEOISIE

24. 500 billion of Lőrinc Mészáros

In just a few years, Lőrinc Mészáros has become the richest man in Hungary, practically from zero.

Forbes estimated the fortune of the gas fitter-turned-multi-billionaire from Felcsút at HUF 479.4 billion in 2021,²³³ while the 100 Richest Hungarians publication estimated it at HUF 455 billion.²³⁴ (According to Forbes, Mészáros was already the richest Hungarian in 2018.²³⁵) The childhood friend and neighbor of Prime Minister Viktor Orbán has broken all records: no one in Hungary has ever had such a wealth, and the rate of his enrichment is unparalleled.²³⁶ The editors of the 100 list highlighted the fact that despite the crisis caused by the coronavirus epidemic, Lőrinc Mészáros' fortune increased by HUF 185 billion in one year, making him one of the Dollar billionaires on the international Forbes list.

As a businessman, Lőrinc Mészáros was nowhere to be found less than a decade ago, and he caused a huge stir when he made the Népszabadság TOP 150 list in 2013 with HUF 6.9 billion. At that time, it was enough to rank him on the 88th place. Since then, his wealth it has continued to grow at an unprecedented rate, which economists consider unprecedented in both Hungarian and universal economic history.²³⁷

233 | Gergő Zsiborás (Forbes.hu): *never before has the richest Hungarian ever had so much wealth* (<https://bit.ly/3mAHm39>)

234 | Portfolio.hu: *The tables have turned: Lőrinc Mészáros is the richest Hungarian, ahead of Sándor Csányi* (<https://bit.ly/3bBbZzq>)

235 | *The 50 richest Hungarians 2018*, Forbes (<https://bit.ly/3CSy5JP>)

236 | János István Tóth (G7.hu): *the greatest miracle in Hungarian economic history: the Mészáros and Mészáros Kft. (part one)* (<https://bit.ly/3mzSaPe>)

237 | János István Tóth (G7.hu): *the greatest miracle in Hungarian economic history: the Mészáros and Mészáros Kft. (part one)* (<https://bit.ly/3mzSaPe>)

When asked by Heti Válasz what the secret of his success is, Mészáros – who is considered by many to be the Orbán family’s stooge and wealth manager²³⁸ – said, “God, luck and Viktor Orbán’s personality must have played a role in my success.”²³⁹

The Prime Minister’s landed gentry’s wagon swung after the change of government in 2010. Then he had just three modestly sized companies, but now he has a vast corporate empire: hundreds of firms in almost every sector from agriculture to construction, telecoms, banking, energy and tourism.

Mészáros is completely different from the successful Hungarian and foreign entrepreneurs in economic history and his companies are different from successful market players. Mészáros’ companies are almost exclusively state-owned, they export nothing abroad, they hardly reinvest any of their profits back into operations, they do not save for recessionary times, but take almost all profits out as dividends. What is also unique is that they have a huge proportion of cash and liquid assets, and that the proportion of advances from customers (the state) is also blatantly high.²⁴⁰

The explosive growth is impressively illustrated by the oldest Mészáros company, Mészáros és Mészáros Kft. (this company was employing only a few people in a near-bankruptcy situation before the boom in state orders): in the 2010 financial year, with a turnover of HUF 853 million, it made a profit of HUF 202 million, and in 2020 its HUF 113 billion revenue resulted in a profit of HUF 15,5 billion, but even more: HUF 15,7 billion in dividends were paid out.²⁴¹ Since the change of power in 2010, the flagship company has increased its total assets 141-fold at current prices, its revenue 102-fold and its net profit 58-fold. This is not only unique in the history of the Hungarian economy, but also beats well-known and successful global companies such as Google’s parent company, Alphabet Inc. And this is just one of many Mészáros’ companies! Also in 2020, for example, R-Kord will be worth 3,5 billion; Fejér B. Á. L. paid the Mészáros family 2 billion in dividends.²⁴²

238 | Hvg.hu: *Lőrinc Mészáros can be called a strumpet* (<https://bit.ly/3qoMwb6>)

239 | Dezső András Dezső (Index.hu): *God also played a role in Lőrinc Mészáros’ enrichment* (<https://bit.ly/3mBxndW>)

240 | János István Tóth (G7.hu): *The greatest miracle in Hungarian economic history: the Mészáros and Mészáros Kft. (part two)* (<https://bit.ly/3EHZLpX>)

241 | Ildikó D. Kovács (24.hu): *The ancestor of the Mészáros company paid dividends of almost 16 billion* (<https://bit.ly/3w8nkAd>)

242 | János István Tóth (G7.hu): *the greatest miracle in Hungarian economic history: the Mészáros and Mészáros Kft. (part one)* (<https://bit.ly/3mzSaPe>)

The company empire is being pushed higher and higher by state contracts and subsidies: after 2010, Lőrinc Mészáros and his companies had almost only one direct or indirect customer: the Hungarian state²⁴³, which usually wins the “public procurement competition of the national capitalist class”, and these public procurement tend to be 80-90 percent EU-funded²⁴⁴. This is shown by the chatty data that the share of the net value of public contracts won by Mészáros and Mészáros Kft. alone or in consortia in relation to the company’s net turnover was always above 65 percent between 2014 and 2019, even exceeded 100 percent in 2014, 2016 and 2019, and even exceeded 1,000 (!) percent in 2017.²⁴⁵

The Mészáros family is involved in all state gigaprojects, such as Paks 2 and the modernization of the Budapest-Belgrade railway line. And his hotel chain, Hunguest Hotels, has been the biggest winner of hotel renovations with HUF 17.7 billion in state support. But it also made a big profit on the state-backed Mátra Power Plant transaction: in 2018 it bought the company, then – despite operating at a loss – took out HUF 11.2 billion in dividends from the profit reserve, and in 2020 it sold the power plant to the state for almost double the purchase price it paid.²⁴⁶

243 | János István Tóth (G7.hu): *The greatest miracle in Hungarian economic history: the Mészáros and Mészáros Kft. (part two)* (<https://bit.ly/3EHZLpX>)

244 | See, for example, Katalin Erdélyi (Atlátszó.hu): *In 2018, Lőrinc Mészáros’ interests won the public procurement competition of the national capitalist class* (<https://bit.ly/3ECzQv4>)

245 | A rate above 100 percent is possible if the value of public contracts won in a consortium is included. And these consortiums can certainly win so much because Lőrinc Mészáros’ company is one of them. See János István Tóth (G7.hu), *The greatest miracle in Hungarian economic history: the Mészáros and Mészáros Kft.*

246 | Gergely Brückner (Index.hu): *the state bought the Mátra Power Plant at a very high price* (<https://bit.ly/3nN5grP>)

25. Hundreds of billions for rural tourism on a crony basis

Two-thirds of the Kisfaludy Program grants have been awarded to half a percent of applicants in the last three years. The biggest winner is a company owned by the country's richest man, Lőrinc Mészáros, but money has also been awarded to the pension of former MSZP treasurer László Puch.

The Kisfaludy Tourism Development Program has been announced as the largest ever accommodation development program, with the government promising a total of HUF 300 billion in funding to promote rural tourism. The program is overseen by Antal Rogán, Minister in the Prime Minister's Office, and managed by the Hungarian Tourism Agency (MTÜ). It is still not known who exactly decided on the allocation of the money and according to what criteria. Despite formal requests for data from various organizations, the agency has not even complied with the data protection authority's request.²⁴⁷ It only said that independent tourism experts would judge the applications.²⁴⁸ And the names are not disclosed because "the external accessibility of the persons involved in the preparation of the decision could become uncontrollable, which could jeopardize the legitimate functioning of the Hungarian Tourism Agency or the performance of its tasks and competences free from undue external influence".²⁴⁹

For example, before Christmas 2019, a hotel development grant was announced, which was then unexpectedly closed in the first days of January, three months before the original deadline.²⁵⁰ This left all those who had not already submitted hundreds of pages of application material in advance in the lurch.

The oligarchs and cronies close to the government benefited the most from the distribution, with two-thirds of the funds going to a mere half a percent of the applicants. According to Válasz Online's research, the biggest winner was the country's richest man, Lőrinc Mészáros.²⁵¹ The hotels of Hunguest

247 | Report on public interest data requests not fulfilled by the Hungarian Tourism Agency, NAIH (<https://bit.ly/3GGL4Fx>)

248 | Márton Vég (Napi.hu): *they are hiding who decided on the billionaire's billionaire subsidies* (<https://bit.ly/3CnrMxm>)

249 | Facebook post, K-Monitor (<https://bit.ly/3mmkh46>)

250 | József Spirik (24.hu): *the free billions of big hotels are being squandered with suspicious speed* (<https://bit.ly/3jIA2k8>)

251 | András Bódis (Válaszonline.hu): *Shocking: the government gave two thirds of tourism subsidies to half a percent of applicants* (<https://bit.ly/3CAttre>)

Hotels, which he owns, have received nearly HUF 18 billion for hotel development. This did not stop the company from laying off at least 800 people in 2020, citing the coronavirus epidemic.²⁵² To find out the details of the subsidy, TI Hungary first submitted a public interest disclosure request to Kisfaludy2030 Zrt, the tenderer, and then, after receiving no response, went to court.²⁵³

Hotels owned by István Garancsi, the owner of the MOL-Fehérvár football team, Zsolt Hernádi, the MOL CEO, Sándor Csányi, the OTP CEO, and László Szíjj, the owner of Duna Aszfalt, have also received billions in support. Hotels owned by actors linked to Viktor Orbán's son-in-law István Tiborc were not excluded from the allocation either.²⁵⁴

There was also more or less support for the pensions of members of the governing party or their family members, such as Kristóf Szathmáry,²⁵⁵ Zsolt Becsó,²⁵⁶ Mihály Witzmann,²⁵⁷ István Bajkai, who became known as the lawyer of the head of government,²⁵⁸ or László L. Simon.

Party affiliation also mattered in the allocation of funds to municipalities. The municipalities of the governing party received 470 times more money than those of the opposition. The former received 32 billion forints, while only three opposition municipalities received subsidies totaling 68 million forints. Balatonfüred alone was awarded HUF 6.8 billion.²⁵⁹

It is also revealing that Lajos Simicska's company, Hárskúti Mezőgazdasági Zrt., the former Fidesz treasurer turned arch-enemy of Viktor Orbán's once most important economic backer, also received support.²⁶⁰ However, com-

252 | Hvg.hu: *The Mészáros family fired hundreds of people before they received billions in subsidies* (<https://bit.ly/31cownV>)

253 | Hírklikk.hu: *We are suing for the details of Mészáros Lőrinc's hotel subsidies* (<https://bit.ly/3Crn69L>)

254 | Tamás Mázsár – Dániel Bitá (24.hu): *HUF 83 billion allocated for hotel development, Mészáros and Garancsi also made a big break* (<https://bit.ly/3CAun76>)

255 | Márton Vég (Mfor.hu): *the Fidesz MP received millions from the Orbán government for a pension in Badacsony* (<https://bit.ly/3Bp8Pcv>)

256 | Márton Vég (Napi.hu): *Fidesz MPs also received gifts worth tens of millions* (<https://bit.ly/3jGeuoo>)

257 | Blikk.hu: *The MEP dreamed up the competition, his wife and mother also won millions* (<https://bit.ly/3vTAOQb>)

258 | Márton Vég (Mfor.hu): *Kisfaludy tenders: the Orbán family's lawyer's firm also received millions for its Balaton holiday resort* (<https://bit.ly/3jNlksf>)

259 | Bálint Fabók (G7.hu): *the Fidesz municipalities received nearly 500 times more tourism subsidies than the opposition ones* (<https://bit.ly/3vSGdHm>)

260 | Márton Vég (Mfor.hu): *has Viktor Orbán reconciled with Lajos Simicska? – The pension of the former treasurer of Fidesz received HUF 5 million* (<https://bit.ly/3BrzrcG>)

pared to the big winners, it was only a pittance, HUF 5 million, which is an indication of the former top predator's current position. Somewhat unsurprisingly, or perhaps not surprisingly at all, former MSZP treasurer László Puch was not left out of the money distribution either, with his company receiving HUF 315 million for a pension in Balatonlelle.²⁶¹

The MTÜ also distributed grants on the basis of individual decisions, for example, it awarded HUF 1.5 billion to the members of the Balaton Circle without a tender, with the most money going to Bence Laposa, a winemaker who is also an MTÜ advisor.²⁶²

261 | Márton Vég (Mfor.hu): *László Puch's pension in Balatonlelle also received hundreds of millions from the Orbán government* (<https://bit.ly/3biuu1u>)

262 | Tamás Pál (Telex.hu): *the tourism agency must disclose data on billions in state aid* (<https://bit.ly/3woeFzR>)

26. The Budapest-Belgrade railway line will be upgraded with a Chinese gigabank loan

Never before has a railway project been so expensive and pointless as the modernization of the section between Budapest and Belgrade, which is being built by Chinese companies on Chinese credit, but the bill will be footed by Hungarian and Serbian taxpayers. All this to speed up the transport of Chinese goods from the Chinese-owned port of Piraeus in Greece to Western Europe. The investment will probably never pay off.

On 25th of November 2013, Prime Minister Viktor Orbán reached an agreement with the Chinese and Serbian Prime Ministers on the modernization of the Budapest-Belgrade railway line.²⁶³ The total length of the line is 334 kilometers, 161 kilometers of which (between Ferencváros and Kelebia) are in Hungary. A new pair of rails will be built alongside the existing one, the line will be electrified and the track will be made suitable for trains to run at 160 km/h.

The passenger traffic between the two cities would not justify such a large-scale investment, as it did not even reach 84,000 in 2016.²⁶⁴ For the Chinese, the development is important because they can use this line to transport Chinese goods from the port of Piraeus near Athens to Western Europe.

The terrain is simple, the track is flat and does not cross large rivers, so there are no tunnels or bridges. Moreover, the railway line does not attract significant passenger traffic, as it does not pass through any major Hungarian cities other than Budapest. Despite this, the government is spending an astonishing amount of money on it. Originally planned to cost HUF 472 billion, the project is now at HUF 750 billion²⁶⁵, which means HUF 4.5 billion per kilometre, which is not only a Hungarian record, but also incredibly expensive by international standards. In Germany, the Berlin-Munich ICE line cost the same, but there they built a line suitable for 300 km/h speed with lots of tunnels and bridges.²⁶⁶

263 | Hvg.hu: Budapest-Belgrade railway line costs a pretty beautiful amount (<https://bit.ly/3mDMBPN>)

264 | Mfor.hu: Orbán's giga loans benefit 84 thousand people (<https://bit.ly/3bF9ZGq>)

265 | Index.hu: Our Chinese railway will be built of gold (<https://bit.ly/3k1KJPd>)

266 | József Spirk (24.hu):Hadházy: The railway built with Chinese money is not simple corruption, but treason (<https://bit.ly/2YcVRkx>)

No government calculations have been made on the economics of the investment. The weekly paper called *Figyelő* calculated that without interest charges, even with a substantial increase in traffic, the return on investment would only be 2,400 years.²⁶⁷ According to the most optimistic calculations, even if Finance Minister Varga Mihály's plans to impose tariffs on Chinese goods were to succeed, it would still take 130 years.²⁶⁸ However, the fact that contracts and documents related to the investment have been classified for ten years in 2020 makes it much more difficult to see the big picture.²⁶⁹

The government will finance 85 percent of the investment with a loan from Eximbank in China, while the Hungarian state will contribute 15 percent.²⁷⁰ Loan agreement is advantageous and secure for Hungary, said Finance Minister Varga Mihály after signing the loan agreement in April 2020.²⁷¹

The USD 2 billion 78 million construction of the Soroksár-Kelebia section was won in 2019 by a Chinese consortium including RM International Zrt., a company owned by Lőrinc Mészáros.²⁷² Subcontractors for the project included the children and son-in-law of the gas fitter from Felcsút.²⁷³

HVG asked for a list of subcontractors with contracts over HUF 5 million, but the Ministry of Foreign Affairs and Trade refused to provide it, citing the Chinese government.²⁷⁴ The explanation was that the request can only be fulfilled with the permission of the Chinese government, and Beijing did not give this permission to the Hungarian government. HVG filed the case with the help of TI Hungary.

Bernadett Szél, an independent MEP, filed a misappropriation complaint against the project, but the prosecutor's office rejected it in June 2020.²⁷⁵

267 | Index.hu: it will take 2400 years to pay for itself, it will cost hundreds of billions, so Orbán needs it (<https://bit.ly/3BlvrVw>)

268 | Index.hu: 130 years could pay for the costly Chinese railway (<https://bit.ly/3EE63SE>)

269 | Tamás Fábrián (Index.hu): One of the biggest Hungarian railway projects of all time has been kept secret for ten years (<https://bit.ly/3BLWmpz>)

270 | Tamás R. Mészáros (G7.hu): China is a strict and greedy lender according to a recent research (<https://bit.ly/3waaWQp>)

271 | Hvg.hu: The loan agreement on the Budapest-Belgrade railway line has been signed (<https://bit.ly/3q3NdQl>)

272 | Marianna Kovács-Angel (24.hu): Mészáros' son-in-law and children involved in the \$2 billion railway project (<https://bit.ly/3q4FYZ2>)

273 | Construction 273581-2019, Tenders Electronic Daily (<https://bit.ly/2ZV7r4z>)

274 | Babett Oroszi (Hvg.hu): The project company of the Budapest-Belgrade railway line and the MLSZ do not respond to data requests in time, citing the emergency situation (<https://bit.ly/3q28ACo>)

275 | Hvg.hu: Prosecutor's office rejects Bernadett Szél's denunciation of the Budapest-Belgrade railway construction (<https://bit.ly/3GJMPNr>)

27. Mátra Power Plant – Record profit for Lőrinc Mészáros, record loss for the state

The Prime Minister's childhood friend Lőrinc Mészáros, a gas fitter turned billionaire from Felcsút, bought Hungary's largest coal-fired power plant at a good price, took the profit from it and sold it to the state with a substantial profit.

Prime Minister Viktor Orbán's confidant, Lőrinc Mészáros, has ventured into new territory in 2017-2018: he has extended his corporate empire to the energy sector. He bought the country's largest coal-fired power plant, Mátra Power Plant, in a joint venture with billionaires from the Czech Republic, from the the German majority owner RWE Group (Magyar Villamos Művek retained 26.15 percent of Mátrai Erőmű Zrt.).²⁷⁶ Mátra Energy Holding Zrt. was established as a 50/50 joint venture, with Lőrinc Mészáros' daughter Beatrix Mészáros on the board of directors.²⁷⁷

The purchase price was treated as a trade secret. Initially, the press put the value of the transaction at HUF 50-60 billion, but it later turned out that these were highly exaggerated estimates. The purchase price was in fact estimated at HUF 11 billion.²⁷⁸ However, other calculations suggest that the Mészáros family paid only 5.9 billion.²⁷⁹

The transaction received all the necessary regulatory approvals in March 2018.²⁸⁰ One week later, the Mészáros family unexpectedly bought out their Czech partners.²⁸¹ Although the power plant was loss-making that year, the new owners took out a dividend of HUF 11.2 billion from the profit reserve at the beginning of 2019. They were able to do so because the former German owner had set aside 57 billion for the necessary and very expensive modernization of the plant.

276 | Gergely Brückner (Index.hu): *Lőrinc Mészáros may team up with celebrity brokers for the Mátra Power Plant* (<https://bit.ly/3mNKHvV>)

277 | Hvg.hu: *Lőrinc Mészáros owns the Mátra Power Plant* (<https://bit.ly/3EPvscC>)

278 | István Marnitz (Népszava.hu) *The Mátra Power Plant is a smoke factory laying golden eggs* (<https://bit.ly/2YjzqKq>)

279 | István M. Szabó (Napi.hu): *they could not have bought the Mátra Power Plant for that much, not that way, and not for that reason* (<https://bit.ly/3EOxrfH>)

280 | 24.hu: *It is now certain that the Mátra Power Plant is owned by the Mészáros family* (<https://bit.ly/2YkWEjt>)

281 | Index.hu: *The Mészáros family is already buying out the Czechs from the Mátra Power Plant* (<https://bit.ly/3q83zb1>)

At the end of 2019, the state bought its stake in the Máttra Power Plant from the Lőrinc Mészáros family for HUF 17.4 billion, although two years earlier, before Lőrinc Mészáros' interests bought the plant, the state had also received an offer from RWE. At the time, the price of 5.9 billion was considered way too expensive, even though the plant was in much better condition.²⁸²

The Hungarian state bought the company, which had become massively unprofitable due to the increase in the cost of carbon dioxide quotas, and from 2021 the purchase of quotas will cost the power plant tens of billions of forints a year.²⁸³ In addition, the purchase itself did not stop at HUF 17.4 billion: based on information obtained through public interest requests, the MSZP claims that the acquisition of the power plant actually cost taxpayers HUF 75.1 billion, as Magyar Villamos Művek also assumed a number of obligations in addition to the purchase price.²⁸⁴

In the case of the purchase of the power plant, independent MEP Bernadett Szél filed a complaint for suspected misappropriation.²⁸⁵ An investigation was launched, which was eventually closed because the police said no crime had been committed.²⁸⁶

In June 2021, the 2020 business figures were released, confirming that the state had done a very bad deal with the Lőrinc Mészáros family: the now fully state-owned Máttra Power Plant reported a record loss of HUF 42.7 billion.²⁸⁷

282 | Péter Magyar (444.hu): *How Mészáros made a lot of money at the expense of the state* (<https://bit.ly/3bLoI2u>)

283 | Bence Stubnya (G7.hu): *if the state buys the Máttra Power Plant, it is likely to incur losses of billions per year* (<https://bit.ly/3GWNvPB>)

284 | Mfor.hu: *Máttra Power Plant cost only four times more than we knew* (<https://bit.ly/3bMoZiM>)

285 | Népszava.hu: *Bernadett Szél denounces the sale* (<https://bit.ly/3o55KcO>)

286 | Hvg.hu: *The investigation into the sale of the Máttra Power Plant has been closed* (<https://bit.ly/3BOiFVt>)

287 | Bence Stubnya (G7.hu): *The state took over a 43 billion loss from Lőrinc Mészáros with the purchase of the Máttra Power Plant* (<https://bit.ly/3wi4SW9>)

28. Czech aircraft factory bought by investor linked to Árpád Habony

Confidants of the head of government are also expanding their territory abroad. Former London ambassador Kristóf Szalay-Bobrovniczky can buy a Czech aircraft factory with a state-guaranteed loan, do gigabusiness in Egypt with railway cars and get into the casino business in the capital, which presumably could not have happened without his government connections.

Kristóf Szalay-Bobrovniczky is said to be in the circle of the Prime Minister's adviser Árpád Habony, and Kristóf Szalay-Bobrovniczky has declared himself a comrade of Árpád Habony, with whom he is "an active participant in the elite exchange".²⁸⁸ It is not known exactly why Kristóf Szalay-Bobrovniczky ended up buying the Czech fighter aircraft company Aero Vodochody. Originally, Tombor András, who is also considered to be a member of Árpád Habony's circle, was to have teamed up with the Czech arms manufacturer Richard Hava's company Omnipol. However, although András Tombor had previously been a creditor of Árpád Habony, at least according to a wealth investigation,²⁸⁹ he was unable to supply sufficient funds for the deal and did not receive sufficient bank loans.²⁹⁰

Then came Kristóf Szalay-Bobrovniczky, whose brother Vince was Ambassador in Vienna and is currently Deputy State Secretary at the Prime Minister's Office, and his wife Alexandra Szentkirályi, who was Deputy Mayor during István Tarlós' mayoralty. In April 2021, Kristóf Szalay-Bobrovniczky founded the Magyar Aerojet Befektetési Vagyongazdálkodási Zrt (Hungarian Aerojet Investment Management Company), in which he is the sole owner.²⁹¹

Kristóf Szalay-Bobrovniczky did not respond to questions from the press, but the Czech side confirmed that he would enter the Czech aircraft industry with his new company. The deal is also being backed by the Hungarian Development Bank, which is providing a €150 million (HUF 53 billion) loan.²⁹²

288 | András Stumpf (Mandiner.hu): *The liberal jihadists have been ousted – the head of Századvég on Finkelstein, Habony and lobbying* (<https://bit.ly/3o24JSQ>)

289 | Péter Magyar (444.hu): *this is what Árpád Habony told the NAV about his assets* (<https://bit.ly/3bO6Nbi>)

290 | Yvette Szabó – Márton Gergely (Hvg.hu): *Orbán has changed pilots: Szalay-Bobrovniczky may buy Czech fighter aircraft factory* (<https://bit.ly/3qaHF7o>)

291 | Magyar Aerojet Befektetési Vagyongazdálkodási Zrt (Hungarian Aerojet Investment Asset Management Ltd.), National Company Repository (<https://bit.ly/3BPWjD1>)

292 | Gábor Kovács (Hvg.hu): *The government provides a state guarantee for the HUF 53 billion loan of the government spokesman's husband* (<https://bit.ly/3kbBQTj>)

The loan will be granted to HSC Aerojet Zrt., headed by Kristóf Szalay-Bobrovniczky, according to the company court, and owned by Magyar Aerojet Befektetési Vagyonkezelő Zrt. The government has provided a state guarantee for this, as revealed in a government decision in August.²⁹³

Why would a Hungarian investor be interested in this Czech factory? It is explained with the fact that it is because of a fighter aircraft that is being developed for training purposes, because the Hungarian Defense Forces are among the potential customers.²⁹⁴

This is not the first big deal for Kristóf Szalay-Bobrovniczky: earlier, after the death of producer Andy Vajna, he took over the capital's casinos together with István Garancsi, owner of the MOL Fehérvár football team.²⁹⁵ The concession was only due to expire in the next government term, in 2024, but it was extended prematurely for no less than 35 years, so they can operate the network, which generates profits of tens of billions a year, until 2056, and 40 percent of this money rain goes to Kristóf Szalay-Bobrovniczky.²⁹⁶

And together with a Russian company, it has also entered the railway business, with Transmasholding Hungary Kft. having an order worth more than a billion euros from Egypt. The Egyptian state railway company has ordered 1,300 rail wagons from the Russian-Hungarian joint venture, in which Kristóf Szalay-Bobrovniczky holds a 50 percent stake through Magyar Vagon Zrt.²⁹⁷ The railway wagons are mainly manufactured in Hungary at the plant of Dunakeszi Járműjavító Kft., which was bought by Transmasholding Hungary Kft. from the Hungarian state in 2020.²⁹⁸

293 | Government Decision No.1593/2021 (VIII. 13.), Hungarian Official Gazette (<https://bit.ly/3CToT4D>)

294 | Dániel Deme (Magyarhirlap.hu): *the Czech aircraft factory is looking towards Hungary* (<https://bit.ly/3bODc1s>)

295 | Vitéz. Ibolya F. (24.hu): *the government spokesperson's husband has entered the vehicle repair business in Dunakeszi after the casinos, and they have already won 32 billion* (<https://bit.ly/3CQLfGV>)

296 | Gergely Brückner – Fruzsina Előd (Telex.hu): *István Garancsi and Kristóf Szalay-Bobrovniczky received a 35-year casino concession in the capital in a big secret* (<https://bit.ly/3kbPpBW>)

297 | Hvg.hu: *Orban's businessman and the Russians are already delivering Egypt's new railway carriages* (<https://bit.ly/3BT1Box>)

298 | Vitéz. Ibolya F. (24.hu): *the government spokesperson's husband has entered the vehicle repair business in Dunakeszi after the casinos, and they have already won 32 billion* (<https://bit.ly/3CQLfGV>)

29. Nothing could stand in the way of the devastation of Lake Fertő

Neither nature conservation, nor UNESCO World Heritage protection, nor opposition from the population, nor protests from a neighboring country, matter when pro-government forces want to push through an investment. This is what happened at Fertőrákos, the Hungarian stretch of Lake Fertő.

A huge tourist development is underway on Lake Fertő, with an 813 berth marina, a four-star hotel, sixteen tennis courts, a new beach and car park, and with paving stones and concrete on the place of the reedbed.²⁹⁹ All this is happening in the Fertő-Hanság National Park! According to the locals, the whole project was started because the daughter of Prime Minister Viktor Orbán, Ráhel Orbán, who is in the tourism industry, had sailed here a few years earlier and liked the place very much.³⁰⁰

The government has allocated HUF 32 billion for the large-scale project, which is exactly four times the amount originally allocated for this purpose.³⁰¹ EU money was initially allocated for the project, but a government decree in 2019 has now allocated only state funding.³⁰² The project is being managed by the state-owned Sopron-Fertő Turisztikai Fejlesztő Nonprofit Zrt., set up in 2017 and headed by a local government politician, Béla Kárpáti. A public tender for the construction of the marina was launched in October 2020.³⁰³ The contract was won by Lőrinc Mészáros's company, Mészáros & Mészáros Kft. for a net price of HUF 9.3 billion.³⁰⁴

The beach and the lakeside were closed in summer 2019 due to the construction work, and the refreshment stands were removed. At first it seemed that the world-famous pile dwellings in the water would not be affected, but their fate was sealed.³⁰⁵ Property owners have been ordered to demolish their

299 | Attila Kálmán – Márton Mohos (24.hu): *NER could arrive on the shores of Lake Fertő with 300 trucks a day* (<https://bit.ly/3mGm015>)

300 | Katalin Erdélyi (Átlátszó.hu): *the government is confronted with local residents, environmentalists and Austria over the giant investment in Lake Fertő* (<https://bit.ly/3mGzJsd>); *The Lake Fertő gigaproject begins: the company of Lőrinc Mészáros is building a sailing harbor for 9 billion* (<https://bit.ly/2ZR5SEw>)

301 | Györgyi Balla (Hvg.hu): *the Lake Fertő investment in the swamp* (<https://bit.ly/3weOrK7>)

302 | Government Decision No.1862/2016, Net.jogtár.hu (<https://bit.ly/3CHP5lz>)

303 | Katalin Erdélyi (Átlátszó.hu): *the Mészáros family has destroyed the reedbed, the owners must demolish the world-famous pile dwellings* (<https://bit.ly/3ECokN4>)

304 | Construction investment 470852-2020, Tenders Electronic Daily (<https://bit.ly/3k36nT6>)

305 | Katalin Erdélyi (Átlátszó.hu): *the Mészáros family has destroyed the reedbed, the owners must demolish the world-famous pile dwellings* (<https://bit.ly/3ECokN4>)

houses by the end of April 2021 at the latest, and an offer of €100,000 (HUF 35 million) has been sent their way through the developer. Some refused to give up their beloved pile dwellings and sought legal protection for their property. However, the investor did not wait for the court's verdict, and overnight they demolished the pile-dwellings.³⁰⁶ In September 2021, the "demolition costs" were billed to the affected people, who would have to pay more than HUF 20 million per building.³⁰⁷ The European Commission is also investigating the project, and the environmental group Greenpeace Hungary has filed a lawsuit to stop the construction.³⁰⁸

306 | Fruzsina Előd (Telex.hu): *the state investor did not wait for the court's verdict, and bulldozed the Lake Fertő pile dwellings* (<https://bit.ly/3weriY9>)

307 | Fruzsina Előd (Telex.hu): *HUF 20 million demolition costs were charged to the Lake Fertő pile-dwellers after their holiday home was demolished* (<https://bit.ly/3nS1v4d>)

308 | Györgyi Balla (Hvg.hu): *the last thatched-pile dwelling at Lake Fertő has been demolished* (<https://bit.ly/2ZLUfit>); Népszava.hu: *international environmentalists protested in Vienna against the giga-investment in Lake Fertő* (<https://bit.ly/3wcTpXD>)

30. Highways to be quickly concessioned before the elections

The highway network works well and brings profits to the state, yet its operation and development is concessioned for 35 years. They want to sign the contract before the 2022 parliamentary elections.

When the National Concessions Office (NKI) was set up in September 2020, under the Minister overseeing Prime Minister Antal Rogán's cabinet, it was at that time only dealing with casino concessions.³⁰⁹ But a provision in the regulations defining its remit foresaw that the state could grant concessions for new areas. Indeed, the NKI "*proposes to the Prime Minister's Chief of Cabinet the transfer of the temporary right to exercise certain exclusive state economic activities under a concession contract*".

In May 2021, the nail was pulled out of the bag³¹⁰ when the operation and construction of national roads and their structures was included in the list of activities subject to concession, along with waste management.³¹¹ Two weeks later, a call for concessions for almost the entire Hungarian highway network was published in the EU's public procurement notice.³¹² It would award more than 2,000 kilometers of road network and the construction of future highways to the winning bidder, with a concession period of 35 years.

Nobody really understood why the state would get rid of highway management, because if anything, it worked well, with tolls generating significant revenues for the budget every year, for example, in 2020, more than 300 billion came from highway tolls. And after deducting the cost of maintenance, the state made a profit of HUF 175 billion, which it can spend on improvements. In addition, the best-maintained parts of the road network would be concessioned, leaving the state with the poorer roads.³¹³

TI Hungary was curious to know the reasons and calculations behind the concession, so it submitted a public interest claim to the NKI. The NKI rejected the application. It was argued that these were pre-decisional materials

309 | Government Decree 424/2020 (IX. 4.) on the National Concession Office

310 | Government Decree 495/2020 (XI. 11.) on the performance of the competent sectoral ministerial functions with regard to activities subject to concession

311 | János Haász (Telex.hu): *Concession road construction may return in Hungary, Antal Rogán will be responsible for it* (<https://bit.ly/3ke4gMh>)

312 | Services – 298194-2021, Tenders Electronic Daily (<https://bit.ly/3GPeQ62>)

313 | Ibolya Vitéz F. (24.hu): *the operation of highways is a profit-maker, but the Rogán family would still like to get rid of it* (<https://bit.ly/31CDIUo>)

which would not be public for ten years.³¹⁴ The case went to court, with TI Hungary suing the NKI for the data. The Budapest Court of First Instance ruled in favor of TI Hungary and ordered the NKI to release the calculations on which the decision was based.

The hearing revealed that “NKI has only preliminary calculations that can be considered as estimates”. It also emerged in court that it was not certain that the winning bidder would be awarded a 35-year contract, which would only be decided once the procedure was completed.³¹⁵

Antal Rogán explained the concession by saying that there will be no EU funding for highway construction in the next seven-year EU cycle, and that this solution is advantageous for the Hungarian state, because the cost of the developments will not burden the Hungarian state budget, nor will it increase the national debt.³¹⁶

According to the call for tender, 272 kilometers of new roads should be built in the first ten years, 273 kilometers should be extended, including new lanes on the M7, M1 and M3, and 538 kilometers of roads should be upgraded. Experts put the value of the concession at between HUF 2500 billion and HUF 3000 billion. Tolls will continue to be collected by the state, while the concession winner will receive a provision fee from the state. The concession bureau estimates that the revenue from tolls will exceed the provision fee paid.

How much the state will receive as a concession fee and how much it will have to pay as a provision fee will be revealed when the results are announced. The announcement of the results could take place before the elections, as the procedure is to be completed by the end of December.

Three companies have applied for the concession: the Dömper Kft., the Themis Private Equity Fund, which is linked to the businessman László Szíjj, and the Austrian Strabag.³¹⁷

According to TI Hungary's legal assessment, the proposed construction of the highway concession does not comply with EU and national legislation on several points, first of all because it cannot be considered a concession, it does not meet the definition of a concession, but a disguised public pro-

314 | Hvg.hu: *The government has kept the background figures of the highway concession secret for 10 years* (<https://bit.ly/3CUVgDg>)

315 | Tamás Wiedemann (Szabadeurópa.hu): *The government does not know whether it is worth it to concession highways for thirty-five years* (<https://bit.ly/3qhWMMh>)

316 | Gábor Kovács (Hvg.hu): *Antal Rogán on the highway concession: we have learned from the mistakes made* (<https://bit.ly/3BVbzON>)

317 | Origo.hu: *The bidders for the operation of express roads revealed* (<https://bit.ly/3wmlOun>)

curement procedure. A concession can be said to exist if the concessionaire is granted the right of exploitation and bears the operational risk associated with it. If these conditions are not met, then the otherwise stricter public procurement rules should be applied instead of a concession. A concession is essentially a public procurement where the contracting public authority wishes to procure a service or works without being able or willing to pay money, or at least only partially, in exchange for the right to exploit the works or services to be provided and the associated operational risk, instead of paying money. Perhaps the clearest example is the road concession: a government has no funds to build or renovate roads, but orders a company to build them, and in return the company can collect tolls instead of paying, i.e. it exploits the construction until it recovers its investment, including a reasonable profit.

In contrast, Antal Rogán, the Prime Minister's Chief of Staff, explicitly stated at a press event that the government does not intend to transfer the right to use the highway network to the concessionaire, that the toll will continue to be collected by the state, and that although the fees to be paid by the state to the concessionaire will be financed from the toll, there will not be a close correlation between the amount of toll collected and the fees to be paid.³¹⁸ Given the lack of publicly available information, it is difficult to know what type and how much risk the concessionaire will bear, but it seems clear that the risk will not be linked to the use of the works or services. The only risk mentioned by the Prime Minister's Chief of Cabinet at the press event is the risk arising from exchange rate fluctuations due to the fact that the fees to be paid by the State are planned to be fixed in forints. Furthermore, in addition to the provision fee, the concessionaire will also have the possibility to claim the so-called additional investment costs. It is not specified in the notice what this covers and what costs are covered, but it is clearly an additional consideration for the concessionaire, which further reinforces the assumption that the concessionaire will not bear any risk.

Another very serious concern raised by TI Hungary is the duration of the proposed concession. The EU Concessions Directive – and, accordingly, the Hungarian Public Procurement Act – provides that for concessions with duration of more than 5 years, the maximum duration of the concession may not exceed the period during which the concessionaire can reasonably expect to recover its investment in the works or services and to obtain a reasonable

318 | Gábor Kovács (Hvg.hu): *Antal Rogán on the highway concession: we have learned from the mistakes made* (<https://bit.ly/3qgJL5p>)

return/profit on its investment. The Directive also explains the justification for this limit: “In order to avoid foreclosure and restriction of competition, the duration of the concession should be limited. Concessions of very long duration are likely to lead to market foreclosure and thus may restrict the free movement of services and the freedom of establishment.”

Because of the very long duration of 35 years, we believe that there is a real risk that it will unduly restrict competition and hinder the free movement of services and the freedom of establishment. However, we are not in a position to judge whether this justification is justified and whether it complies with the above-quoted Directive requirement, since the calculation of the return, if any, referred to in the Directive and in the Hungarian Public Procurement Act is not public. At the same time, according to the notice, the State expects an investment period of 10 years. It is difficult to imagine that a 10-year investment has a payback period of 35 years.

31. 35 years for all the trash

All waste management could also be under one roof by 2057. The biggest oil company could be the winner.

After the highways, in mid-August 2021 the National Concession Office (NKI) published a notice on the concession of another area: it would grant a concession for the entire waste management in Hungary to a selected company for 35 years.³¹⁹ The deadline for applications was very tight for a deal of this size, with only 12 working days for applicants.

No operator in the waste management sector meets the strict and precise criteria, as applicants must have a net turnover of HUF 150 billion averaged over the last three financial years. Even the national state-owned mammoth company, Nemzeti Hulladékgyűjtési Koordináló és Vagyonkezelő Zrt. (National Waste Management Coordination and Asset Management Ltd), had a net turnover of only HUF 96.5 billion in 2020. That is why many people have speculated that the concession was awarded to Mol Zrt, which owns several waste collection and landfill sites.³²⁰ This assumption seems to have been confirmed, as the oil company did indeed bid for the concession. This was confirmed by the company's CEO, Zsolt Hernádi himself.³²¹ The winning bidder will be able to operate without any commercial risk, as any losses incurred by the concessionaire will be reimbursed by the state.³²²

In September 2021, TI Hungary turned to the Public Procurement Authority for the Public Procurement Arbitration Committee to initiate ex officio proceedings for the award of the waste management concession.³²³ TI Hungary found objections in four areas. These included the duration of the concession, the over-expansive scope of the concession, the exclusion of the obligation to pay penalties and the excessive financial requirements, the purpose and justification for which were not clear from the tender notice.

Referring back to the case of the highway concession, in the case of the waste management concession, the NKI has already taken great care to ensure

319 | Services – 419243-2021, Tenders Electronic Daily (<https://bit.ly/2ZTi5se>)

320 | Hvg.hu: *The government would outsource waste management rights for 35 years* (<https://bit.ly/3GWPdQU>)

321 | Gábor Kovács – Balázs Gabay (Index.hu): *Mol has made a big announcement* (<https://bit.ly/3GU8IJL>)

322 | Zalán Zubor (Átlátszó.hu): *a market player can do very well by outsourcing waste management* (<https://bit.ly/3wnxqxx>)

323 | Initiating a legal remedy procedure, TI Hungary (<https://bit.ly/3wkEE5l>)

that the published notice repeatedly states that the concessionaire exercises the right of exploitation. So it could still be a real concession, but on the one hand the same concerns about the 35 years as in the case of the highway concession arise, and on the other hand the conditions set out in the notice raise a number of problems. The financial conditions are extremely exaggerated and so specific without any justification that it is possible that a particular company has been put out to tender. It is also extremely worrying that the concessionaire will be exempted from the obligation to pay penalties by certain, as yet unnamed, body. Not to mention the fact that the Waste Act has recently been amended so that it explicitly states that only one concessionaire can have waste management activities concessioned for the whole country, so it does not allow for geographical or activity splitting, which would be justified, but it does allow the concessionaire to do so in relation to his subcontractors in a rather transparent way.

What is worth drawing attention to, however, is that during the concession procedure – which is essentially a special public procurement procedure – the government is selling two state-owned companies, the Nemzeti Hulladékgazdálkodási Koordináló és Vagyonkezelő Zrt (National Waste Management Coordination and Asset Management Ltd). and the Nemzeti Hulladékgazdálkodási Szolgáltató Kft (National Waste Management Service Ltd). The contract notice stipulates that the winning bidder must acquire shares in these two companies. In addition, the independent evaluator appointed by the contracting authority has established the market price, i.e. the highest bidder can acquire the companies without a competitive bidding procedure. It should be stressed that in a public procurement or concession procedure, the State procures – buys – things (goods, services, construction works) and does not sell. The scope of the Public Procurement Act does not cover the sale of companies, so TI Hungary's view is that this requirement is complete nonsense and cannot be legal.

32. Cards dealt decades in advance in the capital's casinos

The casino concessions for pro-government businessmen have been extended until 2056, and even the European Commission has no say in this.

In September, the Government became active in the field of gambling: casino concessions have been reissued in the capital for 35 years.³²⁴ These were due to expire in 2024, during the next government's term, but an amendment to the law tabled by Finance Minister Varga Mihály in summer 2020 gave the opportunity to reissue the concessions now.³²⁵ This means that István Garancsi, Prime Minister Viktor Orbán's "rope friend" and Kristóf Szalay-Bobrovniczky, the warring partner of Prime Minister Árpád Habony's adviser, can profit from the deal until 2056.³²⁶ The five casinos in the capital make an annual profit of around HUF 10 billion for their joint company, LVC Diamond Játékkaszinó Üzemeltető Kft.

Casino concessions have so far been granted for ten years. The Government explained the reason for now contracting for more than three times that period by saying that "the advantage of a 35-year concession is that it provides the State with long-term and predictable budget revenues over several years".³²⁷

In contrast to the highway and waste concessions, it will be much more difficult to take back the 35-year-old casino concession in the event of a change of government, despite the promise made during the opposition's pre-election campaign.³²⁸ Gambling is not covered by the EU's concessions directive, only Hungarian law applies, and the European Commission could at most examine casino concessions in the light of EU principles.

"Unfortunately, in this case, we have to say that although the procedure is totally unacceptable, it is legal, since the 1991 law, which has already been mentioned, allowed the extension of the concession right without competitive tendering. This is a case which is not covered by the EU Concessions Directive

324 | Gaming Casinos, Gambling Control Authority (<https://bit.ly/3keoCSK>)

325 | Bill T/10856, Parliament.hu (<https://bit.ly/3keA7MK>)

326 | Gergely Brückner – Fruzsina Előd (Telex.hu): *István Garancsi and Kristóf Szalay-Bobrovniczky received a 35-year casino concession in the capital in a big secret* (<https://bit.ly/3o1R4De>)

327 | Zsolt Papp – István Marnitz (Népszava.hu) *In a secret procedure, the concession office overseen by Rogán extended the operating rights of the former Vajna casinos for 35 years* (<https://bit.ly/3kbq4Iw>)

328 | Vaskor Máté (24.hu): *Gergely Karácsony on the casino concession: I'm telling you now, we will take it back* (<https://bit.ly/2YkpKPN>)

and consequently by the Hungarian Public Procurement Act,” wrote Gabriella Nagy, TI Hungary’s Head of Public Finance.³²⁹

TI Hungary has requested in vain information from the government bodies responsible for the supervision of the gambling market, because none of the authorities concerned has been willing to answer questions about the details of the procedure leading to the extension of the casino concessions in the capital. A particularly interesting aspect of the case is that all four state bodies contacted – the Cabinet Office of the Prime Minister, headed by Antal Rogán as Minister, the National Concession Office under his control, Andrea Mager, Minister for the Management of National Assets, and the Office for the Supervision of Regulated Activities – all denied any involvement in the extension of the operating licenses of the Budapest casinos. TI Hungary has taken the case to court in an attempt to uncover the government’s secret.

329 | Gabriella Nagy (Korrupció.hvgblog.hu): *the government is using concessions to get its way* (<https://bit.ly/3o7TGQ1>)

33. Fudan: Chinese elite university with Hungarian money

With Hungarian money and Chinese loans, Chinese workers would build the campus of the Chinese State Party University on state land offered for free, where wealthy, mainly foreign, students could study for high tuition fees. Besides the renovation of the Budapest-Belgrade railway line, the Fudan University would be the second Chinese mega-investment in Hungary.

The idea of building the university's first campus outside China in Budapest was first raised in 2017 during a meeting between the Hungarian central bank and the top management of China's Fudan University.³³⁰ An agreement on this was reached in the same year. When the university's rector met Prime Minister Viktor Orbán in October 2019, it was still being discussed that the teaching venue would be located in the renovated building of the former Budavár City Hall in Úri Street, District I.³³¹

That this will cost us a lot was first hinted at in a government decision at the end of December 2020. In that decision, HUF 821.5 million was reallocated to allow the state to buy the land for the Chinese university campus.³³²

In April 2021, the details of the project were revealed, after Direkt36 obtained the government documents.³³³ According to these documents, the government estimated the cost at HUF 540 billion, and the construction would be carried out largely with Chinese materials, Chinese labor and a large part of Chinese loans, but all of it would be paid for by Hungary. This exceeds the total amount allocated for Hungarian higher education in 2021. The Chinese contractor need not fear that the project might be awarded to someone else in an open competition, as the government has placed this matter under exclusive Chinese jurisdiction. The construction site would be located on the site of the planned Diákváros, where Hungarian students have been promised state-of-the-art facilities. For the project, the state would borrow HUF 450 billion from the Chinese Development Bank, similar to the renovation of the

330 | Bölcsvár.hu: "Shanghai Fudan University's first campus outside China could open in Budapest as early as 2024" (<https://bit.ly/300e51m>)

331 | Viktor Orbán in talks with leaders of Fudan University in China, Kormány.hu (<https://bit.ly/3CMv3Xp>)

332 | Mfor.hu: Chinese university to come to Hungary may get 800 million property (<https://bit.ly/2ZPW6T9>)

333 | Szabolcs Panyi (444.hu): the giant investment in Hungarian higher education is being made with Chinese loans. The government has already promised it to a Chinese company (<https://bit.ly/3bFNXTL>)

Budapest-Belgrade railway line. The interest rate would be 4.5 percent for a yuan loan and 1.9 percent for a euro loan.

Together, they have created such an outcry that opposition parties have been able to call tens of thousands of people onto the streets despite the coronavirus epidemic³³⁴ The district mayor, Krisztina Baranyi, with the support of the mayor, Gergely Karácsony, used her powers to give a slap in the face to the Chinese investors by naming the public spaces around the planned campus in a clear provocation to the Beijing leadership.³³⁵ This is how the Uyghur minority oppressed by the Chinese state (Uyghur Martyrs' Road), the Tibetan religious leader forced into exile (Dalai Lama Road), the Chinese Catholic bishop imprisoned for many years (Bishop Hsieh Si-Kuang Road) and Hong Kong deprived of its autonomy (Free Hong Kong Road) were given public spaces.

The government steamroller did not stop, however, and at the end of June 2021, the Fudan Hungary Foundation for the University was established as a public interest trust, which was registered by the Metropolitan Court of Budapest at the end of August.³³⁶ The state transferred public property worth 13.9 billion to the foundation, including the 26-hectare Nagyvásártelep.³³⁷ The majority of the area of the planned Student City was thus given to the campus of the future Chinese university, leaving only space for dormitories for Hungarian students in the northern corner of the area. A bill passed by the governing party also removed the name Diákváros from the development plans.

In order to prevent the investment, Gergely Karácsony submitted a referendum initiative on the campus of the Chinese University in Budapest, which – surprisingly – was approved by the National Election Committee. However, it is questionable whether this can block the construction: experts say that if everything goes as smoothly as possible, the referendum could take place early next year, but the initiative could be delayed until 2023.³³⁸

334 | Zsolt Kerner (24.hu): *Karácsony: With 500 billion forints, Péter Jakab can tell László Kövér fifty thousand times that he is a dandy* (<https://bit.ly/3mJ52CJ>)

335 | Hvg.hu: *Street name signs with a message for China handed over in Budapest* (<https://bit.ly/3o0np5x>)

336 | Mfor.hu: *Fudan University gets the Nagyvásártelep, the Student City is removed from the title of the Csepel development program* (<https://bit.ly/3q3iQtF>)

337 | Sarkadi Nagy Márton (Átlátszó.hu): *the government gives 14 billion in public property and public money to the Fudan Foundation* (<https://bit.ly/3CPjjDp>)

338 | Kozák Dániel (Blikk.hu): *we asked a political expert about the referendum* (<https://bit.ly/31jq42n>)

II.5. SIN AND PUNISHMENT

34. The leaders of Badacsonytomaj may get involved in thwarting tourism developments

There have been many thwarting cases in Badacsonytomaj in recent years. The latest is an EU tourism project, which is under investigation by the European Anti-Fraud Office (OLAF).

The tourism project, which started in 2018 and received HUF 2 billion 435 million in funding, was first penalized by the Public Procurement Authority in October 2020. Then, in February 2021, OLAF staff went to the site to investigate. And in June, investigators from the National Tax and Customs Office (NAV) searched the mayor's office and the house of Mayor László Krisztin N. after an investigation was ordered into suspected budget fraud.³³⁹

The project to renovate the lakeside areas and the Tátika, a symbolic building in the city, was irregular from the start.³⁴⁰ The mayor had allocated HUF 61.7 million for project management to the notary and municipal staff, but the municipality later entrusted a company with the same tasks. The Public Procurement Arbitration Committee found that Mr László Krisztin N. had unlawfully neglected public procurement procedures and imposed a fine of HUF 3 million on the municipality.³⁴¹ All the project management contracts were declared null and void and a further fine of 3 million was imposed on this basis. The project was due to be completed by 30th of September 2020, but only the design work was completed by then.

And shortly before, the case of the deputy mayor's land was investigated on suspicion of fraud. Before being elected deputy mayor, Béla Hartai received a plot of land in a prime location at a bargain price from the municipality

339 | László Szily (444.hu): *Search of the village hall and the mayor's house in Badacsonytomaj* (<https://bit.ly/3BkloWt>)

340 | József Spirk (24.hu): *The municipality of Badacsony has been severely punished* (<https://bit.ly/3Eqlqy3>)

341 | See Decision D:310/2020 of the Public Procurement Authority (<https://bit.ly/3nALPCs>)

led by László Krisztin N. to carry out tourism development.³⁴² However, shortly afterwards, as deputy mayor, he divided the area into several plots and sold most of them to a developer without a single move of a shovel. In doing so, he breached a contract with the municipality.

László Krisztin N. is in his fifth term as mayor, and so far he has got away with mishaps without serious consequences, such as the fact that in 2013 he used EU money to build a training centre on the land plot in his children's name, which is built in a building that strongly resembles a family house, and he also has a beneficial right to the property.³⁴³ Or when he also charged a lump sum to cover expenses in addition to the use of an office car.³⁴⁴

342 | József Spirk (24.hu): *the deputy mayor sold the plot for his own pocket, the internal war broke out in Badacsony* (<https://bit.ly/3GqKMou>)

343 | Kozák Dániel (Blikk.hu): *the mayor builds a house with EU money* (<https://bit.ly/3bhFypy>)

344 | Blikk: *Mayor's reimbursement of expenses under investigation* (<https://bit.ly/3Cse6Bu>)

35. Keszthely School is an example of EU money wasted

Despite winning 850 million forints in EU funding to renovate a downtown property, the municipality of Keszthely tried to sell it for 601 million. But there were problems with other projects too, with a total of HUF 1.4 billion at stake.

More than a year after the 2019 mayoral elections, it became clear that there was a big problem with EU projects in Keszthely. The local government won a total of 1.4 billion forints for the renovation of the kindergarten, the municipal beach and the listed brewery, but irregularities were found in all three.

The former Fidesz mayor, Ferenc Ruzsics, did not run in the 2019 local elections, and Bálint Nagy, also from the governing party, was the winner in the race for the post of mayor. He had to terminate the contracts his predecessor had signed for the implementation of the three projects in 2021.³⁴⁵ The new municipal government also filed a complaint in the case, alleging, among other things, that the contractor had submitted false documents during the accounting process and that payments were made on the basis of these documents. The police opened an investigation and the European Anti-Fraud Office (OLAF) also started an inquiry.³⁴⁶

Ferenc Ruzsics entrusted the same Budapest-based company, InvestMondi-System Kft., with the construction of all three projects, saying it had the cheapest bid. It is true that the contractor's fee had to be supplemented afterwards, for example, the HUF 200 million renovation of the kindergarten required an additional HUF 60 million to the original budget. Ferenc Ifi, a Fidesz MEP, was also outraged at the time, saying that serious irregularities had already been committed during the tendering process.³⁴⁷ For example, there was a company among the applicants whose managing director did not even know about the tender submitted by his company. The renovation of the brewery was to have been completed by the end of 2020, but there were so many problems that in June 2021 the municipality published a call for ten-

345 | Tamás Mázsár (24.hu): *The former Fidesz mayor concluded, the current one cancelled the renovation contracts in Keszthely* (<https://bit.ly/3pTmWoz>)

346 | Tamás Mázsár (24.hu): *police and OLAF investigation into EU investments in Keszthely* (<https://bit.ly/3Eoi3Yb>)

347 | Tamás Koncz (Népszava.hu): *Fidesz MEP upset about the hundreds of millions squandered in Keszthely* (<https://bit.ly/3pLKPOk>)

ders³⁴⁸ for the sale of the property.³⁴⁹ The starting target price was set at a net HUF 601.4 million, although in theory it was much more than that – the original project was for HUF 1 billion, including the deductible. No information on whether it was eventually sold is available in the minutes of the Keszthely municipality.

Keszthely had also made the world press shortly before, in 2018. Reuters used the example of real estate deals and investments here, mainly linked to István Tiborcz, the prime minister's son-in-law, to show how European taxpayers' money is being squandered to finance friends and family members of Prime Minister Viktor Orbán.³⁵⁰

348 | Building complex for sale in Keszthely, Sörház street, Keszthely.hu (<https://bit.ly/2XSzaSq>)

349 | Tamás Mázsár (24.hu): *the Fidesz municipality sells the beer house in Keszthely, which was renovated with EU money* (<https://bit.ly/3vVdzWg>)

350 | Péter Urfi (444.hu): *Reuters went to Keszthely to show European taxpayers how Orbán's people are building with their money* (<https://bit.ly/3vUA65p>)

36. EU-funded beach where bathing is banned

The mayor of Kunszentmárton announced that as part of the 305 million investment, the open-air beach on the Körös shore was completed, and soon afterwards the “No bathing!” sign was put up.

The municipality of Kunszentmárton has won HUF 305 million EU funding for “complex tourism development”, the planned project consisted of two parts: the creation of an open-air beach and the establishment of a museum of the outlaws.³⁵¹ The mayor of Kunszentmárton, Attila Wenner-Várkonyi, shared the news with the people of Kunszentmárton in the summer of 2017.³⁵² The mayor thanked the Fidesz MP István Boldog for his support. This may be of particular significance in hindsight, as István Boldog got into trouble for similar EU tenders, and in December 2020 he was charged with accepting bribes.

The project was in the spotlight again in 2021, when an article in the county portal announced the completion of the open-air beach on the banks of the Körös.³⁵³ The mayor commented on the tradition of the locals using the river to spend their leisure time on the beach and kite-boating.

Yes, but even though the beach was “finished”, it was not possible to go to the beach, and the sign prohibiting bathing was put up. The incident also attracted the attention of independent MEP Ákos Hadházy, who travelled to the village on the Körös banks to see for himself. “I’ve experienced quite a lot, but I couldn’t believe it when I saw the photos of the ‘beach’ sent to me by the locals,” he explained.³⁵⁴ According to the project description, there was supposed to be a sandy beach, a buffet, benches and sun loungers, but all that was there was a paved road and weeds, and there were signs of some earthworks. The handover of the project nevertheless took place, as the Mayor himself informed the Council at its meeting on 8th of July 2021. The mayor’s briefing also revealed that several permits still have to be obtained to operate the beach, but the costs of this are not known. These costs were apparently not included in the tender.

351 | Complex tourism development of Kunszentmárton TOP-1.2.1-15-JN1-2016-00010, Kunszentmárton city website (<https://bit.ly/3bmE7pU>)

352 | Kunszenti News (<https://bit.ly/3EkjFxo>)

353 | P. Pusztai Nóra (Szoljon.hu): *the open-air beach by the Körös river in Kunszentmárton is ready* (<https://bit.ly/3EnQ8rt>)

354 | Kozák Dániel (Blikk): *Ákos Hadházy saw it with his own eyes: the HUF 50 million beach was handed over, and then the “No swimming!” sign was put up* (<https://bit.ly/3EFSQsH>)

The municipality excused the situation with the flood. “The tidal surge on the Körös river in spring and summer also affected our beautifully designed beach, and much of the sand deposited by the contractor was also swept away by the flood,” they wrote in a statement, also claiming that they had not missed anything, as the project’s completion deadline was 30th of November 2021.³⁵⁵

355 | Statement on the Kunszentmárton open beach, Kunszentmárton town website (<https://bit.ly/3jNMLCq>)

37. All aid recovered from Sümeg

Although Sümeg is led by a governing party, its municipality committed such serious irregularities in its public procurement procedures that the Ministry of Finance ordered the city to repay the full amount of two projects.

Between May and September 2020, the Public Procurement Arbitration Committee found against the Municipality of Sümeg four times, imposing fines totaling HUF 11 million for the irregular use of various EU funds. The first was for the construction of the Ramassetter Visitor Centre,³⁵⁶ followed by the renovation of the downtown market and the craft market,³⁵⁷ then the development of the crèche,³⁵⁸ and finally the second phase of the craft market and the contract modification.³⁵⁹

László Végh, Fidesz mayor, did not calm down, he challenged the decisions in court, for which he did not ask for the authorization of the body of representatives.³⁶⁰ According to the Metropolitan Court, the municipality committed serious violations of the law by failing to ensure the impartial use of public funds free from influence during the public procurement procedure. In doing so, it upheld the decisions of the Public Procurement Arbitration Committee, which, among other things, criticized the fact that the municipality's company, Sümegi Közszolgáltató Kft., had won the public procurement.

But this is not the end of the Sümeg municipality's sticking point: the Ministry of Finance has imposed full repayment obligations for two investments.³⁶¹ This amounted to HUF 70 million for the craft market and HUF 52 million for the Ramassetter Visitors' Centre. According to the justification, the municipality "committed a serious infringement by failing to ensure impartial, independent, objective and non-influenced decision-making in the

356 | D.117-13-2020. Decision, Public Procurement Authority (kozbeszerzes.hu) (<https://bit.ly/3w4dZKo>)

357 | D.233-12-2020. Decision, Public Procurement Authority (kozbeszerzes.hu) (<https://bit.ly/3woJEMj>)

358 | Decision D.166-7-2020, Public Procurement Authority (kozbeszerzes.hu) (<https://bit.ly/2ZJ-fAj>)

359 | Decision D.236/10/2020, Public Procurement Authority (kozbeszerzes.hu) (<https://bit.ly/3nNzkmW>)

360 | Tamás Bod (Magyarnarancs.hu): *irregular spending may lead to repayment obligation for Sümeg* (<https://bit.ly/3GB7z9T>)

361 | József Spirk (24.hu): *The Ministry of Finance fined a pro-government city with 100 percent repayment obligation* (<https://bit.ly/2ZJ5rMw>)

public procurement procedure, and by failing to ensure a fair competitive procedure”, and a conflict of interest was found to have affected the outcome of the procedure in the case of the Visitor Centre.

The Fidesz mayor also had other shady cases, in April 2021 it was revealed that he had appointed his partner to important positions with a fake school diplomas: as director of the city’s outpatient care centre and head of the health development office in Sümeg, for a total monthly salary of two million forints.³⁶²

362 | Szilvia Zsilák (Átlátszó.hu): *Police: the mayor's partner, the head of the Special Care Centre, has a fake school diploma* (<https://bit.ly/3EB8fu0>)

38. Simonka György, the Fidesz MP is accused of fraud involving billions

The prosecutor's office "recommended" a severe prison sentence and the forfeiture of 850 million in assets for György Simonka, the strong man of Békés County. The Fidesz MP maintains his innocence, but several of his fellow defendants have admitted guilt.

The criminal trial of György Simonka is currently ongoing, with 32 people in the dock, including his wife, relatives, friends, business associates and acquaintances, and even close relatives of two of his parliamentary group colleagues. The MEP for constituency No.4 in Békés County is accused of being an instigator, of committing budget fraud in a criminal organization, of bribery and accepting bribes, and of using forged private documents. Despite the serious charges, he escaped arrest, unlike several of his co-defendants.

According to the prosecutor's office, György Simonka, as the leader of the criminal organization, significantly overpriced the public procurement contracts for the implementation of the tenders awarded, and demanded 45% of the increased amount back in cash. The Simonkas had been pushing for substantial tenders for investments in production and sales cooperatives (PSCs) in their constituency in order to gain an undue financial advantage by defrauding the ones announcing the tender. According to the prosecution, the Simonkas caused more than HUF 1.4 billion in damage. According to information provided by independent MEP Ákos Hadházy, the scale of the fraud was several times higher, as not all related cases were included in the indictment.³⁶³

But even this HUF 1.4 billion damage will hardly be recovered for Hungarian taxpayers. The state ordered the repayment of more than HUF 1 billion in unjustified subsidies to Magyar Termés TЭСZ Kft., but the state missed the deadline and notified the liquidator in vain, and this item is therefore not included in the register of creditors. This only came to light after TI Hungary won a lawsuit against the State³⁶⁴ This means that, if there was any hope of recovering some amount of the claim, it is likely to have been lost by this mistake.

363 | Átlátszó.hu: "The damage may be several times higher than the 1.4 billion communicated by the prosecution" – Ákos Hadházy on the Simonka case (<https://bit.ly/3GHcBlS>)

364 | Csaba László Horváth (24.hu): The state missed the deadline, a billion forints of public money was lost in the Simonka's company (<https://bit.ly/3EwIMSr>)

The prosecutor's office "proposed" eight and a half years imprisonment and HUF 850 million of confiscated assets to György Simonka if he accepts the charges and waives his right to defend himself.³⁶⁵ He refused and denied all charges in court. According to him, the charges are based on the testimony of people who have made a deal with the prosecution, "said what they had to say to get out of it" and that the criminal organization referred to in the indictment never existed. He did not know of any overpricing and called the allegation that money had been returned false. However, several of his co-defendants admitted their guilt and accepted the sentence proposed by the prosecution.³⁶⁶

The proceedings were already underway when in December 2020 the prosecutor's office indicted György Simonka in another case. According to the indictment, the MP tried to bribe one of the suspects in custody, offering him HUF 5 million not to say incriminating things about him and to give a prearranged testimony. In February, Parliament voted to waive the MP's immunity.³⁶⁷

The politician should not be too worried about confiscation of assets, because he has almost nothing to his name for a long time. He transferred the ownership of his Újkígyósi home to his niece who is also his business partner (who has since become his partner in crime), from whom he rented it back for a small sum, because the liquidator tried to recover the 250 million bank loan of his bankrupt company from György Simonka as guarantor, but they could only auction off an old Fiat Ducato³⁶⁸ He later bought the house back and the title deeds list his children as owners.³⁶⁹ According to his declaration of assets in January 2021, he only has a 2551 square meter yard in Medgyesegyháza mortgaged in his name and only 500,000 forints in cash.³⁷⁰

Investigators have managed to seize several assets from his family, but these fall far short of the damage caused. According to the report, a pool

365 | Tamás Bod (Magyararancs.hu): *the Polt-led prosecutor's office may send Fidesz's Simonka to prison for 8.5 years* (<https://bit.ly/3GCWXqW>)

366 | Csaba László Horváth (24.hu): *Several defendants pleaded guilty in the criminal trial of György Simonka* (<https://bit.ly/3Ev5fzp>)

367 | András Domány (Hvg.hu): *György Simonka's immunity has now been suspended for the "crime of bribery in official proceedings"* (<https://bit.ly/3w3xH8z>)

368 | Kozák Dániel (Blikk.hu): *Simonka has given his home to his niece* (<https://bit.ly/3Bwovrp>)

369 | Tamás Bod (Magyararancs.hu): *No one understands what he is doing on the dock – the Simonka trial continues* (<https://bit.ly/3jSRjYh>)

370 | György Simonka's asset declaration of 15th of January 2021, Parlament.hu (<https://bit.ly/3GARykh>)

table, a solarium, some cash, a truck and a VW Phaeton car, as well as four ploughs in Pusztaottlaka were seized from his wife.³⁷¹

A particularly interesting aspect of the proceedings against György Simonka is that the accused, being a member of parliament of the governing party, voted in November 2019 for the election of Péter Polt as Attorney General for another nine years. Although the vote was secret, there is reason to believe that the two-thirds required for the re-election of the Attorney General was 134 votes in favor, exactly the same number of votes as there are governing party MPs. It is therefore obvious that György Simonka must have voted for the re-appointment of the chief prosecutor.³⁷²

371 | László Horváth Csaba Horváth (24.hu): *police seized a solarium, a pool table and a treadmill from György Simonka* (<https://bit.ly/3mxMXaM>)

372 | See details of the adoption of motion S/7828, Parliament.hu (<https://bit.ly/3nSYgcQ>)

39. Boldog István accused of misusing EU grant money

The government MP has claimed back 50% of the grant money he won, according to a blackmailed mayor. István Boldog denies having committed a crime.

The criminal trial of István Boldog, a member of the Jász-Nagykun-Szolnok county government party, started at the end of June 2021, but the case will not be heard until 2022. At the preparatory session, István Boldog refused the prosecution's offer of six years in prison and a HUF 5 million fine if he admits to accepting bribes while running a criminal organization.³⁷³ István Boldog pleaded not guilty. "I am innocent, I have committed no crime. I trust the independent Hungarian court. I have always served and will continue to serve the Hungarian nation, the Hungarian holy crown and my constituency," he told an RTL Klub reporter.³⁷⁴ In the case, the assistant of István Boldog's "the man with the bag", who pleaded guilty at the preliminary hearing, was sentenced to a non-appealable suspended prison term for aiding and abetting bribery.³⁷⁵

The Fidesz politician and his colleagues (eight others are accused) misused the tenders of the Operational Program for Regional and Urban Development (TOP) in their constituency. Some of the mayors were persuaded to allow the contractors they had nominated to carry out the investments in the tenders they had won.³⁷⁶ In essence, they were blackmailed that they could only get EU funds if they cooperated with them.³⁷⁷ Not all the mayors approached wanted to be part of this. In the end, it was one of the initially cooperative mayors, Szilárd Nagy, who caused the downfall of István Boldog and his family by denouncing the case. According to the mayor of Kengyel, he was shocked to learn that the István Boldogs were asking for 50 percent of a 500 million bicycle path project back.³⁷⁸

373 | Zsolt László Szabó (Hang.hu) *István Boldog and Petra Fehér deny everything, several of their co-defendants confessed* (<https://bit.ly/3bspvp2>)

374 | Zsolt Tárkányi (RTL News): *István Boldog denied his guilt in court* (<https://bit.ly/3mvQiXR>)

375 | Sándor Czinkóczi (444.hu): *One of the accused in the Boldog case confessed to everything in the first instance he received a 2 year suspension* (<https://bit.ly/3EyIavC>)

376 | *Indictment against MP István Boldog and his colleagues – press release of the Central Investigating Prosecutor's Office* (<https://bit.ly/3kLyFBL>)

377 | Antónia Rádi (Átlátszó.hu): *Hadházy: a member of parliament blackmails mayors with EU funds* (<https://bit.ly/3CEcfcU>)

378 | Tamás Német (Telex.hu): *one-hour interview with the key witness in the Boldog case, some new details* (<https://bit.ly/3w9SLuc>)

After the denunciation, an investigation was launched, and in December 2019 several people were arrested, including Petra Fehér, a Fidesz local government representative known as the right-hand woman of István Boldog.³⁷⁹

In the end, the indictment against István Boldog highlighted only two of the many dubious cases, these were municipal investments in Cserkeszölő, with a total of HUF 500 million in subsidies. According to the prosecutor's office, the public procurement procedure for the winning bid, which was carried out by Debköz Kft., was pre-empted, and there was no real competition. The two winning contractors paid bribes of HUF 10-10 million to the István Boldog and his accomplices. Blikk newspaper reported, citing investigative materials that the money was handed over in a plastic bag to Boldog and two of his accomplices in Graphisoft Park ³⁸⁰

According to reports, István Boldog behaved like a lord of the constituency and established a peculiar system of fiefdoms. In the mayor's office in Kétpó (where he was mayor until 2014), he received mayors interested in TOP tenders like a doctor receives patients: while one was in his office, the next was waiting for him outside on the hallway.³⁸¹ Before they were admitted, the right-hand man took everyone's phone away. Occasionally, he would consult with the municipal leaders in the thermal pool of Cserkeszölő to avoid any possible eavesdropping.

Despite the very serious charges, István Boldog escaped arrest. Whether his vote for the re-election of Péter Polt in November 2019 played a role in this is anyone's guess. In any case, the fact is that exactly 134 votes were needed to renew the mandate of the Attorney General, which is exactly the number of MPs the governing parties have.³⁸² This means that the vote of István Boldog, who was not yet subject to criminal proceedings at the time, could also count – the prosecutor's office initiated the suspension of István Boldog's immunity at the National Assembly on 2nd of April 2020,³⁸³ and the suspect hearing took place on 14th May 2020³⁸⁴ – but Ákos Hadházy, an inde-

379 | Tamás Német (Index.hu): *A Fidesz member of the Szolnok County Assembly, István Boldog's right-hand man, was arrested* (<https://bit.ly/2ZDopo5>)

380 | Brigitta Csikász (Blikk.hu): *Boldog István spent the bribe money on suits* (<https://bit.ly/3EywSYl>)

381 | Bence Árpási (168.hu): *the rise and fall of István Boldog – How the all-powerful Fidesz lord of Jász-Nagykun-Szolnok County came into the prosecution's crosshairs* (<https://bit.ly/3kdqGgT>)

382 | See details of the adoption of motion S/7828, Parliament.hu (<https://bit.ly/3nSYgcQ>)

383 | Motion to suspend the immunity of István Boldog MP (<https://bit.ly/3qMMHqz>)

384 | The Central Investigating Prosecutor's Office has questioned István Boldog MP as a suspect (<https://bit.ly/3ovjdHP>)

pendent Member of Parliament, said that the investigation that would later also affect István Boldog was already underway at the time.³⁸⁵

385 | Sándor Cinkóczi (444.hu): according to Hadházy, another member of parliament is under investigation by the prosecutor's office for corruption (<https://bit.ly/3w4bNCg>)

40. Voldemort Mengyi in the VIP prison

Former Fidesz MEP Roland Mengyi was sentenced to four years in prison in September 2019. He is the first and so far the only government MP since the change of government in 2010 to be sentenced to a term of imprisonment for corruption offences.

The MP, known as Lord Voldemort, received only three years in the first instance, but this was increased by one year by the Metropolitan Court of Appeal, as it justified the sentence by stating that “the accused’s abuse of his mandate as a Member of Parliament – in the public interest according to the law – required an aggravation”.³⁸⁶ But Mengyi did not listen to this reasoning, as he left the courtroom huffily.³⁸⁷

Roland Mengyi was convicted of attempted budget fraud, but if the investigators had raided the pizzeria in Tiszaújváros when the MEP received the five million forint “constitutional expense”, the crime would not have remained at the attempt stage.³⁸⁸ In this case, the crime of bribery could have been stopped, which would have led to a much more severe punishment for the politician who – with his colleagues – was trying to obtain HUF 800 million in EU funding. On top of the HUF 10 million “constitutional cost”, Roland Mengyi would have claimed back 90 percent of the money he had won.³⁸⁹

The politician is currently serving his sentence in Kecskemét prison, which is known in public slang as a “parquet prison”, as the conditions are incomparably better than in an average Hungarian prison.³⁹⁰ Mengyi has been appointed librarian at the prison, where single rooms and a range of services make life more pleasant for prisoners. After a year, they can go home on weekends.³⁹¹

386 | Second instance judgment in the so-called Voldemort case, Metropolitan Court of Appeal (<https://bit.ly/3mCyeE>)

387 | Népszava.hu: *Roland Mengyi sentenced to four years* (<https://bit.ly/3w5myEg>)

388 | Attila Rajnai (168.hu): *the smile has faded from Voldemort’s face* (<https://bit.ly/3mCcYp9>)

389 | Attila Rajnai (168.hu): *the Fidesz Lord Voldemort and money-grubbers* (<https://bit.ly/3CCK-ykE>)

390 | Kozák Dániel -Vajta Zoltán (Blikk.hu): *it turns out: this is the prison where Roland Mengyi* (<https://bit.ly/3bvsgum>) went to in total secrecy

391 | Zoltán Vajta (Blikk.hu): *István Kocsis, the former head of BKV, serves food in prison* (<https://bit.ly/3GFCvGd>)

41. Severe sentences in the trial of former managers of the Agriculture and Rural Development Agency

The series of abuses began eight years ago in the office that handles EU and state agricultural subsidies. A total of 115 people have been convicted of organized fraud, influence trafficking and other offences.

In September 2020, the heads of the former Agriculture and Rural Development Agency (ARDA) were sentenced to long prison terms. Deputy President Miklós Drajkó was sentenced to seven and a half years imprisonment, and Nándor Hörömpő, one of the directors, to eight years and ten months. A total of 115 people were sentenced to longer or shorter prison sentences, suspended prison sentences or fines in the criminal proceedings for fraud, influence trafficking and other offences committed in a criminal organization.³⁹²

The series of abuses began eight years earlier in the office that handles EU and state agricultural subsidies. Miklós Drajkó and his colleagues noticed that there was a lot of land for which beneficiaries were not applying for aid. This gave them the idea of obtaining these area-based subsidies, which at the time were 60-70 thousand forints per hectare. The Vice-Chairman approached his old acquaintances to find trustworthy people to apply for the subsidies, even on behalf of their companies. In 2012, five such companies received HUF 117.2 million in illegal subsidies, of which 30 percent was agreed to go to Drajkó. This must have been a trial run, because in 2013, more than one billion forints were targeted by bringing in more companies. In total, they claimed subsidies after 14.5 thousand hectares. Where a genuine beneficiary came forward at the last minute, internal information made it possible to make flexible changes, i.e. withdraw fraudulent claims that had been submitted illegally. According to the investigation, they could have collected HUF 485 million, but were caught a few days before the payment.

Miklós Drajkó in his defense said that there was no fraud, but in fact it was an IT test of the MVH, and it was planned to announce in the last phase of the system that it was a test and the applications would be invalidated.³⁹³

392 | Hundreds of millions swindled with area-based subsidies – first instance verdict based on the accusation of the Metropolitan Prosecutor General's Office, Prosecution of Hungary (<https://bit.ly/3Gzs9az>)

393 | Magyaridők.hu: *The prime accused of the land mafia considers himself a victim of a plot* (<https://bit.ly/3nDOU19>)

He explained that this did not happen by saying that they had been preempted by the denunciation and that he and his associates had been detained. Miklós Drajkó wanted to be a state secretary, and as he told the investigators, “his appointment was hanging up in the air”.³⁹⁴ During the search of his house, a lot of cash, jewellery and watches were found, with a total of HUF 70 million in foreign currencies seized.

The Office for Agriculture and Rural Development no longer exists and was closed down in January 2017. The official reason given was to cut red tape, but systemic abuses may have contributed to its closure. At least, this is suggested by the fact that the former chancellery minister János Lázár, the then state administration master of the area, said the MVH was the “country’s criminal”, calling its closure a “serious government achievement”.³⁹⁵ MVH’s functions were taken over by the Hungarian State Treasury and the Prime Minister’s Office.

394 | Kozák Dániel (Blikk.hu): *the head of the state land mafia was busted with 70 million* (<https://bit.ly/3BoEVFz>)

394 | Agrárszektor.hu: *Lázár: MVH was the “country’s criminal”* (<https://bit.ly/3jVj4iU>)

42. The Deputy State Secretary of the Ministry of Agriculture, János Nagy, was found guilty

Never before, until December 2020, when the handcuffs clicked on the hands of a public leader in his office.

János Nagy, Deputy State Secretary for Land Affairs, was led away in handcuffs. Investigators searched his office and home, seizing documents and papers. He himself was taken into custody and charged with bribery. Prime Minister Viktor Orbán dismissed him from his function with immediate effect on the same day. “Hungary has zero tolerance for corruption, and this case proves it,” said Gergely Gulyás, Minister of the Prime Minister’s Office, after Nagy’s arrest.³⁹⁶

János Nagy was indicted at the end of June 2021 for accepting bribes and for forging public documents³⁹⁷ According to the prosecutor’s office, he would have helped an agricultural entrepreneur who wanted to set up a model farm on his Heves County farm to receive HUF 830 million in non-refundable agricultural subsidies. In return, he received a 5 percent share in the company. He also agreed to provide support for the acquisition of the use and ownership of public land.³⁹⁸

It is not known how the Deputy Secretary of State was brought down. Perhaps it may have been due to his great carelessness, since accepting a share in a company that is about to go out to tender is a clear indication of a conflict of interest.

The Deputy Secretary of State would also have tricked in writing the study with one of his department heads. Without a real competition, the head of the department would have written the study instead of the winning company chosen by János Nagy, and the HUF 10 million to be paid to the contractor would have been divided between the three of them, according to the prosecution.

In 2018, as deputy state secretary, he and his partner founded a company that has been commissioned by state-owned companies and the Budapest V. district municipality. The company made a profit of HUF 45 million in its first year of operation and more than tripled its profit to HUF 144 million in 2019.³⁹⁹

396 | Hvg.hu: Gulyás: “I appreciate József Szájer’s 30 years of work” (<https://bit.ly/3ECVYp8>)

397 | Hvg.hu: Charges brought against former deputy state secretary of the Ministry of Agriculture (<https://bit.ly/3vYfpWf>)

398 | Balázs Cseke (Telex.hu): A share in the company of the deputy state secretary accused of corruption was put under lock and key, and he sold it quickly (<https://bit.ly/3CEznje>)

399 | Barnabás Balázs (Blikk.hu): János Nagy (<https://bit.ly/3jOvdFY>) accused of corruption could have made 100 million

43. Ferenc Ódor accused of accepting bribes

The head of the government office in the district of Encs denies that he asked for a bribe. There were no significant developments in the case in autumn 2021, and the evidence procedure was scheduled to continue in October.

In December 2018, shortly before Christmas, the head of the government office in Encs was put to the ground in the parking lot of the government office by commandos dressed in black and then taken away in handcuffs. What makes the case special is the identity of the head of the office. Ferenc Ódor is an “ancient” Fidesz politician compared to other government politicians in trouble, such as György Simonka or Roland Mengyi, and he also carried weight within the party.

Ódor joined Fidesz in 1993, was a member of parliament from 1998 to 2014, and served two terms as president of the Borsod-Abaúj-Zemplén County Assembly. After 2014, he could no longer fit into the smaller parliament, so halfway through his last term he was compensated with the leadership of the Encs district government office in December 2012, and was able to keep his seat until the 2014 elections.⁴⁰⁰ To this end, the conflict of interest rules were even temporarily lifted.⁴⁰¹

According to the accusation, he and one of his accomplices, the head of the land office, asked a representative of a highway construction company for a bribe of HUF 4 million in order to facilitate the administration of the office.⁴⁰² Ferenc Ódor is thus accused of accepting bribes.⁴⁰³ The bribery case may be linked to the extension of the M30 highway, which means tens of billions of forints investment in the Encs area.⁴⁰⁴ According to a local mayor,

400 | 16 district heads of Borsod county, Government Office.hu (<https://bit.ly/3wo9IqW>)

401 | See the text of Act CXXVI of 2010 on the Government Offices of Capitals and Counties and on the Amendments to the Acts on the Establishment of the Government Offices of Capitals and Counties and on the Territorial Integration, Article 20/A (6), as amended by Act XCIII of 2012 on the Establishment of Districts and on the Amendment of Certain Related Acts, Article 77 (7)

402 | Hvg.hu: *the Fidesz member and his partner in handcuffs asked for HUF 4 million for an office routine* (<https://bit.ly/3vYcZ9S>)

403 | Tibor Csibra (Pestisrácok.hu): *According to the prosecutor's office, the Ferenc Ódor family asked for a bribe of four million forints for an office administration* (<https://bit.ly/3Bw9fO1>); Dávid Pámer (Pestisrácok.hu): *The former head of the Encs District Office was charged with bribery worth millions of forints* (<https://bit.ly/3q3Zdlx>)

404 | Judit Doros (Népszava.hu): *“I can feel the soles of my friends on my back” – Was the Fidesz head of the Encs office corrupt or in the way?* (<https://bit.ly/3CInDnO>)

Ferenc Ódor was vocal about the highway route and did not like the idea that the busy road, which could be built by László Szijj's company Duna Aszfalt, would run through at the end of the gardens in his village of Garadna.⁴⁰⁵

The preliminary hearing of the case was held in September 2020, where Ferenc Ódor denied his guilt and did not waive his right to trial.⁴⁰⁶ Since then, there have been no substantive developments in the case, with the latest information from the Metropolitan Court of Justice stating that the evidentiary proceedings will resume in mid-October 2021. The official, who has been accused of corruption and suspended from his function, is defending himself at large.

405 | Judit Doros (Népszava.hu): *Citizen of Honor with a "foot mobile" – Garadna does not understand why the former Fidesz office holder was taken away* (<https://bit.ly/3BsrJPq>)

406 | Nordhírnök.com: *Ferenc Ódor does not take the blame* (<https://bit.ly/3msECVq>)

44. István Töröcskei's bankrupt Széchenyi Bank

The hands of István Töröcskei, a former generous patron of Fidesz and the right-wing, were finally let go in 2020, when he was arrested in a massive police operation after a five-year investigation into serious abuses.

István Töröcskei got into trouble because of his own bank, Széchenyi Bank, which he bought in 2010. Despite a favorable political climate for him at the time, he was unable to turn the institution into a profitable business, and it was facing a constant capital shortage.⁴⁰⁷ In 2011, when István Töröcskei was appointed head of the Public Debt Management Centre (ÁKK), the law was even amended to ensure that his state mandate was not incompatible with his position as a banker.⁴⁰⁸ In 2013, the Ministry of Economy, led by Mihály Varga, stepped in with HUF 3 billion on behalf of the state, which acquired a 49% stake in the bank. This did not solve the problems either.

In December 2014, the Hungarian National Bank, headed by György Matolcsy, which also supervises financial services providers, appointed a supervisory commissioner to Széchenyi Bank, revoked the bank's license to operate and initiated its liquidation, and found serious abuses in its investigation.⁴⁰⁹ At the same time, István Töröcskei resigned as CEO of ÁKK. The central bank also filed a complaint against an unknown person in March 2015.⁴¹⁰

For years, the bank's top executive went unheard, and it was only in June 2020 that events accelerated, when the bank's former executives and advisers were raided in a large-scale raid, at a total of two dozen locations. István Töröcskei, his wife and a third associate were arrested. In the first round, nineteen people were suspected, and a few months later, in October 2020, seven more were added to the list of suspects.⁴¹¹

The bank manager was suspected by the investigating authorities of having played a leading role in a criminal organization that caused more than HUF

407 | Roland Baksa – Leonárd Máriás (Hvg.hu): *huge secrecy around Töröcskei's bank* (<https://bit.ly/3GM9o5i>)

408 | Janecskó Kata (Index.hu): *lex Biszku, lex Járai, lex Schmitt* (<https://bit.ly/3BGxBoq>)

409 | Szabó Yvette (VS.hu): *another governmental internal war: the responsibility of István Töröcskei is questioned* (<https://bit.ly/31pTVX8>)

410 | Index.hu: *Fraudulent handling, financial abuses: the MNB denounces Töröcskei's bank* (<https://bit.ly/3w5PI66>)

411 | Brigitta Csikász (Blikk.hu): *the prosecution appealed against the release of Töröcskei* (<https://bit.ly/3mBUncP>)

6 billion in damages. The prosecutor's office, as well as the Central Bank investigation, reported that the bank's owners had improperly granted loans to companies essentially belonging to their own interests, with the involvement of various companies, seriously jeopardizing the bank's operations. These loans were not repaid, and the Töröcskei companies became rich.⁴¹²

While István Töröcskei was in custody, he was indicted in another case, that of the Széchenyi Credit Association, which had six thousand deposits and went bankrupt shortly before Széchenyi Bank. The prosecutor in that case recommended two and a half years in prison if the banker pleaded guilty. However, as the chairman of the board of directors, he has pleaded not guilty, so he still faces a long trial in this case.⁴¹³

István Töröcskei has a lot more to lose in the Széchenyi Bank case: he could get up to twenty years, but no charges have been brought so far.

412 | Leonárd Máriás (Hvg.hu): *many serious cases are pouring out of Széchenyi Bank* (<https://bit.ly/3BASX6z>)

413 | Kolontár Krisztián (24.hu): *no one has made a deal with the former leaders of the credit union chaired by István Töröcskei – there will be a trial* (<https://bit.ly/3BE9eYG>)

45. The collapse of Matolcsy's bank

György Matolcsy's cousin and bridge game partner, Tamás Szemerey's interest partners have accessed a lot of public money through the central bank's foundations, and his bank, the Growth Loan Bank, was one of the beneficiaries of the MNB's lending program. Yet it was bankrupt by 2019.

Tamás Szemerey has been expanding in the banking sector since 2014, when he became a bank owner of Növekedési Hitel Bank Zrt. (NHB) by acquiring the former Hanwha Bank.⁴¹⁴ In the beginning of 2017 he acquired a stake in MKB Bank,⁴¹⁵ and by July 2018 his stake in the bank had reached almost 33%.⁴¹⁶

The Growth Loan Bank was named after the growth loan program launched by the central bank, which provided funds to financial institutions at zero interest, to be passed on to businesses at up to 2.5 percent. The NHB took advantage of this to expand, in many cases granting these loans to friendly interests. It was with the help of such a loan that Glamorous Kft company belonging to the son of the central bank president, Ádám Matolcsy was able to buy the Balaton Furniture Factory. Tamás Szemerey himself financed his own companies from his own bank, which is incompatible with the law.⁴¹⁷ In fact, the NHB provided mortgages to both sons of the central bank president, Ádám and Máté Matolcsy, to buy their luxury villas.⁴¹⁸

Tamás Szemerey received his first slap in the face in August 2018, when the MNB imposed a HUF 19 million fine for corporate governance, credit risk management, accounting, data reporting, IT irregularities and shortcomings in measures to prevent money laundering and terrorist financing, which were discovered during the supervisory investigation. In December 2018, it was already clear that the bank was in big trouble, as the MNB appointed a supervisory commissioner to the bank.⁴¹⁹ Two of his companies opened accounts with another bank two weeks before the central bank's action and

414 | MTI-Eco/Napi.hu: *Evobank becomes NHB Growth Loan Bank* (<https://bit.ly/3BRKfRH>)

415 | Gergely Brückner (Index.hu): *Matolcsy and Orbán's circle took over MKB* (<https://bit.ly/3BQlmG6>)

416 | Gergely Brückner (Index.hu): *Ádám Balog sold most of his MKB shares* (<https://bit.ly/2ZYRslx>)

417 | Márton Kasnyik (444.hu): *Matolcsy's cousin is lending his own company money* (<https://bit.ly/3GTphpe>)

418 | Roland Baksa (24.hu): *Castle after villa: within 200 meters, almost 600 million Matolcsy fortune* (<https://bit.ly/3EOKL9B>)

419 | Gergely Brückner (Index.hu) *Tailwinds in vain: serious problems at Szemerey's bank* (<https://bit.ly/3BQmAkG>)

payment restrictions. The central bank foundations also withdrew most of their funds.⁴²⁰

In January 2019, Tamás Szemerey sold his stake in MKB, which was then about to go public, to László Szíjj, owner of Duna Aszfalt.⁴²¹ The end came in March 2019, when the central bank revoked NHB's license, a few days before the deadline for the financial institution to restore its solvency expired.⁴²² The depositors were compensated by the National Deposit Insurance Fund. Nine individuals and 49 companies had deposits exceeding the maximum limit of compensation (HUF 31 million) and can only hope that their claims will be covered by the bank's liquidation.

420 | Károly Csabai (Mfor.hu): *Interesting account movements before and after the NHB restrictions* (<https://bit.ly/3wk6LBy>)

421 | Gergely Brückner (Index.hu): *László Szíjj replaced Tamás Szemerey as owner of MKB* (<https://bit.ly/3qjkcR4>)

422 | Népszava.hu: *Matolcsy's bank closes* (<https://bit.ly/3bJ4Pcb>)

46. Péter Antall's top salary, nepotism and extravagance in the Antall József Knowledge Centre

The younger son of the late Prime Minister József Antall, Péter Antall, who heads the Antall József Knowledge Centre, a foundation named after his father, has received a monthly allowance higher than that of top state officials.

Péter Antall, who worked as a photojournalist in the 1990s and was unemployed for several years, and his fate really took a turn for the better after the change of government in 2010. His existential problems were solved by the Antall József Knowledge Centre (AJTK), which operates almost exclusively with government funding. Operating as a public charity, the full name of the Antall József Knowledge Centre for Political and Social Sciences was established in 2010 by József Antall's widow.

Péter Antall was already earning well in 2013, when he took home HUF 719 thousand a month as head of the AJTK, which was barely below the current remuneration of deputy state secretaries. In 2020, he earned HUF 6.9 million a month on average, three times more than most ministers receive for managing their ministries.

There are also signs of nepotism in the operation of the organization, since the deputy of Péter Antall is none other than his wife, and his wife's twin brother works there, and his wife also had two companies under contract with the AJTK. This might explain why the head of the József Antall Knowledge Centre travelled abroad 15-20 times a year, often to exotic places, as he took his wife with him on these trips, but there were also times when his sister-in-law was part of the delegation. They have spent tens of millions of forints a year on these trips. Although the AJTK received more and more money from the government (initially only a few tens of millions of forints a year, but by 2019 it was HUF 848.5 million),⁴²³ it had repeatedly run into payment difficulties because of overspending. This was felt by the workers themselves, who sometimes did not receive their salaries on time.⁴²⁴ Wages were sometimes delayed by months, but this was not reason enough for Mr Antall to postpone his current trips. They were pulled out of the mess with

423 | See the financial statements of the Antall József Knowledge Centre for 2011–2020 (<https://bit.ly/3mlm6yy>)

424 | Zsuzsanna Wirth (444.hu): *the son of József Antall, the big winner of the Orbán regime, uses public money to visit the world's luxury hotels* (<https://bit.ly/2ZtMRHN>)

extraordinary government help. Until it arrived in their accounts, they covered their expenses with overdrafts. The atmosphere in the institution was also influenced by a story in the press about the dismissal of a staff member of the AJTK for speaking out in favor of freedom of expression at work.⁴²⁵ The court eventually ruled that the dismissal was unlawful and that the AJTK had to pay the back wages of the former employee who had been dismissed.⁴²⁶

The State Audit Office of Hungary has previously audited the management of the foundation, and in 2018 it found that “the regularity of the foundation’s management was not regular”, for example because “the annual budget was not planned in such a way that its expenditure and income were in balance”.⁴²⁷ However, in June 2021, following newspaper articles about the extravagance management of the AJTK, a government investigation⁴²⁸ was launched to find out whether the AJTK “used public funds efficiently and in a manner consistent with the purpose of the foundation”.⁴²⁹ The inquiry, which closed at the end of September, found that the organization’s management met legal criteria, but also included unjustifiable payments, including some that were incompatible with good morals. “The state will not support the Antall József Knowledge Centre from public funds,” Gergely Gulyás, Minister of the Prime Minister’s Office, said at the government briefing.⁴³⁰ Prior to that, the entire Supervisory Board of the AJTK and György Nógrádi, Chairman of the Board of Trustees, had already resigned.⁴³¹ In addition, the foundation is currently being audited by the tax authority, but András Tállai, Parliamentary State Secretary of the Ministry of Finance, refused to answer Péter Ungár’s question on the status of the investigation, citing tax confidentiality.⁴³² At the end of October, there were already rumors that the Knowledge Centre would close down, at the latest by the end of 2021.⁴³³

425 | Tamás Németh (Index.hu): *Boglárka Szert was fired illegally, Péter Antall and his family have to pay 5.6 million* (<https://bit.ly/3mhtx9l>)

426 | Helsinki Committee: *final: Boglárka Szert's dismissal was unlawful* (<https://bit.ly/3nysDVP>)

427 | Márton Sarkadi Nagy (Atlátszó.hu): *Even with billions in funding, the Antall József Knowledge Centre still needs a financial lifeline* (<https://bit.ly/3nCMWBH>)

428 | Hvg.hu: *The government investigates Péter Antall's ten-million trips* (<https://bit.ly/3BkevEs>)

429 | Answer by Balázs Orbán, Minister of State for the Prime Minister’s Office to a question from MEPs (<https://www.parlament.hu/irom41/16414/16414-0001.pdf>)

430 | Péter Urfi (444.hu): *the government will stop state support for the Antall József Knowledge Centre* (<https://bit.ly/3mktGt7>)

431 | Zsuzsanna Wirth (444.hu): *Several leaders of the Antall József Knowledge Centre have resigned since Direkt36 reported on how public money was squandered at the institute* (<https://bit.ly/3vQd13B>)

432 | György Farkas (24.hu): *András Tállai: Tax secrets in the case of the Antall József Knowledge Centre* (<https://bit.ly/3vNpFAB>)

433 | András Kósa (Népszava.hu): *the Antall József Knowledge Centre closes* (<https://bit.ly/3BkbDaK>)

47. The Hungarian Tennis Federation has spent billions

The tennis federation led by the governing MP has received all the money in the world, but still managed to run up a record deficit.

Until Lajos Szűcs, a Fidesz MEP, took over the Hungarian Tennis Federation, the organization operated with modest state support: in the early 2010s, it received around HUF 37-38 million a year. With the government politician came the money! Elected president in 2011, state support increased 94-fold in the first eight years of its operation, and in 2018 it almost reached HUF 3.5 billion. But all this was coupled with such irresponsible and wasteful management that deficit was accumulated in terms of billions even in the year of record subsidies.⁴³⁴

First – in 2018 – the top players and their coaches rebelled against the federation and the leadership style of Lajos Szűcs, but the president kept him in office for two more years.⁴³⁵ A few months later, one of the affiliates filed a complaint against the management of the tennis federation.⁴³⁶ Among other things, they complained that marketing activities had been outsourced to a company that was owned by the federation's press officer. The revenues of Open Times Consulting Kft. immediately jumped from HUF 1.2 million to HUF 1.3 billion in two years.⁴³⁷

From then on, scandals followed: four temporary tennis stadiums were erected and demolished, and in February 2020, an international women's tennis tournament could not be held due to lack of a suitable venue and government guarantees.⁴³⁸ Lajos Szűcs got away with this scandal, whose fate was sealed only in April 2020 when he asked for an extra HUF 3.5 billion in funding from the Ministry of Human Resources. He argued that not only could they not pay suppliers, they could not even pay the salaries of their employees. He finally had to leave in July 2020.⁴³⁹

434 | Public benefit reports, Hungarian Tennis Federation (<https://bit.ly/2ZF2750>)

435 | Attila Kis Kálnoki – Dániel Bita (24.hu): *crazy amounts of money are spent on tennis stadiums that are standing for a few days* (<https://bit.ly/3pXf5pQ>)

436 | Hvg.hu: *Scandal in the tennis federation: NAV investigates* (<https://bit.ly/31pRZ0V>)

437 | Brigitta Csikász (Átlátszó.hu): *Private companies are getting rich from the state subsidies of the Hungarian Tennis Federation, according to a member organization* (<https://bit.ly/3jR9P32>)

438 | Attila Kis Kálnoki – Dániel Bita (24.hu): *crazy amounts of money are spent on tennis stadiums that are standing for a few days* (<https://bit.ly/3pXf5pQ>)

439 | Péter Bernau (Népszava.hu): *Tennis scandal: the Emmi is not to blame* (<https://bit.ly/3Czyn7T>)

Prime Minister Viktor Orbán has personally asked former Chancellor János Lázár, who has been sidelined in recent times, to clean up the mess. He ordered a full audit, which revealed that the deficit was even higher than the previously acknowledged 3.5 billion, reaching 4.5 billion and VAT liability of HUF 220 million was found as well. Because of all this the tennis federation has launched a damages claim lawsuit.⁴⁴⁰ However, no proceedings have been brought against Lajos Szűcs.

With the former minister came government aid: HUF 3.9 billion to settle debts. Although János Lázár was originally only going to take on the presidency for one year, he was confirmed in his position in July 2021 in a vote of confidence.⁴⁴¹

440 | Infostart.hu/MTI: *Tennis federation sues another former secretary general* (<https://bit.ly/2ZFgW7F>)

441 | Marianna Kovács-Angel (24.hu): *János Lázár has received the confidence of the tennis federation, will remain president* (<https://bit.ly/3wg8p7m>)

48. The rise and fall of Tibor Kuna's advertising companies

The former Fidelitas activist, considered a friend of the foreign minister, owed his company's success almost exclusively to state contracts. But in June 2018 he was dropped from the picnic, probably as a result of accounting disputes, compounded by a VAT fraud case.

Tibor Kuna appeared like a comet and disappeared just as suddenly with his advertising companies Trinity Communications Kft. and Young and Partners Kommunikációs Kft. The former Fidelitas activist, who was known as a friend of foreign minister Péter Szijjártó's and worked for the Fidesz faction between 2003 and 2008, owed his company's soaring success almost exclusively to government contracts. In 2012, Tibor Kuna earned HUF 130 million from advertising orders on top of HUF 830 million in sales. But the real soaring began after the centralization of state communication. The National Communications Office (NKH), established at the end of 2014, was first under the supervision of János Lázár, Minister of the Prime Minister's Office, and then Antal Rogán, Minister of the Prime Minister's Cabinet Office. This organization manages the advertising spending of the entire state administration and state-owned companies.⁴⁴²

In 2015, the turnover of Tibor Kuna's two companies increased to almost HUF 6 billion, and the after-tax profit amounted to HUF 900 million. The peak year was 2017, when turnover reached 29 billion and profits of 3.5 billion.

Tibor Kuna was completely eliminated from the picnic in June 2018, when the NKH terminated the framework contract worth HUF 30 billion net, which had been concluded a day earlier⁴⁴³ and involved, in addition to Tibor Kuna's companies, two other consortiums that were in the interests of Csaba Csetényi and Gyula Balásy.⁴⁴⁴ The Office referred to an earlier decision of the Public Procurement Arbitration Committee, which excluded Tibor Kuna's two companies (and Csetényi Csaba's) from the public procurement for three months for breaching public procurement rules, leaving Gyula Balásy's consortium alone to compete.

442 | Zoltán Jandó (G7.hu): *The government does not save on communication: in one and a half year they burned 70 billion* (<https://bit.ly/3pKMYKh>)

443 | See the statement published by the National Communications Office via the National Press Service. (<https://bit.ly/3kKtwN> and <https://bit.ly/3ciWkVI>)

444 | See Framework Agreement KM03-KOMM-2018 (<https://bit.ly/3oA2obB>).

According to some market views, settlement disputes may have arisen in the cases of both Tibor Kuna and Csaba Csetényi.⁴⁴⁵ This was compounded by the fact that Tibor Kuna was involved in a VAT fraud case, for which he was questioned as a suspect at the end of 2016, but this fact was only leaked in March 2018.⁴⁴⁶ In 2014, the accounts of Young and Partners Kft. included HUF 245 million worth of invoices that were not backed by any real economic activity (they had a taxable profit of HUF 400 million that year). According to the tax authority, Kuna Tibor and his associates caused HUF 52 million in damages to the budget. Tibor Kuna was caught by accident, while investigators were unraveling a large invoice factory. Their last major contract, worth HUF 200 million, was awarded by the Ministry of Innovation and Technology on 1st of June 2018.

After that, Tibor Kuna threw in the towel: he did not even take dividends from the HUF 637 million profit of Trinity Kft. in 2018, but left it as a profit reserve. Shortly afterwards, in the summer of 2019, he sold both companies to a buyer unknown to the market.⁴⁴⁷ His case was later brought before the court, where he admitted his guilt and compensated the budget with the amount of HUF 52 million, the damage he had caused.⁴⁴⁸ The prosecutor's office asked for two years in prison, suspended for five years, for Tibor Kuna, who has since completely disappeared from the public eye.

445 | Zoltán Jandó (G7.hu): *two years ago it was at its peak, now the downfall of the NER star is complete* (<https://bit.ly/2XSegCU>); Zsolt Papp (Napi.hu): *settlement dispute – Rogán's neighbor has been eliminated from the picnic* (<https://bit.ly/3biZ2tE>); Magyar Nemzet.hu: *Rogán's neighbor has never encountered government corruption* (<https://bit.ly/3nCU5lh>)

445 | Péter Erdélyi – Sándor Czinkóczi (444.hu): *Tibor Kuna was questioned as a suspect in a HUF 52 million tax fraud case at the NAV* (<https://bit.ly/3Enqxin>)

445 | Zoltán Jandó (G7.hu): *Two years ago it was at its peak, now the downfall of the NER star is complete* (<https://bit.ly/3GzDOXc>)

445 | Péter Erdélyi (444.hu): *both Tibor Kuna and Krisztián Berki admitted their guilt in court in the VAT fraud case* (<https://bit.ly/2XTkSRw>)

49. The ordeals of Bige László, the “fertilizer king”

László Bige, one of the country’s richest businessmen, is not a minion of the NER. His businesses started to be “poked” by the authorities a few years ago.

The company of the fertilizer king was first targeted by the Hungarian Competition Authority (GVH) in April 2018, shortly after the parliamentary elections, László Bige came out and said that the Nitrogénművek (Nitrogen Work) in Pétfürdő was already in the fourth such procedure. He said that he did not consider the GVH’s actions to be legal and fair, and that he considered them to be harassment.⁴⁴⁹

Less than six months later, his fertilizer factory in Szolnok was raided by the police and the disaster management services.⁴⁵⁰ According to news reports, around 300 officials searched the site for two days to verify suspected violations of waste management regulations.

The next inconvenience was caused to László Bige in March 2019 by the ruling party’s legislative factory, with a climate change bill that reduces the Nitrogénművek’s profits by billions of forints.⁴⁵¹ The amendment removed the rule that chemical companies did not have to pay the strategic storage fee.

Shortly afterwards, another painful step was taken: in May 2019, László Bige was detained for two days, in a completely different case from the one he had been in before. The police suspected the billionaire businessman of bribery for selling fertilizer at a price below market price.⁴⁵² After a year of investigation, he was charged in May 2020. According to the indictment, László Bige manipulated the sale of his products back in 2010, for which he demanded and received HUF 135 million from his company’s customers.⁴⁵³ The prosecutor’s office is asking for a prison sentence for the billionaire, saying that if he confesses and waives his right to trial at the pre-trial hearing, the prosecution would be satisfied with a two-year prison sentence, suspended for five years.

449 | Agrárszektor.hu: *László Bige on the GVH cartel investigation: this is harassment* (<https://bit.ly/3GqKhU1>)

450 | Judit Presinszky (Index.hu): *police raid László Bige’s fertilizer factory* (<https://bit.ly/3jHvACp>)

451 | István Marnitz (Népszava.hu): *Viktor Orbán puts in for the fifth richest Hungarian* (<https://bit.ly/2ZqY4ZY>)

452 | József Spirk (24.hu): *the fifth richest Hungarian was also accused of bribery* (<https://bit.ly/3pYh25t>)

453 | Katalin Erdélyi (Átlátszó.hu): *László Bige, accused of bribery, says that even the “stolen money” has not been invested in Hungary as much as he has* (<https://bit.ly/3CqYZNd>)

László Bige called the accusation ridiculous and unfounded. “They have forgotten that I am not an employee who can be bribed, but I am the owner who cannot be bribed for my own money,” he wrote in a press release.

In December 2020, the entrepreneur was again arrested⁴⁵⁴ and prosecuted in a new bribery case: he is suspected of accepting bribes of HUF 800 million.⁴⁵⁵ In this case, he was subsequently placed under criminal supervision, banned from leaving his residence without permission and required to wear a tracking device – a court lifted this restraint at the end of April 2021. In October 2021, the prosecution brought charges against László Bige.⁴⁵⁶

The disaster management authorities were also inconvenienced: in 2019, the operating license of the big entrepreneur’s sulphuric acid plant in Szolnok was suspended, and the company then stopped production there.⁴⁵⁷ László Bige challenged the authority’s decision in court, which ruled in his favor and annulled the decision to suspend the factory’s operating license. However, the businessman still suffered a substantial loss after several months of inactivity.

The most recent development in this landmark case is the cartel fine of over HUF 14 billion imposed by the Hungarian Competition Authority on companies involved in the production and trade of fertilizers. The bulk of the record fine, HUF 11 billion, concerns the Nitrogénművek group of companies, owned by László Bige. The GVH justified its decision on the grounds that the companies had “for years sought to restrict [...] competition and imports”.⁴⁵⁸

According to László Bige, his dispute with Sándor Csányi may be behind the attacks and the official harassment. He claims that the OTP leader wants to acquire his fertilizer factory, and has also said that he is being treated unfairly because he is not a member of Prime Minister Viktor Orbán’s inner circle.⁴⁵⁹ Sándor Csányi responded by saying that László Bige was pointing fingers instead of admitting he had made a mistake.⁴⁶⁰

454 | Hvg.hu: Prosecutor’s office would keep László Bige behind bars (<https://bit.ly/3Bo4yG9>)

455 | Index.hu: Criminal trial of László Bige continues with witness hearings (<https://bit.ly/3nxDRL>)

456 | Fruzsina Előd (Telex.hu): indictment in the case of László Bige: the prosecutor’s office asks for prison, fine and ban from public office for the billionaire (<https://bit.ly/3nD35Xw>)

457 | Vitéz F. Ibolya (24.hu): the disaster management has closed down the fertilizer king László Bige’s plant in Szolnok (<https://bit.ly/3GqVohf>)

458 | Péter Magyari – András Király (444.hu): the Competition Office fined László Bige’s fertilizer group HUF 14.1 billion (<https://bit.ly/3jGNkxE>)

459 | Marton Eder (Bloomberg.com): Getting Raided Is Cost of Doing Business for This Millionaire (<https://bloom.bg/3Grlyho>)

460 | Index.hu: Csányi on Bigéről: it’s easier to point fingers than to admit you made a mistake (<https://bit.ly/3vR1ml4>)

50. Márton Joób, a local councilor involved in VAT fraud

The Szeged MSZP local government representative admitted his partial responsibility in the “invoice factory”, and paid the proportional amount to the tax authority.

In his home, in front of his family, Márton Joób was handcuffed and taken away by investigators in July 2020.⁴⁶¹ He was considered a confidant of Szeged city's Mayor, László Botka, who also held the position of councilor for family, social and sports affairs and was elected to the supervisory board of Szegedi Sport és Fürdők Kft (Szeged Sports and Baths Ltd).⁴⁶² He was suspected by the National Tax and Customs Office (NAV) of VAT fraud amounting to several hundred million forints, and was remanded in custody until January 2021, after which he was placed under criminal supervision.

A former three-time world canoeing champion, Márton Joób was a well-known figure across the country, and was repeatedly covered by the media as a deeply religious socialist politician with eleven children, who was considered a bit of a freak.⁴⁶³ That's why his arrest caused such a stir.

According to the well-founded suspicion, Márton Joób and his accomplices operated a criminal organization between 2013 and 2017 with the aim of evading the VAT payment obligations of a company engaged in the distribution of flyers.⁴⁶⁴ The company, which was linked to one of his associates, therefore received fictitious invoices from businesses that were set up solely for the purpose of producing invoices and did not actually distribute flyers. The companies issuing the fictitious invoices used other subcontractors who either did not submit VAT returns or did not pay the tax declared.

During the investigation, Márton Joób admitted that he was partly responsible for what happened, and has already paid a substantial sum to the NAV as compensation. However, he refused to accept responsibility for acts he did not commit, he said after his release.⁴⁶⁵

461 | Segesvári Csaba (Átlátszó.hu): the family house and the company of the MP from Szeged were put under lock and key by the NAV (<https://bit.ly/2ZC5ZUz>)

462 | Origo.hu: László Botka's confidant arrested for VAT fraud of hundreds of millions (<https://bit.ly/3vQY01D>)

463 | Csaba Lasányi (Blikk.hu): they travel with a 17-passenger bus – The family of the three-time world champion has grown: the Joób Márton family has 11 children (<https://bit.ly/3EpfC7P>)

464 | Balázs Flachner (Telex.hu): Márton Joób, suspected of tax fraud, confessed his crime and paid back the money, was released from prison (<https://bit.ly/3nAbACM>)

465 | Virág Márton (Blikk.hu): his wife's letters kept the soul in Joób Márton (<https://bit.ly/2XVkJWjO>)

The politician resigned as a councilor and as a member of the supervisory board of the municipal company, but kept his mandate as a member of parliament, and in June 2021 he appeared in the assembly, for which he needed a prosecutor's permission under criminal supervision.⁴⁶⁶

466 | Délmagyar.hu: *Márton Joób was found* (<https://bit.ly/3jKGR4W>)

RESTORING THE RULE OF LAW

BY ANDRÁS SAJÓ*

The transition to democracy from dictatorial regimes and the restoration or reconstruction of a pre-existing constitutional order after usurpation² are discussed in transitional justice and transformative constitutionalism theory. Restoring the rule of law in regimes where the usurpation did not reach the level of dictatorship and naked arbitrariness, and where at least the veneer of the rule of law is maintained, represents a less studied phenomenon. The maxim of the transition to democracy is that “there can be no rule of law created by its own violation” because it will only start an endless cycle of illegality. In certain restoration situations, the maxim results in stalemate and status quo-friendly paralysis. The uncertainties and contradictions are extremely challenging where the rule of law and restorative social justice cannot be achieved without the violation of formal legality.

In the absence of well-established practices and applicable, internationally accepted standards, it is not surprising that the Hungarian legal community is divided and clueless when confronted with the question: What legally acceptable steps can be taken in case the united Hungarian opposition were to obtain parliamentary majority in 2022, without a constituent supermajority?

The entrenchments and veto powers in the Hungarian Fundamental Law (as the FIDESZ Constitution of 2011 is called) are comparable to “authoritarian enclaves.”² Transition constitutions often contain entrenched provisions (e.g., amnesty to the outgoing regime’s leaders) which remain beyond the reach of constitutional politics and maintain the effective influence of un-

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1 | Benjamin Constant, *The Spirit of Conquest and Usurpation*, 4th ed. (1814) in Benjamin Constant, *Political Writings*, ed. and trans., Biancamaria Fontana (Cambridge: Cambridge University Press, 1988), 161-63.

2 | Arato, A. *Democratic legitimacy and forms of constitutional change*. *Constellations*. 2017; 24: 447– 455.

democratic forces. Sometimes it is the logic of the rule of law that supports such enclaves: The removal of incapable and/or corrupt judiciary is blocked by judicial irremovability.

Winning the election will not result in obtaining actual governmental power. The Fundamental Law requires parliamentary supermajority and expressly prohibits constitutional amendment by referendum. So called “cardinal” (supermajority) laws that are important for the restoration of the rule of law cannot be amended in the absence of the required majority. Most public functionaries (who happen to be carefully selected by FIDESZ, the ruling party) enjoy a constitutionally entrenched position. One cannot rule out the possibility that they will hamper the work of the new majority when it intends to restore the rule of law or simply operate the economy in a decent manner. Here are a couple of examples of potential forthcoming paralysis out of many lethal scenarios: if the budget is not approved by the Budget Council, the President has the power to dissolve Parliament. As to ordinary legislation, the President can send all laws to the Constitutional Court where the law may languish for eternity or will be declared unconstitutional in the hands of judges elected by FIDESZ. All this and much more can happen without assuming ill will: it is enough for the dignitaries to follow the dictates of the Fundamental Law faithfully.

A new form of “abusive constitutional review”³ is to be expected, this time in defense of the current usurpation⁴ of the rule of law.

Recall the words of Odilon Barrot, Prime Minister under President Napoleon in 1849: *La légalité nous tue.* (Legality kills us). He made this remark to justify measures of emergency, departing from the existing laws to fight left and right “extremism”. Engels explained these words in the following way: “The parties of order, as they call themselves, perish because of the legal conditions set up by themselves.”⁵ In the hypothetical Hungarian version, the current opposition will perish because of the legal conditions set up by their predecessors.

3 | David Landau and Rosalind Dixon *Abusive Judicial Review: Courts Against Democracy* University of California, Davis [Vol. 53:1313]

4 | Constant: *Political Writings* (Cambridge Texts in the History of Political Thought) Cambridge UP 1988. [Benjamin Constant, *De l'esprit de conquête et de l'usurpation, dans leurs rapports avec la civilisation européenne*, 1814].

5 | Friedrich Engels, *Introduction to Marx's Class Struggles in France* [1895] <https://www.marxists.org/archive/marx/works/1850/class-struggles-france/intro.htm>

The leaders of the current Hungarian opposition have promised to enact a new constitution even with simple majority, approved in a referendum and/or authorized to do so by referendum. That would, in their belief, undo the technical obstacles created by the Fundamental Law. A technical necessity of unconstitutional legislation hardly provides popular endorsement and a stable form of lasting coexistence. Nevertheless, behind the rule of law crisis, there is a deeper social crisis begging for constitutional solutions. Not only do Hungarians live in a world of dependence from an abusive, centralizing state power, but in a state of cold civil war. This war should come to an end. The truce in, or at end of, this cold civil war, requires some form of constitutionalisation. Of course, at least in the view of some observers, constitution-making may aggravate that cold war.

Whatever legislative paralysis comes from the Fundamental Law, many Hungarian legal experts are of the opinion that the supermajority requirement must be observed, including in the making of a new constitution, because any departure from the processes required by the Fundamental Law would be illegal. The rule of law requires that the temptation be resisted. A kind of “constitutional despair”⁶ prevails.

However, constitution-making was never a matter of pure legality. A fair number of constitutions were created illegally. Moreover, even positive constitutional law does allow such departures, for example in the name of popular (constituent) sovereignty, as it happened in 1962 with the unconstitutional referendum on amending the French Constitution, which was condoned by the French Constitutional Council in view that it has no competence in matters of the “direct expression of the national sovereignty”.⁷

The standard justification among those who disregard the amendment rules of the existing constitution is that the constitution served and will serve injustice or became illegal because the government did not respect it. Grievance is legitimation. As the Declaration of Independence states, “when a long train of abuses and usurpations, pursuing invariably the same Object evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security.” However, the Declaration adds a careful line to this: “Governments long established should not be changed for light and transient

6 | http://www.iconnectblog.com/2018/07/putting-abusive-constitutionalism-and-populism-in-perspective-2/#_ednref1

7 | Décision n° 62-20 DC du 6 novembre 1962.

causes.” How do we know (as lawyers) that the “train of abuses and usurpations” is long enough?

The most famous attempt to provide a legally practical standard for the disregard of applicable law was offered in the Radbruch formula. This is often understood to advocate that where the conflict between statute and justice reaches such an intolerable degree that the law is “flawed” (“unrichtiges Recht”), law must yield to justice. It was thought that this intolerable degree was reached in Nazi Germany.⁸ If this is the standard, there is no ground to depart from the legal prescriptions and constitutions of illiberal democracies like Hungary. The journalistic stereotyping about Hungarian soft fascism⁹ is not only mistaken, but it is misleading, and fails to provide good answers. But in a less quoted line, Radbruch seems to say that the Nazi legal system was flawed law not only because of a fundamental violation of equality etc., but because, like its puppetmaster, Hitler, it was a system of lies. Orbán’s legal regime pertains to the same family: like the Nazi regime, the Orbán regime too institutionalized a legal system based on cheating the law. But the differences are still fundamental: Hitler created a system where the lie concerned racial inferiority and Poles attacking Germany, while Orbán created a political and legal system based on cheating with public procurement rules. As it is a system based on ruling by cheating¹⁰, and it relies on formal legalization of every act, it is difficult to identify rule of law violations that would make past legislation and administrative decisions formally void. The Fundamental Law (except some divisive ideologically driven articles) does not deviate from the constitutional textbook, although it is far from ideal in terms of separation of powers. It is not by accident that in 2011, the Venice Commission called the Fundamental Law a “commendable step”¹¹ and could not find major shortcomings in it except for the non-inclusive process of its making. However, it did sense the potential for abuse in the institutional setting. The Venice Commission could not see that it was simply an opportunity for purges in the public sphere and an attempt to perpetuate power.

In a different perspective, the uncertainties related to the level of “flawedness” of the legal system are not that important. The argument is that

8 | Gustav RADBRUCH, *Gesetzliches Unrecht und übergesetzliches Recht*. *Süddeutsche Juristen-Zeitung*, August 1946, Jahrg. 1, Nr. 5 pp. 105-108. [“weil ihm jeder Wahrheitssinn fehlte”]

9 | How Hungary’s Viktor Orbán destroyed democracy, and what it means for America – Vox

10 | András Sajó, *Ruling by Cheating*. Cambridge University Press, 2021.

11 | [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2011\)016-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2011)016-e)

all power emanates from the people and the people retains its constituent (sovereign) power. Of course, some constitutions exclude popular participation in amendment or constitution-making. This is the case in Hungary, and to a certain extent in Germany (Article 146). But irrespective of the constitutional rule, it is hard for a democratic constitutional theory to deny that the people can always reclaim its powers. There is a legitimate debate about under which circumstances and procedures is this repossession constitutionally legitimate, but the successful repossession will be legitimate as a sovereign act.

Without proper formalities “constitutional amendment and replacement can be used by would-be autocrats to undermine democracy with relative ease.”¹² Forget about the difference that here, the replacement is intended to restore the rule of law in a country where democracy was faulty at best. This is a cheap argument: all reforms, from Venezuela to Poland, claimed that they are only about creating real democracy. Without the observation of the formal rules of amendment, the temptation of abusing this enormous power is hard to resist. The constitutional transition is a seductive opportunity for transitory legislation. For credibility and constitutional legitimacy, it is quintessential that the transitory rules be governed by the recognized standards of the rule of law and the same applies to all the law-making in the shadow of constitution-making that is absolutely necessary for governability. Without additional safeguards, the constituent power as sovereign power is only naked power (be it legal, or that of an army, or charisma resulting from mass manipulation). Extra-constitutional constitution-making requires its own rules that satisfy the rule of law (procedural fairness), civility (inclusive rational discourse) and democracy (participation of the citizenry) and concern (toleration) of minorities including the opposition.

Where the extra-constitutional constitution-making starts by setting its own principles (subject to ulterior external control) and prohibits the concentration of powers, the temptation of abuse in the name of substantive justice can be limited. Just for being illegal, constitution-making does not have to be lawless. To avoid lawlessness, an alternative, pre-set rule must be followed, which provides appropriate safeguards against arbitrariness and exclusion. The proper rules of procedure can correct the disregard of a constitution in force which does not offer proper amendment procedures and

12 | David Landau, “Abusive Constitutionalism,” U.C. Davis L.R. 47(2013)

restricts democracy (see in this respect the Fundamental Law). Just because the constitutional process is outside the scope of the existing constitutional procedure, the new constitution can be legitimate. In that respect, it is ultimately the verdict of society that matters, but legality can be an important factor here. For the constitutional legitimacy of a formally ill-conceived new constitution, it must be created as if the rules of a fair, democratic rule of law constitution were followed, almost as if this ideal constitution were in force.

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Foundational constitutional issues cannot be discussed simply in terms of constitutional law and theory. Constitutions can be legitimately enacted in extra-constitutional process. These are important considerations but do not determine the compelling need of constitution-making. Hungarians and citizens of many other illiberal democracies and populist regimes live in a cold civil war. This cannot come to end with a unilateral, parchment constitution, committed to the rule of law as it may be, even if adopted with maximized opportunities for public participation. As to Hungary, currently there is no constitutional moment. The problem in Hungary is not so much with the constitution (beyond the obstacles it creates). The difficulty of the restoration of the rule of law, at the level of law, lies in sub-constitutional laws and the institutions that protect and enforce that system. Here again, social barriers to the restoration are more important than the institutional obstacles. There are powerful interests supported by intellectual and material forces that depend on the circumvention of the rule of law. Moreover, habits and public consciousness normalize the system that tolerates and circumvents the law. The public mentality of resignation and “so it goes” makes it difficult to mobilize for the rule of law, and the existing claims for revenge-like justice do not help in the restoration of the rule of law. On the contrary.

While a new constitution may provide a framework that will enable the restoration of the rule of law that meets the scruples of the legalistic mind, such a restoration will take a rather long time and will not solve the problems of governability, or fulfill the political demands of those frustrated by the dealings of the FIDESZ government and insisting on immediate justice. Big ships turn slowly, even in the closest vicinity of the most dreadful iceberg.

Assume for example that the rules of public procurement will be rewritten, and the new legislation is not struck down by the Constitutional Court. From the day of the promulgation of the new rules, clear and transparent (objective)

tender conditions, etc., will prevail.¹³ Assume also that past overpricing, lack of competitors, and exclusion of better offers is documented (e.g., as in the present volume). The connection with the ruling elite is also clearly visible. These facts indicate corruption (even systemic corruption) and anti-competitive behavior. But does it conform to the rule of law to exclude beneficiaries of past corrupt procurement calls from public procurement, if the excluded company has not been found so far to be involved in price fixing, etc., the managers have never been convicted, and they have not even been charged? Such rules of exclusion differ from sanctions against a multinational which was found with judicial finality to be involved in large-scale bribery.¹⁴ Of course, it is possible that legal responsibility can be established but this takes many years in a rule of law-based system, because due process is time-consuming. It is not clear to what extent independent state organs loyal to the rules of the present system will cooperate, even with the full formal endorsement of a new constitution. It is likely that for such bodies, future restorative measures will be contrary to the prevailing (emerging) specific standards of the rule of law. The administration of justice will object to the restoration of the rule of law in the very name of the rule of law. In principle, a similar behavior is to be expected from the EU. It will take the same eternity for the European Union to conceptualize that irregular measures for the restoration of the rule of law differ from formally legal measures undermining the rule of law. In that case, the restoration effort will be killed by those who claim to wish for it. The restoration of the rule of law not only runs into its own principles but must face all the inconveniences of the legal uncertainty of the transition. For an efficient and genuine restoration, everything that is dear to the rule of law must be challenged. Once again, the rule of law operates as if it were its own best enemy.

13 | Another set of rule of law problems emerge in the context of restitutive justice. To what extent are the voidness rules of the Civil Code applicable under the *contra bonus mores* clause or in view of the voidness of prohibited contracts (“Contracts violating the law or concluded by circumventing the law shall be null and void, Civil Code 6:95 §)? Is it constitutional to extend the statute of limitations retrospectively, where the statute of limitation has not expired, etc.?

14 | Even the judicial findings can be dubious, as in the Ecuadorian case related to the Odebrecht bribery, where the convictions allegedly aimed to facilitate the barring of ex-President Correa to stand at elections and were in violation of the rule of law. Mandato el Relator Especial sobre la independencia de los magistrados y abogados, AL ECU 1/2020, <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=25333>; Mandato el Relator Especial sobre la independencia de los magistrados y abogados, AL ECU 2/2021, <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=26537>

The dictates of necessity offer an unappealing perspective for rule of law reconstruction and restoration. Textbook constitutionalism is not prepared for this dirty reality. Perhaps another, only slightly less unappealing solution will emerge – given the current social power balance, a deal will be cut: a grand or tacit compromise, where FIDESZ will be able to maintain some of its positions and power. In exchange, it will allow public institutions (e.g., the public media) to return to normalcy. They may allow the rule of law and pro-European politics to operate in the future. After all, this will only restrain the new government – to the benefit of the current regime’s beneficiaries, whose assets will enjoy all the advantages of well-acquired property. The art of the constitution-making deal is concession – and concessions are costly. Ideally, the disregard of fundamental constitutional neutrality would be too high a price. (Leaving ideologically charged issues undecided is one of the great tokens of constitutional conciliation, which makes living together easier for cold civil war veterans).

Constitutional history indicates that in a deeply divided society, the road to a conciliation constitution leads through recurrent crises. Consider how many years it took for Chile to return to democracy (or just moving away from military rule as in Turkey, only to end in a different usurpation). Perhaps forty years (two generations) of wandering in the desert is still a requirement of liberty. Countries where different forms of populism were successful will continue to oscillate between the rule of law and its abuse. Or perhaps only different forms of abuse will alternate.

And yet, this shall not paralyze constitutional imagination. On the contrary, by getting rid of the shackles of legal formalism we can contribute to an intellectual liberation needed for the routine of legalism to return.

AFTERWORD

Let me extend my greetings to the Reader on the sad occasion of finishing Civitas Institute's Black Book II. Why is it a sad occasion? Despite the amazingly meticulous work of Transparency International Hungary's associates, we are also sad because four years ago we hoped there would be no need for a second volume.

After the resounding success of the first volume released in 2018, we still thought the Orbán regime might be capable of self-correction, and the discussed cases were exceptions rather than the rule. Unfortunately, we were disappointed in that regard. In fact, those cases no longer stand out, and the public seems to have become accustomed to this level of corruption, unfortunately.

As of the publication of this book, we no longer have any illusions left: it is clear that the discussed cases are not system errors. They are the system itself.

Orbán's regime does not even strive for self-correction. Its purpose is not to serve the public good. Instead, it focuses on keeping the chosen ones in power and transfer wealth to them by redistributing national assets. If there is some kind of "Orbánism", it can be defined as the use of the obtained political power in order to enrich a privileged group by deliberately reshaping laws and distribution mechanisms for this purpose. In return for the economic benefits, the oligarchs stop at nothing to keep the system in power which reciprocates by giving even more power and feeding more public funds to the circle of its supporters.

Although traditional corruption is still present in Hungary at all levels, it does not determine the functioning of the regime. Instead, it is shaped by the privileges and economic rewards handed out in return for loyalty to the system. The authors define corruption as the abuse of power for individual profit gains, which includes the kind of wealth redistribution that tramples on rule of law norms and democratic institutions. These processes distort market mechanisms to such an extent where they become an obstacle for free enterprise and competition.

As presented in the book, these corrupt dealings permeate the economy, culture, science and sport in Hungary. This is a sad conclusion, because the thousands of billions of public funds could have been allocated to elevating the country instead of enriching a privileged group with such fortunes that are inconceivable for the members of the public.

Hungary is one of the less wealthy EU countries where millions lives are characterized by a low European material deprivation index. The hope of ever reaching the living standards of the developed European countries seems more and more distant each year. Corruption influences future generations and undermines public morality. In a normal society, if somebody is successful and their performance is acclaimed, people accept that they grow financially as well. In Hungary however, political connections are indispensable for any significant financial growth which is not proportionate to performance. Successful Hungarian market players are not reputable business owners. Instead, they are schoolmates, relatives, family members, friends from the neighbourhood, spouses or ex-spouses, children, cousins and strawmen as well as faceless owners of quickly appearing and disappearing phantom companies. What they have in common is that they do not take pride in their performance; they prefer to hide behind complicated company networks and untransparent ownership structures.

So the squandered public money is not the only thing to sadden the Reader. What is even more disheartening is how the next generation is indoctrinated with this pattern of social advancement. I am convinced that the westward exodus of our talented youth is at least partly driven by these factors. We hope they will have a reason to return home someday.

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