

# BLACK BOOK

CORRUPTION IN HUNGARY  
2010 – 2018



Civitas Intézet

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CORRUPTION IN HUNGARY  
BETWEEN 2010 AND 2018



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Transparency International Hungary Foundation

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### *Greetings to the Reader!*

The Civitas Institute intends this study volume to be both a description of our time and a description of pathology. It is a description of our time for posterity, a snapshot of a period in Hungary indicated in the subtitle, i.e. the time between 2010 and 2018. But it is also a description of pathology, a diagnosis of a severe conspicuous disease of society, presented in the form of a collection. So the text is about the spread of corruption and the weakened democracy in Hungary as a result. It is a failure of each of us that only after about a quarter of a century, the young and promising Hungarian state into the quagmire of public abuses.

We have issued this publication in order to establish a tradition, while we express our hopes for a future where the need for such summaries will gradually decrease, and we trust that in the Hungary of the future the size of these volumes will be constantly shrinking, year by year, as a result of a drop in the cases of corruption. We are convinced that a public sector permeated with abuses leads to severe economic and social instability, which manifests in conspicuous signs, such as a high level of outward migration involving several hundred thousand people.

This Black Book on the state of corruption in Hungary between 2010 and 2018 is comprised of two parts. The first part shows the risk created by corruption in Hungary, as well as the main forms of manifestation and methods of corruption embodying abuses of public funds. The second part contains a short description and classification of 106 specific cases of corruption. The cases presented here are mainly intended to represent the various types of corruption, and regrettably, the registry is not comprehensive, since it only presents a fraction of the known cases of corruption. By providing a diagnosis of the situation, our paper is meant to help get rid of corruption.

### *The Publisher*

## INTRODUCTION

Transparency International Hungary (hereinafter: TI Hungary) defines the concept of corruption as an abuse of public authority, public trust or a vested position in order to generate personal benefits. During an act of corruption a group of actors obtains economic benefits without providing socially beneficial consideration, therefore causing a loss at the societal level through less efficient resource allocation and the increasing costs of operation and prosecution. In Hungary, the disruption of the institutions of democracy and the rule of law significantly weakened the efficiency of the institutional system of the State against corruption.

In Hungary an inverted version of state capture occurred. In contrast with the classic form of a captured state, where a weak public authority is controlled by influential economic interest groups, in Hungary the public authority, which is uniquely strong in the European Union, continuously maintains a close, non-transparent relationship with the business circles (oligarchs), in which the political actors usually have the final say.

In the opinion of TI Hungary, each of the institutions of the state implements the will of the Government, therefore they are an instrument of the government rather than a controlling force. There is one exception: courts, which in the opinion of TI Hungary are still autonomous actors independent of the power (here we mainly mean the decisions of judges and not the organizational set-up of courts). The capture of public authority by private actors was thus simultaneously the cause and consequence of the institutional disruption in the system of democratic checks and balances. It was a cause, in the sense that the exercise of political powers by cliques does not tolerate institutional controls, and also a consequence, because the weakening of these controls was enabled by exercising the authority of the state in a way that is increasingly less transparent and accountable.

The fact that the state actors, in an attempt to keep executive power under control, fail to perform their duties or perform them insufficiently, makes it easier for the government to make and implement decisions that serve the interests of the ruling group, as opposed to the public good. In this process corruption is a specific tool that strengthens the position of those in power in the short term, primarily by the allocation of public funds. Therefore corruption is not only aimed at individual enrichment - although it obviously does have such an effect -, it is much more meant to ensure that those in power cannot be held accountable or replaced. It is a solution that can be used to reward members of the clientele selected on the basis of loyalty.

Severe forms of corruption had been present in Hungary in the period before 2010 as well. TI Hungary pointed it out in 2008<sup>1</sup> already that “corruption shows signs of becoming institutionalized”, and determined that “the phenomenon of corruption in an institutionalized form is present in economic life with a non-negligible weight. The current corruption goes beyond the transactions, traditional bribery and kickbacks, and takes on a systemic nature. The most important risk of corruption is the distortion of the institutional system itself.

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<sup>1</sup> Transparency International Hungary (2008): Corruption risks in the business sector. National Integrity Study. <https://transparency.hu/adatok-a-korrupcirol/nemzeti-integritas-tanulmany/nis-2008-uzleti-szektor/>

## PART ONE

### 1. Assessment of the anti-corruption performance of Hungary

Now corruption appears in Hungary not as a result of a malfunction in the operation of the power of the state, but rather as a central characteristic of the operation of the state. The constant attenuation of actions by the state against corruption are also confirmed by the results of the Corruption Perceptions Index (CPI) for Hungary, which were calculated by Transparency International and rank the countries of the world according to exposure to corruption.<sup>2</sup>

The results of this survey of 180 countries indicate that **based on the assessment of businesspeople and experts, in 2017, as compared to the results in 2016, Hungary dropped by nine places and three points**, placing it in 66th place with a score of 45. That makes Hungary a country where corruption is medium among the world's countries. TI Hungary highlighted in its report<sup>3</sup> presenting the results of CPI for 2016, that of the member states of the European Union "Bulgaria is the most infested with corruption, furthermore, the situation is worse in both Greece and Italy" than in Hungary; however, in 2017, TI Hungary had to conclude that of the 28 EU member states Hungary occupies the 27th place in regards to corruption, only preceding Bulgaria, the dead last country on the list. In 2016 Hungary still stood on the same level as Romania; but in 2017 the performance of our eastern neighbour stagnated, while that of Hungary dropped by three points. In Romania the anti-corruption prosecuting authority (DNA) has accomplished some impressive results in the prosecution of white-collar corruption, even though the organization has been criticised by both political and professional groups.

For several years, of the "old" Union member states, the anti-corruption performances of Italy and Greece were worse than that of Hungary. But as of now this has also changed: In 2017 Italy and Greece performed better than Hungary, by 5 and 3 points, respectively.

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<sup>2</sup>A more detailed presentation: The Corruption Perceptions Index in 2007 - Corruption, rule of law and economic performance in Hungary, in international comparison, <https://transparency.hu/wp-content/uploads/2018/02/CPI-jelent%C3%A9s-2017.pdf> (23.02.2018).

<sup>3</sup> Characteristics of the Corruption Perceptions Index and those of corruption in Hungary in 2016. Link: <https://transparency.hu/wp-content/uploads/2017/01/A-Korrupcio-Erzekelesi-Index-es-a-korrupcio-jellemzoi-Magyarorszagban-2016-ban-1.pdf> (2018.02.23.)



Table 1: The CPI scores of member states of the European Union in 2017

		Country	Point			Country	Point
1	▼	Denmark	88	15	▼	Poland	60
2	▼	Finland	85	16		Lithuania	59
3	▼	Sweden	84	17	▲	Latvia	58
4	▲	Luxembourg	82	18	▲	Cyprus	57
4	▼	Netherlands	82	18	▲	Czech Republic	57
4	▲	United Kingdom	82	18	▼	Spain	57
7	–	Germany	81	21	▲	Malta	56
8	–	Austria	75	22	▲	Italy	50
8	▼	Belgium	75	22	▼	Slovakia	50
10	▲	Ireland	74	24	–	Croatia	49
11	▲	Estonia	71	25	▲	Greece	48
12	▲	France	70	25	–	Romania	48
13	▲	Portugal	63	27	▼	Hungary	45
14	–	Slovenia	61	28	▲	Bulgaria	43

Over the last decade the position of Hungary has deteriorated concerning the Central and East European region as well, to which we assign 11 Central and East European countries. In the years following the country's induction into the European Union, Hungary occupied third place in the region - after Estonia and Slovenia -, while currently it occupies the penultimate, i.e. the tenth place. The CPI score of Hungary dropped from 55 to 45 points between 2012 and 2017, and thus the perception **in the region of the anti-corruption performance of Hungary has dropped the most over the last six years**. Based on the CPI, in 2017 Bulgaria was the only country of the region that was even more corrupt than Hungary.

The opinion polls of the European Commission also confirm that Hungarians perceive corruption as an increasingly severe problem in Hungary.<sup>4</sup> **In 2017 86% of Hungarians were of the opinion that corruption is common in Hungary**, and 58% thought that the level of corruption had become worse over the last three years, while the Union average was only 68% and 43%, respectively. The percentage in Hungary was the third highest in the EU after Cyprus and Spain. 69% of Hungarians believed that the high-level (white collar) corruption was not prosecuted properly (which is also one of the highest percentages in the EU), and only 19% believed otherwise.

<sup>4</sup> A specific Eurobarometer survey on corruption, 457:  
<http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instrument/SPECIAL/surveyKy/2176> (23.02.2018)

Only 4% of Hungarians believed that the level of corruption had decreased over the last three years, while 33% believed that the level had remained unchanged. Furthermore, 77% and 76% of all Hungarians thought that corruption was present in local and national public institutions, respectively.

Similarly, business actors also believe that the corruption situation in Hungary is severe, according to the survey of Eurobarometer.<sup>5</sup> 56% of Hungarian entrepreneurs are of the opinion that corruption poses problems in their business activities. In contrast, the Union average is only 37%. **91% of Hungarian entrepreneurs believe that corruption is a common problem in Hungary, which shows a significant deterioration** compared to 81% measured in 2015. In this case the Union average was only 67% in 2017, which is a slight improvement since 2015 (71%). Almost three fourths of the Hungarian citizens in Hungary are of the opinion that no one can be successful in business life without political connections, while in the countries of Scandinavia only 14 to 23% of the society is of that opinion.

**Corruption is the most important sign of “bad governance”,** which is usually coupled with the violation of the rule of law. In such a case the biased institutions of the state, in an effort to secure the power of the currently reigning elite, do not prosecute, but rather tolerate and sometimes **downright encourage corruption**, by which members of the ruling elite will acquire even more power at the expense of society as a whole. **This violates the principle of equality under law, erodes public trust, leads to rent seeking and impairs the business environment.** The deterioration of business climate leads to decreasing investments, which undermines sustainable growth (refer to figure 1). This is how corruption is related to the per capita GDP (figure 2).<sup>6</sup> In 2017 in the European Union a strong relationship could be observed between the per capita national income and exposure to corruption (see the figure). As part of the less developed group of East and South European countries within the EU, Hungary belongs to the group of countries with low GDP and high exposure to corruption.

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<sup>5</sup> Flash Eurobarometer 457, Businesses' attitudes towards corruption in the EU: <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2177> (23.02.2018)

<sup>6</sup> As demonstrated by an OECD study of 2012, this relationship also applies globally, even though several Asian countries can be considered exceptions: in these countries impressive economic performance is often coupled with high exposure to corruption. Organization for Economic Cooperation and Development (2012): Issues Paper on Corruption and Economic Growth. Working Paper. pp. 1-43  
<http://www.oecd.org/g20/topics/anti-corruption/Issue-Paper-Corruption-and-Economic-Growth.pdf> (23.02.2018)

Figure 1: Rule of law and investments in Hungary <sup>7</sup>

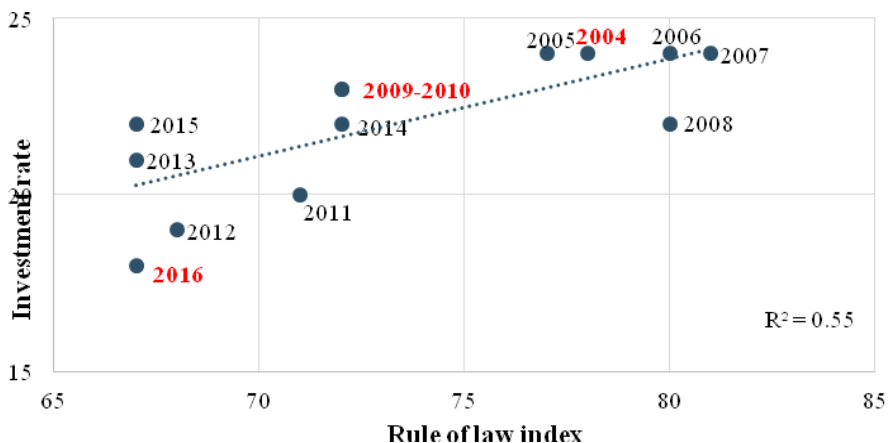
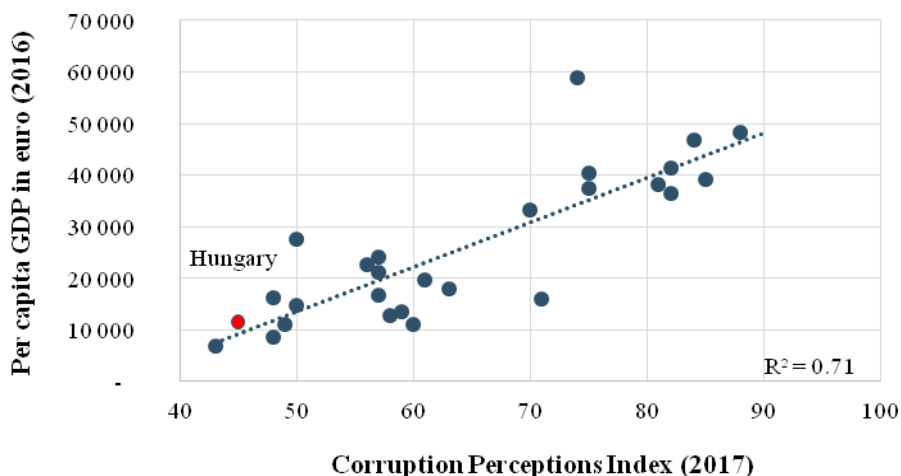


Figure 2: Relationship between corruption and economic performance in the EU <sup>8</sup>



<sup>7</sup> Source: Calculations of Transparency International Hungary, based on the data of the World Bank and Eurostat. Eurostat data: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00001&plu gin=1>; Világbank-adatok: <http://info.worldbank.org/governance/wgi/index.aspx#home>

<sup>8</sup> Source: Calculations of Transparency International Hungary, based on the data of Transparency International and Eurostat. Eurostat data: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00001&plu gin=1>

## 2. Certain cases of system level corruption

In the following part we will analyze some of the systems that were mainly created to enable **decision makers with public authority to siphon off public funds into private pockets**. It is common that these cases are dependent upon the deactivation of checks and balances, which the Hungarian Government has consistently accomplished since 2010, opening up the way for state-controlled income reallocation. We consider these cases as manifestations of systemic corruption.

### 2.1. Foundations of the National Bank of Hungary

The National Bank of Hungary (MNB) transferred almost HUF 267 billion in total to a group of foundations it established under the name Pallas Athéné. This amount equals almost 0.8 % per cent of the gross domestic product of Hungary generated in one year. The foundations has invested approximately HUF 197 billion into government securities, and used the remaining part of the assets to support persons close to the management of the central bank.

TI Hungary first indicated in September 2014<sup>9</sup> that the establishment of the foundations by the central bank may be illegal. Partly as a result of the action of TI Hungary and lawsuits initiated by certain journalists, on April 22, 2016 the foundations published their contracts, and thus it became obvious that they were quite generous with the usage of public funds. For example, they paid over 500 million forints to New Wave Production Kft., the company that also publishes the portal of VS.hu, whose owners include the nephew of György Matolcsy, the governor of the central bank. Also the foundations paid 70 million forints to the author of the book titled Chess and Poker, written about György Matolcsy, the governor of the central bank; and<sup>10</sup> Miklós Kásler, a former member of the board of one of the foundations,<sup>11</sup> received 39 million forints for the book titled National Major Examination. Furthermore, each of the foundations ordered from BanKonzult Kft. the analysis titled “Domestic and Global Economic and Financial Trends” for the price of 750 thousand forints, even though the copies were substantially the same. The foundations also received funds to purchase a

<sup>9</sup><https://transparency.hu/hirek/a-ti-szerint-torvenyszerint-lehet-az-mnb-160-milliard-forintos-koltekezese/> (28.02.2018)

<sup>10</sup><http://www.pallasalapitvanyok.hu/data/downloads/2017/05/15/05.-Melleklet-PADOC-Alapito-Okirat-2016.01.25.pdf> (23.02.2018)

<sup>11</sup> Miklós Kásler was a member of the board of Pallas Athéné Domus Concordiae Foundation, which was terminated by legal succession under the decision of the founder made on 21 December 2016.

book containing the collection of the published articles of György Matolcsy, governor of the central bank, under the title of Equilibrium and Growth.

The Government tried to justify this juggling of public funds by the foundations of the Central Bank through a reclassification.<sup>12</sup> The related law which the Fidesz-KDNP Party majority of the Parliament hastily enacted, informed everyone that in the opinion of the Government the national funds allocated by the National Bank to the Pallas Athéné foundations “*lost their quality as public funds.*” However, the Constitutional Court thought otherwise and stated that the foundations of MNB “undoubtedly manage public funds and perform public duties,” i.e. their assets constitute part of the assets of the nation.<sup>13</sup>

The use of public funds is subject to strict rules in Hungary. These rules do not authorize the leadership of the MNB to allocate national assets, through foundations or in any other manner, to fund aims that are not related to the functions of the central bank in any way. Several hundred million forints disappeared from the books of the MNB and went through the Pallas Athéné foundations to ineligible parties, including family members of the leadership of the MNB. This could only be accomplished because the leaders of the central bank violated their obligations concerning the management of national assets.

TI Hungary initiated penal proceedings at the Chief Prosecution claiming mismanagement and abuse of office committed by way of the foundations of the central bank. But the prosecuting authority did not order an investigation. The failure of the prosecutor to take action is probably not unrelated to the fact that the wife of the chief prosecutor is the personnel director of the MNB and a member of the supervisory boards of two foundations of the central bank.

As opposed to the prosecuting authority, the Public Procurement Arbitration Board did investigate the finances of the foundations of the central bank, and concluded that the foundations violated the law by failing to initiate a public procurement procedure when they spent the public funds entrusted to them. The foundations got away with the infringement with an outrageously low fine of only 84 million forints, even though the Arbitration Board could have imposed a fine five times as high.

## 2.2. The system of support to team-sports

The system established for the support of team sport organizations in 2011 (ice hockey, handball, basketball, soccer and water polo, and volleyball since the summer of 2017), called commonly although somewhat inaccurately “Tao.

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<sup>12</sup> Refer to bill no. T/9380 on the amendment of Act CXXXIX of 2013 on the Magyar Nemzeti Bank and C of 2016.

<sup>13</sup> AB resolution 8/2016. (IV. 6.)

support”, diverts some of the pre-tax profits of companies to sports organizations, instead of to the state.

Since this is not a form of sponsorship, what motivates companies to support team sport organizations is that companies are allowed to reduce their payments of corporation tax by the amount of the support. In other words, the companies may reduce their pre-tax earnings by the support transferred to team sport organizations, rather than decreasing their after-tax, net profit. Therefore the system of Tao. supports results in a reduction of tax revenues for the state, and in an annually increasing extent at that.

Companies donated 39.6 billion forints, 41.9 billion forints, 66.5 billion forints, 77.5 billion forints and 135.1 billion forints to the beneficiary sports organizations in 2012, 2013, 2014, 2015, and 2016, respectively. As of the end of 2016 the state had lost corporation tax revenues of a total of 360 billion forints due to Tao. supports. The state budget set for the year 2017 anticipated the amount of support for team sports at between 82 and 92 billion forints, while the Tao. support appropriation for 2018 amounts to 80 billion forints.<sup>14</sup> This means that as of the end of last year the system of Tao. support reduced the tax revenues of the state by at least 450 billion forints, and the amount of lost taxes could rise to 530 billion forints this year.

In the Act on the state budget, the Government planned for a loss of corporation tax revenues of only 64-69 billion forints for the year 2016. However, two years ago taxes lost because of the team sport support amounted to 135 billion forints. In other words, in the record year of Tao. supports so far, the actual tax losses were twice as high as planned. Assuming that the state budgets for the year 2017 and 2018 were as generous in planning lower tax losses through Tao. supports as two years ago, it is possible that, according to our current knowledge, by the end of this year the Tao. support fund of 530 billion forints will cause even higher tax losses in reality.

While the Hungarian government has denied that the system of supporting team sports is being financed by state funds, it admitted the same in Brussels. The European Commission therefore concluded that the Tao. support system is considered state aid.<sup>15</sup>

Concerning the system, TI Hungary primarily finds it alarming that public funds are transferred to the beneficiary sports organizations without transparency. If the Government had had its way, then the only thing that would be publicly disclosed regarding the the support financing contributed to team sports is the total amount

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<sup>14</sup>[http://mfor.hu/cikkek/makro/360\\_milliard\\_forint\\_ennvirol\\_mondtak\\_le\\_Orbanek\\_a\\_TAO\\_mia\\_tt.html?utm\\_source=mforfooldal&utm\\_medium=Direct](http://mfor.hu/cikkek/makro/360_milliard_forint_ennvirol_mondtak_le_Orbanek_a_TAO_mia_tt.html?utm_source=mforfooldal&utm_medium=Direct)

<sup>15</sup> Report no. C(2011)7287 of the European Commission, Article

<sup>65</sup>[http://ec.europa.eu/competition/state\\_aid/cases/240466/240466\\_1271180\\_52\\_3.pdf](http://ec.europa.eu/competition/state_aid/cases/240466/240466_1271180_52_3.pdf).

that the beneficiary sports organizations receive in a particular season. Therefore, the Government does not hide the figures related to the tax loss sustained by the state due to Tao. support, but it does withhold information regarding the identity of the companies that pay some of their tax liabilities to sports teams, as opposed to the treasury. In order to keep this information confidential, the Parliament classified the detailed figures of support to team sports as tax secrets.<sup>16</sup>

This secrecy may have delivered its benefits, since withholding the detailed information from public scrutiny probably permitted companies to serve political interests when making decisions on Tao. support. Companies seem to know that the best way to use their resources when contributing to Tao. support is giving funds to sports organizations with good political connections. There is hardly any other explanation for why the absolute champion in obtaining team-sport supports is Felcsúti Utánpótlás Neveléséért Foundation operating in the village of Prime Minister Viktor Orbán, which has obtained corporation tax funds of about 14 billion forints over the last six years. Other teams with outstanding contributions from corporations include the football team of Kisvárdá, the hometown of Minister of National Development Miklós Seszták, and the football team of Mezőkövesd, which is connected to Secretary of State for Tax Affairs, András Tállai. The world of handball seems similarly politicized, where following the appointment in 2015 of Máté Kocsis, the pro-government mayor of Józsefváros, as president of the Association, the Tao. support revenues of this division increased from the former 12 billion forints to 21 billion forints and 27 billion forints in the 2016 and 2017 seasons, respectively. The data clearly show the capability of sports organizations to draw Tao. support is related to their political embeddedness.

Even though Prime Minister Viktor Orbán emphasized that it is a “communist habit” to consider money contributed to Tao. support as public funds, TI Hungary insisted that the names of the supporting companies and the funds provided by them annually to the individual sports teams are related to the public interest, and therefore should be publicly disclosed. We obtained recognition of our claim in court. We initiated a lawsuit against the government and the associations of team sports to make public the identity of companies paying Tao. support. We won both of these lawsuits conclusively, and the Curia, which reviewed the process initiated against the government, decided in favour of TI Hungary on October 25, 2017 and ordered the public disclosure of the information related to Tao. supports by its non-appealable resolution.

These lawsuits, which concluded with significant success for TI Hungary, contributed not only to making the financing of team-sports more transparent, but also shed light on the state of the rule of law. The Ministry of National Economy (NGM), which lost the lawsuit, stated that the data required to be disclosed by it

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<sup>16</sup>Act C of 2016.

was, in fact, not in its possession. However, according to the legal requirements applicable to Tao. supports, NGM is required to obtain the so-called certificates of support. If the necessary data is unavailable, then NGM is unable to audit the funds allocated to team sports even if it otherwise wanted to.

When NGM defended itself by pointing out that the data on Tao. supports are unavailable, it not only revealed its true intentions, but formally rejected implementation of the sentence of the Curia. TI Hungary sued NGM, and we also initiated judicial execution against the Ministry. Initially, the other ministry that lost the case, the Ministry of Human Capacities, hesitated to execute the decision of the Curia, but finally it began disclosing the data on Tao. support.

TI Hungary is of the opinion that the regime of Tao. supports should be terminated in its current form and the law that classifies the details of team-sport support as tax secrets should be repealed in order to ensure the traceability of the funds previously contributed. Every detail related to Tao. supports should be published, and it should be investigated whether the beneficiary sports organizations have used this support legitimately. Furthermore, it should be investigated whether the government has rewarded the generous support to sports-teams provided by certain companies at the expense of public funds through biased awarding of public procurements or other state orders.

### 2.3. Government residency bonds

Through the trading of government settlement bonds, the companies that manage these bonds, which are mainly registered in off-shore tax havens, realized an enrichment of about 60 billion forints from public funds.

Essentially, government settlement bonds enable citizens of non-EU member states to obtain residence permits, allowing them to stay in the EU permanently. In order to obtain a residence permit, non-EU members must purchase the government bond package issued by the Government of Hungary, which costs 300 thousand euros. Under this program that has been operational for about four years, as of June 30, 2017, a total of 6,621 bond packages have been sold and enabled their holders eligible for settlement. When also taking into account family members of the holders of government settlement bonds, almost 20 thousand non-EU citizens have obtained the right of free movement within the Schengen zone.

The government settlement bonds are sold indirectly by the Government Debt Management Agency (ÁKK) through enterprises authorized by the Economic Committee of the Parliament. It is unusual for members of Parliament to deal with company licensing matters. Perhaps, the members of Parliament who lack relevant expertise in this area did not even find it suspicious that, outside of one exception, each of the intermediary enterprises is registered in a country that also



offers off-shore services, such as the Cayman Islands, Liechtenstein, Malta and Cyprus.

The enterprises selling the government settlement bonds subscribe to the government bond at a discount, i.e. in practice, of the face value of 300 thousand euros the intermediary company only transfers 271 thousand euros to the Hungarian state. However, after the expiration of the five year term, Hungary refunds the entire sum of 300 thousand euros to the company. This means that when taking into account the interest and return, the government leaves 29 thousand euros in the pockets of the intermediary companies on each settlement bond package. In addition, this happens in a situation in which the law mandates that the return of Government settlement bonds shall be at least two per cent, and Hungary has been able to sell government bonds at much lower rates of return than that for almost 3 years.<sup>17</sup> In other words, the Government could finance the public debt at lower rates than those provided by government bonds mandating the payment of luxurious interests, and without granting the right of settlement. Therefore, Hungary pays the price of the settlement bond business several times over.

As of June 30, 2017, the intermediary companies could register a profit of 60 billion forints from the purchase of 6,621 government settlement bonds. Considering the fact that, with the exception of only one company registered in Hungary, the intermediary enterprises are all registered in off-shore tax havens, these companies are highly unlikely to pay any tax in Hungary on their significant revenues. And we have not even mentioned that under the Fundamental Law it is prohibited for public funds to be managed by entities whose ownership structure is not transparent.

In cooperation with the newspaper Magyar Nemzet, TI Hungary has conclusively won two lawsuits on disclosure of data of public interest regarding the trading of government settlement bonds. The court mandated the Government Debt Management Agency to disclose the number of government settlement bonds sold by the individual intermediary enterprises, and the Economic Committee of the Parliament to disclose the documents serving as the basis for issuing the licenses of the intermediary enterprises.

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<sup>17</sup> <https://mno.hu/gazdasag/komoly-bukas-a-kotvenyprogram-2403748>.

### 3. Corruption risks in the use of European Union funds

Annually, Hungary receives a support of more than one thousand billion forints from the budget of the European Union. 50 to 60% of all public procurements in Hungary are co-financed by the European Union. In the Union budgetary cycle for 2014-2020 Hungary is receiving almost eight thousand billion forints (25 billion euros) in financial support; at an annual level this constitutes 3 to 4% of the Hungarian GDP on average (however, in 2016 and 2017 it was approximately 6 to 7%).

This means that among the member states of the European Union, Hungary occupies second place in the ranking of per capita support, which proportionately exceeds the Marshall Aid distributed to Western European countries after the second world war.

**The spending of Union sources in Hungary carries with it several corruption risks at a systemic level** that cannot be mitigated by the institutions. In fact, the institutions themselves create opportunities for corruption.

As the 2015 research<sup>18</sup> of TI Hungary determined, **the abundance of resources creates a risk of corruption in and of itself**, since each government in power after the accession of Hungary to the European Union has had the primary goal of spending all of the funds it had available as fast and as completely as possible. Given the pressure to spend, the planning of the projects, and the utility and substantiation of the selected projects were of secondary importance. The auditing of the projects has not been a priority either, since it would only prevent the utilization of resources.<sup>19</sup>

The organizations deciding on the beneficiaries of European Union resources and those that control the spending of the funds and plan the supported projects are, in fact, parts of the same managing authority, i.e. they are under the same political leadership (the authority of the Deputy State Secretary, and ultimately of the Minister). **Therefore the controlling bodies have a vested interest in not regulating the projects**, since regulation would, on the one hand, slow down the utilization of the resources, and, on the other hand, could incriminate the

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<sup>18</sup> Corruption risk of Union resources in Hungary, Transparency International Hungary, October 2015 (<https://transparency.hu/wp-content/uploads/2016/03/TI-Az-Uni%C3%B3s-for%C3%A1sok-korrupci%C3%B3s-kock%C3%A1zata-Magyarorsz%C3%A1gon.pdf>) (2018.02.23.)

<sup>19</sup> We could even interpret these sentences, attributed to János Lázár, as the acknowledgment of the pressure for absorption and the existence of the rent-seeking behaviour: *"We have rushed this very much. Now the most important task was to push out the money, but this is not what we would like for the following 7 years."* He also said *"there are funds available for everything, except what we want to do, not for preparations, not for construction, rather for obtaining the money or ripping off the money, let's have a straight talk about it."* (Origo, 17 June 2015)

Government by exposing that the relevant beneficiary was not selected with proper care if deficiencies or irregularities were discovered as a result of the audits

It is typical that the Directorate General for Audit of European Funds (EUTAF), which is a mandatory controlling body independent of the managing authorities, also operates within the organization of the Ministry of National Economy, and that its employees are government officials. The institutional guarantees for actual independence are highly questionable at both the organizational and personnel level.

At the same time, it should be stressed that the **audit of the utilization of European Union funds is primarily the competency of the member state**, and the responsibility of the relevant authorities of the member state - primarily the managing authorities, but ultimately the prosecuting authorities. The control bodies of the European Union - the auditors and the European Anti-Fraud Office (OLAF) -, are not capable of auditing tens of thousands of projects in an itemized manner. For illustrative purposes, OLAF starts approximately 300 audits in the 28 member states, and within one year a few dozen projects get audited. In 2016, OLAF completed 13 audits affecting Hungary, and within those 13 audits, OLAF found irregularities in 11 cases. In contrast, in the previous seven-year budgetary period (2007 to 2013), over 60,000 projects funded in part or fully by Union resources were implemented in Hungary alone. The Hungarian partner bodies of OLAF are the OLAF Coordination Office, operating as part of the National Tax and Customs Administration of Hungary and the prosecuting authority. This means that OLAF delivers its audit findings to the prosecutor's office, but it does not exercise the powers of a prosecuting authority, and therefore it cannot directly refer the matter to a court. As is illustrated below in Table 2, in the period between 2009 and 2016 the prosecuting authority raised charges in only three cases based on the 31 reports of suspicion of fraud, and it closed six cases without indictment.

Table 2: actions implemented by the judicial authorities of the member states based on the recommendations of OLAF, between 1 January 2009 and December 2016<sup>20</sup>

Member State	The prosecuting authority has not yet decided on the case	Number of decisions made by the prosecuting authority			Ratio of indictments
		total	rejection	charge is laid	
Austria	3	5	2	3	60%
Belgium	9	36	17	19	53%
Bulgaria	13	22	12	10	45%
Croatia	2	0	0	0	n.a.
Cyprus			2		
Czech Republic			4		
Denmark			2		
Estonia	1	1	0	1	100%
Finland	2	1	1	0	0%
France	8	9	4	5	56%
Germany	15	19	13	6	32%
Greece	13	10	2	8	80%
Hungary	22	9	6	3	33%
Ireland	1	2	2	0	0%
Italy	25	30	11	19	63%
Latvia	2	2	2	0	0%
Lithuania	3	7	4	3	43%
Luxembourg	6	4	3	1	25%
Malta	3	4		4	100%
Netherlands	11	4	3	1	25%
Poland			2		
Portugal	10		4		
Romania	28	74	50	24	32%
Slovakia	5	9	7	2	22%
Slovenia	3	1	0	1	100%
Spain	12	16	10	6	38%
Sweden		2	1		
United Kingdom	19	13	7	6	46%
<b>Full amount</b>	<b>233</b>	<b>308</b>	<b>171</b>	<b>137</b>	<b>44%</b>
<b>Full amount excluding SAPARD</b>	<b>233</b>	<b>246</b>	<b>123</b>	<b>123</b>	<b>50%</b>

<sup>20</sup> The report of OLAF for 2016, page 33. (Translated by TI Hungary)

([https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf\\_report\\_2016\\_en.pdf](https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf_report_2016_en.pdf) (23.02.2018))

Otherwise, for several years Hungary has been on top of the list of cases closed by OLAF with so-called “recommendations”, i.e. cases in which signs of fraud or other irregularities were explored.

Table 3: Number of completed audits in 2016<sup>21</sup>

Member State	Total number of closed audits	Audits closed with a recommendation formulated by OLAF
Romania	21	11
Poland	16	8
Hungary	13	11
Bulgaria	11	4
Greece	9	3
Italy	8	6
Slovakia	8	5
Czech Republic	5	1
Portugal	5	2
Croatia	4	1
Netherlands	4	1
Macedonia	4	2
France	3	2
Lithuania	3	1
Germany	2	1
Sri Lanka	2	2
United Kingdom	2	2
Austria, Cameroon, Congo (Brazzaville), Ethiopia, Ghana, Guyana, Israel, Kazakhstan, Kiribati, Kyrgyzstan, Madagascar, Malawi, Nepal, Nigeria, Serbia, Slovenia, Spain, Syria, Togo, Turkey, Zimbabwe	21 (1 for each country)	14
<b>Total</b>	<b>141</b>	<b>77</b>

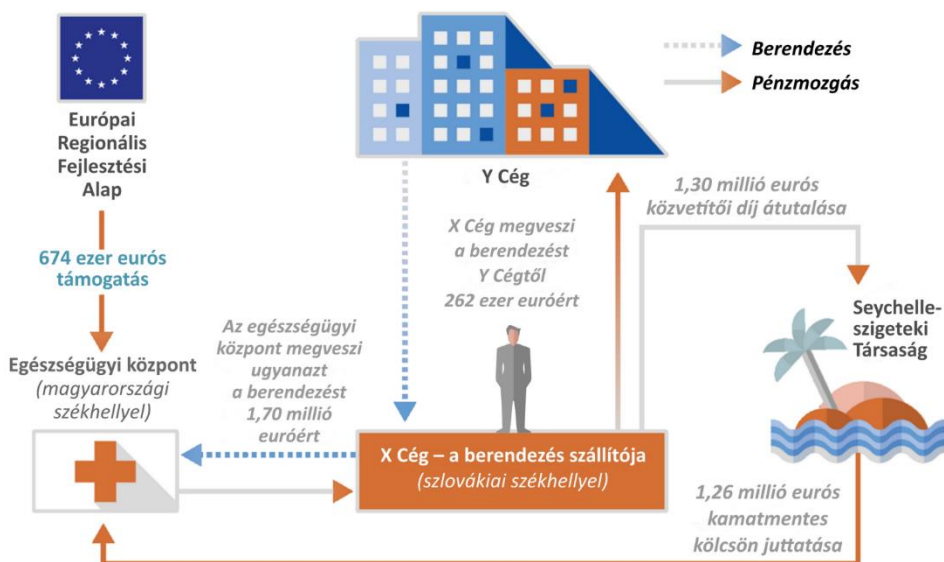
<sup>21</sup> The report of OLAF for 2016, page 14.

[https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf\\_report\\_2016\\_en.pdf](https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf_report_2016_en.pdf) (23.02.2018)

Since the Government intends to spend this huge amount of money as quickly as possible, **it is common that the individual projects are overfinanced**, i.e. much higher sums are authorized than would be necessary. This is further compounded by insufficient control. These two factors have highly contributed to the **overpricing of European Union projects becoming a general phenomenon**. According to the 2015 research cited above, based on the expert estimate of TI Hungary relying on interviews with public figures and beneficiaries, overpricing may affect over 90% of the projects, with an average rate of overpricing of 25%.

The following figure shows an extreme case of overpricing. In this case, which was explored and described by OLAF in 2014, a healthcare center beneficiary in Hungary received support of 674 thousand euros. In a project partially implemented from the EU funds, it purchased equipment from a company based in Slovakia for 1.7 million euros which, prior to that, had been purchased in Slovakia (probably at realistic market value) for 262 thousand euros. Part of the rent acquired by overpricing is obtained by the affected parties as commission for mediation. The other part of the rent was used for obtaining the down payment for the project, in such a manner that the supplier transferred the outstanding balance to an offshore company registered in the Seychelle Islands, and the company lent this amount free of interest to the Hungarian healthcare center.

Figure 3: A case of overpriced asset procurement in the form of cross-border cooperation<sup>22</sup>



<sup>22</sup> The report of OLAF for 2014, page 28.

As has been mentioned, in several cases the **substantiation and utility of the projects are only raised as aspects of secondary importance**, which is also manifest in the definition (in programme level decisions on allocation) of the allowance intended to be spent on one particular programme (development aim). Under the decision of the Government,<sup>23</sup> in the programming period of 2014–2020 60% of the European Union resources available to Hungary must be directly spent on economic development. In the period of 2007–2013 this percentage stood at 24%, and it is confirmed by several datasets that these resources were very inefficiently utilized. We are convinced that the significant increase of resources available for direct economic development further strengthens the pressure to spend, which increases the risks of corruption.<sup>24</sup>

The contribution of the funds providing the financing and the planning guidelines partly determine the structure of the resources allocated to the programmes. However, member states have significant latitude in the designation of their own developmental projects. In addition to increasing the risks of corruption, the decisions of the Government might also be problematic because that way most of the 60% of the Union resources provide only small amounts of support to Hungarian small and medium enterprises, which is unlikely to contribute to the long-term sustainable growth of the Hungarian economy.

The success story of several years of Elios Innovatív Zrt., the company in which István Tiborcz, the son-in-law of the prime minister has an interest, is a case in point for the Hungarian practice of the misuse of the EU resources. But is also illustrative of the nature of public procurement projects in Hungary, **especially for public procurement projects tailor-made to a particular bidder**. In the public procurement projects announced between 2009 and 2014 on the support of public lighting from Union resources, the conditions of suitability were deliberately defined in such a manner that only the company in question could meet them.

In addition, in each of the processes under examination by the contracting authorities, i.e. the local governments, were assisted by consulting companies. Meaning that the suitability criteria were formulated by consulting companies that can be proven to be associated with the party that won the contract later, i.e. with Elios Zrt., through the shared ownership background. This is a clear violation of the rules of the act on public procurement as it relates to conflict of interest<sup>25</sup>, which provide, among others, that “persons or entities on behalf of the

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[https://ec.europa.eu/anti-fraud/sites/antifraud/files/docs/body/olaf\\_report\\_2014\\_en.pdf](https://ec.europa.eu/anti-fraud/sites/antifraud/files/docs/body/olaf_report_2014_en.pdf)  
(23.02.2018)

<sup>23</sup> Government Resolution 1600/2012. (XII. 17.).

<sup>24</sup> Corruption risk of Union resources in Hungary, Transparency International Hungary, October 2015, pages 31–31 (<https://transparency.hu/wp-content/uploads/2016/03/TI-Az-Uni%C3%B3-B3s-forr%C3%A1sok-korrupci%C3%B3s-kock%C3%A1lzata-Magyarorsz%C3%A1gon.pdf>).

<sup>25</sup> [Article 25 paragraph \(2\) of Act CXLI on Public procurement](#)

contracting authority [...] unable to perform their functions in an unbiased and objective manner for whatever reason, in particular due to economic or other interests or any other common interest with an economic operator participating in the procedure, shall not participate in the preparation and the execution of the procedure, for that shall qualify as a conflict of interest.” In addition, it is likely that the projects were overpriced, there was tacit collusion with the competitors - Tungsram-Schröder, which also had been a bidder earlier, and later appeared as a supplier to the winning bidder -, and that documents may have been falsified (concerning the rate of return of the bulbs). According to news in the press, OLAF recommended to the European Commission that a sum of 13 billion forints should be refunded.<sup>26</sup>

The beneficiaries spent the majority of Union resources for public procurement, **which is one of the riskiest stages in terms of corruption of the utilization of Union resources.** If the beneficiary is a governmental or budgetary organ or state-owned enterprise, then it is obliged to perform a public procurement procedure anyway. However, if the beneficiary is a company that otherwise would not be mandated to perform a public procurement procedure, then it is still required to announce a public procurement procedure if - put in a simplified way - the rate of the support exceeds 50% (above the Union threshold) or 75% (below the Union threshold), or the amount of the support is at least 40 million forints.<sup>27</sup> Several actions have been taken in order to bypass this rule. On the one hand, the government may grant a release from the obligation of public procurement,<sup>28</sup> and on the other hand, the amount of the support may also be calculated in such a manner that it should not exceed the public procurement threshold; for example, the aid rate of the Vál Valley Light Railway (“Light Railway of Felcsút”) was only 70%.

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<sup>26</sup> This case was presented in a series of articles on Direkt36 and on 24.hu: <https://www.direkt36.hu/2015/03/11/tiborcz-istvan-es-az-elios-innovativ-zrt-sikerei-ledes-kozvilagitasi-kozbeszerzeseken/> (19.02.2018) <https://24.hu/belfold/2018/02/07/igy-csalt-orban-vejenek-cege-megszereztuk-az-olaf-jelenteset/> (19.02.2018)

<sup>27</sup> Act CXLI on Public procurement (PPA) Article 5 paragraphs (2) to (3).

<sup>28</sup> PPA Article 5 paragraph (5).

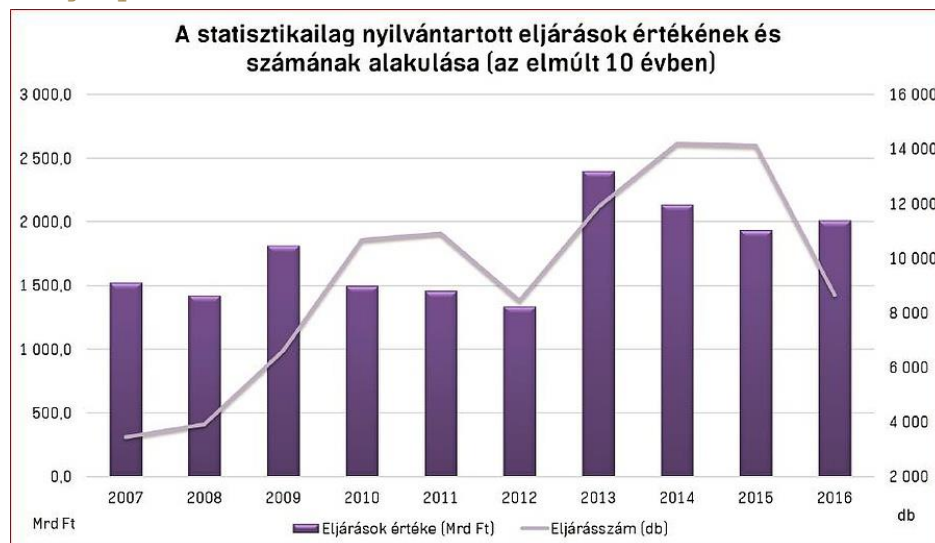


## 4. Public procurement: a sore lack of competition

Although, as of yet, we have no data for 2017, we know from the statements of the president of the Public Procurement Authority<sup>29</sup> that in 2017 3,457 billion forints were spent through public procurement by the organs of the state - including but not limited to bodies governed by public law, companies owned by the State or by local governments and, public utility companies. Last year, almost 1,500 billion forints more public funds were spent on public procurement than in 2016, which is outstandingly high as compared to funds spent in public procurement thus far. In the last decade - until 2016 - the value of public procurement for an annual term was the highest in 2013, but even then it only amounted to 2,400 billion forints. While in 2013 the funds spent in public procurement constituted 8.2% of the GDP, in 2017 this value reached 9.4% of the GDP.

Figures 4 and 5 illustrate the total value of public procurement in Hungary between 2007 and 2016 and its ratio compared to the gross domestic product.

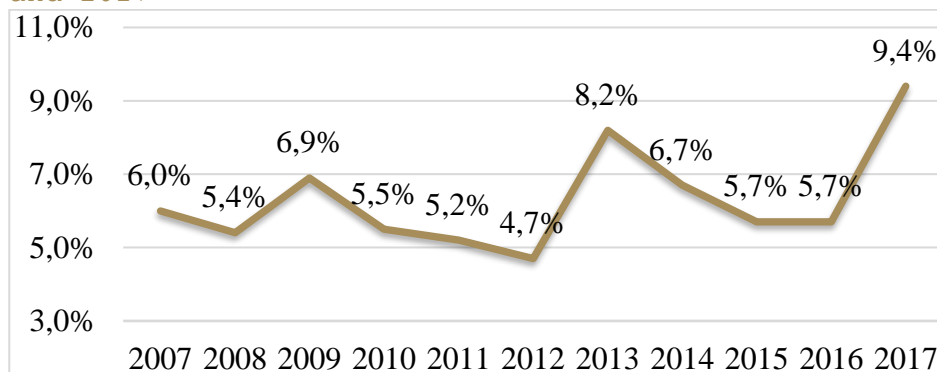
Figure 4: The total value of public procurement in Hungary between 2007 and 2016.<sup>30</sup>



<sup>29</sup>[https://www.napi.hu/magyar\\_vallalatok/soha\\_nem\\_latott\\_penzt\\_koltottek\\_el\\_kozbeszerzesen.656230.html](https://www.napi.hu/magyar_vallalatok/soha_nem_latott_penzt_koltottek_el_kozbeszerzesen.656230.html) (26.02.2018)

<sup>30</sup> Source: "Briefing of the president of the Public Procurement Authority on the development of public procurement in the period between 1 January and 31 December 2016", page 1. [http://www.kozbeszerzes.hu/data/filer\\_public/46/ac/46ac88e6-dd10-4a86-9ad8-275c2722f21a/a\\_kozbeszerzesek\\_alakulasa\\_a\\_2016\\_evben.pdf](http://www.kozbeszerzes.hu/data/filer_public/46/ac/46ac88e6-dd10-4a86-9ad8-275c2722f21a/a_kozbeszerzesek_alakulasa_a_2016_evben.pdf) (19.02.2018)

Figure 5: Ratio of Hungarian public procurement compared to the gross domestic product between 2007 and 2017<sup>31</sup>



With regard to the above, it is **especially worrying that statistics on public procurement in Hungary have indicated severe problems concerning the practice of public procurement for several years.** Competition in public procurement is extremely constrained. This is implied by the fact that, on the one hand, **the ratio of one-bidder public procurement procedures has been very high for several years** - it has been steadily around 30% since 2009 -, which significantly exceeds the average in the European Union. According to 2016 data, in 36% of the so-called procedures above the EU threshold<sup>32</sup> only one economic actor submitted a bid in Hungary. In contrast, in the European Union the ratio of one-actor public procurement is only 17%, on average. The Hungarian percentage of one-bid public procurement procedures is the sixth highest in the EU.<sup>33</sup> At the same time, it can be assumed that there are even more one-bid public procurement procedures with lower value contracts, especially if we also consider public procurement procedures conducted with sham bids, submitted “for show”.

<sup>31</sup> Source: “Briefing of the president of the Public Procurement Authority on the development of public procurement in the period between 1 January and 31 December 2016”, page 2. [http://www.kozbeszerzes.hu/data/filer\\_public/46/ac/46ac88e6-dd10-4a86-9ad8-275c2722f21a/a\\_kozbeszerzesek\\_alakulasa\\_a\\_2016\\_evben.pdf](http://www.kozbeszerzes.hu/data/filer_public/46/ac/46ac88e6-dd10-4a86-9ad8-275c2722f21a/a_kozbeszerzesek_alakulasa_a_2016_evben.pdf) (26.02.2018) and calculations of TI

<sup>32</sup> The Union rules defined different thresholds for the various types of procurement and scopes of contracting authorities, but in the most typical case, when goods are purchased and services are ordered, it is 135,000 euros, i.e. about 40 million forints, furthermore, in the case of public works it is 5,225,000 euros, i.e. about 1.6 billion forints.

<sup>33</sup> The 2017 country report of the European Commission on Hungary, page 35 [https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en\\_1.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en_1.pdf) (26.02.2018)

It is an additional problem that in Hungary the ratio of **procedures with no public announcement** - i.e. contracts awarded without competition intentionally - **has been approximately 13% for several years, which is three times as high as the European Union average** of only 4-5%. In 2016, in the case of public procurement projects above the EU threshold, the ratio of procedures with no public announcement decreased to 11%.<sup>34</sup> The situation is even worse if we consider procedures under the EU threshold, i.e. small value procedures, since the rules applying to these are less stringent than the rules defined by the European Union, and control is also much weaker. In this scope the ratio of public procurement with no public announcement is as high as 15%, not to mention the so-called “four bids” public procurement projects. The “four bids” public procurement procedure is a unique Hungarian procedure where the purchasing entity operated by state funds does not announce the public procurement to the general public, but rather sends an invitation for bids to four companies of its choice. These types of public procurement restrict competition at least as much as the classical procedures without public knowledge.

**The bias related to the allocation of public procurement contracts contributed in a major way to the fabulous enrichment of oligarchs associated with the government.** While in 2016 the net wealth of Lőrinc Mészáros, the mayor of Felcsút, "only" amounted to 35 billion forints, which earned him the 28th place on the Forbes list of the 33 richest Hungarians,<sup>35</sup> in 2017 he rose to 8th place with a net wealth estimated at 106 billion forints.<sup>36</sup> The public procurement data indicates that various companies in which Lőrinc Mészáros holds stake won public procurement contracts in a total value of 476 billion forints in 2017. 83% of this huge sum, i.e. a net amount of 396 billion forints, came from the European Union.<sup>37</sup> Similarly, the most well-known pipefitter of Hungary tripled his net wealth last year.

Even though the Hungarian regulation on public procurement, developed in 2015, basically complies with the Union guidelines - at least concerning procedures above the EU threshold -, during 2016 the Parliament adopted several amendments that reduce transparency in public procurement and real competition. Adopted in June 2016, Act LXIII of 2016 authorized the government to allow companies found to have been involved in price-fixing to participate in public procurement contracts. Furthermore, Act CLX of 2016, voted into effect in November 2016, introduced several provisions that give cause for grave concerns. For example, Act CLX of 2016 raised the threshold

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<sup>34</sup><http://www.kozbeszerzes.hu/cikkek/kozbeszerzesi-hatosag-elnokenek-tajekoztatoja-kozbeszerzesek-alakulasarol-2016-evben> (26.02.2018)

<sup>35</sup> <https://forbes.hu/extra/33-leggazdagabb-magyar-2016/>

<sup>36</sup> <https://forbes.hu/extra/33-leggazdagabb-magyar-2017/>

<sup>37</sup> <https://atlatszo.hu/2018/01/15/tulnyomoreszt-unios-forrasokbol-gazdagodtak-meszaros-lorinc-csaladi-cegei-az-elmult-het-evben/>

requiring public procurement procedures, enabled the Government to grant a release from the obligation of spending European Union resources in public procurement, and, in the case of procedures with no public announcement, it raised the threshold of public procurement of public works from 100 million forints to 300 million forints.

It has been common Hungarian practice in the last several years in public procurement that the family of Pallas Athéné foundations, established by the National Bank of Hungary in 2013 and 2014, do not operate under the rules of public procurement at all in regards to its spending of public funds. As we indicated in the presentation related to the National Bank of Hungary investments implemented by the foundations, the Public Procurement Arbitration Board only imposed a fine of 84 million forints, constituting a mere 3% of the value of contracts executed through waiver of public procurement procedures, even though it would have been possible to impose a fine five times as high.<sup>38</sup>

This case sheds light on the severe deficiencies recorded in the application of the statutes on public procurement above the Union threshold, even though the statutes themselves can be considered relatively good. One of the reasons for this is that the institutional independence of the parties intended to control public procurement - **such as the Public Procurement Authority and the Public Procurement Arbitration Board - is highly questionable.** In fact, the presidents of these bodies are elected by the Board operating within the framework of the Public Procurement Authority. Of the 13 members on the Board, five are appointed by the Government, and another is appointed by the Hungarian Competition Authority, an entity made loyal by the Government.<sup>39</sup> The Board elects the presidents of the Public Procurement Authority and the Public Procurement Arbitration Board by a two-third vote. While the Government holds a blocking minority in the Board, it has decisive influence on the election.

**The other severe problem is the public procurement remedial system,** in which the Public Procurement Arbitration Board constitutes the first forum. Not only is the independence of this government entity questionable, there is also a mandatory, outstandingly high fee (25 million forints) for initiating a procedure to be conducted by it.<sup>40</sup> This extremely costly procedure may discourage persons or entities who were treated illegitimately in public procurement from initiating review procedures, as has been witnessed by TI Hungary in several specific

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<sup>38</sup>This could have taken place if - in accordance with the request submitted by TI Hungary - the president of the Public Procurement Authority would have initiated the procedure of the Public Procurement Arbitration Board *ex officio*. The submissions of TI Hungary are available here:

<https://transparency.hu/hirek/a-kozbeszerzesi-hatosag-elnokehez-fordultunk-az-mnb-alapitvanyok-ugyeben/>

<https://transparency.hu/hirek/ismetelten-a-kozbeszerzesi-hatosag-elnokehez-fordultunk/>.

<sup>39</sup>PPA. Article 182

<sup>40</sup>MvM Decree 45/2015. (XI. 2.) Article 1

cases. Due to a lack of sufficient control mechanisms, the high ratio of the irregular or corrupt public procurement contracts remain unknown.

## PART TWO

### *1. FINA World Aquatics Championships*

This sporting event cost several times as much as the original estimated budget of the aquatics championship of 217: [it certainly exceeded](#) the net sum of 108 (gross 137) billion forints, or [170 billion forints](#) according to other calculations. It became even more difficult to ensure the transparency of investments and the accountability of the spending of public funds, since the Government did not publish the various items of spending on the event, disputing what items belong to the organization of the World Championships and what are those investments that would have been realized regardless of the championship. In addition to the lack of transparency, another factors that increased the corruption risk of these gigantic sporting event is that with reference to the fact that the event was to be held four years earlier, i.e. in 2017 as opposed to 2021, Act XXXIII of 2015, also known as the “Dagály Act”, authorized all the related public procurement to be conducted on an invitation basis, i.e. in a way that fully excludes competition.

The results of the tenders, conducted under the close scrutiny of the press, show that in many cases the contracts of implementation were awarded to companies maintaining a good relationship with the government, having won several public procurement contracts in a row over the recent years, and owing to the tight deadlines, we can suspect overpricing in several cases. In a number of cases the originally concluded contracts were modified for the benefit of the contractor, as a result, the total cost of the Championship kept rising even at the end of 2017. The security tender of Bp2017 Kft. for the Danube Arena was [awarded](#) to Valton-Sec Kft., a Fidesz-related company in March 2017. An amendment later increased their remuneration to 1.167 billion forints. The contract for the construction of the main venue (Danube Arena) was [awarded](#) to Market Zrt., owned by István Garancsi, an individual with close ties to the Prime Minister. A bridge for bicycles was also built next to the facility for [424 million](#), which apparently did not make sense for the event, but it is widely believed that the bridge leads to the entrance of the future Danubio estate to be built on the other bank of Rákos stream, associated with Norbert Szivek, an executive of MNV. The temporary giant diving tower constructed next to Batthyány tér onto a platform built into the Danube, presumably heavily overpriced, cost more than [3 billion forints](#) in total. After much wrangling, this concrete platform built on a World Heritage section was finally [disassembled](#) as per the original contract. Both the leased tower and the platform were supplied by WHB Építő, a company having good ties with the government. Certain investments had not been completed until the start of the Championship: the renewal of ELTE Bibó college for advanced studies was also enabled by the Dagály Act, on an invitation basis. However, the cost of the

investment went up from the original 405 million forints to 598.8 million, and the building has not been completed up to now. In Margaret Island the building of the Casino was renewed at the cost of 1.2 billion forints, which had been intended to be the seat of the organizing committee, but it had not been completed, either. The organizers waived the penalty of 4 million forints, a [criminal investigation](#) was also started on this matter. Several entrepreneurs with good political ties were awarded a contract: the companies of Tibor Kuna, a businessperson having good connections with Péter Szijjártó and Miklós Seszták Minister of Development, the head of the organizing committee, advertised the sporting events for a fee exceeding [5 billion](#). The Brewery of Pécs, a company owned by Tamás Szemerey and Zoltán Szemerey, nephews of György Matolcsy, governor of the central bank, became the wholesale [beer supplier](#) of the aquatic championship. It was also highly controversial that [Főtaxi](#) became the taxi partner of the event without competition, but Luxury Limousine Service Kft., another company of the owner of Valton-Sec, also [received a contract](#) for chauffeur services.

[http://hvg.hu/sport/20170710\\_igy\\_szabadult\\_el\\_a\\_vizes\\_vb\\_koltsegetese](http://hvg.hu/sport/20170710_igy_szabadult_el_a_vizes_vb_koltsegetese)  
Documents on the web site of the organizer company: <https://www.fina-budapest2017.com/hu/kozbeszerzesek>

## *2. Supports provided from the corporation tax allowance*

By changing the regulation on corporation tax (Act LXXXI of 1996), the Government enabled the taxpayers to offer funds for preferred aims, such as the support of cinematographic work, the support of organizations of performing arts and in the field of the support of certain team sports. The selection of the aims of support (e.g. the selection of the individual sports) were hand-picked by politicians, and the lack of transparency in the system has created severe corruption risks. According to critiques of the TAO system, companies that were awarded high-value contracts in public procurement purchase the goodwill of policy makers by giving billions of forints of support to sports clubs, while owing to the funds available in the system, the sports clubs are not motivated to operate on a market basis, and they also apply various tricks in order to obtain the supports.

According to the report of Transparency International of October 2015, in the space of four years [spectator sports received a support](#) of 200 billion forints [in a non-transparent way](#). The authors of the study are of the opinion that, as opposed to the statement of the Government, the funds paid in the TAO system are not private donations, rather indirect state aid, therefore they are subject to the rules applying to public funds. This is also how the European Commission treats them, and the sentence of the Curia adopted in October 2017 also [confirms this opinion](#). Of the 200 billion forints determined to have been paid at that time, 75 billion

went to football. 12 per cent of that sum was paid to [Felcsúti Utánpótlás Nevelésért Alapítvány \(Youth Training in Felcsút Foundation\)](#), while altogether these funds were distributed among roughly 1100 clubs. Of the budget of 3.1 billion forints of the stadium in Felcsút, 2.55 billion were covered by the [TAO support](#), but the town of [Kisvárdá](#), constituency of Development Minister [Miklós Seszták](#), also received 1.26 billion forints in 2015. We also consider Szolnoki MÁV Utánpótlás FC Kft. and Szolnoki MÁV FC Kft., owned by Zsolt Nyerges, an attorney of Szolnok since 2011, as [entities having good ties with the government](#). He was a business partner of Lajos Simicska in the construction enterprise called Közgép, among others. The suspicion that the funds were allocated in a politically motivated way was also confirmed by the fact that the sports alliances are managed by [pro-government politicians](#). [Volleyball](#) is a case in point for the importance of political connections. The proposal for the expansion of the TAO system, to benefit volleyball, was submitted by Erik Bánki (Fidesz), whose wife is the president of the Beach and Leisure Volleyball Committee of the Association. Soon after that, the Association authorized a budget of 1.1 billion for a company associated with the family.

Despite the criticisms, in the autumn of 2016, according to a law amendment submitted with urgency by the [Ministry of National Economy](#) and voted into effect, it comes under the heading of tax secret who receives a tax benefit for what, and all offered tax deductible funds are tax secrets. Despite the conclusive sentences of public interest data lawsuits initiated in order to make TAO funds transparent, to this day it is [not known](#) who are the supporting companies, in addition, in 2017 a draft law was prepared that would have made access to TAO data even more difficult. We have reason to believe that these economic operators channel their corporation tax liabilities into sports, otherwise payable into the state budget, because of [their political connections](#). According to the calculations of [24.hu](#), until the spring of 2017 the State had waived a corporation tax revenue of 415 billion forints. Support to sports has been increasing year by year, in 2016 it amounted to 99 billion forints. In the budget for 2017 the Government anticipated a loss of 82 to 92 billion forints, and a loss of 76 to 86 billion forints for 2018. The youth training center of Felcsút, established by the Prime Minister and owned by Lőrinc Mészáros, has received the [most TAO support](#) to this day [of all clubs](#).

In the [opinion](#) of Attila Vidnyánszky, director of National Theatre, the TAO funds of theatres do not go to those who need them and deserve them, rather to the “clever” ones. The professional organizations would like to see the TAO system reconsidered, and the process of applying for them made more visible to the general public. The above [concerns](#) about distorted selection and transparency can also be [raised](#) about the TAO funds given to performing artists.

<https://g7.24.hu/tag/tao-tamogatas/>.



<http://k-monitor.hu/adatbazis/cimkek/tao-penzek>

<https://transparency.hu/hirek/vegervenyesen-pert-nyert-a-ti-kozpenz-a-tao/>

<https://www.mlsz.hu/hir/a-tao--palyazatasrol>

### *3. Casino concessions, tax allowances for Vajna*

At the beginning of 2014 Las Vegas Casino Kft., a company owned by Andy Vajna, who is also a Government Commissioner, received the opportunity to operate five casinos - without the announcement of a tender, by the decision of Minister for National Economy, made on his own authority. At first, back in 2013 the newspaper [Világgazdaság](#) wrote that owing to the new rules on taxation (every gambling casino operating in Hungary is entitled to deduct its concession fee from the gambling tax) the company of Mr. Vajna has to pay 1.6 billion forints less in public dues. According to the summary of Figyelő published in July 2014, as a result of new legal amendments the state waived a tax revenue of [7 billion forints annually](#) for the benefit of Las Vegas Casino Kft. In the opinion of Mihály Varga, this tax benefit is justifiable because the new casino owners have to make some serious investments in the first few months, but "it has a motivating effect from several aspects, thus it motivates the operators to generate higher clean gambling revenues, which means payment of higher amounts of gambling tax." Under the agreement, Andy Vajna should have opened his two casinos in Budapest in September 2014, but ultimately, they were only opened several months later, at the beginning of 2015. During that time the government commissioner should have paid several hundred million forints in concession fees, but instead of collecting this amount, the Ministry of National Economy accepted the postponement of the date of opening the casino, thereby waiving the debt. In addition to Andy Vajna, another business circle, also having good connections with the Government, obtained concessions as well. [It was reported](#) that Treff-Klub Kft. won the casino concession in Miskolc. This company is related to Development Minister Miklós Seszták. The current owner is Zoltán Rákosfalvy, an attorney, who has worked for the local government of Győr and for the Fidesz party group, and the managing director is Zsolt Kruppa, who is reported to have lived in the same street with the development Minister in Kisvárd, and their wives also manage a shared company. The casino in Sopron is indirectly [in the interest](#) of István Garancsi.

In the summer of 2015 it was also on the agenda that Andy Vajna and Gábor Szima (the latter is the majority owner of DVSC Futbalszervező Zrt. and holder of the casino concession in Debrecen and Nyíregyháza), as the only casino concession holders in Hungary, could get into the area of [online sports gambling](#), but this was not approved even by the legislative committee, where Fidesz holds the majority. The amendment of the law on gambling, effective since October 2015, has made the operation of online casinos conditional on the concessions

issued earlier (free of charge), therefore the funds generated by these also go into the pockets of the government commissioner for films and Mr. Szima. The licensing procedure was [criticized](#) by the Advocate General of the Union as well.

<http://nol.hu/gazdasag/afat-sem-fizetnek-vajna-kaszinói-1470607>  
<https://444.hu/2014/07/31/figyelo-andy-vajna-7-milliard-forintot-kapott-ajandekba-a-kormanytol/>  
<https://www.vg.hu/gazdasag/felepult-a-vajna-birodalom-448456/>  
<http://k-monitor.hu/adatbazis/cimkek/szerencsejatek/koncesszio>

#### *4. The sale of TV2*

The German owner of ProSiebenSat.1 Company Group had been considering the sale of the loss-producing MTM-SBS Zrt. Company group, which also includes TV2, the second largest Hungarian commercial TV, and decided to disinvest its companies in East Europe. Ultimately, on 23 December 2013 it was announced that MTM-SBS, the company that also holds the cable channels of SuperTV2, FEM3, PRO4 in its portfolio, had been purchased, together with all of its assets, by the companies of [Zsolt Simon](#), the chief executive officer and [Yvonne Dederick](#), director of operations. Parties of the opposition believed that Fidesz-related background persons were behind the unsecured transactions, which the new owners wanted to fund from advertising revenues of the State collected by TV2. Simon and Dederick declared that they purchased the 100 percent equity package of the company without the necessary private capital. This also confirms the theory that in fact, TV2 became the property of investors well-connected with the government. TV2 issued an announcement in which they stated that “ProSiebenSat.1 sold the company in a seller's credit scheme, in which the buyers will repay the selling price over a certain time defined in the contract.” Earlier Infocenter, the company of Zsolt Nyerges was reported as having tried to purchase a national commercial channel persistently.

The story of TV2 continued in September 2015, when [Andy Vajna's](#) company, [Magyar Broadcasting Co. Kft.](#) announced that it had purchased the channel group from company managers Yvonne Dederick and Zsolt Simon. Two hours later [Megapolis Média](#), the company of [Károly Fonyó](#) - a business partner of [Lajos Simicska](#) - announced: they had exercised their option right on Tuesday and the TV channel was theirs. Later on the channel issued a publication in which they stated: the option right of Megapolis was the security of the loan that Yvonne Dederick and Zsolt Simon, the managers of TV2, borrowed also from a source related to Simicska, so they can purchase TV2 from the former, German owners. They state that according to the publication, half of this loan was repaid within a short time, but allegedly, the other half was not required to be repaid for the time being, based on an oral agreement, and the lender did not even ask recently that

the money should be repaid. This seems to prove that Simicska and his partners were in the background in the change of owners of 2013 already.

The fate of the channel was decided in January 2016, when the company court registered Andy Vajna as the owner of the company operating TV2. According to information obtained by the now defunct [Népszabadság](#), Andy Vajna received a loan from Eximbank and OTP for the purchase of the channel. The terms of the loan of EXIM cannot be obtained, because in the opinion of the bank and its supervisor, the Ministry of Foreign Affairs, the loan was lent on a market basis, it is [not considered a public fund](#). [Andy Vajna's Tv2 Kft.](#) probably has received about twenty times as much advertising money from the state than RTL Group did, which is a company roughly comparable to it.

[https://index.hu/kultur/media/2015/10/15/fonyo\\_karoly\\_ugy\\_adtak\\_el\\_a\\_tv2-t\\_hogy\\_nem\\_volt\\_az\\_ovek/](https://index.hu/kultur/media/2015/10/15/fonyo_karoly_ugy_adtak_el_a_tv2-t_hogy_nem_volt_az_ovek/)

<http://nol.hu/belfold/vajna-kedveert-mar-villamgyors-volt-a-cegbirosag-1583387>

## *5. The tobacco kiosk deal*

On the grounds of suppression of smoking, in 2012 the Government introduced new regulations on tobacco retail. The tobacco kiosk concessions were awarded non-transparently, after which a series of affairs came to light where the concessions were granted to entrepreneurs and their relatives with close ties to the government or to the relevant local government. It turned out about the version of the wording of the law sent for preliminary approval by the Union that it was created on the computer of a user named "[János Sánta](#)". This is the name of the manager of Continental Zrt. of Hódmezővásárhely, an acquaintance of János Lázár. That company group of Sánta may have acquired over [500 tobacco kiosks](#) as a result of the law.

Many have indicated that the tobacco kiosks would hardly survive on selling tobacco goods alone, the artificial narrowing of the points of sale - from the earlier 38 thousand to 6 thousand - could result in an explosive proliferation of the black market. And it cannot be prevented in the new system that some large business circles control the tobacco kiosks by secret deals. Finally, in several steps the product offering of tobacco kiosks was extended by gambling, coffee, newspapers, refreshments and alcoholic drinks, so the maintenance of tobacco kiosks became a [lucrative](#) business.

Responsible for the reorganization of the market, the Ministry of National Development (NFM) led by Mrs. László Németh, and Nemzeti Dohánykereskedelmi Nonprofit Zrt. published the winners of the first round of the tobacco kiosk tender for a concession of 20 years, which partitioned the

majority of the tobacco market. The redistribution of the market may have given an advantage to those with a political clout.

While still a representative of Fidesz, Ákos Hadházy (LMP) made a sound recording in the party group meeting in Szekszárd on how the local Fidesz discussed the awarding of the tobacco kiosk concessions. Ultimately, investigation of this matter was [closed](#) by stating that no act of crime could be determined, the grant application materials viewed by them did not contain data implying significant influencing. Later on, the prosecuting authority rejected investigation of the lawfulness of the tobacco kiosk tender, by stating that when the right of tobacco goods retail was transferred, Mrs. László Németh made a decision in the scope of management of national assets. However, decisions made in the scope of asset management do not belong to the powers of supervision of legality of the prosecutor, as defined in the law on the prosecuting authority. A [map](#) was also created on the suspicious concessions, and the documentation of the assessments were obtained by the Democratic Coalition by litigation from NFM: in the assessment committee the ministries were represented by Andrea Bagoly, Márton Bitay, Balázs Czipa, Andrea Gulyás, Ádám Hernádi, Balázs Kohut, András László, Áron Márk Lenner, Karina Mészáros, Péter Mihalovics, Krisztina Orbán and Szilárd Pindroch.

<https://index.hu/belfold/2013/04/30/trafikmutyi-terkep/>  
[https://index.hu/belfold/2014/08/01/ime\\_a\\_trafikmutyi\\_teljes\\_dokumentacioja/](https://index.hu/belfold/2014/08/01/ime_a_trafikmutyi_teljes_dokumentacioja/)  
<https://444.hu/2013/05/27/matolcsyek-es-a-continental-2009-ben-kezdték-elokesziteni-a-trafiktorvenyt>  
[Laki Mihály - A trafikpiac átalakulása és átalakítása \(esettanulmány\)](#)

## ***6. The banning scandal***

In October 2014 the news that the United States restricted the entry of 6 Hungarian citizens, including [Ildikó Vida](#) (the then president of the Tax Authority), caused an uproar. The reasons: they were aware that the affected persons were engaged in or benefited from activities related to corruption. Soon after the announcement it turned out that the case was related to the actions of some persons aimed at obtaining a bribe from American company Bunge, dealing with vegetable oil. Bunge indicated that to its home country, and they also offered their help to the Hungarian authorities against VAT fraud. Bunge suspected that the threads of VAT frauds committed by its competitors lead to higher echelons, since no meaningful progress was made in this case, despite the series of negotiations with the tax authority. In addition, Washington offered a partnership to Hungary in the combat against VAT fraud. Although the tax authority has conducted two investigations, these did not produce any results. The scandal unleashed by András Horváth, who published his report on VAT fraud, did not bring about any meaningful change in the attitude of NAV, either. Although

Ildikó Vida, President of the Tax Authority, conducted an audit at the organization, [she found everything in order](#).

The lobbyist of the company was approached by Viktor Tábor, who (according to the indictment of the prosecuting authority of 2015) was peddling influence, pretending bribery. In 2014 Tábor [may have said](#) to the lobbyist of Bunge, Tamás Torba, that he could arrange the reduction of the VAT on vegetable oil from 27 to 5 per cent, and that the VAT reclaim of one of the competitors of the company would be withheld. Tábor referred to his acquaintance with Péter Heim, in exchange he requested that 2 billion forints should be paid to a specifically identified foundation. After this approach, Bunge referred the case to the embassy, the banning was the result of this action. The Budapest Capital Regional Court, which tried the matter in the first instance, condemned the accused person for two counts of influence peddling, and imposed a sentence of incarceration of two years, suspended for three years, on Tábor. The prosecuting authority found that in reality, Tábor was not in connection with Heim, who was heard as a witness. However, in the spring of 2017 the sentence [was overturned](#). Ultimately, Ildikó Vida resigned from her office as the head of the tax authority, her office was taken over by András Tállai, as a secretary of state for taxation. The full list of the banned persons is not public to this day.

[https://index.hu/gazdasag/2017/04/05/kitiltasi\\_ugy\\_ujra\\_kell\\_kezdeni\\_az\\_eljara\\_st/](https://index.hu/gazdasag/2017/04/05/kitiltasi_ugy_ujra_kell_kezdeni_az_eljara_st/)  
<http://www.origo.hu/itthon/20141105-beismerte-a-nav-elnoke-hogy-kitiltottak-az-egyesult-allamokbol.html>

## **7. MNB foundations**

The National Bank of Hungary (Bank) transferred two hundred billion forints in 2014 to its newly established foundations, from its [FX gains](#). The central bank justified it by stating that it was starting its own training courses in economics, it was spending this money on training activities, and most of these funds would be invested in government securities. There has been much criticism about the management of these foundations. The presidents of the boards of the foundations received seven times the monthly minimum wage, and even the members received half a million forints monthly. In fact, the current and former leaders of the MNB sat on the boards that approved the spending of the foundations and were intended to control their operation. Before the end of the year another 62 billion forints was added to the original grant of two hundred billion. The foundations rejected to give an account of their spending. In the opinion of Transparency International, [mismanagement](#) may have been committed by the spending of public funds through the foundations.

Referring to the Constitutional Court, TI has proven that the foundations of the MNB “undoubtedly manage public funds and perform public duties”, which led

to the disclosure of several agreements on 22 April 2016. The following information turned out from the agreements, among others: in the space of one and a half years, over 500 million forints were paid to New Wave Production Kft., which is also the publisher of the Vs.hu portal. Later on it turned out that the owner of the company is István Száraz, who then purchased the Origo news portal. Later Ádám Matolcsy (the son of the governor of the central bank) became the owner of the company. The foundations granted 70 million forints to the author of the book written about governor of the central bank György Matolcsy, furthermore, each of them separately ordered the analysis titled “Domestic and Global Economic and Financial Trends”, for 750 thousand forints, even though the contents of the copies were identical (otherwise this analysis mainly summarized the papers of the MNB). BanKonzult is owned by Tamás Szemerey, who is a nephew of Matolcsy. His wife is Gabriella Szemerey, the [director](#) of PADA.

In the opinion of TI, in reality, it was the MNB that spent the money through the Pallas Athéné foundations. Since the leaders of the MNB are public officials for the purposes of criminal law, what happens also raises the suspicion of abuse of office. For the above, charges were pressed to Chief Prosecutor Péter Polt. The prosecuting authority [did not even assess](#) the charges. The real property developments of the foundations of the central bank were also criticized. In 2017 a budget of 3.6 billion was allocated for the renovation and remodelling of the property at 21 Úri street, serving as the seat of Pallas Athéné Domus Animae (PADA) Foundation, and simultaneously PADA published a public procurement contract notice for the interior works of Villa Budapest, a property located on the slope of Castle Hill, on which almost five billion forints had been spent up to that time. This contract of almost one billion was [awarded](#) to the consortium of Magyar Építő Zrt., a company in which László Szíjj (Duna Aszfalt) holds an interest, and Raw Development Kft., a company with owners who are attached in many ways to Tamás Szemerey, the nephew of governor of the central bank Tamás Matolcsy. The Public Procurement Arbitration Board [initiated](#) an investigation in over one hundred cases concerning the foundations of the MNB, on procurement without competitive bidding, and found in September 2017 that the foundations concluded every tenth contract of theirs illegitimately. The European Central Bank warned the MNB several times because of the functioning of the foundations, since they interfered with the operation of the market of government securities by their purchases of government securities, and that of the real estate market by their purchases of real estate, and they performed a function of the state by their educational activities. Despite the criticisms, the foundations [plan](#) on further real estate developments and have deposited significant amounts in Növekedési Hitel Bank of Szemerey. According to press news, the prosecutor's office only ordered investigation in one case of [falsification of documents](#).

[https://index.hu/gazdasag/2016/04/21/mnb\\_cegek\\_alapitvanyok/](https://index.hu/gazdasag/2016/04/21/mnb_cegek_alapitvanyok/)  
<http://magyarnarancs.hu/publicisztika/elvesziti-ugyeszsegjellegget-100274>

## *8. The Quaestor affair*

After the collapse of Buda-Cash brokerage company and the filing for bankruptcy by Quaestor Financial Hírirta Kft., the previous evening, on 10 March 2015 the MNB partially suspended the trading license of Quaestor Értékpapír-kereskedelmi és Befektetési Zrt. It was suspected that of the 210 billion forints of bonds issued by the company, 150 billion forints' worth of bonds were fictitious. The National Investigation Office initiated an investigation in the case, on the suspicion of [fraud](#), against an unknown perpetrator, and on 26 March [Csaba Tarsoly](#), the owner of the Quaestor companies, was arrested as a suspect. Several customers may have been informed on the collapse, so they bailed out their money in due time. The [Ministry of Foreign Affairs and Trade](#), which is led by Péter Szijjártó and is [tied](#) to Quaestor in the case of the commercial office in Moscow, among others, bailed out the capital of the [Hungarian National Trading House](#) from Quaestor one day before the scandal erupted, for which both PM and Jobbik pressed charges. The Ministry of Foreign Affairs denied having insider information, they stated that they had removed their funds from Quaestor on the instruction of the prime minister, however, according to Pestisrácok, [Secretary of State Balázs Kohut](#) was dismissed from the Foreign Ministry related to this case. Viktor Orbán acknowledged: he ordered that the ministries empty their accounts held with brokerage firms, since after the collapse of [Buda-Cash](#) he was of the opinion that "in a period threatened by the domino effect not one forint of public funds should be deposited with brokerage companies." In addition, several [clients](#), such as a former chauffeur of the prosecutor's office and the husband of the spokesman of Quaestor, removed their funds from Quaestor [in the last minute](#). According to witness confessions, these were not necessarily requested by the clients, rather the managers of Quaestor made a last ditch effort to gain favours by paying off the VIP clients. However, the funds of several dozen municipalities [got stuck in the brokerage company](#). Details of this fraud were explored by Márton Kasnyik in a [series of articles](#) issued with the title of The Quaestor Affair.

The lawsuit against Csaba Tarsoly and his associates is in progress. One expert witness was excluded from the case, since he has ties with the liquidator of one of the companies involved in the lawsuit as an injured party. The indictment was based on this expert opinion, therefore the entire lawsuit had to be restarted because of that, by producing expert evidence. In the underlying case, in February 2016 the Chief Prosecutor's Office of Budapest submitted an indictment against a total of 11 persons for embezzlement, fraud and other crimes committed in a criminal organization, which procedure is currently in the judicial phase. Many observers talked about bias, when it [turned out](#) that: The daughter of Péter Polt is the life partner of the personal secretary of Tarsoly, and his wife held an executive



position at the supervisory authority of Quaestor. Back in December 2015 the investigating authority detached the [sub-case](#) affected by the so-called mismanagement of Soltvadkert from the underlying case, in which the investigators interrogated five suspects on the reasonable suspicion of mismanagement causing especially significant pecuniary disadvantage. The [settlement of the losses](#), which has been also highly [controversial](#), is still in progress, and the victims of the case held several demonstrations against the procedure. We may never know the answer to the question of why the financial supervisory authority (HFSA, then the MNB) had not detected the abuses much earlier, and whether Tarsoly and his associates had been [relying](#) on political connections.

<https://tldr.444.hu/2016/10/18/hulye-vagy-en-vagyok-a-tulajdonos-enyem-itt-minden-sajat-magamtol-nem-tudok-lopni>

<https://tldr.444.hu/2016/10/27/kifosztottak-a-kicsiket-hogy-kifizethessek-a-nagyokat>

<https://tldr.444.hu/2016/11/15/nincs-az-az-isten-hogy-a-penzugyi-felugyeletnel-ne-tudtak-volna-mi-folyik-a-quaestornal>

<https://444.hu/2017/05/31/a-quaestor-vagyon-elkotyavetyelese-a-terv-szerint-halad>

## 9. Paks 2

Hungary and Russia signed an [agreement](#) in January 2014 on the expansion of the nuclear power plant of Paks. Under this Agreement, between 2014 and 2025 the Russian State would provide a credit facility of 10 billion euros to Hungary for the project, with an interest of 4 to 5 per cent. This covers 80 per cent of the total costs of the project. The Parliament accepted the contract in February 2014 subsequently, without knowing the details of the agreement. The Parliament [decided](#) in March 2015 that the business and technical data included in the contracts of Russian and Hungarian entities and subcontractors commissioned to implement the project, furthermore, the implementation agreements and the data related to the preparation of the agreement and underlying the decisions cannot be disclosed as data of public interest for a term of 30 years beginning from their inception. The European Commission has indicated that Brussels has been assessing the transaction from the aspect of [public procurement](#), since the State of Hungary awarded the right of implementation to the giant corporation [Rosatom](#), in charge of the nuclear energy industry of the State of Russia.

At the end of February 2017 (probably as a result of intervention by lobbyist [Klaus Mangold](#), hired by the State of Hungary), the European Commission authorized the state aid for the expansion of the nuclear power plant of Paks. After that, the Government of Austria [sued](#) Hungary at the European Court of Justice. Although the study was published on the expansion of Paks, the credibility of the



retained company is questionable, since a former secretary of state, Gábor Orbán was [involved](#) in the creation of the study. According to the study, block no. 2 will be self-sustaining and will not require state aid, it will also generate 180MW of electricity. However, it can only be self-sustaining if they will be able to sell the electricity at a price of 85 euros. According to a study made on the order of [Greenpeace](#), if the estimations contained in the study of the State are compared to the forecasts of the Energy Agency and the French Court of Auditors, there is no scenario under which Paks 2 would generate a profit. In their opinion the new block would generate electricity at a higher price in any case than the prices of the international market. Furthermore, they would have to sell the electricity at least at a price of 103 euros for the investment to be self-sustaining. The agreement concluded with the Russian party has also been widely criticized because it will expose the country to the Russians from a geopolitical aspect as well.

Professional organizations also challenged the [environmental license](#) of the project, which has become legally conclusive since then. In addition to the issues of foreign debt and questionable return on investment, the non-transparent management also runs the risk of corruption, which is also highly exposed to the [lobbying activities](#) of Russian and Western companies. This creates the threat that Hungarian companies would be excluded from the works related to the expansion. However, [companies with good ties to the government](#) have already appeared around Paks 2, as can be seen from the agreements of MVM Paks II Zrt. concluded between 2014 and 2016, [disclosed by court order](#). In 2014 MVM Paks II Zrt. spent one billion forints on the promotion of the project, most of which went to Inter Media Group Kft., a company associated with Simicska, but the media interests and the companies of Tibor Kuna also [benefitted](#) from the project. Although the project is just starting, last year a sum of 5.3 billion forints was already spent on the wages of the employees of the LTD. Although the Government is still talking about the benefits of funding by the Russians, at the beginning of 2018 it started to [make prepayments](#) and they are trying to replace the loan from Moscow with a credit with better terms.

<https://atlatszo.hu/2017/09/13/a-kozerdekvedelmi-kozpont-kozzetette-a-paksi-bovites-elokeszítése-soran-kotott-szerzodéseket/>

<https://444.hu/2018/02/15/igy-szorítottak-ki-az-oroszok-a-magyarokat-paks-2-egyik-fontos-cegebol>

<https://24.hu/fn/gazdasag/2017/10/26/jogeros-paks-2-kornyezetvedelmi-engedelye/>

## **10. The no. 4 subway**

Gábor Demszky, the mayor of Budapest at the time, signed a contract with the Government on the expansion of the no. 4 subway line in 2003. Transport experts

claimed from the beginning that the subway line was not necessary in its planned form, because the sums allocated to this project could be used more efficiently to improve the transport of the capital. The funding of this major investment was enabled by the budgetary cycle of the Union beginning from 2004. In order to receive funds of 260 billion forints from the Union, the [return on investment indicators](#) of the feasibility study had to be overwritten. When the plans were reworked, a total cost of 480 billion forints was indicated as necessary for the implementation of the first and the second stage. Brussels authorized the aid for the support of the first stage of the no. 4 subway line, but as opposed to the expected sum of 260 billion forints, the Union only granted 181 billion forints for that, on the ground that the capital city concluded 11 of the 50 contracts without open tendering, therefore the EU did not finance the prices of these. Most of these funds were provided by the European Investment Bank. In 2009 DBR, the company in charge of implementation, stated: the costs of the first stage alone are as high as 365.5 billion forints, and the completion of the project could drag on until 2013. In 2011 István Tarlós, the new mayor announced that the EU would not support the construction of the second stage, the capital did not have funds for that on itself. Eventually, in 2012 the Government set the total budget of the first stage, from Kelenföld Railway station to Keleti Station, at 452.5 billion forints, of which 180.8 billion was paid by the EU, 193.7 billion by the State of Hungary and 78 billion by the Municipality of Budapest. The line was delivered in March 2014.

The tunnels were drilled by Bamco Consortium made up of Vinci of France, subsidiaries of Strabag of Germany and Hídépítő Zrt. In addition to them, Swietelsky Építő Kft. also participated in the construction of the stations. The subway cars were supplied by Alstom of France. It only became public information from the docket of the Hagyo case in 2011 that according to the confession of Attila Antal, a former chief executive officer of BKV, a person designated to be an intermediary by Miklós Hagyo requested a bribe of 2 billion forints because they helped the company with winning the interior architecture tender of the subway in the value of 40 billion. Swietelsky denied the accusations. In the same year the investigation of the State Audit Court was closed with an accusation for mismanagement, having explored several irregularities concerning the no. 4 subway line. According to the report of the Audit Court, the State and the Capital suffered significant financial losses from the irregularly conducted public procurement, caused by disbursements not proportionate with performance and by irresponsible contracting practice. Published in January 2017, the [OLAF report](#) explored a damage of about 167 billion forints in the no. 4 subway investment project, therefore the European Commission may impose a fine of 76.6 billion forints ([87 billion forints](#) according to other sources) on Hungary. The report identified former prime minister Péter Medgyessy, the Municipality of Budapest at the time, led by MSZP-SZDSZ, and Alstom as

implicated in the case. According to István Tarlós, the present mayor of Budapest, ultimately the amount to be refunded may be about [59 billion](#) forints, which may be paid by the [Government](#). The Hungarian authorities investigated this case after January 2011, currently the proceedings are in progress because of the crime of bribery committed by misconduct by public officials in high-level offices and other crimes, so far no [politically exposed person](#) has been suspected in this case.

[https://index.hu/belfold/2017/02/02/kiszivargott\\_a\\_4-es\\_metros\\_korrupciot\\_vizsgalo\\_olaf-jelentes/](https://index.hu/belfold/2017/02/02/kiszivargott_a_4-es_metros_korrupciot_vizsgalo_olaf-jelentes/)  
<https://asz.hu/storage/files/files/%C3%96sszes%20jelent%C3%A9s/2010/1023j000.pdf?ctid=731>

### ***11. BKV-Alstom subway cars***

In 2006 the Municipality of Budapest concluded an agreement with Alstom of France on the production of the cars of the no. 4 subway. However, owing to quality complaints, the authorities denied the issue of the licenses required for the operation of the cars, therefore Budapest rescinded the agreement for failure to deliver in due time. However, it was provided in the agreement that Alstom may not be held liable if the licenses for the metro cars cannot be obtained. This provision served as a basis for the company when it approached the Court of Nanterre, which declared, in the first instance, the rescission of the agreement by the Capital illegitimate, and forbid the banks to enable BKV to invoke the fulfillment guarantee and to refund the advance paid by the transport company. Finally, after changing the braking system the subway cars [received](#) the license in 2012.

At the end of 2015 the temporary committee of inquiry of the Municipality of Budapest once again brought the Alstom public procurement under scrutiny, after the Serious Fraud Office of the United Kingdom [accused executives of Alstom of having given - or having consented to giving - a total bribe of 2.3 million euros](#) to officials, agents of BKV, in order to influence the transport company of Budapest to purchase the cars of Alstom. This amount was pretended to be a fee payable under a consulting agreement concluded between Alstom and Eurocontact Public Affairs GmbH of Austria on 8 June 2006. In January 2016 the committee of inquiry concluded that “it would have been very difficult” for any company other than Alstom to win the procurement, however, it failed to identify the persons responsible and benefitting from the corruption scandal. At the time of the procurement of the subway cars, former socialist head of government Péter Medgyessy [received](#) 180 million forints from Alstom for his advice. The investigative authorities suspect two persons, and an international arrest warrant has been issued against a third person.

[https://index.hu/belfold/budapest/2017/01/09/jogszerutlen\\_volt\\_az\\_alstom-metrokocsik\\_beszerzese/](https://index.hu/belfold/budapest/2017/01/09/jogszerutlen_volt_az_alstom-metrokocsik_beszerzese/)

## 12. *Settlement bond*

By purchasing a settlement bond, citizens of non-EU member states acquire residence permit for the Schengen zone, a settlement permit after six months, which enables them to travel freely and establish undertakings in the Schengen zone. The validity of this latter is for an indefinite term, it is given for life, furthermore, family members may also acquire rights for the purpose of family reunification. The term of this bond is 5 years, it is repurchased upon expiry by the State of Hungary at the original face value. The traders of the Government settlement bond have been established exclusively for that purpose, mainly as offshore companies registered abroad. They obtained the trading right under an individual decision of the Economic Committee. They earn their profit from two sources: the brokerage fee and the outstanding balance between the discounted purchase and payment of the bond at face value. From 2015 settlement bonds have been on sale in Hungary for 300,000 euros (the initial price of 250,000 euros went up). Until 31 August 2016 12,299 Government settlement bonds had been subscribed by 3,915 persons, but we have no way to find out exactly which were the brokerage companies: the data of agreements concluded with Government Debt Management Agency Ltd. are classified as “[business secrets](#).” The system is designed in such a way that in reality not one single government bond will come into the possession of any foreign citizen planning to settle down, so the mysterious intermediaries have a significant latitude - and they operate at a high profit rate.

As the chairperson of the Economic Committee of the Parliament, Antal Rogán initiated the development of the settlement bond scheme in 2012. The [law was worded](#) by a Fidesz-related legal office, which has been allowed since then to participate in the management of administrative affairs. One of the beneficiaries of the system that was launched in 2013 was the intermediary Arton Capital Kft., which also has ties with Rogán: the owner of the company is [Radosztina Balogh](#), a former university mate of the politician. The office of the company was [robbed](#) in the autumn of 2017, the money and the documentation of the bond business were stolen.

Since the start of the system several controversies have come to light. A [Russian tax fraudster who was conclusively sentenced in his home country](#) also received an opportunity for settlement, he practically laundered his money clean in the bonds of the State of Hungary. His certificate of good conduct was issued by his place of residence in a Caribbean tax haven. It was stated by several sources that the Economic Committee has given authorization to several offshore companies

- partially or fully with a Hungarian background - for brokerage, when it distributed the trading rights to them for the respective countries. In the Chinese market, which produced the highest number of subscriptions by far, a company registered in Grand Cayman is the broker, which is represented by the Chinese banker [who booked a helicopter sightseeing for Árpád Habony](#) in Hong Kong. This network with non-transparent ownership, income or taxation conditions, is an excellent tool for the [redistribution](#) of part of the funds collected from persons wanting to settle down, therefore it cannot be excluded that some of the profit ultimately lines the pockets of decision-makers related to the government.

It was also claimed that the bond programme does not make sense economically: as other forms of financing became cheaper, the country lost money, while the intermediaries and those involved in the procedure realized a profit. According to [press news](#), it is self-explanatory for the selected intermediaries that they work with Kosik Legal Office, which has ties to Habony and Rogán. According to the calculations of [hvg.hu](#), so far the artificially high interests of this new type of government securities introduced in 2013 has cost the taxpayers [5 to 6 billion forints](#). The offshore trading companies realized a revenue of over 80 billion forints from the brokerage fees. After a series of scandals and political pressure, the administration promised that the system would be reviewed.

In January 2017, not long after the government had made the decision on phasing out this scheme, Magyar Nemzet [won a lawsuit](#) against the Government Debt Management Agency (ÁKK), in which the Metropolitan Court of Budapest qualified the bond purchase data of the individual companies as data of public interest. In November 2017 Magyar Nemzet made a report on the bond programme [based on the final data](#), although owing to family reunifications, at that point it could not be found out how many residence permits had been issued under the programme. According to MN, the offshore companies realized a revenue of 145.9 billion forints, to which a profit of 9.6 billion forints should be added, which was earned by the office of Kristóf Kosik. By 2017, the yield of the secondary market had dropped to 0.15%, this meant that financing had become thirteen times cheaper compared to the interest of two per cent of the settlement bonds. In 2017 only, the Government lost 16.4 billion forints on the bond programme, which raises the suspicion of mismanagement. In addition, in several cases the [licensing procedure](#) of companies participating in the settlement bonds business may have been irregular. The committee may have conducted the procedure aimed at the approval of the enterprises on the basis of incomplete data and documents. Despite the anomalies explored by the press in detail, Chief Prosecutor Péter Polt [did not commence proceedings in the case](#).

<https://g7.24.hu/allam/20180202/hemzsegtek-a-szabalytalansagok-roganek-letelepedesi-kotvenyprogramjaban-buntetougy-lehet/>

<https://mno.hu/belfold/kotvenybiznisz-polt-peter-ugy-veli-hogy-nincs-itt-semmi-latnivalo-2437107>

<https://mno.hu/gazdasag/a-letelepedesikotveny-program-a-magyarorszagi-korrupcio-mercejevel-merve-is-durva-bunugy-2433631>

### *13. Sale of MKB*

The State purchased Magyar Kereskedelmi Bank in 2014 from the provincial Bank of Bavaria, then [made it financially viable](#). According to the analysis of Index, by the end of the transaction the State had become poorer by at least 12-17 billion tax forints. From December 2014 the National Bank of Hungary has exercised the rights of the owner over the bank. The privatization of the bank was closed in June 2016: 45 per cent of MKB is owned by METIS Private Capital Fund of Hungary, 45 per cent by Blue Robin Investment, a company with an international background, and 10 per cent by Pannónia Pension Fund. There were many uncertainties about members of the consortium that purchased the bank: for example, Blue Robin was [registered](#) in Luxembourg only a few months before the purchase of the Hungarian bank, with quite a modest registered capital and an ownership structure that is hardly transparent. According to information obtained by Figyelő, probably Ádám Balogh and his associates, who came from MNB, acquired a significant minority shareholding as managers of MKB, in such a manner that the investor of the bank, registered in Singapore and Luxembourg, let the management of MKB acquire two-third of its own shareholding of 45 per cent. Magyar Narancs initiated a lawsuit for identifying the actual owners: MNB rejected the disclosure of the data, therefore the weekly paper filed a lawsuit with the support of Transparency International and with the involvement of Dániel Karsai Legal Office, which it won in the first instance. Barna Semsey, who introduced himself at a press briefing as advisor to Blue Robin, actually stated that “the final circle of investors will not be public.”

Finally, in 2017 the owners were identified. As the owners of Blue Robin, chief executive officer Ádám Balog, a man trusted by György Matolcsy and Tamás Szemerey, owner of the competitor Növekedési Hitel Bank - and also the nephew of governor of the central bank György Matolcsy - became the leading owners of MKB together with the employees of the bank, and in 2018 they [increased](#) their shareholding to 32.9 per cent. The funds necessary for the acquisition of this position were provided by loans. At the end of the summer of 2017 it also turned out that through Metis, Konzum Investment Fund Manager required an indirect shareholding, while Lőrinc Mészáros and Konzum Nyrt. [acquired](#) a direct controlling interest in MKB Bank. The fact that associates of Orbán and Matolcsy are in control of the bank enabled the funding of such media purchases as the acquisition of Origo or TV2.

#### **14. The NTCA (NAV) scandal**

The scandal was unleashed in November 2013 by András Horváth, the professional coordinator of the National Tax and Customs Administration of Hungary (NAV) in charge of audits, by claiming: at the NTCA a well-defined group of taxpayers, the members of which are mainly key taxpayers, enjoyed a privileged status. According to [Horváth](#), who resigned after communicating this, the cross-border VAT fraud may cause a loss of one thousand billion forints annually to the central budget (this is an exaggerated amount even according to experts), therefore he filed charges because of abuse of office. Horváth claimed that major retail chains and the community of their suppliers are involved in this fraud, and they pay less taxes than would be justified by their economic performance. They can do so because there are never any meaningful tax audits aimed at VAT and public dues at these companies, or if there still is an audit, it gets closed without any meaningful finding (detection of tax owed). The NTCA denied these accusations and argued by pointing out: findings by the tax authority in the scope of key taxpayers amount to approximately 70 billion forints annually.

In one of the investigations, a grain producing company (Delta Feed Kft.) was audited, which sold grains for 6 billion forints annually, without having any warehousing or transport capacity of its own. However, an NTCA employee named Andrea F. had the audit of one of the suppliers of the grain producing company terminated, by order received from the top level, she claimed. The police [proposed that charges be pressed](#) against this NTCA employee. In terms of financial losses, the [largest case](#) was that of General Electric. The Directorate of Key Affairs (KÜIG) found tax owed in the amount of 42 billion forints, about which Zsolt H., the director of KÜIG also made a confession, and the allegation was also supported by the Central Office. However, at the end of a discussion, a representative of GE said that he would take care of this matter with Katalin S., the supervisor of Zsolt H. After that, the employees of KÜIG were summoned to the Central Office of NTCA, where the deputy of Katalin S. said that professionally they did not agree with the record. In fact, it was the Central Office that stopped the investigation. In the opinion of the police, the debate within NTCA was about professional issues, therefore no abuse occurred. The investigations started as a result of the scandal unleashed by Horváth were closed by the statement of the police to the effect that [with one exception](#) no crime was committed in the investigated matters, and the investigation was [terminated](#) in that one matter as well. Later on, András Horváth was [summoned as a suspect](#) in the proceedings commenced against him for obtaining data of the tax authority without authorization. However, the prosecuting authority found that none of the



crimes which the NTCA, as the accuser charged András Horváth with [has been actually committed](#).

<http://www.origo.hu/itthon/20141029-nav-ugy.html>

[https://index.hu/gazdasag/2013/11/08/kitalalt\\_egy\\_adoellenor\\_engedik\\_csalni\\_a\\_nagyokat/](https://index.hu/gazdasag/2013/11/08/kitalalt_egy_adoellenor_engedik_csalni_a_nagyokat/)

## **15. Jeremie Funds**

The aim of Jeremie type financial instruments is to enable SMEs to borrow loans. Jeremie risk capital programme was started in Hungary in 2009. The funds of 130 billion forints were distributed to 28 capital funds operating in Hungary, and they were operated by private investors selected by tenders. These latter had to commit that they would add 30 per cent of their own funds to the Union funds of 70 per cent. The term of the programme is up to ten years, within that time the funds will have to repay to the EU the money received. Strong doubts emerged at governmental level as well about the efficiency of the programme. A good part of the supports end up being received by circles with good ties to political groups, in several cases the capital funds have lent loans to companies related to the owners. [Index](#) found a conspicuously high number of interests in the corporate R+D category held by István Garancsi, a person with close ties to the Prime Minister. Garangold received Union funds of 4.28 billion forints under the Gyurcsány administration. Some of the beneficiaries of the support had close ties to István Garancsi or to persons related to Fidesz. The start-up funds often went to support activities that were already in operation and [cannot be considered innovative](#).

The EU criticised that companies [“belonging to a certain circle of investors”](#) were appointed to pay the funds. Several of the challenged projects were related those [Zsolt Hernádi](#), the chairman- chief executive officer of MOL. Hernádi was selected in 2013 already, and his fund management company [Gran Private Equity](#) received 3 billion forints to help start-up companies. The purpose is to support start-ups that perform innovative activities. However, according to an employee of MFB, the fund management company owned by the head of MOL did not intend to pay the funds to such companies. The documents processed by [Direkt36](#) point out several problems that are contrary to the original aims of the programme, and sometimes violate rules. It turned out, among others, that the capital fund managed by the company of Hernádi supported a relative of Hernádi and a close acquaintance of his by 840 million forints, to enable them to conduct real property deals. It also turned out that the fund of Hernádi closely cooperated with the fund of Garancsi, also a participant of the programme, and it even supported an interest of the businessman by several hundred millions. GB & Partners, the company of [Ágoston Gubicza](#) was the manager of several Jeremie funds where the controversial investments were made. After the end of the



Jeremie period, the company won a tender of Eximbank, a bank owned by the State of Hungary, for a similar venture capital programme. According to Direkt36, the fact that Gubicza and Rogán are acquainted may have played a role in that.

Furthermore, it also turned out from the leaked documents that the EU has found specific irregularities in the programme, related to the passivity of the Hungarian authorities and also related to the fact that such companies (e.g. companies based in [Budapest](#)) also received support that would not have qualified for the support according to their venue of operation. Partly owing to the practice of Hernádi and his company, the disbursement of the funds was suspended for some time, and a fine of 4.3 billion forints was imposed. Anomalies also happened at funds not closely related to politics, which reveals errors in the system of management. [Penal proceedings](#) were also initiated against one of the company groups: in the audit of Netfone it could not be determined whether the Hong Kong-based company that sold the software purchased for 170 million forints actually deals with the development or trading of such software. Netfone received funds by way of Morando, a company related to András Tombor, a former advisor to the prime minister. The tendering of financial instruments supporting SMEs had been [reworked](#) significantly for the cycle beginning from 2007.

<http://www.direkt36.hu/2017/03/07/kiszivargott-iratok-mutatjak-hogyan-osztott-kozpenzt-rokonanak-es-uzlettarsanak-hernadi-zsolt/>  
<http://www.direkt36.hu/2017/04/12/ujabb-jeremie-aktak-hernadi-szexpartner-keresos-uzleten-kiakadt-az-eu-tomborek-befektetese-vizsgalja-a-nav/>

## **16. The Pharaon affair**

Ghaith Pharaon, a Saudi businessman, oil tycoon and a former shareholder of Bank of Credit and Commerce International (BCCI), had been [wanted](#) by the FBI and Interpol for 25 years. The charges included, among others: fraud, money laundering and bribery, arms trafficking, support of terrorism, trafficking with nuclear technology, smuggling, support to prostitution and illegal immigration. Pharaon applied for and received Hungarian visa in October 2014, after which he visited Hungary five times. Theoretically, the Hungarian authorities were also aware of the arrest warrant issued by the FBI against him, but they did not consider it a threat to national security, even though Pharaon indicated in his first visa application that he wanted to meet Viktor Orbán. In the second application it was not considered a problem that Pharaon failed to submit a certificate of income, on the ground that the consul of Jordan [supported his livelihood](#), while he was trading in real properties worth several billion forints. At first the Hungarian authorities denied that he was the same Pharaon who was wanted by the FBI, but later on it turned out that they were aware of the [affair](#).

The legal counsel of Pharaon, Ammar M. Abu Namous, established five companies in Hungary that bear the name Pharaon. The companies were registered for the residence of Zaid Naffa, Honorary Consul of Jordan, and until September 2016 they had maintained accounts with MKB, a state-owned bank. Their core activity was the purchase of properties under monument protection, especially castles. It was one of the dinners of Zaid Naffa where Ghaith Pharaon became acquainted with Viktor Orbán. In the meantime the Naffa brothers wanted to apply for Hungarian citizenship, however, Naffa [failed to pass the screening of the Counter Terrorism Centre for terrorism twice](#), presumably because of the unclear background of Pharaon. Even Zsolt Semjén [intervened](#) in this matter. When Márta Demeter, a representative of LMP wanted to ask questions about this matter in the session of the committee of national security, she was excluded without giving grounds.

The [headquarters of Postabank](#) was purchased by the company Pharaon-Kappa Kft. from an interest of Turkish businessman Adnan Polat, and from a company whose duty was paid by István Tiborcz upon establishment. Adnan Polat was presented by Kálmán Mészöly to Viktor Orbán in 2005. In 2014 Magyar Nemzeti Kereskedőház Zrt. (MNKH), a company with its majority shareholding held by the Ministry of Foreign Affairs, commissioned the company of Adnan Polat, Magyar–Török Kereskedelmi Központ Kft. (ALX) to establish and operate a total of eight local trading houses in Turkey, Greece and Cyprus. The manager of the trading house that has been established in the city of Izmir since then is a nephew of Anikó Lévai. In October 2015 a property opposite the house of Viktor Orbán - Cinege u. 4-6./ Kútvolgyi út 70-72. – came into the possession of Pharaon Delta Kft. Ghaith Pharaon [died](#) on 6 January 2017, in Beirut. At present there is no investigation in progress concerning the obtaining of visa by Pharaon, and there is no information on what happened to his investments in Hungary, for example, the [Zichy–Hadik Castle in Seregélyes](#), or the Apponyi residence in Hőgyész. Officially the Pharaon companies were never registered for his name, the owner of these is Abu Namous.

<http://magyarnarancs.hu/belpol/a-szaudi-szomszed-101257>

## ***17. Suspension of Népszabadság***

On 8 October 2016, Mediaworks, a company in which Heinrich Pecina holds an interest, suspended the publication of Népszabadság, the Hungarian political daily with the highest circulation, as well as its online version. The publisher explained this action by stating that the circulation of Népszabadság had decreased by 74 per cent over the last 10 years, and it produced a loss of 5 billion forints. According to their statement, the newspaper would be suspended until “the new concept has been developed”. The decision was surprising: Mediaworks spent much money on the development of the online appearance and contents, there was a journalist who was to join the editorial team in November. The court

that proceeded in the case determined that Mediaworks [violated](#) the Labour Code by suspending the employees, many of the staff members did not have access to any of their personal items, they were excluded from the emails of the company, and the court of register found that Mediaworks proceeded illegitimately when it [failed to ensure](#) representation of employees in the supervisory board of the company that decided on the shutdown of Népszabadság.

Every party of the Parliament except Fidesz and KDNP condemned the termination of Népszabadság. During the weeks prior to its suspension, the newspaper wrote about the girlfriend of governor of MNB György Matolcsy, her luxury apartment loaned from the president of the Banking Association, and on the helicopter journey of Antal Rogán, and because of that it was widely believed that the suspension and termination of the newspaper was motivated by political retribution. However, the shutdown of the newspaper was probably much more motivated by the intention of a complete rearrangement of the media market, which was actually implemented by Fidesz step by step. Heinrich Pecina - who was sentenced for 22 months of suspended [incarceration](#) and a fine of about 90 million forints (converted) for mismanagement and embezzlement in another case - later on sold Mediaworks to Optimus Group, which is related to Lőrinc Mészáros. After the change in ownership, significant advertising funds [started](#) accruing from the state to press publications of Mediaworks. Pecina did not leave the Hungarian media market. At the end of 2017 he used a newly established company - also taking advantage of the loan by [MKB Bank](#), which is related to Mészáros, he [purchased](#) Russmedia, considered the largest local media publisher of East Hungary.

<https://444.hu/2016/11/17/ilyen-volt-a-nepszabadsag-halala-belulrol>

## ***18. Campaign financing for fictitious political parties***

The Parliament adopted the new campaign financing regulation on 10 June 2013, concerning which both the opposition and [civic organizations](#) had warned of corruption risks from the very beginning. The suspicion was confirmed, more “fictitious parties” ran in the elections than ever before, political parties with no real agenda, only intended to obtain campaign support. Taking advantage of the anomalies of the regulation, these parties acquired billions without risk. The tax authority was unable to [collect](#) fines of about 1.96 billion forints from the fictitious parties that ran in the elections of 2014, and in December 2017 it actually [closed](#) these cases. In many cases these parties received less votes than the number of recommendations they had collected, and their [financial reports](#) have been also found to contain serious [anomalies](#). In addition, the civic organizations had to [go to trial](#) with the State Treasury in order to obtain the financial reports.

The regulation remained unchanged: in the elections of 2018 it is possible to establish a national list by running 27 individual candidates and by collecting 13,500 signatures. The party is entitled to a support of 149 million forints for up to 53 candidates, and a party running 106 candidates can already expect a support of 579 million forints. However, in November 2017 the Parliament [decided](#) by a law amendment adopted with two-third majority, that if a party fails to reach 1 percent in Parliamentary elections, it has to repay the received state support from the assets of the leadership of the party. But the amendment failed to deter the fictitious parties, in 2018 over 400 parties will run for the April elections. János Zuschlag established a political party with a friend for the 2018 elections, but they wanted to [obtain](#) the 500 signatures for the candidates not by a real campaign, rather by using data stolen from the database of a financial consulting company. Zuschlag was put in pre-trial detention for prohibited data acquisition committed in a criminal association. In 2014 the name of Zuschlag was [associated](#) with the fictitious parties New Hungary and New Dimension. In the case of New Hungary party - which reported a sum of 62 million HUF spent on transport and fuel in the fifty days of the campaign, but still only managed to garner 1,578 votes - investigation was [terminated](#) by a legally binding resolution, but investigation is still progress in the case of other parties.

<http://www.origo.hu/valasztas2014/20140409-kis-partok-kampanykoltese-2014-ben.html>

<https://transparency.hu/wp-content/uploads/2016/02/Kampanykod.pdf>

<http://nepszava.hu/cikk/1130182-kamupartok-jogerosen-megusszak>

### *19. Suspicion of fraud in the privatisation of INA*

The Directorate against Corruption and Organized Crime of the Croatian prosecuting authority (USKOK) pressed charges against Zsolt Hernádi in 2013. According to USKOK, the head of MOL paid a bribe of ten million euros between 2008 and 2009 [through offshore companies](#) to Ivo Sanader, the head of government of Croatia at the time, to enable MOL to acquire the right of control over Croatian oil industrial corporation INA. Sanader was once condemned in this case - but he was released in November 2015, after his legally effective judgment was upturned owing to procedural errors. MOL and Zsolt Hernádi denied the accusations in each case. The extradition of Zsolt Hernádi was first requested by the Croatian authorities in 2013, at that time it was denied by the Metropolitan Court of Budapest on the ground that an arrest warrant was issued against Zsolt Hernádi in a case in which the Hungarian prosecuting authority has already conducted an investigation, and which was terminated in 2012 for lack of a crime. However, the competent officials of Croatia decided that this would not affect the proceedings against the head of MOL in Croatia, therefore it is in progress to this day: the court of Zagreb County stated that they did not violate

the prohibition of trying someone twice in the same case, which was the reason why in November 2015 [Zsolt Hernádi](#) was taken off the wanted list of Interpol, and both Germany and Austria suspended the execution of the Croatian arrest warrant against the chairman- chief executive officer of MOL. The arbitration proceedings in the Mol-INA case [cost](#) Croatia over 30 million dollars (9 billion forints), since the Hungarian company challenged the steps of Croatia by initiating arbitration proceedings against the alleged breach of contract by the Croatians. The procedure was [initiated](#) by MOL at the International Centre for Settlement of Investment Disputes (ICSID), since it was of the opinion that it had suffered a loss of almost 80 billion forints because the Croatian government failed to implement the [agreement](#) on taking over the natural gas division of INA.

The weekly paper [Heti Válasz](#), which processed the [sentence of the United Nations Commission on International Trade Law \(UNCITRAL\) adopted in Geneva](#), found that essentially, Croatia initiated a show trial against the largest Hungarian corporation and its head, Zsolt Hernádi, driven by “national interests and party politics.” In this case the Hungarian government was on the side of Hernádi from the very beginning, both in the procedure and on the diplomatic front. The Ministry of Foreign Affairs [communicated](#) in September 2017 that Hungary would not support the application of Croatia to join the OECD owing to the situation that emerged about the investment of MOL in Croatia, and the proceedings of Croatia against the head of MOL. Today MOL, a company with one-quarter state ownership, would like to [get rid](#) of INA, in which it holds a share of 49.08 per cent and controlling rights.

## *20. The Origo affair*

In June 2014 the management of Origo unexpectedly [terminated](#) the employment of Gergő Sáling, the editor-in-chief of the portal. According to press news, he was dismissed at the insistence of János Lázár (whose suspicious foreign trips were presented in a series of articles in Origo), who found the portal too pro-opposition, and discussed the firing of the editor-in-chief with the managers of the Hungarian and German parent companies, [Magyar Telekom](#) and Deutsche Telekom. The entire staff of the political section and many of the journalists left the portal after the scandal erupted, along with several managers, the deputy editor-in-chief and Péter György, the founder of Origo. CEO of Origo [Miklós Vaszily](#) who dismissed Sáling, also left the company, later on he became CEO of MTVA. Telekom and János Lázár [denied](#) that the editor-in-chief was dismissed as a result of political pressure. After that, the portal was bought from Telekom by New Wave Media, a company managed by István Száraz, a person with strong ties to Tamás Szemerey, relying on a loan received from MKB, under the supervision of the MNB. In 2007 the media company that owns Origo was acquired from New Wave by Ádám Matolcsy, the son of György Matolcsy. In the meantime, Origo became a portal with a pro-government tendency, which has

been receiving more and more spending from governmental [information campaigns](#). One month after the arrival of Ádám Matolcsy, New Wave Media received a support of [340 million forints](#) from National Research, Development and Innovation Fund, for the project of the company with the fancy name of Email 2.0, whose rationality has been [widely criticized since then](#).

<https://atlatszo.hu/2015/03/06/megszolalt-a-telefon-haptakban-a-telekom-az-origo-szethullasanak-tortenete/>

## *21. The Elios affair*

Elios Innovatív Zrt. was established in 2009. In its first year of operation the company generated sales of 8.4 million forints, but by 2011 this amount had exceeded three billion. The company (and its legal predecessor) was founded, among others, by István Tiborcz, the son-in-law of prime minister Viktor Orbán, who had functioned [in various roles](#) in the company until May 2015. From 2010, through Közgép, Lajos Simicska, an oligarch who was pro-government at the time, had also been present as an owner in the company, but he left it two years later - leaving behind a profitable company, and without taking out dividends. In 2014, when István Tiborcz acquired a share of 50 per cent in the company, Elios once again won public procurement contracts in the value of over three billion forints. Most of the revenues of Elios came from projects financed by the Union, and their core activity was the implementation of public lighting systems using LED technology. The first major tender, which later on served as a reference for Elios, was [awarded](#) in March 2010 to the company, called ES Holding Zrt. at the time, in the city of Hódmezővásárhely, where the mayor was János Lázár. Several of the public procurement contracts awarded to the company were prepared by Sistrade Kft., whose owner was Endre Hamar, a business partner of István Tiborcz, one of the earlier owners of Elios. According to a [published](#) sound recording, Elios was involved one and a half years earlier in a major project, while the contract notice for the project was not even published yet. In March 2015 the police started investigations on four public procurement projects against Elios Zrt., and OLAF also started auditing the KEOP 5.5.0/A/12 and KEOP 5.5.0/K/14 programs for the funding of reconstruction of public lighting systems, which were announced [“customized to Elios”](#) according to industrial sources. In April 2015 Tiborcz left Elios and sold his shareholding to West Hungária Bau Kft., which is also extremely successful in the public procurement market.

In January 2018 the investigation of OLAF (which was much more [in-depth](#) than that of the Hungarian police) was published, which suggested that the European Commission should withdraw a Union support of 43.7 million euros, i.e. over 13 billion forints, concerning the tenders awarded to Elios Innovatív Zrt. OLAF found a series of irregularities in public procurement, the report contains findings



on the manipulation of procedures, as well as the suspicion of conflicts of interests among the participants and suspicion of fraud. According to the information gone public so far, OLAF assessed the Elios contracts of 35 [communities](#), and found each of them affected by abuses; concerning 17 communities it found that organized mechanisms of fraud had been built up. The report of OLAF also confirms the suspicion that the staff of the company may have influenced the public lighting tenders [in the stage of preparation already](#).

The external [consulting companies](#) may have played an important role in the [organization of frauds](#): the studies prepared by them were used to determine how much money would be available for the renewal of public lighting, i.e. how much the winner will receive. In the majority of the cities that later awarded the implementation contract to Elios this expert was Sistrade in 12 cases (involved in preparations or as a project manager), and Tender-Network in 13 cases, but Eupro Projektmenedzsment Kft., a company also related to Endre Hamar, also appeared. In several cases the competitors can be also associates with Elios: the proposal of INS Energia Kft. (an independent auditor) submitted to the city leadership of Szolnok was signed by Ivette Mancz, one of the managers of Elios and András Puskás, the managing director of Sistrade. SMHV Energetika Kft. was involved in 22 Elios projects, mainly as a subcontractor of the company managed by Tiborcz, but sometimes as a competitor. According to the report of OLAF, it has happened that the proposal of SMHV and those of two other companies were written on the same computer. In addition, the OLAF report mentions Tungsram-Schröder Zrt., which was first a competitor, then a regular supplier of Elios, to which it supplied its goods [cheaper](#) compared to the competitors.

The general director of the European Anti-Fraud Office (OLAF) proposed in its recommendation dated 22 December 2017 that the Hungarian prosecuting authority should start penal proceedings concerning the public lighting projects implemented by Elios Zrt.; as a result, an [investigation](#) was ordered (once again) on 22 January 2018 for the crime of budgetary fraud and other acts of crime. This will be [conducted \(once again\)](#), after a former investigation closed without results) by the Office of Investigations under the docket number of 33/2018 bü.

<https://atlatszo.hu/2018/02/13/az-elios-zrt-tulajdonviszonyai-offshore-cegek-is-feltuntek-tiborcz-istvan-mellett/>

<https://24.hu/belfold/2018/02/07/igy-csalt-orban-vejenek-cege-megszereztuk-az-olaf-jelenteset/>

## ***22. Felcsúti Utánpótlás Neveléséért (For the Youth Training of Felcsút) Foundation***

The Government has created very favourable conditions to For the Youth Training of Felcsút (FUNA), established in 2006 and chaired by Lőrinc Mészáros, the mayor of Felcsút, for the development of its hospitality and sports

infrastructure. Orbán is not only the founder of FUNA: he let his land of a total of 5035 m<sup>2</sup>, located in the internal part of the village and owned by multiple parties, be used by the Foundation for a term of 50 years, and he himself often [uses](#) the facilities of the foundation. The government discards any criticisms of the developments of the native village of 1800 inhabitants of the Prime Minister as political criticisms directed against Viktor Orbán. In the village, in 2014 the team of Puskás Ferenc Football Academy received a stadium with a capacity of 3500 spectators, built on a budget of 3.8 billion forints, which is located just a few meters from the house of the Orbán family. The resource was provided to FUNA from the corporation tax offered in the TAO system implemented in 2011, by companies that [have not been identified so far](#), although according to the government these are [not public funds](#), several [court sentences](#) contradict this opinion. FUNA received more TAO supports than any other sports organization, a total of [14 billion forints](#), and in 2017 it received [more funds than ever before](#). Although when the TAO system was implemented, support to youth training and to grassroots sports were emphasized, the TAO funds were also used in Felcsút to build a “[Makovecz style boiler room](#)”, parks and roads, a youth hostel and a conference center. In the summer of 2017, the TAO system was changed by a [law amendment](#), to suit the needs of Felcsút.

In 2015, by a targeted grant the Government awarded an EU support of 600 million forints to FUNA for the construction of the light railway of Felcsút, which was declared a key investment. Earlier it was written in the press that the plans anticipated an unrealistically high number of passengers, 7.5 thousand persons per day, but the published documents indicate a [passenger count of 10,000](#) per year. The utilisation rate of the light railway is not high even in that case: Until July 2017 there had been [53 days](#) when the light railway did not carry one single passenger. At the beginning of 2015 the tender was awarded to For the Youth Training of Felcsút Foundation, which was the author of the idea and the only bidder, and construction was performed by Swietelsky Vasúttechnika Ltd., where Zsolt Homlok, who later became the son-in-law of Mészáros, was the managing director at the time. The company of the mayor of Felcsút, Mészáros és Mészáros Kft. worked on the project as a subcontractor, while project management was the responsibility of Provital Zrt. with Aditus Zrt., companies often involved in tenders awarded to Mészáros. The planned completion date was postponed to the spring of 2016. In September 2017 Átlátszó managed to [get hold of the documents of the project](#). In September 2017, the budgetary committee of the European Parliament visited the light railway of Felcsút in addition to several projects supported by the EU, although at first the government [strongly protested](#) against the idea.

<https://atlatszo.hu/2017/10/10/kipereltuk-es-kozzetesszuk-a-felcsuti-kisvasut-unios-palyazatat/>



<https://g7.24.hu/allam/20171218/beneztek-nem-is-23-milliard-hanem-a-54-milliard-forint-kozpenzt-kap-meszaros-lorinc-akademiaja/>

### ***23. A framework agreement of 420 billion HUF for the construction of public utilities***

Severe irregularities may have happened in one of the highest value tenders in the history of Hungary, in the framework public procurement of a total value of 420 billion forints, as well as in the related [consulting tenders](#). This tender is the largest Union-financed (EEEOP) project in Hungary, an infrastructure development programme of four years in the period 2014 to 2020, which was published by the National Development Programme Office. It turned out in the announcement of the results in October last year that several companies belonging to cronies were added to the scope of companies with special privileges, of which the contractors of the individual projects would be selected by “a competitive procedure”. Winners of the [giant tender](#): [North Hungarian region](#): Hódút Kft., Swietelsky Magyarország Kft., Penta Általános Építőipari Kft., M-E 2020 Consortium (Mészáros és Mészáros Kft., EuroAszfalt Kft.), [Northeast Hungary region](#): Colas Alterra Zrt., Swietelsky Magyarország Kft., Penta Általános Építőipari Kft., E-B 2020 Consortium (EuroAszfalt Kft., Betonútépítő Zrt.), [Central and East Hungary region](#): Magyar Vakond Kft., Magyar Bau Holding Zrt., SV KEHOP 2 Consortium (SADE-Magyarország Kft., Veolia Magyarország Zrt., A-G HÍD Consortium (A-Híd Zrt., Híd Zrt., G-Híd Zrt.), [West and South Transdanubia region](#): Szabadics Zrt., Magyar Bau Holding Zrt., E-B 2020 Consortium (EuroAszfalt Kft., Betonútépítő Zrt.), A-G HÍD Consortium (A-Híd Zrt., Híd Zrt., G-Híd Zrt.). This high-value framework agreement of four years restricts competition and carries a significant danger of price-fixing among the 4 creditors selected for each region. Consulting companies involved in the conduct of the tender [include](#) enterprises related to Mészáros and Tiborcz and companies subject to the investigation of OLAF (Provital Zrt., CUE-Tender Zrt.). The consulting orders of 5 billion may have been heavily [overpriced](#) (therefore the auditors of the Union recommend a 100 per cent adjustment concerning the consulting tender).

The European Commission and OLAF have investigated this tender from the beginning. According to the auditors of the European Commission, of the 69 valid bids 62 should have been excluded under the public procurement contract notice, because they failed to complete the sample task accurately. Failure to exclude them is an infringement. Of the 24 winners, there were only 4 who won on the basis of valid tender, therefore most of the framework agreements were concluded based on invalid bids. In the summer the Government also received the [draft report](#) of the audit of the committee. Owing to the irregularities, it is [expected](#) that some of the Union aid will have to be repaid, despite that, the

drawdown of the framework agreement is still in progress. The suspicion of mismanagement and restriction of competition may arise, therefore Benedek Jávor, a politician of Párbeszéd, pressed charges against an [unknown perpetrator](#). However, the Chief Prosecutor's Office of the Capital [is not conducting an investigation](#) in this matter, in their opinion there is no indication of any crime having been committed.

<https://24.hu/fn/gazdasag/2017/07/07/meszaros-lorinc-aggodhat-komoly-gondok-az-eddigi-legnagyobb-kozbeszerzesnel/>

## **24. The EMIR affair**

The Hungarian Government has to repay 18 billion forints to the European Commission owing to regular public procurement contracts related to the establishment of the EMIR system - [reported the Information Center of the Government](#) on 14 May 2017. This is the second largest amount that Hungary has to refund (next to the affair of the no. 4 subway line). The reason is that the European Union found severe irregularities in the case of eight contracts concluded between 2003 and 2009. The investigations explored that “the responsible organs of the state awarded to Welt 2000 Kft. the contract for the operation of the IT system that managed 12 thousand billion forints of Union funds by the material breach of the rules of public procurement, in a manner violating the interests of the State of Hungary” claims the report.

From 2002 Klára Dobrev - the wife of Ferenc Gyurcsány - had been the deputy president of the legal predecessor of the National Development Agency until August 2004 - wrote [Origo](#) about this case. Dobrev was the supervisor of the general department of monitoring methodology, which was in charge of managing EMIR. According to the records of the meeting of the competent inter-ministerial committee held in 2003 and 2004, Klára Dobrev was the officer in charge of the items of the agenda on EMIR. The article of Origo states that Dobrev “played a major role” in the EMIR affair and in concluding the agreements with Welt 2000 Kft. The amount to be repaid is eighteen billion forints because this is the amount of orders granted to Welt 2000 Kft. since the start of the programme in 2004. The majority owner and the managing director of the company was András Komáromi, who was a representative of the Socialist Party at the municipality of Kőbánya. At the end of 2014, the State of Hungary purchased the business quotas of Welt 2000 Kft., “to be able to remedy this failure.” The state exerted severe pressure on the owners for the sale of the company - [this may have been related](#) to the death of Komáromi on the day following the transaction. In 2017 the Prime Minister’s Office [waived](#) the debt of 600 million forints of the legal successor of the company (Új Világ Kft.).

According to Péter Heil, former Vice President of the National Development Agency, so far 9 audits have assessed the system, including the audit of the

European Commission in 2009. In his opinion it was not corruption, rather procedural errors. In addition, when it was raised that a procedure with no public announcement may be infringing, then the National Development Office, the legal predecessor of the National Development Agency itself referred the matter to court, requesting the clarification of the legal situation. More than 25 billion forints had been spent on the system between 2007 and 2015, and the majority of this sum was paid after 2010, in addition, after the second Orbán administration entered into office, the project was modified several times, and the eligible costs were raised by each of these modifications, shows the compilation of [Népszava](#). Currently an [investigation is in progress](#) on the EMIR affair.

[http://magyarhirlap.hu/cikk/101688/EMIRugy\\_tovabb\\_nyomoznak](http://magyarhirlap.hu/cikk/101688/EMIRugy_tovabb_nyomoznak)  
<http://nepszava.hu/cikk/1129427-a-kormany-lemond-18-milliardrol---vajon-miert>

## *25. The integration of savings cooperatives*

The legal basis for the transformation of the sector of savings cooperatives was provided by Act CXXXV of 2013. According to the preamble of this law, the transformation of the sector became necessary because "its capitalization is low, the level of services is not appropriate and there is reason to believe that in its current form it will not remain viable in the long term." In order to remedy these problems, the act on savings cooperatives made the continued operation of the cooperatives conditional on their joining the Integration Organization of Cooperative Credit Institutions (SzHISz). In fact, the original contractual integration process of savings cooperatives was replaced by forced integration. Takarékbank became the central actor of SzHISz, in which the Hungarian Post and [Magyar Fejlesztési Bank](#) (MFB) obtained a majority shareholding through a capital raise. The transaction has been classified a secret, therefore there is no way to find out how much public funds were spent by the two state-owned investors on the acquisition of a majority shareholding of Takarékbank - according to press news, the deal amounted to approximately 4-5 billion forints. After that, it sold the majority, state-owned shareholding of Takarékbank, which was acquired by Magyar Takarékszövetkezeti Zrt. for some nine billion forints, whose owners include FHB Mortgage Bank, an interest of Zoltán Spéder, as well as Hungarian Development Bank. Although the state sold the shares of Takarékbank for twice the price at which it had acquired them earlier, but since MFB also had a shareholding in Magyar Takarékszövetkezeti Zrt., it is not known to what extent the sort of vendor loan lent that way deteriorated the actual balance of the transaction. As a transaction of national strategic significance, the privatisation is exempt from the anti-trust procedure of the Competition Office.

The [Alliance of Savings Cooperatives filed a complaint with the Constitutional Court](#), on the ground that the State squeezed them out from Takarékbank by legal

means, by which it violated their right to property. In its resolution no. [20/2014 \(VII. 2.\) AB](#) (with the minority opinions of judges Bragyova and Kiss) the Constitutional Court determined that “comprehensively and put in a broad context” that the “reference to public interest evoked as the cause of limitation of the owner’s rights and freedom of enterprise of savings cooperatives was substantiated.” Sándor Demján, the Banking Association and others have criticised the cooperative integration, questioning the fitness of the FHB-Takarékbank banking group. Specifically, Demján talked about the “consortium led by Zoltán Spéder” and stated that Zoltán Spéder and his business partners “[suck the resources of the sector like parasites](#).” In the opinion of Takarékbank, the aims of integration were accomplished, “the sector finally got rid of abuses of the years during the rule of the National Association of Savings cooperatives hallmarked by Demján” and of the irresponsible savings cooperatives. In June 2016 Viktor Orbán proceeded personally in this matter and in accordance with the request of Demján, he appointed a government commissioner for the management of the transformation, while [a smear campaign started in the pro-government press against Spéder](#). Later on Demján claimed, if he had not intervened, Spéder would have removed further some of 80-100 billion from the cooperatives. As a result of this falling-out, several persons were also replaced in the institutions of the process of integration, where up to that time several bankers on good terms with Spéder had been in office. In October 2016 Spéder sold his shareholding in FHB and gave up his control of the company in exchange for 7.5 billion forints. There are several [investigations](#) still in progress in the FHB case, including one aimed at exploring how FHB gained influence at the Hungarian Post. The 2016 amendment of the law on the integration of savings cooperatives reinforced the IT leg of the integration of savings cooperatives, which was mainly implemented by the company Takarékinfó Zrt., a company that received a loan of over 11 billion forints, mainly from Takarékbank. In the development the hardware was supplied by T-Systems for 7-8 billion forints. During the integration, the cooperative sector in transformation gradually floated near Mészáros and his associates. Konzum Investment Fund Manager, which managed the secret funds, took over the management of the real estate fund of Diófa Fund Manager - a company managing a total wealth of 470 billion forints - worth a net asset value of 12 billion forints.

<https://index.hu/gazdasag/2017/06/23/onkent-es-dalolva-megyunk-az-akolba-reszletek-a-takarekszovetkezetek-atalakitasarol/>

## ***26. The Budapest - Belgrade railway line***

Based on the [communication of the Government](#), the aim of the Budapest-Belgrade railway development project is the establishment of a transport link between the port of Piraeus, operated by the company COSCO of China, and the eastern part of the EU, which would strengthen the transport position of Hungary.

The entire project affects a line section of 374 km, of which a section of 40 km has been upgraded and a section of 166 km is located in the area of Hungary between Budapest and Kelebia. The project involves turning the line into a double-tracked railway, increasing the speed to 160 km/h and the installation of a train control system meeting the EU requirements. [According to experts](#), this railway line is not significant in terms of passenger transport, however, its potential for freight transport is reduced by the fact that it will not be implemented in this pace as far as Piraeus, it will only connect Belgrade to the Hungarian capital. The Government argued that a revenue of [9 billion](#) from customs clearance charges from the import activities performed on the transport corridor and an additional domestic tax revenue of 33 forints on every unit of 1 forint cleared here justify the project. Hungary and Serbia signed the agreement on starting the project in November 2013.

In May 2016 the [European Commission](#) investigated the preparation of the project in terms of competition law and missing the public procurement procedure, after which it started preparations for the infringement proceedings. For this reason [Kínai-Magyar Vasúti Nonprofit Zrt.](#) was established in 2016, 85 per cent of the shares of which are held by China Railway International Corporation (CRIC) of China and China Railway International Group (CRIG), while to an extent of 15% MÁV Zrt. is responsible for conducting the public procurement related to the implementation of the project, and for project management. The Commission also assessed the borrowing, since they are concerned that the financing of 85 per cent of the budget of 750 billion forints of the project (the original [470 billion](#) was raised first by the organization of the Olympics to [550 billion](#), then to 750 billion forints) comes dangerously close to the debt limits specified in the conversion program applying to 2016–2020. Several persons requested that the Ministry of National Development issue the feasibility study, however, as the study providing the basis for the decision, it is classified as a secret for 10 years. The Chinese-Hungarian intergovernmental agreement defining the terms of the credit is similarly classified as secret, although this would enable us to know the financial indicators of the funding. According to [press information](#) denied by the Government, the Government would borrow a loan of 637.5 billion for a term of 20 years, therefore the interest alone would amount to 132.9 billion, but not more than 199 billion forint, i.e. Hungary will have to repay a total of 770.4–836.5 billion forints. The own contribution of 15 per cent, i.e. 112.5 billion forints of the project should be added to this, therefore the project, planned to cost 470 billion, will cost the Hungarian taxpayers 882.9–949 billion forints. However, based on the announcement of [minister of foreign affairs Péter Szijjártó](#), the interest of the loan seems to be as much higher as is the share of Hungarian suppliers in the project.

The public procurement contract notices were published in November 2017, [2020 was designated as the initial year of the project](#), while completion is planned in

2027. The specific cost of the project [significantly exceeds](#) the historical costs of similar investments implemented or being implemented in West Europe, furthermore, [according to experts](#) no European companies can produce references of a similar magnitude as is the railway construction reference expected among the requirements of the contract notice of the tender, which is supported by the fact that [only Chinese-related companies requested](#) the public procurement documentation. It is an interesting bit of information that on 23 November 2017 Lőrinc Mészáros established a railway construction company by the name of [RM International Zrt.](#)

[https://index.hu/gazdasag/2017/11/27/budapest\\_belgrad\\_kina\\_vasut\\_korrupciogyanu/](https://index.hu/gazdasag/2017/11/27/budapest_belgrad_kina_vasut_korrupciogyanu/)

[https://index.hu/gazdasag/2017/11/29/budapest\\_belgrad\\_ferencvaros\\_kelebia\\_vasutvonal\\_kinai\\_hitel\\_eu\\_minek\\_nekunk/](https://index.hu/gazdasag/2017/11/29/budapest_belgrad_ferencvaros_kelebia_vasutvonal_kinai_hitel_eu_minek_nekunk/)

## *27. The emergence of Lőrinc Mészáros and László Szíjj*

Lőrinc Mészáros is a Hungarian entrepreneur, the mayor of the village of Felcsút since 2011, with the support of Fidesz and KDNP. His fast enrichment induced significant political debates, since Mészáros, originally a pipefitter, became a wealthy person starting with nothing within a few years, by 2017 he had become the [8th richest person](#) in Hungary. Many observers explained that by the political support of the Government and his friendly connection with Viktor Orbán, but according to the parties of the opposition Mészáros is in reality the “front man of Viktor Orbán.” By 2017 Mészáros had increased [his net worth by 100 billion](#), on the list of rich persons of which persons he had jumped to the fifth place, and on the [similar list of Forbes](#) to the 8th place, with his net worth of 105.7 billion forint. This was generated mainly by [state contracts](#), a [public procurement practice](#) that was often favourable for him and by the supportive legislative changes. During 2017 his affiliated enterprises won 242 billion forints in public procurement, they were the beneficiaries of a Union support of 17 billion forints, the football academy Felcsút, which is also his property, received TAO support of 2.9 billion forints, and he bought advertisements in state-owned media in the value of 2.7 billion forints. In 2017 the empire of Mészáros embarked on buyouts in a fast pace: in the space of six months he increased the assets of his companies by 45 billion forints. He completed most of these transactions through OPUS Globál (formerly Opimus and Konzum) Nyrt., today a company floated in the stock market. The [expansion](#) did not stop in 2008 either. Until 30 June 2018 OPUS Global Nyrt. completed a total of six transactions at different times in order to bring the non-floated manufacturing and industrial companies of Mészáros Group into the company as in-kind contribution (these are: the 51 per cent shareholding in Mészáros és Mészáros Ipari és Kereskedelmi Kft., the 51 per cent business quota of R-Kord Építőipari Kft., the 51 per cent business quota of



Visonta Projekt Kft. (an investment project of 30 billion in the industrial park of the Mátra Power Plant), an additional business quota of 24 per cent of Kall Ingredients Kft. (a green field investment of 45 billion, in which OPUS owns 30 per cent), and a business quota of 20 per cent of Mátrai Erőmű Zrt.).

After the falling out with Lajos Simicska, László Szíjj, an entrepreneur of Tiszakécske, the owner of Duna Aszfalt, a company with close ties to Fidesz, became a similarly important oligarch. Essentially, Duna Aszfalt replaced Közgép in the field of public procurement in construction, but in contrast with Simicska, Szíjj did not extend his corporate empire to areas like media. Szíjj, who is on good terms with Mészáros, supports the football teams of Felcsút and Tiszakécske. According to [Forbes](#), in 2016 he was the sixth richest person in Hungary with a net worth of 120 billion, while in [2017](#), with a net worth of 105.3 billion forints he comes right after the mayor of Felcsút - a [frequent](#) consortial partner in public procurement - in the 9th place. With winning tenders worth [606.5 billion forints](#), the companies of László Szíjj made a killing in public procurement contracts of 2017. In addition to sports and the construction industry (DA, Magyar Építők, Körösaszfalt) Szíjj has only started expanding recently, it is very likely that he invests his capital partly through the [fund manager](#) of Mészáros. Károly Varga (Hódút, Magyar Vakond), a [former business partner](#) of Szíjj, who also [does business frequently](#) with Mészáros and has been doing well in in construction tenders jointly with his companies, has taken a similar path to that of Szíjj.

[https://index.hu/gazdasag/2017/10/31/forbes\\_meszaros\\_lorinc\\_105\\_milliardnal\\_tart/](https://index.hu/gazdasag/2017/10/31/forbes_meszaros_lorinc_105_milliardnal_tart/)

## ***28. State contracts to companies of Simicska***

Lajos Simicska, a businessperson and media tycoon, a former president of the tax authority, had been the most important ally of Viktor Orbán, a central figure of the [purposely built](#) economic inner circle around Fidesz during the terms of the first and second Orbán administrations. After 2010 he was regularly criticised by the opposition because companies in his interest received an outstandingly high number of orders from the state. Közgép Zrt., whose ownership background [had been non-transparent in the beginning](#), won tenders on the order of hundred billion from railway, road and communal developments by state. During the time of the city management before 2010, the contract for the renewal of Margit Bridge (with a substantially raised price) was awarded to Közgép in a consortium. In 2013 the company received a total of 328 billion forints worth of state [contracts](#) in which the clients were mainly NIF Zrt. and Magyar Közút Zrt. The [shareholders](#) took out several billion forints of dividends from Közgép. It was known about the company that its chairman was Zsolt Nyerges, an entrepreneur

with good ties to Simicska, but it only became certain in the spring of 2012 that the [beneficial owner](#) was Simicska himself.

After 2010, Simicska and the companies of his close business partners (Zsolt Nyerges, Károly Fonyó) [made a killing in the market](#) of advertisements of the State, and they concluded favourable [advertisement owner contracts](#) with 19 municipalities. The advertising companies of Simicska performed much [above](#) the profit level of the industry that was undergoing a crisis at the time, they were responsible for the communication of certain ministries, and most of the state advertisements [went through them](#). In the media the advertisements of the State were completely removed from the reach figures, which caused the (pro-government) newspapers of the Simicska empire to become [favourites with advertisers of the State](#). The agricultural interests of Simicska were also getting wealthier: By 2013 the interests of Simicska and Nyerges had become the largest [beneficiaries](#) of the agricultural supports of the Union. At that time Simicska was considered such an influential person, that it was widely believed: the cronies of Simicska held key positions in public administration and in the government, the oligarch [captured](#) certain areas of the state and had these adopt regulations favourable for him. This perception was confirmed in 2012, when Mrs. László Németh, a person with no political history, replaced Tamás Fellegi as the head of the Ministry of National Development, and hired the brother of Zsolt Nyerges [to be her chief political advisor](#). Even before that, persons attached to Simicska and Nyerges had been in key positions in the ministry in charge of supervising the assets of the state. The chairman-chief executive officer of Hungarian Development Bank, which was also the lender of [Közzép](#), was László Baranyay, an old confidant of Simicska, while MVM was managed by Csaba Baji, an old acquaintance of Nyerges. Átlátszó has identified [several actors](#) from this network, who held decision-making positions in the field of infrastructure development, agricultural policy and advertisements by the state. At the beginning of 2015 Simicska fell out with Orbán, after which the Government attempted to disrupt the empire of Simicska on several fronts, which terminated the [golden era](#) of the empire, by the end of 2015 the cronies of Simicska had mainly lost their [offices with the State](#).

<http://www.origo.hu/itthon/20120305-a-fidesz-gazdasagi-hatorszaganak-epulese-i-resz.html>

<http://www.origo.hu/itthon/20120306-fellegi-tamas-fejlesztési-miniszter-tavozasa-kapcsolata-simicska-lajos-es-nyerges.html>

<https://atlatszo.hu/2012/09/24/a-nemzeti-egyuttmukodes-rendszere-kik-ejtettek-foglyul-a-magyar-allamot/>

<https://atlatszo.hu/2015/01/15/nevsor-csata-utan-kik-maradtak-pozicioban-simicska-lajos-emberei-kozul/>



## ***29. Exim loans to Fidesz-related companies***

The first Orbán administration [used](#) Hungarian Development Bank to strengthen its economic interests, at present it has several funding options following the purchases of financial institutions. Of these, one of the new favourites is [Eximbank](#), supervised by the Ministry of Foreign Affairs as the owner, whose lending practice is presumably often driven by political considerations, as opposed to the need to strengthen foreign trade. Hungary [lost](#) against the Statistical Office of the European Communities, as a result, Exim has to be classified within government finances (as a “[captured institution](#)”), which will lead to the increase of public debt. [Over one-half](#) of the loans of EXIM lent within Hungary may have been received by economic operators with close ties to the government. This happened [after](#) the appointment of [András Puskás](#), a person with little experience in banking, the former deputy of Antal Rogán in District V, to be the deputy chief executive officer of Eximbank.

It can be hardly explained by foreign trade considerations that in November 2015 Andy Vajna received a domestic investment loan of 6.72 billion forints aimed at the improvement of competitiveness, which enabled him to purchase [TV2-t](#) and make it the stronghold of pro-government media. Later on, in April 2016 Eximbank lent another loan of 1.2 billion forints to the TV station of Vajna. The company of Vajna replaced these by a commercial bank loan at the end of 2016. The private investment called [BudaPart](#), planned to be implemented on Kopaszi Dam and including the construction of the first skyscraper in Budapest, related to businessman István Garancsi, a person with ties to Viktor Orbán, received a loan of 16.5 billion forints in 2016. Foreign nationals with good relations with the government can also expect to receive Exim loans. In addition to having been classified as an investment of special significance for the national economy, the project of Párizs Property Kft. (conversion of Paris Court into a luxury hotel) [received a loan of 6.85 billion forints](#) under the heading of “domestic investment aimed at improving competitiveness”. Pedro Vargas David, the son of Portuguese politician Mário David, a person maintaining good relations with Viktor Orbán, is the fund manager of the bilateral Hungarian-Portuguese [East West European Venture Capital Fund](#) planned with a capitalization of 6 billion forints and with Exim as one of the shareholders. The executives of GB Partners fund manager, [Ágoston Gubicza](#) and Mihály Boris, received a larger fund - 16 billion forints - than that and one that manages European Union funds as well, with Sándor Holbok as one of the members of the supervisory board. They got hold of this fund by the acquisition of Prosperitás, which had operated earlier from Jeremie funds, while [Gubicza and his team](#) may have been helped by familial ties to Antal Rogán with gaining the resources from Eximbank. In the summer of 2017 an Exim loan of 15 billion forints was lent to persons with close ties to [Norbert Szivek](#), the head of the Asset Manager. There may have been ties of kinship behind another decision of Eximbank as well, the decision on lending a loan of

15 billion, which was borrowed by [BDPST Zrt.](#), a company belonging to the interests of István Tiborcz, the son-in-law of Viktor Orbán, intended to finance [Futura House and the former head office of the United Savings Cooperative of the Capital City of Budapest from the direction of Apáczai Csere János Street.](#) Later on, in the autumn of 2017 the loan of Eximbank was replaced by a loan of Magyar Takarékszövetkezeti Bank Zrt. In December 2017 it became clear from the [statements of Gábor Széles](#), a person with good ties to the government, and from news published in Iranian newspapers, that he was going to manufacture 100 Ikarus buses to be exported to the Iranian market from the loan of Eximbank of 162 million dollars (approximately 43 billion forints), lent for a term not exceeding 10 years. Eximbank was also involved in the international offshore scandal, which supported the export activities of canned food manufacturer [Fit Food Kft.](#) to former republics of the Soviet Union. The company was contracted with two important offshore companies of the money laundry in Azerbaijan, [Polux Management LP and Hilux Services LP](#) of Britain. While lending by the bank ultimately ran increased risks for the state budget, the activities of Exim [highly contributed](#) to the enrichment of the Government -related clientele after 2014. Exim seems to be a payment point related to politics from another aspect as well: it regularly hires Young & Partners, a company belonging to the interests of Tibor Kuna and also taking preferred positions in public procurement tenders issued by the state, to organize events, but it is also [contracted](#) with Humansoft Kft., a company with a suspicious background.

<https://atlatszo.hu/2017/01/19/hazipenztarkent-hasznaljak-az-eximbankot-kormanykozeli-uzletemberek/>

<https://444.hu/2016/02/03/bibliai-leptekekben-omlik-ki-a-penz-a-kulkerbankbol>

### *30. Radio frequencies of Andy Vajna*

In several cases the Media Council has favoured companies related to Vajna when local and national frequencies were allocated, including cases when frequency licenses were [extended](#), the process of application, the [start](#) of broadcasting and observation of legally imposed rules (e.g. [the ratio of Hungarian music](#)). These changes in the market would not have happened but for the intervention of the Media Council. They made lots of decisions that helped Vajna, Mészáros and Habony with inundating every segment of the media market. A pro-government Media Council elected by a two-third majority

On a national frequency the Media Council [disqualified](#) Class FM from the national commercial radio tender. Mátyás Bakai, the managing director and owner of the LTD that was the only company shortlisted in the tender, had worked for Andy Vajna just a few months earlier, and the company is still a partner of Radio 1. The LTD borrowed a loan from the bank of Lőrinc Mészáros. The company Hold Reklám Kft. will be allowed to start broadcasting on the national radio frequency that had been used by Class FM until November 2016. Although

Advenio Zrt. started a lawsuit against the Media Council, it did not wait for the resolution of the court, and announced a new [tender](#) for the new frequency. The local radios of Hold Reklám Kft. operate connected to a network with Radio 1, i.e. they broadcast the programs of Radio 1. Class FM had to go silent in November 2016 [on its analogue frequency as a result of the decision of the Media Council](#), since the Council did not extend - referring to the media law - the license of the radio that had been an interest of Lajos Simicska until May 2016, and later that of American businessman Michael McNutt. It was claimed that the American businessman submitted a [business plan](#) that was based on inappropriate calculations.

In the [frequency tender of Békéscsaba](#) there were several deficiencies in the bid of Andy Vajna, for which the Media Authority should have disqualified him. Among others, they could only submit the certificate of the bank properly on the third attempt, and even that was not compliant. On the one hand, they should not have been allowed a second and a third attempt. On the other hand, at the time of the publication of the contract notice, a sum covering the operating costs of the radio for 3 months should have been deposited on a blocked account, but the verified account with Duna Takarékszövetkezet, a financial institution related to Garancsi, was opened much later. Radio Plus Kft., the company of Vajna, still gained the frequency, the decision hinged on one single point, which was awarded to the company of the government commissioner for the subjective part of the tender. Interax Kft., which had possessed the frequency for 24 years at that point, challenged the decision of the Authority in court.

Similar errors may have been committed in other local radio tenders as well, and the tender bids are often identical, there may be collusion among the actors, which is prohibited by law. After the tender in Békéscsaba, 24.hu requested inspection of the documents from NCAH, which had stated earlier that after contract conclusion every tender bid would be available for inspection by anyone. Although this was not fully accomplished, it was conspicuous that in many cases the bids were [verbatim identical](#) and not only at LB Rádió Kft., which can be associated with Vajna. For example, the tender bid of FW Befektetési Kft., which possesses 101.3 MHz of Eger, was 100 per cent the same as the bid submitted by LB Rádió Kft. for gaining the frequencies in Hajdúszoboszló and Derecske. NCAH pointed out that it had no authority to compare the tender bids.

The transparency of the decisions is not guaranteed, either. In Székesfehérvár, Veszprém, Pécs, Tatabánya and Kaposvár the Curia decided on the [suspending the tenders](#). Regionális Rádió Kft. challenged the decision of the Media Council in court. At first it was rejected as unsubstantiated, but then the Curia revised the case and adopted a resolution on suspension. Andy Vajna submitted a bid in each city, but they were not excluded from any of the tenders. In Székesfehérvár the case is pending substitution of missing items, in Veszprém LB Radio, which is

affiliated with Vajna, seems to have the best chances, in Tatabánya the assessment panel requested further information, which means that there is something in the tender documents that they cannot interpret. In Pécs P1 Kft. submitted a bid, about which it became clear earlier that at ownership level it is entangled with Mambó Rádió Kft., which already possesses a frequency in Pécs and was connected with Radio 1 of Budapest. Although the owner of P1 submitted a bid containing fictitious personal data, he was still not disqualified, which means that, among others, the media law was disregarded. In the opinion of NCAH there is no [conflict of interest](#), even though there is close cooperation between the National Film Fund supervised by Vajna and the media authority. Although the media law does not specify whether a government commissioner may have his own radio, the question about how they tried to avoid that the decisions of the Media Council can be influenced by a member of the government, went unanswered.

<https://24.hu/media/2017/09/18/plagium-vagy-osszejatszas-igy-terjeszkedik-andy-vajna/>

[https://index.hu/belfold/2017/10/19/nmhh\\_mediatancs\\_vajna\\_meszaros/](https://index.hu/belfold/2017/10/19/nmhh_mediatancs_vajna_meszaros/)

**Closing of the case descriptions: 1 March 2018**

## ANNEX

We have assigned the 30 cases of corruption listed above to the following categories, which are not mutually exclusive: EU funds, public procurement, overpricing, market acquisition, application of pressure, questionable return on investment, bribery, corruption through legislation, corruption based on loyalty to Fidesz, corruption associated with oligarchs, lining their own pockets, funds allocated to relatives, construction projects for showing off

The following list shows which case belongs to which category. (One case may be mentioned in several places).

**EU funds:** EMIR affair, no. 4 subway line, For the Youth Training of Felcsút Foundation, framework agreement of 420 billion for public utility construction, Abuses of Union funds given for the audit of public procurement, Jeremie funds, Emergence of Lőrinc Mészáros and László Szíjj, Intermodal logistic centers in Bátonyterenye and Bicske, Elios affair

**Public procurement:** BKV-Alstom subway cars, EMIR affair, Budapest - Belgrade railway line, no. 4 subway line, For the Youth Training of Felcsút Foundation, framework agreement of 420 billion for public utility construction, Abuses of Union funds given for the audit of public procurement, State contracts to companies of Simicska, FINA Aquatic World Championship, Emergence of Lőrinc Mészáros and László Szíjj, Paks 2, Elios affair

**Overpricing:** Budapest - Belgrade railway line, no. 4 subway line, State contracts to companies of Simicska, FINA Aquatic World Championship, Emergence of Lőrinc Mészáros and László Szíjj, MNB foundations, Elios affair

**Market acquisition:** Quaestor affair, Origo affair, Suspicion of bribery in the privatisation of INA, Banning scandal, the sale of TV2, Casino concessions, tax allowances for Vajna, radio frequencies of Andy Vajna, Exim loans to companies related to Fidesz, Settlement bond, State contracts to companies of Simicska, the tobacco kiosk deal, integration of savings cooperatives, Emergence of Lőrinc Mészáros and László Szíjj, Paks 2

**Application of pressure:** Suspension of Népszabadság, NAV scandal, Origo affair, Banning scandal, Sale of TV2, radio frequencies of Andy Vajna, TAO system, State contracts to companies of Simicska, The integration of savings cooperatives, Elios affair

**Questionable return on investment:** The sale of MKB, the Budapest - Belgrade railway line, no. 4 subway line, Settlement bond, FINA Aquatic World Championship, MNB foundations, Paks 2

**Bribery:** BKV-Alstom subway cars, NAV scandal, Suspicion of fraud in the privatisation of INA, Banning scandal

**Corruption through legislation:** Campaign financing for fictitious political parties, Casino concessions, tax allowances for Vajna, Settlement bond, TAO system, The tobacco kiosk deal, The integration of savings cooperatives, Paks 2

**Corruption based on loyalty to Fidesz:** Sale of MKB, Exim loans to Fidesz-related companies, TAO system, A framework agreement of 420 billion for the construction of public utilities, Abuses of Union funds given for the audit of public procurement, Jeremie funds, the tobacco kiosk deal, The integration of savings cooperatives, MNB foundations, Paks 2

**Corruption associated with oligarchs:** Pharaon affair, Suspicion of fraud in the privatisation of INA, the sale of TV2. Casino concessions, tax allowances for Vajna, Radio frequencies of Andy Vajna, Exim loans to Fidesz-related companies, Settlement bond, TAO system, For the Youth Training of Felcsút Foundation, A framework agreement of 420 billion for the construction of public utilities, Jeremie funds, State contracts to companies of Simicska, the tobacco kiosk deal, FINA Aquatic Word Championship, The integration of savings cooperatives, Emergence of Lőrinc Mészáros and László Szíjj, MNB foundations, Paks 2, Elios affair

**Lining their own pockets:** Quaestor affair, Abuses of Union funds given for the audit of public procurement, Jeremie funds

**Funds transferred to relatives:** Pharaon affair, the tobacco kiosk deal, MNB foundations, Elios affair

**Construction projects for showing off:** For the Youth Training of Felcsút, FINA Aquatic Word Championship, MNB foundations

Table 5 - Categories of corruption affairs<sup>41</sup>

DESCRIPTION OF THE AFFAIR	EU funds	Public procurement	Lining their own pockets	Overpricing	Loyalty to Fidesz	Corruption related to oligarchs	Market acquisition	Application of pressure	Influencing of legislation	Questionable returns	Bribery	Funds transferred to relatives	Projects for showing off
<b>Suspension of Népszabadság</b>								X					
<b>BKV-Alstom subway cars</b>		X									X		
<b>The Quaestor affair</b>			X				X						
<b>The NTCA (NAV) scandal</b>								X			X		
<b>The Pharaon affair</b>						X						X	
<b>Sale of MKB</b>					X					X			
<b>Origo affair</b>							X	X					
<b>The EMIR affair</b>	X	X											
<b>Suspicion of fraud in the privatisation of INA</b>						X	X				X		
<b>The banning scandal</b>							X	X			X		
<b>The sale of TV2</b>						X	X	X					
<b>Campaign financing for fictitious political parties</b>									X				
<b>The Budapest - Belgrade railway line</b>		X		X						X			

<sup>41</sup>An “X” placed in the entries indicates to which category the particular case belongs. One case may be included in multiple categories.

DESCRIPTION OF THE AFFAIR	EU funds	Public procurement	Lining their own pockets	Overpricing	Loyalty to Fidesz	Corruption related to oligarchs	Market acquisition	Application of pressure	Influencing of legislation	Questionable returns	Bribery	Funds transferred to relatives	Projects for showing off
Casino concessions, tax allowances for Vajna						X	X		X				
Radio frequencies of Andy Vajna						X	X	X					
Exim loans to Fidesz-related companies					X	X	X						
The no. 4 subway line	X	X		X						X			
Settlement bond						X	X		X	X			
The TAO system					X	X		X	X				
For the Youth Training of Felcsút Foundation	X	X				X							X
A framework agreement of 420 billion for the construction of public utilities	X	X			X	X							
Jeremie Funds	X		X		X	X							
State contracts to companies of Simicska		X		X		X	X	X					
The tobacco kiosk deal					X	X	X		X			X	
FINA World Aquatics Championships		X		X		X				X			X



DESCRIPTION OF THE AFFAIR	EU funds	Public procurement	Lining their own pockets	Overpricing	Loyalty to Fidesz	Corruption related to oligarchs	Market acquisition	Application of pressure	Influencing of legislation	Questionable returns	Bribery	Funds transferred to relatives	Projects for showing off
The integration of savings cooperatives					X	X	X	X	X				
The emergence of Lőrinc Mészáros and László Szíjj	X	X		X		X	X						
MNB foundations				X	X	X				X		X	X
Paks 2		X			X	X	X		X	X			
The Elios affair	X	X		X		X		X				X	