

BRIEFING NOTE ON THE CASE OF THE ELIOS COMPANY

The Elios-story in a nutshell:

1. A company belonging to the interest group of Prime Minister Viktor Orban's son-in-law absorbed, at breakneck speed. 43.7 million euros in European Union funding.
2. OLAF: signs of intentional and organised wrongdoing, 100 percent of EU money to be repaid.
3. Hungarian Police: no sign of any criminal conduct.

A concise overview:

The Hungarian company called Elios Innovatív Zrt. (previously ES Holding) was founded in 2009 by, among others, István Tiborcz, the son-in-law of Prime Minister Viktor Orbán. Mr. Tiborcz, a co-owner, assumed various leading functions in the company (managing director, member of the board) until May 2015.

In the year of its incorporation, the Elios company's revenues amounted to a humble 8,4 million forints, however, the profitability rocketed to 3 billion forints by 2011, mainly as a result of projects financed by the European Union. The company's core activity was the implementation of public lighting systems that use LED technology. The first major tender, to serve later as a reference work, was awarded in March 2010 to the Elios company that lacked any previous experience in that field at the time. The project was realised in the city of Hódmezővásárhely, where the mayor was János Lázár, who later served in the second and the third Orbán governments as the minister to oversee the Prime Minister's Office.

Between 2009 and 2014 the Elios company implemented 35 projects funded by the European Union in a value of 43,7 million euros. The proportion of European Union funding varied between 85 percent and 100 percent in each of the projects concerned. The public procurement procedures, through which Elios gained these contracts were rigged, and plagued with severe irregularities, which, according to the European Union's Antifraud Office (OLAF), imply forms of organised criminal activities.

Most of the municipalities involved in the public procurement procedures commissioned the same consultancy firm, called Sistrade Ltd., to prepare their tender documentation. This consultancy was owned by Endre Hamar, a business partner of István Tiborcz, and also a co-owner of Elios, which is undoubtedly a serious conflict of interest scheme in itself. All the technical requirements and the required reference works were drafted by the above-mentioned consultancy, and these were defined along such lines that only Elios was able to meet them. In around half of the public procurement procedures Elios was the only bidder, whereas in those cases where multiple bidders participated in the tendering, companies that competed Elios were typically hired later as subcontractors – a reason to suppose that these competitors might have colluded. Additionally, the Elios company and the supplier of the LED

bulbs supposedly took part in a potential vertical cartel. These are only a few examples of suspected fraud and irregularities in the public procurement processes involving Elios.

These irregularities were first reported by Hungarian investigative journalists in 2015. Besides, based on criminal complaints submitted by András Schiffer, a member of the Hungarian Parliament at that time, and co-president of the party ‘Lehet Más a Politika’ (‘LMP’ – Politics Can Be Different) and by the political party ‘Párbeszéd Magyarországért’ (‘PM’ – Dialogue for Hungary) the Police started an investigation in the same year. However, proceedings were terminated on the ground that no suspicion of criminal activities could be found. In the meantime, OLAF also launched an investigation and concluded that serious irregularities had been committed. In December 2017, OLAF presented its findings in a formal criminal complaint to Hungary’s prosecution service. In July 2018, the Police, in reaction to the information provided by OLAF, reopened the investigation into the Elios-case, however, in less than four months, terminated the investigation for the second time, citing again the absence of any crime.

Although the report by OLAF has never been published, it was partially leaked to a Hungarian news portal. According to news articles based on the leaked parts of OLAF’s report, OLAF recommended that the European Commission withdraw 100 percent of the 43,7 million euro funding absorbed by the Elios company.

In February 2019, the Hungarian government decided to not submit to the European Commission the invoices relating to the public lighting modernisation projects completed by Elios. Transparency International Hungary is of the opinion that by this move the Hungarian government admitted on the one hand the involvement of the Elios company in a seriously fraudulent tendering practice, while on the other hand it acts as an accomplice to letting the suspected corrupt conducts go unsanctioned.