

CORRUPTION IN HEALTHCARE PROCUREMENT

for protection against the coronavirus pandemic

Transparency International Hungary (TI-Hungary) has won a final judgment in a case concerning the sale of ventilators. Although the Ministry responsible has still not shared the requested information, TI-Hungary has found out what could have happened to the 17,000 ventilators that the state bought with HUF 300 billion of public money through companies close to the government. Most likely nothing at all. Presumably they are still gathering dust in state-funded warehouses, because no one is willing to pay for them. The following is a summary of the lessons learned from the lawsuits brought and won by TI-Hungary to investigate the dubious details of suspected corruption in public procurement, which were in principle intended for protection against the coronavirus pandemic.

It is a cliché, and Transparency International Hungary has also repeatedly stated that desperate times call for desperate measures. In the last three years, perhaps the only event more extraordinary than the coronavirus pandemic was the war of aggression launched by Russia against Ukraine. In any case, it is certain that in the hope of a quick and effective defense against COVID-19, unconventional measures in terms of the fight against corruption may be necessary. For example, governments may select healthcare suppliers without competitive tendering, or greater than usual scope for trade secrets in procurement contracts could be allowed, even at the price that in the end the purchase will be more expensive than it would have been in “peacetime”. This might have been the case in the purchase of the COVID-19 vaccines and ventilators as well. Who would blame their government for stockpiling medical supplies larger than actually needed during a global pandemic and the resulting global panic, hoping for a quick solution, or perhaps contracting with a supplier who would not have been considered under normal circumstances.

In the absence of knowledge of the details, it may even seem that something similar happened in Hungary when purchasing medical equipment necessary for protection against the coronavirus. If this were indeed the case, then TI-Hungary would have no reason to continue to be concerned with this issue years later. If the only problem was that the government bought too many of these products and at an exorbitant price, we probably wouldn't say anything more than "only those who don't work don't make mistakes." However, the reality is quite different.

It is well known that in the first year of the coronavirus pandemic, the Hungarian government, partly through state organizations and partly through companies with murky backgrounds, accumulated perhaps the largest ventilator capacity in the world in proportion to the population. This fleet of over 17,000 machines cost Hungarian taxpayers more than HUF 300 billion. With this, our country has certainly taken a prominent place on the world map of the ventilator industry. In terms of wasting public money, the procurement of vaccines has not been any less than a resounding success. Vaccines produced by manufacturers in the USA and Western Europe arrived in Hungary at fixed prices as part of a joint European Union procurement. By contrast, the country procured the so-called Eastern vaccines, i.e. those from China and Russia, on the basis of individual agreements. We now also know that the primary purpose of both purchases was the further corrupt enrichment of the government and their crony contractors from public money.

The ventilator business

In March 2020, it became clear that a coronavirus outbreak cannot be avoided, and that protective equipment (including ventilators) was needed. At that time, there were 2,000 ventilators in the country, and even the most pessimistic scenario estimated that a [maximum of 8,500 machines would be needed at any one time](#). Not that the domestic healthcare system has ever had the specialists needed to provide mechanical ventilation to so many people at the same time. Later, of course, this estimate turned out to be greatly exaggerated, since even at the peak of the pandemic, only about [1,600 ventilators were needed](#) at any one time. Nevertheless, the government bought more than 17,000 machines and spent more than HUF 300 billion of public money on them.

As we have already emphasized, overbuying alone cannot be considered corruption, even when accompanied by overspending. Similarly, we cannot object to the fact that the government did not purchase the ventilators directly, even if it had the opportunity to do so, for example through foreign delegations or healthcare organizations.

The ventilator deal became suspicious due to the fact that the government arranged the purchase through intermediaries connected to businessmen close to the government. Fourcardinal Tanácsadó Kft., which has since been liquidated at the decision of the former owners, was one of the biggest domestic beneficiaries of the business. The company, which is also connected to Zsuzsanna Rahói, Viktor Orbán's chief adviser - the managing director was Zsuzsanna Rahói's brother - made a profit of HUF [16 billion](#) in 2020, which it topped with another [HUF 2.2 billion in profit](#) in 2021. The presumed personal and business circle behind Fourcardinal Kft. - namely [Márk Szeverényi](#), brother-in-law of László Szabó, the former deputy of Minister of Foreign Affairs Péter Szijjártó- will also be discussed in connection with Danubia Pharma Kft., which brought the Chinese COVID-19 vaccine to Hungary.

However, the most bizarre aspect of the ventilator purchase was not this, but the involvement of GR Technologies, a Malaysian company that supplied most of the equipment. This company delivered 6,258 ventilators to Hungary for HUF 176 billion, i.e. more than HUF 28 million per unit. The Malaysian importer's pricing far exceeded the specific costs of the already overpriced purchase. Hungary [bought the ventilators for](#) an average of HUF 20 million per unit for the total fleet of 17,000 pieces, while the average price of the ventilators in the European Commission's procurement was [HUF 4.5 million](#). In other words, the average price of the Hungarian purchase was nearly five times higher than the average price in the European Union, while the unit price of the Malaysian supplier was more than six times higher than that. The particular piquancy of the contracts concluded with GR Technologies is that the HUF 176 billion purchase price was not even paid to the company or its owner Datuk Vinod Sekhar. The money was transferred by the Ministry of Foreign Affairs to various bank accounts in Hong Kong and Singapore, according to the [documents in the possession of TI-Hungary](#). We hastened to add: while the authorities in Hungary turned a blind eye to the staggeringly overpriced purchase of ventilators, Malaysian businessman [Datuk Vinod Sekhar](#), who bought a private jet and a luxury yacht from his considerable earnings, was prosecuted in his home country on suspicion of money laundering, among other things.

What have we found out so far?

TI-Hungary [made serious efforts to](#) find out the details of the Malaysian purchases. Above all, we wanted to find out from the Ministry of Foreign Affairs, which signed the contracts, how the supplier GR Technologies was selected, whether there was a public procurement procedure, or any other means of competition among potential partners, and of course, how the transparency of the Malaysian supplier was verified. According to the Fundamental Law, which has been amended by Fidesz to make it "as solid as granite", a public contract can only be validly concluded with an organization that has a transparent ownership background. We were also curious about the government's reasoning for paying nearly HUF 180 billion purchase price to accounts linked to unknown people in Hong Kong and Singapore. Since the Ministry of Foreign Affairs rejected our request for data, we went to court and [won the case at both first and second instance](#). In the meantime, the government has initiated a review of the final judgment. If the Curia also finds in our favor, the Ministry of Foreign Affairs will be forced to

make an exploratory confession and reveal all the details of the transaction in its entirety. If what we have assumed from the outset were to emerge, namely that the government cannot credibly prove the transparency of the giga-purchase, then due to the violation of the mandatory provisions of the Fundamental Law, the HUF 176 billion ventilator deal is null and void, and the money shall be returned to the taxpayers.

This is not the only case we have won regarding ventilators. We also acted in a case concerning the possible resale of surplus ventilators. We managed to find out that not only is there no demand for them in Hungary, but no other country wants them either; so far, the government's efforts to resell them seem to have been fruitless. First, we inquired with the Ministry of Foreign Affairs and Trade about the success of the resale campaign. From the rather formulaic answer, according to which "negotiations are currently taking place, no data of public interest has been generated in this regard", it [emerged that](#) not a single piece was sold until the beginning of 2021. Since then, we know, or at least we have good reason to believe, that the gigantic ventilator stock is still not wanted. In March 2021, the government entrusted the now defunct [Ministry of Human Resources](#) (EMMI) with the "sale of ventilators in excess of the strategic stockpile", a task which, thanks to the inter-ministerial succession, was transferred to the Ministry of the Interior. TI-Hungary originally inquired about the success of the operation at the former Ministry of Human Resources, and following the rejection of the data request, we initiated a [lawsuit against the former top ministry](#) of Miklós Kásler. We [won the case](#) against EMMI at first instance, but in the second instance proceedings, which took place as a result of the appeal of the losing party, we faced the Ministry of the Interior, which in the meantime has become responsible for health as well. The Court of Appeal also ruled in favor of TI-Hungary, so it is now definitive that the government must disclose details of the resale of ventilators.

However, one can assume that the Ministry of the Interior (BM), which inherited the task from the now-defunct Ministry of Human Resources, is not hiding the facts out of sheer governmental routine, but to at least postpone the shame resulting from the disclosure of the complete failure of the resale. While defending itself in the lawsuit by claiming that it is not even obliged to release the data, the Ministry of the Interior points to the National Healthcare Service Center (OKFÖ), which oversees health stock management among other things, saying that OKFÖ carries out the resolution of ventilator stocks. TI-Hungary did not hesitate to ask OKFÖ about the status of the sale of ventilators, despite the final legal victory against BM. However, much to our surprise, OKFÖ [replied](#) that it "does not have the requested data, because no ventilator was sold by OKFÖ". For the time being, we cannot decide whether the Ministry of the Interior or OKFÖ is lying, but the trial will soon be over, and we will see more clearly at the end of the proceedings.

The information revealed by the press also confirms our assumption that the government is unable to raise money by selling the ventilators it stockpiled two years ago. The latest news from last Christmas shows that it is still only possible to get rid of ventilators by giving them away. In 2022, the government [handed over hundreds of ventilators free of charge](#) to countries including the Czechia, Slovakia, Ukraine, and Serbia, as well as Bosnia, Lebanon, Jordan, Kyrgyzstan, Uganda, Moldova, and Tunisia.

Fly in the ointment: transparency requirements

By default, the state should have handled both the purchase of ventilators and COVID-19 vaccines within the framework of a public procurement procedure. Since the payment was made from public funds, care should also have been taken to ensure that the transparency requirements set forth in the Fundamental Law and the regulations on public finances were met. However, as we know, the protection against the COVID-19 pandemic was not a base case. The government therefore took several measures to speed up procurement and to simplify the use of public funds. It is worth examining exactly which requirements the government exempted itself from.

During the busiest part of the shopping spree for ventilators and vaccines, in the first half of 2020, Government Decree 48/2020 regulated purchases related to protection against COVID-19. This government decree made it possible for the state to buy everything that might be needed to combat the pandemic without public procurement. The Prime Minister decided on the individual exemptions, but even Viktor Orbán could not give permission for anything, at least in principle. Among other things, a request for exemption had to justify the procurement demand in detail and explain the risks that would arise if the purchase was not completed. The procedure required carrying out a multi-stage inspection before granting an exemption from public procurement. First, the state administrative body overseeing the tenderer, then the National Healthcare Service Providing Center - which has since been merged into the National Healthcare Service Center-, and finally the Operative Board had to examine whether it was really necessary and justified to avoid public procurement. In addition, the fact that no public procurement procedure had to be launched did not mean that competition could be completely excluded, since even with the exemption, three tenders had to be requested, if possible.

However, the government decree did not grant an exemption from the requirement for transparency. Under the Public Finances Act, public funds cannot be paid to an organization that is not considered transparent. As a result, the purchase of ventilators, most of which took place before the summer of 2020 - for example, the Ministry of Foreign Affairs contracted with the Malaysian company GR Technologies between March and May 2020 - are only legal if the government can prove that it bought from a transparent supplier.

The problem arising from the lack of exemption from the transparency requirement was evidently noticed by the government, because the day after the repeal of Government Decree 48/2020, i.e. on June 18, 2020, the Public Finances Act was directly amended. The government obviously wanted to cut the Gordian knot around transparency by passing a law declaring that an organization, with which the state contracts to purchase products necessary for protection against the coronavirus pandemic, is transparent. However, this provision is not retroactive and therefore cannot retroactively legalize contracts already concluded before its entry into force, if the government has in fact concluded them with companies that are not transparent.

The lawsuit that TI-Hungary already won against the Ministry of Foreign Affairs and Trade for the data related to the ventilators purchased through the Malaysian intermediary company is therefore a high stakes case. If our suspicion that the government did not verify whether the supplier GR Technologies is truly a transparent organization is confirmed, then the contracts totaling HUF 176 billion are null and void, and the money shall be returned to the taxpayers.

The government exempted some 100 procurement procedures of 43 companies from public procurement during the fight against the pandemic. In addition to GR Technologies, Fourcardinal Tanácsadó Kft. can also be found on this list, as well as several companies with names referring to Chinese origin. The now-defunct main domestic beneficiary of the ventilator purchase is [on the list](#) of companies exempted from public procurement with two [purchases](#).

The vaccine business

As with the procurement of ventilators, TI-Hungary would not have raised its voice in relation to the purchase of COVID-19 vaccines merely on the grounds that the government spent a lot of money on them and not only in countries favored by the European Union. Indeed, it cannot be considered corruption if a country aims for diversification when dealing with the coronavirus crisis, even if it must pay a steep price for it. Of course, the situation is different if there is a well-founded suspicion that the government ordered the Chinese vaccine knowing that its suitability for protecting the older age groups most at risk from the coronavirus is doubtful at least. It is even more of a problem if it did all this expensively, and in such a way that the business circles close to power received luxury profits from public funds. And this is exactly what happened in the case of vaccine procurement.

At the end of 2021, the government published detailed data on the quantity and origin of the various types of [COVID-19 vaccines that arrived in the country](#). Purchases made through the European Union were not cheap either, and in fact, the Commission even concealed the purchase price at first. However, no suspicions of corruption arose, and we can also be sure that the top brass of NER (System of National Cooperation) and their cronies did not feather their nests through these purchases. Later, a secretary of state of the Belgian government, allegedly by accident, made the prices public, so the unit prices of the so-called Western vaccines can now be known. AstraZeneca cost EUR 1.78, Johnson & Johnson USD 8.5, Sanofi/GSK EUR 7.5, Pfizer EUR 12, Moderna USD 18, [and CureVac EUR 10](#).

Corruption in the Chinese-Hungarian way

In contrast, the procurement of vaccines produced by Chinese manufacturers was permeated by corruption. The government bought 5 million doses from the Chinese-made Sinopharm, enough to vaccinate 2.5 million people. The details of the procurement were kept secret by the government for a long time, until finally Gergely Gulyás, Minister of the Prime Minister's Office, published the contract on [his Facebook page](#). It turned out that the purchase price was a net EUR 30 per dose, but the government did not pay this amount to the manufacturer of Sinopharm, but to a company called Danubia Pharma. The Chinese vaccine, which was not even licensed in other EU Member States, was therefore much more expensive than other vaccines used in Hungary. In fact, Hungary paid more for the Chinese vaccine than Sinopharm's known prices in other countries. [Peru](#), for example, bought the same vaccine for EUR 22, [Senegal](#) for USD18.5.

As we already mentioned, the same businessmen are behind Danubia Pharma, which acted as an intermediary between the Hungarian state and the Chinese pharmaceutical company, and Fourcardinal Tanácsadó Kft., which was involved in the purchase of ventilators. Since November 27, 2020, Danubia Pharma Kft. has been owned by Syntonite Med Zrt., which was founded three days earlier with the fee paid by Zsolt Vámosi-Nagy. He is one of the founders of SRF Silk Road Fund Zrt., whose CEO is [Márk Szeverényi, former co-owner of the now-defunct](#) Fourcardinal Tanácsadó Kft. The latest development in the company network is that, like with Fourcardinal, the owners of SRF Silk Road Fund Zrt. - which previously held a 10 percent stake in Fourcardinal but were entitled to seven-eighths of the dividend - are now [liquidating the company](#).

We do not know how much Danubia Pharma, which won the HUF 55 billion deal, paid for the vaccines to the Chinese manufacturer, but market information shows that the market price of the vaccine at the time of purchase was between USD 26-28, meaning that the Hungarian company could have been working with a profit margin of USD 10, bringing a profit of [USD 50 million](#) (HUF 15 billion).

Chinese vaccine: certainly, expensive and corrupt, and also probably ineffective

In the case of the Sinopharm vaccine, there were serious problems not only with the price and supply chain, but also with its efficacy. According to the [WHO](#), "there is very little certainty that the Chinese vaccine protects people over sixty years of age and those with chronic illnesses." This is in line with the findings of the so-called Summary of Product Characteristics for the Sinopharm vaccine, which shows that the manufacturer's knowledge of its efficacy for people over 60 is limited. In the [documentation](#), the following statement can be read: "According to the available data, the level of neutralizing antibodies is lower in people older than 60 than in people aged 18-59".

Hungarian pharmaceutical professionals may have been aware of all this during the licensing procedure, and this was revealed following a data request by TI-Hungary. Back in February 2021, we asked the National Institute of Pharmacy and Nutrition (OGYÉI) to publish the documents related to the Chinese and Russian vaccine approval. OGYÉI refused to release the data, citing trade secrets. In the subsequent lawsuit initiated by TI-Hungary, the [court ordered](#) the pharmaceutical institute to release data on the efficacy of the two vaccines. The OGYÉI complied with this, but the sensitive findings were redacted, for which TI-Hungary [reported](#) the pharmaceutical institute to the police.

Despite the reductions, [it was found](#) that the Hungarian experts had serious reservations about the production and reliability of the Russian vaccine, while in the case of the Chinese vaccine, they criticized the lack of documentation to confirm its efficacy. A few days later, [the redacted documents were restored](#), and we were then able to ascertain that the Hungarian government and OGYÉI brushed aside the experts' reservations and authorized the Sputnik V vaccine, which at that time was considered to be of uncertain efficacy. They also approved the use of the Chinese Sinopharm vaccine in older age groups, even though its effectiveness was not supported either by clinical trials or by the scant documentation accompanying the vaccine.

Knowing the details of the Chinese vaccine purchase, it is almost surprising that Hungary paid an average price for the Russian vaccine, and that the government handled the procurement without crony intermediaries. Indeed, the National Public Health Center contracted directly with the manufacturer of Sputnik V, and the purchase price of USD 19.9 per treatment, or two doses, is roughly the same as the price of [Western vaccines purchased by the European Union](#).

The government therefore started gambling with the life and health of the Hungarian people. Fortunately for those in power and for Hungarian citizens, the Russian vaccine proved to be effective in the end. As for the Chinese vaccine, by the time its limited efficacy became apparent, Hungary already had a sufficient amount of Western vaccines to carry out re-vaccinations. Thus, in the end, the government escaped the scandal for the procurement of both the two Eastern vaccines and the ventilators. To put it more precisely, it escaped the consequences of the scandal, as no proceedings were initiated in either of the cases for the - to put it mildly – suspected corruption in public spending. However, this also required the authorities to know when they should not do their job.

The government tried to get off on technicalities in the trials

Not only by rewriting the legislation, but by making maximum use of the leeway provided by the existing provisions, and sometimes even going far beyond that, the government tried to delay the judgment in the lawsuits initiated by TI-Hungary.

For example, the court ordered OGYÉI to disclose all the data in the process of obtaining authorization documents for the Chinese and Russian vaccines, but the pharmaceutical institute nevertheless redacted a significant part of the documents. We have already mentioned that we [filed a report](#) with the police because of this. However, the [police](#) concluded that the OGYÉI acted correctly, and this position, which was wrong in all its elements and in breach of the law, was upheld by the [Prosecution Office](#).

Although the law was not violated, OGYÉI lied when they first promised to release the data at the trial, and then by breaking this promise they forced us to continue the trial that had been suspended at their request, because they refused to release the data again at the new hearing.

Also exciting was the lawsuit we initiated out of an interest in the results of government sales of ventilators gathering dust in warehouse. The current defendant in the lawsuit, the Ministry of the Interior, defends itself by saying that the requested data is not in their possession, but in the possession of the National Healthcare Service Center. However, the latter also denies having the data on the sale of the ventilators. The Ministry of the Interior could, of course, be mistaken, but even if it is, which, let's face it, is unlikely, it will have to consider the rigor of the Criminal Code. The Criminal Code calls it a fraud if someone makes a false statement in court proceedings and punishes it with a prison sentence. This also applies if the error is caused by negligence.