

TENDER CHAMPIONS

The performance of companies profiting from public resources and owners' involvement in public offices



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TENDER- CHAMPIONS

The performance of companies
profiting from public resources
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Head to Tender Champions!

EXECUTIVE SUMMARY

Following the 2010 elections, Parliament declared¹ the establishment of the System of National Cooperation (NER) in Hungary. In recent years, the intertwining of some business people and the government has largely determined the way public money is spent in our country. The European Parliament labeled the Orban regime a "hybrid regime of electoral autocracy" in 2022. In Hungary, the democratic system of checks and balances was dismantled by the middle of the last decade, leading to a particular, "political" form of state capture. This means that an informal group of politicians, oligarchs, and businessmen, working closely together, have taken over most public institutions and are serving particular and private interests rather than the public good. In most cases, the Prime Minister has the "final say" in the process.² In the context of public procurement, state capture mainly targets authorities controlling the distribution and fulfillment of contracts, as these are the primary distributors of public funds.

Transparency International (TI) Hungary's new **Tender Champions**³ platform, published at the same time as this analysis, focuses on the business community that has been the main beneficiary of public procurement in recent years.

By linking data on public procurement, company information, and public offices, TI Hungary has made it possible to analyze the performance and concentration of companies that have won public procurement contracts, as well as their interconnections with the state and local government institutions, in graphic form.

The information presented on the platform includes data from companies whose main source of revenue comes from public procurement. However, the amount awarded is not usually realized in the year in which the result of the tender is announced. In most cases, the public procurement contract is won by the contractor in the years preceding the implementation. Therefore, there is a difference between the date of the public procurement's result (publication of the contract award notice), i.e., the selection of the winning bidder, and the date when the procurement or development is paid to the company. Therefore, in the selection of the companies concerned, the net revenue of the companies in a given year (2021) was compared with the total value of the public procurement contracts awarded in the previous three years (1 January 2018 to 31 December 2020). We selected the companies for which the value of tenders awarded between 2018 and 2020

¹ The Parliament's 1/2010. (VI. 16.) political declaration on the System of National Cooperation; https://2010-2014.kormany.hu/download/d/56/00000/politikai_nyilatkozat.pdf

² Transparency International Hungary: Black Book II – Corruption and State Capture in Hungary; 2022; https://transparency.hu/wp-content/uploads/2022/02/TI_Hu_Black_Book_II_ENG.pdf

³ <http://tenderbajnok.transparency.hu/>

exceeded 50 percent of their net revenue in 2021, and whose net revenue in 2021 exceeded HUF 100 million.

We have made available and analyzable data on more than 2,700 companies, 30,000 tenders, and more than 5,200 final owners.

Our platform and analysis aimed to compare the performance of firms in public procurement with their business results, as well as to demonstrate the concentration and relationships with authorities by linking the final owners. These two factors have a major impact on the efficiency of competition in the public procurement market, i.e., which actors have a high level of access to public and municipal contracts and which advantage they can gain from their other positions, which may even raise suspicions of conflict of interest. Due to the nature of the data available, proxy indicators were used in some

cases. The value of the public contracts awarded in a consortium - in the absence of precise shares being known - has been taken into account in proportion to the number of members.

We have used red flags to highlight companies and owners that are in some way high-risk in each category. Companies could receive a maximum of four red flags, while final owners could receive a maximum of three. The risk indicators refer to the companies that have won the highest number of and the most valuable public contracts, the final owners of such companies, their profits, the positions held by the final owners in state or municipal organizations, and the number of mentions in the press. Four companies and 14 owners received a red flag in each category. However, it is important to note that the extreme scale of these red flags is often more significant than their total number.

THE MAIN RESULTS ARE SUMMARISED BELOW AND ON THE FOLLOWING PAGES:

→ Duna Aszfalt Út és Mélyépítő Ltd., a company owned by László Szíjj, won the highest value of public contracts in the 2018–2020 period with a total worth of more than HUF 626 billion.

→ László Szíjj and Lőrinc Mészáros, both individually and together, are well ahead of the field in terms of the total value of tenders won by their interests. In the period under review, Szíjj's companies were involved in tenders

worth HUF 914 billion, while Lőrinc Mészáros' companies were awarded HUF 633 billion, including both their privately owned and their jointly owned interests.

This means that László Szíjj's companies won 10 percent of the total value of the public contracts available in the three years, while Lőrinc Mészáros' companies won 7 percent of the same amount, not counting the results of their family members' businesses.

→ Gyula Balásy's companies, in third place, won 3 percent of all the public contracts examined, worth HUF 254 billion.

→ In our analysis, 2 percent of all surveyed owners (118 individuals) were found to hold at least one public office between 1 January 2010 and 30 September 2022.⁴

⁴ In our analysis, we took into account the mandates assumed as a member of the government, government commissioner, state secretary, deputy state secretary, member of parliament, head of public interest trusts, head of state-owned companies, mayor, or notary of county towns between 1 January 2010 and 30 September 2022. Due to the limitations of the quality of the available data and hence of the analysis, the comparison did not include, among others, the heads of non-county towns, local representatives, heads of public organizations, and judges, who are legally considered politically exposed persons (PEPs).

TENDER CHAMPIONS IN HUNGARY

Transparency International (TI) Hungary's project, based solely on public data, covers companies winning public money, their procurement activities, results, ownership and political connections, to provide an online tool to detect and prevent political corruption.

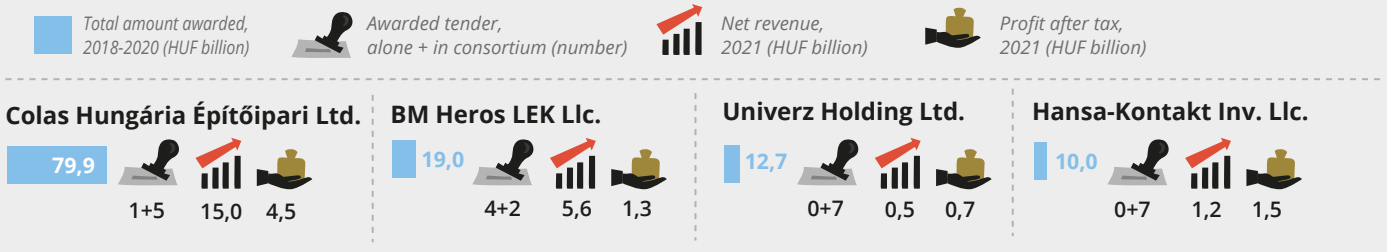
RED FLAGS

Red flags draw attention to the outlier value of an indicator, i.e., they indicate potential sources of risk (but do not in themselves prove abuse). 4 different flags can be assigned to companies and 3 to final owners.

RED FLAGS CONCERNING COMPANIES



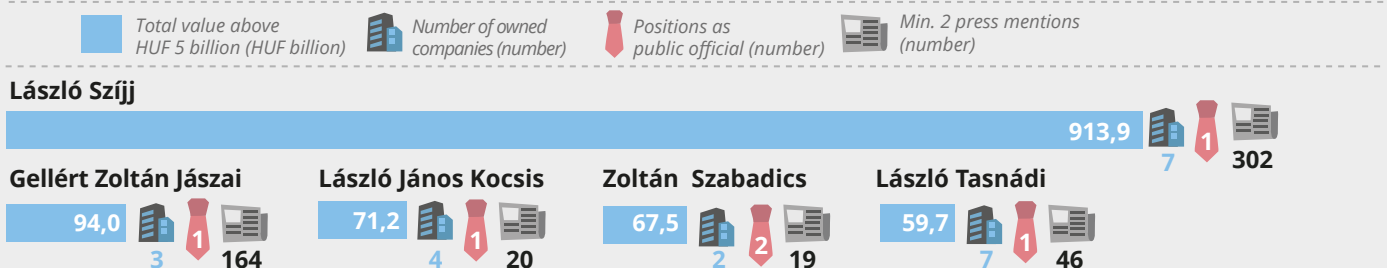
WHICH COMPANIES COLLECTED ALL 4 RED FLAGS?



RED FLAGS CONCERNING OWNERS

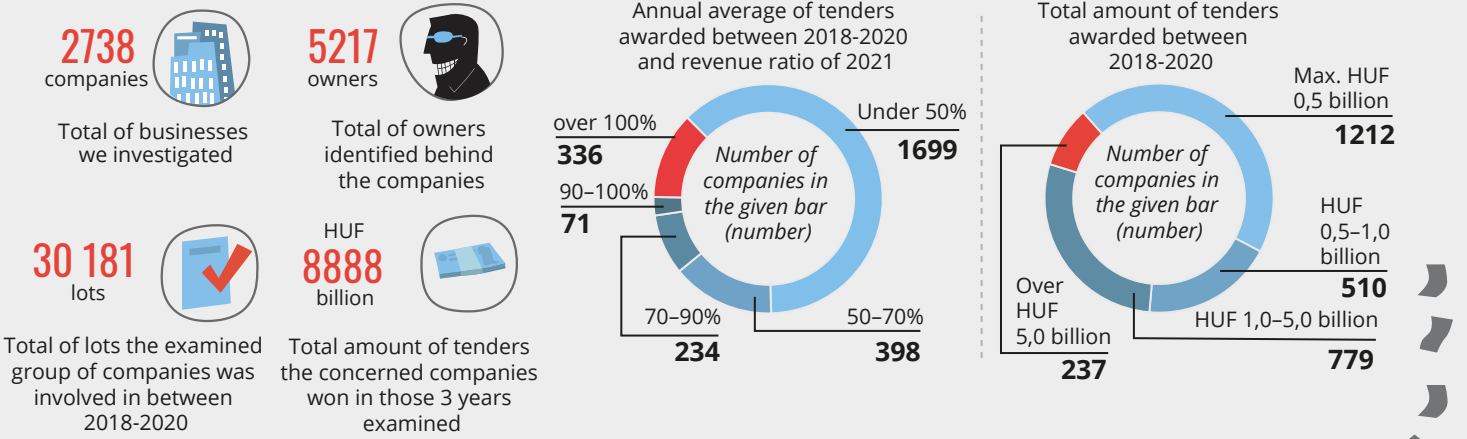


WHICH FINAL OWNERS COLLECTED ALL 3 RED FLAGS?



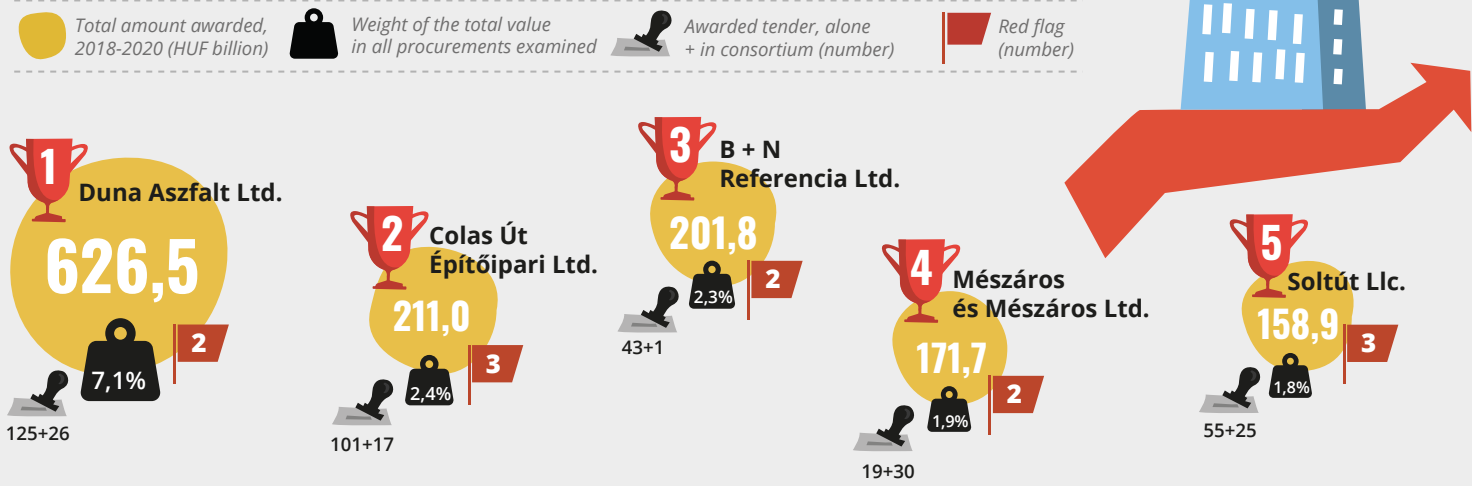
FURTHER OWNERS All three Red Flags were awarded to a total of 14 persons; György Géza Kossa (30,7) | István Hercsik (27,3) | György Vertán (22,5) | Gábor Végh (17,6) | Ferenc Figura (15,6) | Dániel Mendelényi (15,2) | Tamás Noll (9,3) | Ágnes Homlok-Mészáros (8,2) | István Illés (5,6)

OVERALL RESULTS



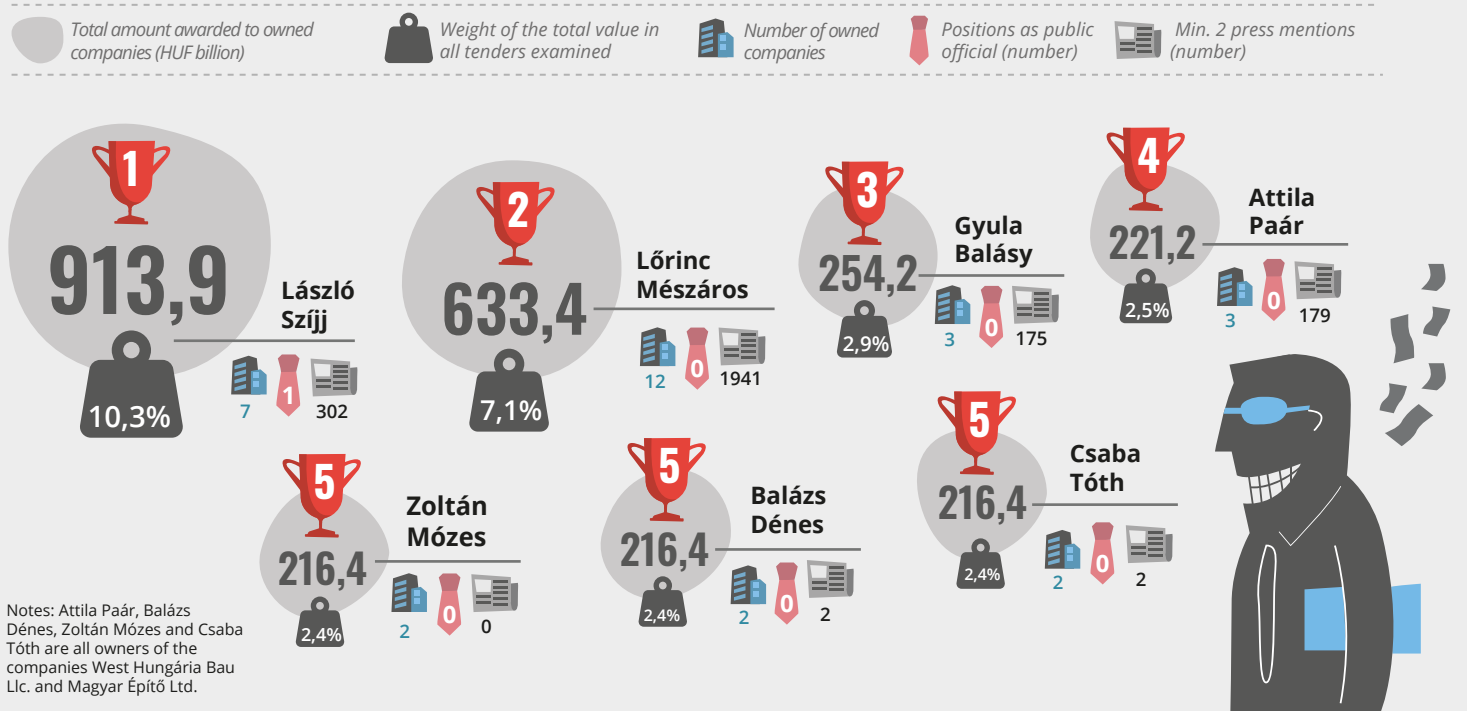
TOP 5 TENDER CHAMPION COMPANIES

Ranked by the total amount of tenders awarded in 2018-2020



TOP 5 TENDER CHAMPION OWNERS

Ranked by the total amount of tenders awarded to their interests in 2018-2020

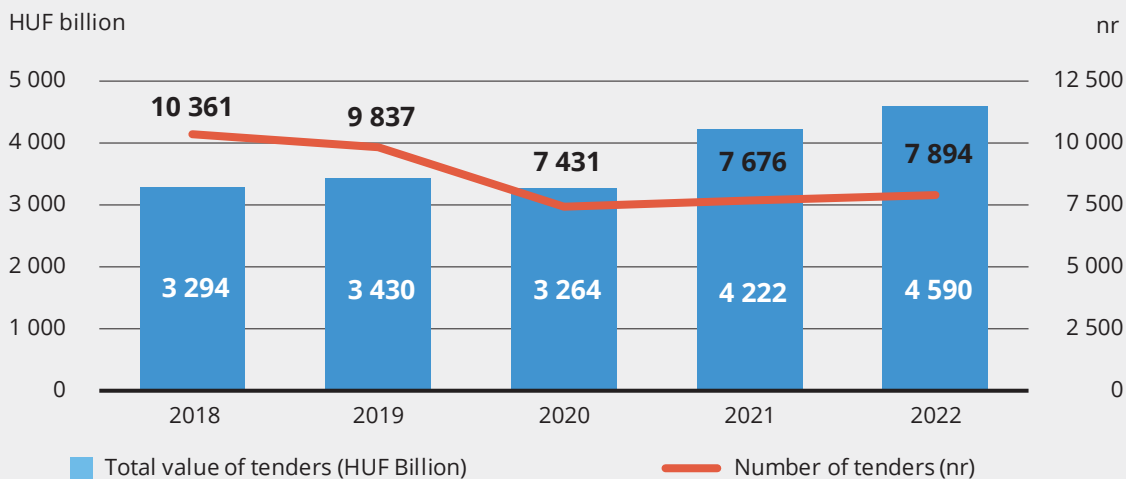


CORRUPTION RISKS AND THEIR LEGAL BACKGROUND IN PUBLIC PROCUREMENT

The area of public procurement is a significant segment in the allocation of public funds all over the world, including in Hungary, and as such it carries significant risks for the spending of taxpayers' money. The total value of tenders (Figure 1) has

shown a steady increase in recent years, except in 2020, the first year of the pandemic. The value of tenders as a percentage of GDP ranged between 7 and 8 percent between 2018 and 2022, except in 2020, when it fell to 6.2 percent.

FIGURE 1 | CHANGES IN THE NUMBER AND VALUE OF TENDERS IN HUNGARY



Source: Public Procurement Authority¹

¹ Közbeszerzési Hatóság gyorsjelentését: A magyar közbeszerzések számokban, 2022. *Public Procurement Authority Flash Report: Hungarian public procurement in numbers, 2022.* (available: <https://kozbeszerzes.hu/media/documents/gyorsjelentes-2022-pdf.pdf>)

In parallel with growth, corruption risks have also increased, limiting competition. The European Commission² has identified several systemic irregularities and problems in public procurement in Hungary. In addition to a high proportion of single tenders, close to 35 percent in 2022³, the strong preference for certain companies was highlighted, as well as serious shortcomings in conflict of interest cases and the awarding of framework agreements. A survey of the Corruption Research Center Budapest also drew attention to the low intensity of competition and high concentration in public procurement, i.e., that certain companies were awarded a large proportion of all tenders. They found that 42 companies owned by 12 people with links to the government won more than a fifth of EU-funded public contracts between 2010 and 2021⁴. The Commission argued that these factors limit transparency and competition, which is detrimental to sound financial management.

Of particular relevance to the risks that can be identified in the area of public procurement is the so-called **revolving door phenomenon**, where political actors exert economic influence through their positions in business, for example by determining the outcome of tender procedures. In this context, "switching sides" is when someone moves from public office to the private sector in the same field as before, but while previously they represented the government during negotiations, after the switch they now represent a company or an industry⁵. While in many EU countries, there are precise rules on the so-called "employment restrictions" for public officials, in Hungary there is no comprehensive regulation on the revolving door phenomenon. Some authorities (such as the newly created Integrity Author-

ity, the Supervisory Authority for Regulated Activities, the Hungarian Energy and Public Utility Regulatory Authority, and the Hungarian Atomic Energy Authority) provide a grace period for senior officials. In addition, 2018 CXXV. law on government administration⁶ provides that the government shall determine the sectors and positions subject to the **employment restriction** ("cooling-off") period of up to two years. However, this regulation has not been created, and there is no authority or easily accessible and searchable platform that would monitor these career changes.⁷

It is therefore particularly difficult to draw the line between ethically objectionable cases and cases that are illegal or where **conflict of interest** takes place, and each procedure requires a separate analysis. The Public Procurement Act⁸ (PPA) defines rather narrowly the public officials who, due to their position, would not be allowed to participate as bidders in tenders. It thus excludes the President of Hungary, members of the Government, the heads of the National Assembly, the judiciary, and the public authorities named in the law. At the same time, PPA also stipulates that any person or entity on behalf of the contracting authority that is unable to perform its functions in an unbiased and objective manner for any reason, in particular, due to an economic interest or any other common interest with the economic operator participating in the procedure, shall not participate in the preparation and execution of the procedure, for this represents a conflict of interest. Such bias may appear on the part of the contracting authority, or may also occur by involving the owner, manager, or a family member of the contracting entity, and thus may result in a violation of the fairness of the procedure.⁹

² Council Implementing Decision (EU) 2022/2506 of 15 December 2022 on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary

³ Közbeszerzési Hatóság gyorsjelentését: A magyar közbeszerzések számokban, 2022. *Public Procurement Authority Flash Report: Hungarian public procurement in numbers, 2022.* (elérhető/available: <https://kozbeszerzes.hu/media/documents/gyorsjelent-es-2022-pdf.pdf>)

⁴ CRCB: *Corruption risk and the crony system in Hungary, A brief analysis of EU funded contracts in Hungarian public procurement 2005–2021;* (available: https://www.crcb.eu/wp-content/uploads/2022/03/2022_research_notes_03_220307_02.pdf)

⁵ Transparency International Hungary: *The Revolving Door Phenomenon in Hungary, 2012;* https://www.transparency.org/files/content/pressrelease/The_Revolving_Door_Phenomenon_in_Hungary_EN.pdf

⁶ Act CXXV of 2018 on government administration, Section 117 Location Restriction and Re-employment Restriction; https://europam.eu/data/mechanisms/COI/COI%20Laws/Hungary/6.%20Law%20No.%20CXXV%20of%202018_ENG.pdf

⁷ Transparency International Hungary and other NGOs: *Contributions of Hungarian CSOs to the European Parliament's Rule of Law Report; 18 January 2023;* https://transparency.hu/wp-content/uploads/2023/01/HUN_CSO_contribution_EC_RoL_Report_2023.pdf

⁸ Act CXLIII of 2015 on Public Procurement, Section 25; https://www.kozbeszerzes.hu/media/documents/ppa_01_05_2021_en.pdf

⁹ Dr. Éva Horváth: *Decision No D.657/7/2017; Közbeszerzési Értesítő Plusz, 2020/II. nr. 12. pages 18–28.;* <https://ertesitopluszkozbeszerzes.hu/szam/20201216/d65772017-szamu-hatarozat/>

Conflict of interest checks are the responsibility of the contracting authority, but there are no adequate capacities and mechanisms in place. To avoid conflicts of interest, tender participants are required to declare that they meet the conditions for the concept of a **transparent organization**¹⁰. However, only an influence above 25 percent is required to be declared. In addition, this declaration only has to be made at the time of the tender, i.e., if later there is a change in the organization's ownership, the tenderer does not have to be notified. An additional obstacle to the verification of the background of the bidders is the fact that private equity funds and trusts, where the identity of the real beneficial owners is not known due to the organizational form, are also considered transparent entities.

Background checks on companies participating in public procurement procedures are hampered by the fact that, although more and more data on public procurement has become more easily available in recent years, the linking of this data with company information is still only of limited use for analysis and linking with different data sources, due to the lack of unique identifiers or inaccuracies (e.g. incomplete tax numbers and incomplete or inconsistent numbering of procedures). This was also a barrier to the creation of the Tender Champions platform.

¹⁰ Based on Act CXCVI of 2011 on the national property; <https://net.jogtar.hu/jogszabaly?docid=a1100196.tv>

ABOUT TENDER CHAMPIONS

PURPOSE AND CONTENT OF TENDER CHAMPIONS

The Tender Champions platform aims to showcase companies that have won public money, their procurement activities, their results, their ownership, and the public offices held by their owners and managers, as well as to highlight corruption and integrity risks that can be identified based on available data.

The information presented on the platform contains data from companies whose main source of revenue comes from tenders. However, the amount won from tenders is not usually realized in the year in which the result of the tender is announced. In most cases, the tender is won by the contractor in the years preceding the implementation. For example, the construction of a section of a motorway can take years from the time the contractor is notified that the contract has been awarded. Therefore, there is a difference between the date of the result of the public procurement (publication of the contract notice), i.e., the date of the selection of the

winning bidder, and the date when the company receives the money. Therefore, the scope of the companies involved was defined by comparing their net revenue in a given year (2021) with the total value of tenders won in the previous three years (1 January 2018 to 31 December 2020). Companies were selected if the value of tenders won between 2018 and 2020 exceeded 50 percent of their net revenue in 2021 (2022 data was not yet available).¹ We also set a minimum for the size of the company: companies with a net revenue above HUF 100 million in 2021 were considered.

On the Tender Champions platform, we have aggregated the data of more than 2,700 companies and more than 5,200 final owners that meet the criteria described above. The eligible companies won public contracts worth a total of HUF 8.9 billion between 2018 and 2020.²

¹ For detailed information on the source of the data and the limitations of their interpretation, see Appendix 1.




² For the procedures awarded in a consortium, a proxy value has been used, as the share of each partner is not available, only the total value of the procedure. For the value of jointly awarded procedures, the value divided by the number of partners is shown on the page. For consortium awards, fractional values may therefore occur.

USE OF RED FLAGS ON THE TENDER CHAMPIONS PLATFORM

In designing the tool, we have taken an expansive interpretation and used proxy indicators that are not relevant in all corruption cases or do not inevitably lead to corruption. The flags draw attention to the outlier



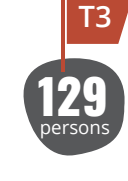
value of a particular indicator, which may, for example, raise suspicions of conflict of interest or corruption, but the flagged cases are not automatically corrupt. Overall, the flags highlight potential sources of risk,

TABLE 1 | RED FLAGS FOR COMPANIES

TYPE OF RED FLAG	DESCRIPTION	COMPANIES FLAGGED
<p>Public procurement rate above 100 percent</p>	<p>The indicator compares the annual average of the amount of public contracts awarded to each company between 01 January 2018 and 31 December 2020 with the given company's net revenue in 2021. Companies that have won public contracts at a rate above 100 percent are flagged, as public contracts play a major role in the turnover of the company.</p>	 <p>C1 336 companies</p>
<p>Profit margin above 20 percent</p>	<p>The 2021 profit after tax as a percentage of net revenue shows the profitability of the company. Companies with a margin above 20 percent are flagged.</p>	 <p>C2 419 companies</p>
<p>Total value of tender above HUF 5 billion</p>	<p>The indicator is used to rank the organizations according to the total value of public contracts awarded between 01 January 2018 and 31 December 2020. Companies that have won public contracts worth at least HUF 5 billion in total are flagged. The flag refers to the prominence of the selected companies in the public procurement market.</p>	 <p>C3 237 companies</p>
<p>Average value of tenders above HUF 1 billion</p>	<p>The indicator is used to rank the organizations according to the total value of public contracts awarded between 01 January 2018 and 31 December 2020. Companies that are awarded an average value of at least HUF 1 billion in each tender are flagged due to the high risk associated with high-value procedures.</p>	 <p>C4 217 companies</p>

which are explained in the descriptions of each indicator, but do not in themselves constitute evidence of a crime, corruption, or other abuse. The red flags point out what to avoid to ensure fair competition.

TABLE 2 | RED FLAGS FOR FINAL OWNERS

TYPE OF RED FLAG	DESCRIPTION	NUMBER OF FINAL OWNERS FLAGGED
<p>Total value of tender above HUF 5 billion</p>	<p>With this indicator, we ranked the owners according to the total value of public procurement contracts won between 01 January 2018 and 31 December 2020 by their interests owned in 2021. Final owners were flagged when the total value of public contracts won by the companies they owned was at least HUF 5 billion, and they had ownership stake of at least 25 percent in the majority of them. The indicator refers to the prominence of the selected owners' interests in the public procurement market.</p>	 <p>T1 230 persons</p>
<p>Position as public official</p>	<p>The indicator was used to examine whether the final owners held a public office between 01 January 2010 and 30 September 2022. In our analysis, we took into account the mandates held as a member of the government, as a government commissioner, as a state secretary, as a deputy state secretary, as a member of parliament, as a head of a public interest trust, as a head of a state-owned company, or as mayor or notary of a town with county rights. Final owners with at least one public office held are flagged, for this may be an indication of possible conflict of interest.</p>	 <p>T2 118 persons</p>
<p>At least 2 mentions in the press database</p>	<p>Traditionally, much of the misconduct surrounding the past use of public funds by the owners is revealed through the press, which is why we have used as an additional indicator whether and how often the final owners of the companies under investigation appear in the K-Monitor (https://adatbazis.k-monitor.hu/index.html) press database on public spending and transparency. In our database, persons with at least 2 hits in articles published after 2010 at the time of the query (05.12.2022) were flagged.</p>	 <p>T3 129 persons</p>

COMPANIES AND TENDERS

In the first section of the platform, we assessed the performance indicators of the companies, their net revenue, their profit after tax, and the value and number of tenders won. We have assessed the companies' unusual performance concerning 4 red flags,

which are presented in detail below. Of the 2,738 companies surveyed, 4 companies were flagged in all four categories, 55 companies received three flags, 189 companies received two flags and 600 organizations received one flag.

TABLE 3 | COMPANIES RECEIVING 4 RED FLAGS

NAME OF COMPANY	VALUE OF CONTRACTS AWARDED, 2018–2020 (HUF BILLION)	NET REVENUE, 2021 (HUF BILLION)	PROFIT AFTER TAX, 2021 (HUF BILLION)
Colas Hungária Építőipari Ltd.	79.8	15.0	4.5
BM HEROS LEK Logisztikai Ellátó Központ Llc.	18.9	5.6	1.3
UNIVERZ Holding Ltd.	12.7	0.5	0.7
Hansa-Kontakt Inv. Llc.	10.0	1.2	1.5

Source: TI Hungary's calculation based on Dun&Bradstreet data

COMPANIES WITH THE HIGHEST AMOUNT OF TENDERS AWARDED

Of the companies examined, 237 companies won public contracts worth more than HUF 5 billion between 2018 and 2020. This indicator shows which firms stand out in terms of the value of the tenders awarded during the period under review. Based on the indicator, the per-

formance of Duna Aszfalt Út és Mélyépítő Ltd.¹ is particularly striking, having won more than HUF 626 billion worth of tenders in the three years. László Szíjj's company, both alone and in a consortium, was well ahead of the competition in this respect.

TABLE 4 | INDICATORS FOR THE TOP 10 COMPANIES THAT HAVE WON THE HIGHEST VALUE IN PUBLIC CONTRACTS

NAME OF COMPANY	VALUE OF CONTRACTS AWARDED, 2018–2020 (HUF BILLION)	NET REVENUE, 2021 (HUF BILLION)	PROFIT AFTER TAX, 2021 (HUF BILLION)
Duna Aszfalt Út és Mélyépítő Ltd.	626.5	252.1	20.4
Colas Út Építőipari Ltd.	211	68.7	3.8
B + N Referencia Ipari, Kereskedelmi és Szolgáltató Ltd.	201.8	122.9	18.6
Mészáros és Mészáros Ltd.	171.7	58.0	4.9
SOLTÚT Útépítő, Fenntartó és Kereskedelmi Llc.	158.9	65.6	17.2
ZÁÉV Építőipari Ltd.	158.7	80.7	12.3
STRABAG Építő Llc.	140.2	46.7	0.4
STRABAG Általános Építő Llc.	129.2	52.1	3.3
New Land Media Reklám, Szolgáltató és Kereskedelmi Llc.	127.1	80.3	4.8
Magyar Építő Ltd.	119.3	52.9	7.1

Source: TI Hungary's calculation based on Dun&Bradstreet data

¹ A company created by the reorganization of Duna Aszfalt és Mélyépítő Llc. (tax number: 11426628403). The data includes the procedures won by the predecessor company.

TENDERS WITH THE HIGHEST AVERAGE VALUE

Contracts with a high value may carry a potential risk simply because of the size and stakes of winning, so companies with tenders of an average value of more than HUF 1 billion were also flagged. The list is topped by companies active in the construction sector, especially in railway modernization. The first place went to Lőrinc Mészáros' V-Híd Ltd., which earned the first place in this category with railway development contracts worth an average of HUF 34.7 billion. Belfry Gmbh and Strabag Vasútépítő Llc. are in second and third place, which are not only linked by their owners but also won a contract worth an outstanding HUF 61 billion in a consortium together. Although they are not available on the Tender Champions platform due to incomplete subcontractor disclosures, contracts obtained earlier by G7 and 24.hu² revealed that a significant part of the works were ultimately outsourced to Mészáros' companies by both firms.

RATIO BETWEEN TENDERS AWARDED AND NET REVENUE

For 13 percent of the total number of companies surveyed, the average value of public contracts won in 2018 and 2020 exceeded the net revenue in 2021, meaning that public procurement plays an even more prominent role in their activities than in other companies. The highest value in this category was achieved by Energy Hungary Energetikai Ltd., which won public contracts worth more than HUF 27 billion between 2018 and 2020, while in 2021 it had a turnover of only HUF 121 million³. The final owners of the company are not included in our database, as it belongs to the ATN I Private Equity Fund, which - as the Direkt36 article revealed⁴ - is linked to Bálint Szécsényi (as manager) and

Áron Hornung (as owner) - who are closely related to the Prime Minister's son-in-law István Tiborcz through friendship and business - through the Közép-Európai Kockázati és Magán Tőkealap-kezelő Ltd. The runner-up, Electric Four Ltd., also a leader in energy investments, won MVM's HUF 140 billion tender in 2020 with seven consortium partners (including Energy Hungary Ltd.), while generating revenues of nearly HUF 500 million in 2021.

PROFIT AFTER TAX IN PROPORTION TO REVENUE

For 419 of the companies surveyed, the 2021 after-tax profit is more than 20 percent of net revenue in 2021. This threshold was considered a red flag, given that the analysis only looks at companies where the majority of revenue comes from public procurement. It is therefore particularly noteworthy that these companies, most of which are publicly funded, are operating at a significant profit, while almost half of the companies surveyed showed a profit of less than 5 percent. Eco Solar Concept Ltd. (formerly Délvíz Ltd.) and Ecoeline Ltd., the highest performing companies, had an after-tax profit seven and eight times their revenue in 2021⁵. Although their owners are not listed in the publicly available company data, the companies are closely linked⁶, and together they won the HUF 3.5 billion EU water utility development tender as consortium partners, which is listed in the database. An interesting parallel is that, based on the company data, Ecoeline Ltd. operates at the same address in Bóly, Baranya County, as Energy Hungary Energetikai Ltd., which belongs to the ATN I Private Equity Fund mentioned in the previous indicator.

² Kovács Angel Marianna: *A vasút, amelyet végül akkor is építenek Mészárosék, ha nem ők nyertek* [Marianna Kovács Angel: *The railway, which will be built by the Mészáros family even if they don't win*]; <https://24.hu/kozelet/2019/10/08/vasut-rakos-hatvan-meszaros-lorinc-homlok-zsolt/>

³ However, the result is affected by the fact that the highest award, with a value of HUF 140 billion, was given to a consortium of 7 members, in which case the share of the consortium members is not known, so we have divided the amount equally between the members using the methodology described earlier. Energy Hungary Ltd., therefore, received HUF 20 billion from this contract.

⁴ Wirth Zsuzsanna: *Óriási vagyonokat rejtettek el kormányközeli körök, de most egy hivatalos adatbázis leleplezte őket* [Zsuzsanna Wirth: *Huge fortunes were hidden by pro-government circles, but now an official database has exposed them*]; <https://www.direkt36.hu/oriasi-vayonokat-rejtettek-el-kormanykozeli-korok-de-most-egy-hivatalos-adatbazis-leleplezte-oket/>

⁵ Other financial income can result in a profit of over one hundred percent.

⁶ Rádi Antónia: *Tolnai és baranyai tenderarisztokraták építenek kavicsbányát Madocsán - a helyiek tüntetnek* [Antónia Rádi: *Tender aristocrats from Tolna and Baranya would build a gravel mine in Madocsa - locals protest*]; <https://atlatzso.hu/2018/03/07/tolnai-es-baranyai-tenderarisztokratak-epitenek-kavicsbanyat-madocsan-a-helyiek-tuntetnek/>

FINAL OWNERS

The second section of the platform focuses on the beneficial owners of the companies under investigation, i.e., the natural persons who directly or indirectly, through other companies, have ownership in the companies. The compilation includes individuals whose identity was known from publicly available domestic company information, i.e., they do not hold these interests through a foreign company or private equity fund, for example. State interests are not examined in this section of the platform. We used

three red flags for concentration, public offices held, and mentions in the press, which are analyzed in detail below. 14 owners were flagged in each of the three categories, while 67 owners had two flags and 199 persons had one flag out of the 5217 final owners.

For reasons of data protection, only owners with at least one red flag out of the three – concentration, public position, or press coverage – are listed by name. All other owners are listed by serial number.

TABLE 5 | FINAL OWNERS WITH THREE RED FLAGS

NAME OF FINAL OWNER	TOTAL VALUE OF PUBLIC CONTRACTS WON BY OWNED COMPANIES, 2018–2020 (HUF BILLION)	PUBLIC OFFICES HELD (NR)	MENTIONS IN THE PRESS (NR)
László Szíjj	913.9	1	302
Gellért Zoltán Jászai	94.0	1	164
László János Kocsis	71.2	1	20
Zoltán Szabadics	67.5	2	19
László Tasnádi	59.7	1	46
György Géza Kossa	30.7	2	2
István Hercsik	27.3	2	5
György Vertán	22.5	1	8
Gábor Végh	17.6	1	29
Ferenc Figura	15.6	1	7
Dániel Mendelényi	15.1	2	4
Tamás Noll	9.3	1	2
István Illés	5.7	2	2
Ágnes Homlok-Mészáros ¹	8.2	2	99

Source: calculated by TI Hungary based on data from Dun&Bradstreet, K-Monitor, and own collected information

¹ As of 1 March 2023, she is listed as Ágnes Mészáros, according to press reports, due to her divorce. (Source: Kovács Gábor: *Több jelet találtunk arra, hogy tényleg válik Mészáros Lőrinc lánya* [Gábor Kovács: *More indications that Lőrinc Mészáros' daughter is divorcing*]; https://hvg.hu/itthon/202310_valoallitas)

OWNERSHIP CONCENTRATION

Although the methodology used somewhat narrows the scope of companies involved in public procurement, our study still reveals the much-criticized feature of the domestic public procurement market, namely that a significant share of public procurement is concentrated in an extremely narrow circle. A red flag was issued to the final owners where the total value of public contracts won by all owned companies was at least HUF 5 billion, and who have an ownership stake of at least 25 percent in the majority of owned companies, as known from available company data². These criteria were met by 230 of the approximately 5200 final owners surveyed, who also have joint ventures.

→ By far the most prominent owners are billionaire **László Szíjj** and **Lőrinc Mészáros**, the Prime Minister's childhood friend, with 10 and 7 percent shares of the public procurement contracts examined over three years. Over the three years, their interests had won tenders worth a total of HUF 914 billion and HUF 633 billion, mostly through construction contracts. László Szíjj is a leader in our compilation mostly thanks to Duna Aszfalt Ltd.'s success in the public procurement market, as the HUF 627 billion contract won by his construction company in the three years under review is outstanding in itself. While the contracts won by Mészáros' companies were "fragmented" among 12 companies, but even among them, the company Mészáros and Mészáros, which became a limited company in 2021, led the way with HUF 172 billion in public contracts.³ The pair not only excelled in public procurement as consortium partners, but they are also business partners through ZÁÉV Építőipari Ltd., which itself has won a significant share of public contracts, worth some HUF 160 billion in three years. Tenders won by the companies of János Mészáros (brother of Lőrinc Mészáros) and

his daughter, as well as Zsolt Homlok, his son-in-law at the time of the survey, contributed a further 3 percent to the growth of the family's interests.

- **Gyula Balásy**, who came in third on the list, also took a considerable share of the market, around 3 percent, with his communications companies. New Land Llc. and Lounge Design Llc. have been able to win a total of HUF 254 billion in tenders over three years, almost exclusively through the National Office of Communications (NKOH). His relative Bulcsú Balásy, who is active in the IT sector, can't complain either: through his 4 companies, he received contracts worth around HUF 9 billion, mostly in the framework of public procurement contracts between 2018 and 2020, mainly through tenders by the Digital Hungary Agency and the National Tax and Customs Administration.
- In terms of concentration, next in line are the owners of West Hungária Bau (WHB) Llc. and Magyar Építő Ltd., with a total of HUF 216 billion in public contracts in the three years under review. Among the final owners, **Attila Paár** stands out, who is usually associated with István Tiborcz, after he bought Elios Ltd., which was a runaway success in street lighting tenders and then failed in an OLAF investigation, from the Prime Minister's son-in-law, and they have been cooperating regularly ever since, for example in tourism development and real estate sales.⁴
- **Ferenc Kis-Szölgvényi** is also at the top of the list, having won HUF 205 billion in public procurement through B + N Referencia Ltd. and Airport Service Budapest Ltd. B+N has been growing since the 2010s and is now a leading provider of cleaning and building management services for public properties such as hospitals and MÁV, which have been affected by the emergence of the coronavirus epidemic. It is known from the press that the company has several companies close to the government among its clients, for example, it also

² The value of all the procedures won by their interests under review in 2021 was taken into account for the calculations. The value of the procedures won by the companies concerned has not been further divided by the degree of ownership, as in most cases only an approximate figure for the degree of ownership can be obtained. For procedures awarded in a consortium, the value divided by the number of members was used.

³ Duna Aszfalt has become a private limited company in 2020, followed by Mészáros & Mészáros in 2021. In both cases, the procedures won by the limited liability companies of the same name before the transformation were also taken into account in the calculations.

⁴ Dzsindzsizs Sztefán: *A Gellért Hotel megvételén már senki sem lepődik meg* [Sztefán Dzsindzsizs: *No one is surprised by the purchase of the Gellért Hotel!*]; https://hvg.hu/kkv/20221216_tiborcz_istvan_szallodai_bdpst_group_hotal_ingatlan

worked for Dunakeszi Járműjavító Llc., a former interest of the current Minister of Defence, Kristóf Szalay-Bobrovniczky.⁵ In addition to B + N, owned by Ferenc Kis-Szölgyémi, the owners of Airport Services include two companies with significant government ties: Civil Ltd., the former company⁶ of Sándor Pintér headed by László Tasnádi, former state secretary under Pintér, and Fidesz's favorite security company, Valton-Sec Zrt.⁷ These companies have also achieved high rankings in several categories on the Tender Champions platform.

PUBLIC OFFICES HELD BY FINAL OWNERS

In our analysis, we found 118 owners (2 percent of all final owners) who had previously or at the time of the analysis held public office.⁸ This red flag is particularly important because the owner of a business may, through their position as a public official or through direct contacts established in this capacity, gain an advantage in terms of having their bids favorably evaluated in public procurement.

Of particular interest are those cases where the owners of the companies surveyed have held several positions of public office. The champion of our database is József Vida,

the former Takarékbank CEO belonging to the circles of Lőrinc Mészáros, who has held 9 different public offices, while his companies won tenders worth HUF 2.4 billion between 2018 and 2020. Among the public position collectors is Gergely Czeglédy of MSZP, who held supervisory board or leadership positions in 5 different municipal companies in Budapest during the period under review, while his companies won more than HUF 1.5 billion in tenders. Perfektum Mérnöki Llc.⁹ won a tender from the Municipality of Budapest in 2018. The only current member of the government identified in the database is Csaba Lantos, Minister for Energy, who was previously a member of the Board of Trustees of the University of Szeged Foundation and also served on the supervisory boards of three state-owned companies. Formerly the chairman of the board of MET Group, he is listed in our database alongside his business partner Márton Oláh for his healthcare company's public procurements.

Most of the positions identified are leadership positions for various state and municipal companies. Special attention should be paid to those titles in which the organizations that tender the procedures won by the company and the organization that employs the company owner are hierarchically connected, or possibly identical to each other. Such cases appear both in state administration and in local administration.

TABLE 6 | THE NUMBER OF FINAL OWNERS HOLDING PUBLIC OFFICE BY TYPE OF POSITION

TYPE OF PUBLIC POSITION	NUMBER OF MATCHES
Member of Government	1
State Secretary	2
Member of the Board of Trustees or the Supervisory Board of a Public Foundation	9
Leadership in State or Municipal Companies	111

Source: TI Hungary's calculation based on Dun&Bradstreet data and self-collected information

⁵ Jandó Zoltán: *A takarítócég, amely egy év alatt közel 480 milliárd forintnyi állami megrendelést kapott* [Zoltán Jandó: *The cleaning company that received nearly HUF 480 billion in public contracts in a year*]; <https://g7.hu/vallalat/20211119/a-takaritocceg-amely-egy-ev-alatt-kozel-480-milliard-forintnyi-alla-mi-megrendelest-kapott/>

⁶ Katus Eszter: *Továbbra is a Fidesz kedvenc biztonsági cége, a Valton őrizheti a Ligetet* [Eszter Katus: *Valton, Fidesz's favorite security company, can continue to guard the Liget*]; <https://atlatszo.hu/kozpenz/2023/02/01/tovabbra-is-a-fidesz-kedvenc-biztonsagi-cege-a-valton-orizheti-a-ligetet/>

⁷ In January 2023, Valton-Sec Ltd. was acquired by a private equity fund close to Lőrinc Mészáros. (For more information see: Bódis András: *Nincs kegyelem, a NER-nagyhal megeszi a kicsit: a Mészáros-körhöz került a Valton* [András Bódis: *No mercy, the NER's big fish eats the little one: Mészáros' circle has taken over Valton*]; <https://www.valaszonline.hu/2023/03/31/valton-sec-varga-lajos-meszaros-lorinc-tiborcz-rampart-gasztronomia-allami-catering/>)

⁸ In our analysis, we took into account the mandates assumed as a member of the government, government commissioner, state secretary, deputy state secretary, member of parliament, head of public interest trusts, head of state-owned companies, mayor, or notary of county towns between 1 January 2010 and 30 September 2022. Due to the limitations of the quality of the available data and hence of the analysis, the comparison did not include, among others, the heads of non-county towns, local representatives, heads of public organizations, and judges, who are legally considered politically exposed persons (PEPs).

⁹ http://www.kozbeszerzes.hu/ertesito/2018/0/targy/portal_403/megtekint/portal_9269_2018/

Below, we list some specific cases where the state or local government organization employing the final owner, and the contracting authority, whose procedure the owner's company won, are connected.

- **László Kocsis** was the CEO of the capital's horticultural company, Főkert Ltd., until 2009, and is currently a joint owner of Virágértékesítő Llc., together with the capital. His company was also investigated by the Hungarian Competition Authority in an anti-trust case, although the case was dismissed¹⁰. His park service companies have won some HUF 71 billion in public contracts over three years, mostly from the district municipalities (such as III, XI, XII, XIII, XXII).
- The 7 companies of **László Tasnádi**, former State Secretary for Law Enforcement at the Ministry of Interior, won almost HUF 60 billion worth of public contracts in the 3 years under review. Most of the contracts were awarded through tenders by the Directorate General for Public Procurement and Supply and MÁV. Among its consortium partners, the former company of Sándor Pintér, Civil Biztonsági Szolgálat Ltd. has appeared many times.
- Forest Offices Debrecen Llc., owned by Debrecen, was managed by **Sándor Hegymegi** and **Tibor Sebők** until October 2018. Their company, Hunép Építőipari Ltd., received three-quarters of their HUF 28.5 billion worth of public contracts from Debrecen.
- In 2019, the Hungarian Competition Authority fined several companies involved in the waste business, including one of **István Hercsik's** companies, HUF 860 million for cartel activities related to EU funds. However, the businessman dubbed the "Miskolc Dumpster King" in the press, continued to win public tenders with unbroken momentum: the businessman's various companies,¹¹ mostly Mento Llc., won a total of HUF 27.3 billion between 2018 and 2020, mainly from municipalities and municipal companies in Borsod-Abaúj-Zemplén County. Meanwhile, both at the tender announcements and during our

surveyed period, István Hercsik was a member of the supervisory board of the Borsod-Abaúj-Zemplén Megyei Hulladékgazdálkodási Llc., owned by the municipal associations, and of the Zemplén Hulladékgazdálkodási Llc. (both waste management companies). Three of his companies, AROSA Llc.,¹² DHJ Llc.¹³ and Mento Llc.¹⁴ have also won public contracts from the above-mentioned municipal association. AROSA has also won a separate public contract from a member of one of the municipal associations, the Sajó-Bódva Völgye és Környéke Hulladékkezelési Municipal Association¹⁵.

- From 2012 to 2014, **Ákos Kovács** held the position of CEO of the now defunct National Infrastructure Development (NIF) Ltd., from which his company FŐBER Ltd. won 8 contracts worth more than HUF 5 billion between 2018 and 2020, partly in a consortium.
- **István Illés** was a member of the board of directors of Belváros-Lipótváros Vagyonkezelő Ltd., owned by the Municipality of Budapest's V. District, until 2019, and during the mayoralty of Antal Rogán, he also held the position of director of public space in the district. His company, Novum Guard Llc., won a contract worth HUF 400 million from the Municipality's public space supervisory body in 2019.
- **Zoltán Attila Szabó** held the position of CEO of National Infocommunication Service Company (NISZ) Ltd. between 2012 and 2018. In 2021, he became an owner of NetVisor Ltd., a regular supplier to NISZ Ltd., the organization where he previously held a senior position. His company won public contracts worth HUF 3.77 billion from NISZ, among others, between 2018 and 2020.

NUMBER OF MENTIONS IN THE PRESS

Much of the misconduct surrounding the past use of public funds by the owners is traditionally revealed in the press, which is why we have used as an additional

¹⁰ Katus Eszter: *Most Budaörsön kapott milliárdos megbízást a Zuglóból ismert parkfenntartó páros* [Eszter Katus: *The park maintenance duo known from Zugló has just received a contract worth a billion in Budaörs*];

<https://atlatzo.hu/kozugy/2020/01/06/most-budaorson-kapott-milliardos-megbizast-a-zuglobol-ismert-parkfenntarto-paros/>

¹¹ 24.hu: *Megbukott a miskolci kukakirály – uniós pénzekért kartelleztek* [The Miskolc dumpster king has fallen – cartel for EU funds]; <https://24.hu/fn/gazdasag/2019/12/05/megbukott-miskolci-kukakiraly/>

¹² https://www.kozbeszerzes.hu/ertesito/2020/0/targy/portal_403/megtekint/portal_22545_2020/

¹³ http://www.kozbeszerzes.hu/ertesito/2020/0/targy/portal_403/megtekint/portal_7590_2020/

¹⁴ https://www.kozbeszerzes.hu/ertesito/2021/0/targy/portal_403/megtekint/portal_0277_2021/

¹⁵ http://www.kozbeszerzes.hu/ertesito/2019/0/targy/portal_403/megtekint/portal_12404_2019/

indicator whether and how often the final owners of the companies surveyed appear in K-Monitor's press database¹⁶ on public spending and transparency. In our database, persons with at least 2 hits in articles published after 2010 at the time of our survey¹⁷ received a red flag. 129 final owners, 2.5 percent of the owners concerned, received a red flag.

The clear leaders in the category are Lőrinc Mészáros and László Szíjj, who are also the top performers in terms of concentration. With some 2000 and 300 hits respectively, they easily outperformed the other final owners. However, the significant difference in proportion between the two is also a reflection of the difference in public visibility of the two tender champions: Mészáros is in the spotlight, while Szíjj is a hidden oligarch.

While the data on public offices covers only a narrow range of state and local government relationships, the press reveals many family and neighborly relations, former business partners, or friendships made in the stands of football fields. Below are a few examples of the close governmental connections that can be found in the press.

→ **Zoltán Fauszt**, who has 18 mentions in the database, was a business partner of László Palkovics¹⁸ in Informin' Ltd. -which has since been liquidated - until 2014, the same year he was appointed as State Secretary in the Ministry of Human Resources, and two years later he was appointed as Minister of Innovation and Technology. In 2016, Fauszt acquired majority ownership in RC Invest Ltd., which owns the SDA group, which is known, among other things, for the development of the Neptun system used in higher education. Faust's relationship with Palkovics came to light in 2017, but his companies have been succeeding in public procurement ever since. According to our database, his companies won almost HUF 20 billion in public procurement during the 3 years under review, as the developer and maintainer – in addition to Neptun – of the recently

hacked Kréta system used in public education¹⁹, as well as Poszeidon, a document management program used in state administration. At the end of 2022, the Modern Oktatásért és Biztonságos Közlekedésért Alapítvány (Foundation for Modern Education and Safe Transport), founded by Zoltán Fauszt's relative and business partner András Fauszt, among others, became a shareholder in RC Invest Ltd. András Fauszt's company, Rufusz Computer Ltd., which also acts as a consortium partner for his brother's interests, has won public contracts worth HUF 7.7 billion over the three years.

- **György Vertán**, who is listed in the database with 8 mentions, appears in the press as the owner of the company running Fidesz's website. Vertán has a close relationship with Idomsoft Ltd., a developer of election and several state systems, and Iván Vetési, a deputy CEO of the state-owned NISZ Ltd., which owns Idomsoft Ltd. They ran their companies from the same headquarters and with the same managing director²⁰. (Vetési's company, Pareto Llc., is now in liquidation.) During the three years under review, his companies Tigra Computer and Irodatechnika Rendszerház Llc. and Tigra Rendszerház Llc. won public contracts worth more than HUF 22 billion, among which IdomSoft Ltd. appears as a contracting authority in several cases.
- **Gábor Végh**, owner of the Zalaegerszeg football club and Viktor Orbán's fellow football fan from Felcsút, had 29 mentions in the database at the time of our survey. His company, Pharos '95 Llc., a prominent participant in previous state-financed sports investments, operated its Felcsút branch under the same address as Mészáros and Mészáros Llc. until the spring of 2021²¹. The company won public contracts worth more than HUF 17 billion in the period under review.

¹⁶ <https://adatbazis.k-monitor.hu/index.html>

¹⁷ 05.12.2022

¹⁸ Erdélyi Katalin: *Palkovics volt üzlettársának cégeihez dőlnek az állami megbízások, tízmilliárdokat költünk náluk oktatási informatikára* [Katalin Erdélyi: *Palkovics' former business partner's companies are winning public contracts, they are awarded tens of billions on educational IT*];

¹⁹ Bolcsó Dániel: *Feltörhették a KRÉTA-t, a diákok adatai is kiszivároghattak* [Dániel Bolcsó: *KRÉTA may have been hacked, students' data may have also been leaked*];

²⁰ Herczeg Márk: *Egy szűk hálózat tartja ellenőrzés alatt a választási informatikai rendszert kiszolgáló cégeket* [Márk Herczeg: *A narrow network controls the companies serving the election IT system*];

²¹ Joó Hajnalka: *0, azaz nulla honvédelmi sportközpont készült el, a haverok viszont jól jártak* [Hajnalka Joó: *0, that is zero defence sports centre completed, but the cronies have done well*]

APPENDIX

INFORMATION ON THE SOURCE AND INTERPRETATION OF THE DATA

A The following data sources have been used to create the graphs and indicators in the Tender Champions interface.

COMPANY INFORMATION:

Data on net revenue, profit after tax, and ownership background from 2018 to 2021. The data are obtained from sources based on public company registers, equally accessible to all, and taken from the Dun&Bradstreet database.¹

PUBLIC PROCUREMENT DATA:

The value, date, and subject of the public contracts awarded to the companies concerned as tender bidders between 2018 and 2021, alone or in a consortium, and the name of the related contracting authority. The source of the data is the contract notices published on the Public Procurement Authority's website,² indirectly extracted from the Dun&Bradstreet database.

PUBLIC OFFICES:

The current legislation³ defines very narrowly the cases in which the interest of a political leader or a public official in a company selected in a public procurement procedure may be considered a conflict of interest. Conflicts of interest essentially only apply to the President of Hungary, members of the government (the Prime Minister and ministers), and the heads of certain public authorities. TI Hungary has a broad

interpretation of conflict of interest. In addition to the aforementioned state leaders, we also included former and current members of parliament, government commissioners, state secretaries, deputy state secretaries, and government spokespersons employed between 1 January 2010 and 30 September 2022, for which we collected information on the National Assembly⁴ and [kormany.hu](https://www.kormany.hu)⁵ websites as well as their available archives. Because of their close political involvement, we have included among the public figures the members of the boards of trustees and supervisory boards of recently established public interest trusts⁶ (KEKVAs) and the trustees of such trusts, as well as the heads of state-owned enterprises. Company information on managers of state-owned companies is also taken from the Dun&Bradstreet database.

In addition, we also used the data of the mayors and notaries of the towns with county rights in office between 01 January 2010 and 30 September 2022, which were collected from information from the National Election Office. We also looked at matches with the K-Monitor press database⁷ to highlight the press coverage of the use of public money.

1 Available: <https://www.dnb.com/>

2 Available: <https://www.kozbeszerzes.hu/ertesito/>

3 Act CXLIII of 2015 on Public Procurement, Chapter IV- Rules pertaining to the participants of procurement procedures (Section 25-36) Available at: https://www.kozbeszerzes.hu/media/documents/ppa_01_05_2021_en.pdf

4 Available: <https://www.parlament.hu/orszagguyules>

5 Available: <https://kormany.hu/>

6 Available: <https://modellvaltas.kormany.hu/alapitvanyok>

7 Available: <https://adatbazis.k-monitor.hu/>

When interpreting and analyzing the data, the following limitations need to be taken into account.

1. LIMITATIONS ON COMPANY DATA

- Given the specificities of company registration and disclosure, the ownership structure of public limited companies is not always known precisely from publicly available company information.
- In many cases, the extent of the ownership share is not known at all or not precisely known, only the estimated value (e.g. maximum value or threshold).
- Some final owners have varying degrees of interest in a business through several companies. In such cases, the higher value is shown.
- The available company data refers only to Hungarian owners. If the final owner of the company is a foreign company, we do not know the identity of the final owner, we only know that it is a foreign entity, as domestic law does not require the disclosure of the final owners of foreign companies in public company information databases.
- The data do not include the owners of the securities of the private equity fund management bodies and the clients of the trusts, as their beneficial owners are not required to be declared at the time of incorporation and operation under current legislation.
- For data protection reasons, we include the names of owners who (i) have at least a 25 percent ownership stake in the majority of the companies surveyed and whose companies have won public contracts worth at least HUF 5 billion in total in the period under review; (ii) hold/have held public office; (iii) are mentioned in the press database at least twice.

2. LIMITATIONS ON PUBLIC PROCUREMENT DATA

- Companies may have participated as subcontractors in public procurement, but full information on subcontractors is not available, so these revenues were not taken into account.
- During our analysis of the procurement data, we identified several errors and omissions in the information published in the result notices, such as incorrectly reported values, which may have affected the selection of companies displayed on the platform. Therefore, 23 companies were not included due to inaccurate data, even though they would have met our selection criteria.

3. PUBLIC OFFICES

- Political influence can rarely be demonstrated by data, and in many cases, it is an informal relationship that goes beyond titles or positions held in state-owned companies. Although friendships, neighborly relations, or family ties are not detectable at the data level, we do not dispute their importance and, following press information, we address them in separate analyses.



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