

INTEGRITY WATCH 3.0

REGULATORY FRAMEWORK TEMPLATE

Regulatory framework 1		
IW HU – Organisations / Final owners	Act CXLIII of 2015 on public procurement	Link
<ul style="list-style-type: none"> • Best practice (s): <ol style="list-style-type: none"> 1. As the procedures take place in an e-platform, the Electronic Public Procurement System (EPS), the database is building up automatically, using the data of the participants of a public procurement procedure, i.e. contracting authorities and the bidders are feeding into the system. 2. The EPS is operated in a way that ensures equal opportunities for economic operators, interoperates with widely used IT applications and does not restrict the participation of economic operators in public procurement procedures. 3. The information displayed in the electronic system is timely due to the specificities of the publication channel. • Shortcoming (s): <ol style="list-style-type: none"> 1. It is the responsibility of the contracting authorities to share information on the electronic system relating to the public procurement tender (such as calls, contract award notices, contracts, modifications). The Public Procurement Authority is responsible for verifying the data provided, however verification is often incomplete, therefore errors and gaps occur in the dataset. 2. Sharing data on subcontractors, has become only mandatory for contracting authorities since 2022. Data about subcontractors are incomplete from previous years. 3. As a bidder or subcontractor, the law establishes a conflict of interest only for a narrow group of persons because of their public positions. In other cases, a person participating in the preparation of the tender, or a related party may have a conflict of interest which is difficult to prove and explore at a data level. 4. The final value of the tender can only be known from the contract / modified contract, however the law allows disclose this information in a form that is not easily reusable, such as a pdf file. 5. In case of consortium agreements, there is no information available on the share of each member of the consortium. • Overall assessment Although some of the data is available in an acceptable quality and can be further processed, a number of gaps make it difficult to link the data with other databases and to accurately identify corruption risks. 		

Regulatory framework 2		
IW HU – Final owners	Act CXXV of 2018 on government administration	Link
<ul style="list-style-type: none"> • Best practice (s): - • Shortcoming (s): <ol style="list-style-type: none"> 1. According to the Act, the Government shall determine the sectors and the posts within the sectors for which a government official may not, after the termination or cessation of his/her government service, establish an employment, unless a period of time ("cooling-off period") defined in the law elapses. However, the government decree regulating the revolving door phenomenon has not been adopted in terms of which positions and sectors are covered. • Overall assessment In the absence of a government decree clarifying the law, no information, hence no data are available on changes in the public positions that can be linked to the revolving door phenomenon. 		

Regulatory framework 3		
IW HU – Final owners	Act V of 2006 on company registration, court proceedings and winding-up	Link
<ul style="list-style-type: none"> • Best practice (s): <ol style="list-style-type: none"> 1. Registering a new company or amending any of its information, or winding up a company, basically, any procedure related to the life of a company is taking place on an electronic platform since 2006. Therefore, the database is building up automatically. 2. Free company information can be obtained via the website of the Business Information Service on the capacity of a legal person or other organisation as a company owner, the right of representation or, in the case of a natural person, the companies in which he or she holds a management position or is a member of the supervisory board. 		

- **Shortcoming (s):**
 1. For private limited companies, only the name and personal data of the shareholder whose voting rights exceed 50 percent must be disclosed in the business register.
 2. In the case of a foreign person, it is sufficient to provide the name and address of the person to be served.
 3. The company register does not contain ownership information on private equity funds.
- **Overall assessment**
Not all ownership information is fully available in the business register, which limits the identification of the owners of companies that are successful bidders for public contracts.

Regulatory framework 4		
IW HU – Final owners	Act XLIII of 2021 on the establishment and operation of a data reporting framework for the identification of financial and other service providers	Link
<ul style="list-style-type: none"> • Best practice (s): <ol style="list-style-type: none"> 1. The establishment of the beneficial ownership register facilitated the identification of ownership concentrations 2. Data reporting is mandatory for all business and non-governmental organisations registered or incorporated in Hungary, trusts, as well as for those organisations that are partly state-owned and have at least 25% non-state ownership • Shortcoming (s): <ol style="list-style-type: none"> 1. A third party may, against payment of a fee, obtain information on the actual ownership of the property in the form of individual data provision, as determined by the registry. 2. The legislation contains several exceptions. E. g only those owners who have at least 25 percent of the shares must be reported, lower ownership percentage is not included in the database. Investors of private equity funds are no longer registered either. 3. According to the decision of the Court of Justice of European Union, the provision whereby the information on the beneficial ownership of companies incorporated within the territory of the Member States is accessible in all cases to any member of the general public is invalid. The register is still available in Hungary; however, it is questionable whether information from the register can be made public. • Overall assessment Due to the accessibility and publicity constraints, the database is not able to fulfil its function of making the ownership of companies more transparent. 		