

# A year of missed opportunities

## Assessment of the implementation of the anti-corruption commitments



**K-Monitor Public Association**  
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### Introduction

In the second half of 2022, Hungary made a number of commitments, partly due to the launch of the conditionality mechanism and partly to the adoption of Hungary's RRF plan. **This is the largest and most comprehensive anti-corruption and rule of law package in the last ten years, providing the Government with a unique opportunity to send a clear signal to EU partners, civil society and citizens that anti-corruption criticisms are taken seriously.**

K-Monitor decided to assess the implementation and the practical effects of the most important commitments one year after the start of the reforms initiated by the EU's conditionality mechanism. The **implementation of the commitments is far from being carried out at the right pace and with the ambition to achieve real results** in the fight against corruption in Hungary. The implementation of many of the measures will **at best only formally meet** the milestones set out in the recovery plan.<sup>1</sup> This formal fulfillment is only valid for the so-called super-milestones: which are essentially about the mere setting up of the legal framework and institutions. The substance of the framework, the actual implementation of the anti-corruption commitments, is already seriously delayed, if not sabotaged by the Government. **All this suggests that in the absence of external (including financial) pressure, the government is not willing to take meaningful steps to reduce corruption.**

The following is a detailed analysis of the major anti-corruption commitments made in the framework of the conditionality mechanism and the Recovery Plan, in the light of the implementation milestones that should have been met by Q3 2023 (i.e. 30th September, 2023). K-Monitor also analysed whether new legislation, institutions and practices have contributed to lowering corruption risks in Hungary. In doing so, a reference is often made to previous analyses.<sup>2</sup>

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<sup>1</sup> Available at [pdf \(europa.eu\)](https://europa.eu), p. 110–160.

<sup>2</sup> Most importantly, *Assessment of compliance by Hungary with conditions to access European Union funds*. (April 2023). Carried out together with Amnesty International Hungary, Eötvös Károly Institute, Hungarian Civil Liberties Union, Hungarian Helsinki Committee and Transparency International Hungary. [HU-EU-funds-assessment-Q1-2023.pdf \(helsinki.hu\)](https://www.helsinki.hu/en/assessments/assessment-of-compliance-by-hungary-with-conditions-to-access-european-union-funds)  
Hereinafter: *Assessment 2023 April*.

## 1. Integrity Authority

The establishment of the Integrity Authority in late autumn 2022 was indeed the biggest institutional innovation of the reform package.<sup>3</sup> In our view, at present, the Authority may be regarded as an independent, autonomous body, with competent staff and budget<sup>4</sup> to carry out its statutory functions.

However, our earlier fears<sup>5</sup> stemming from the authority's limited powers (i.e., in most cases, it could call on other, pre-existing authorities to act) appear to have been confirmed.

The Integrity Authority launched a dedicated website<sup>6</sup> with a secure reporting interface<sup>7</sup> during the spring. Investigation procedures launched upon whistleblowing reports and other sources of information are greatly obstructed by the fact **that there is still no legal and infrastructural environment**<sup>8</sup> in which the Authority could directly access data and documents that are otherwise essential for the performance of its functions. In the Authority's investigation procedure, the law provides for a 60-day deadline for the requested state bodies to reply, which is unreasonably long. Also, stakeholders have pointed out that in the laws regulating the operation of other oversight bodies there is no indication what data they have to provide to the Authority as there is no obligation to provide all requested information. This has apparently led to the rejection of certain requests.

This may also be part of the reason why, at the time of writing, **no major cases can be reported on** that have come to light as a result of the work of the Integrity Authority.<sup>9</sup> According to an answer to a freedom of information request, in the first 8 months the Authority made relatively narrow use of even its limited legal powers: it has suspended a public procurement procedure only once, never challenged a decision of the Public Procurement Arbitration Board, twice lodged crime reports and twice filed a motion for revision 'judicial review'.<sup>10</sup>

The Integrity Authority published its detailed report on the Integrity Risk Assessment Exercise Report<sup>11</sup>, and its Annual Integrity Report<sup>12</sup> within the timeframe and content set by the Recovery Plan. The latter deals extensively with the following topics:

- Monitoring and audit of the distribution of EU-funds
- Public procurement (with a particular focus on framework agreements conducted by central purchasing bodies)
- Conflict of interests
- Public procurement data
- Asset declarations

One of the recurring elements of the report is that the **quality of data required for proper analysis is uneven at best in almost all areas (distribution of EU-funds, public procurement)**, which makes not only analysis but also the identification of corruption risks very difficult, if not impossible. The Authority has made almost 50 recommendations – this covers all the sub-topics presented above, except for asset declarations, on which the Authority will prepare a separate report by the end of 2023. The Government's response to this document which was published in early October<sup>13</sup> is revealing about the government's **reluctance to introduce meaningful improvements** in the given areas., the government only agreed and committed to take action **on only 12** (25%) out of the 47 recommendations. In the case of 5 recommendations, the government suggested that the identified problems need no further measures, and in the case of further 10 recommendations, the government only partially agreed and decided to take only soft actions. **In the case of almost 40% of the Integrity Authority's recommendations, the government has expressed its disagreement and decided to not address the identified problems.**<sup>14</sup> **The Integrity Authority's proposals have essentially no legal binding force, and the government is clearly exploiting this shortcoming.**

<sup>3</sup> Reform No. C9.R1 of the Recovery and Resilience Plan. Remedial action i.

<sup>4</sup> According to the latest available figures, the statistical average number of staff was **56,1** for the first half of 2023.

<sup>5</sup> See Assessment 2023 April, p. 4–5.

<sup>6</sup> [Integritás Hatóság \(integritashatosag.hu\)](https://integritashatosag.hu)

<sup>7</sup> [Whispli](#)

<sup>8</sup> See C9.R1. Milestone 160 of the RRP. Indicative timeline for completion 2022 Q4. [pdf \(europa.eu\)](#), p. 111.

<sup>9</sup> [Vizsgálatok – Integritás Hatóság \(integritashatosag.hu\)](#)

<sup>10</sup> [Kokain, gender, korrupció, faszozás és Moszkva \(gemist.hu\)](#)

<sup>11</sup> RRP, C9.R1. Milestone 161, Indicative timeline for completion: 2023 Q1 [Integritas.Hatosag.Integritaskockazat.ertekeles.2023.marcius.pdf \(integritashatosag.hu\)](#)

<sup>12</sup> RRP, C9.R1. Milestone 163, Indicative timeline for completion 2023 Q2 [Integritas.Hatosag.Eves.Felemzo.Integritasjelentes.20220629.pdf \(integritashatosag.hu\)](#)

<sup>13</sup> C9.R1. Milestone 164., Indicative timeline for completion 2023 Q3, [integritashatosag.hu/wp-content/uploads/2023/10/int-hat-2022jelentes-korm-valasz.pdf](https://integritashatosag.hu/wp-content/uploads/2023/10/int-hat-2022jelentes-korm-valasz.pdf)

<sup>14</sup> (E.g. proposals to improve the standardisation, visibility and transparency of the irregularity management process in the case of the distribution EU funds; and in the area of public procurements , the stricter regulation of conditional public procurements and targeted monitoring of accelerated procedures.)

It was also an important commitment by the Government to transfer powers to the Authority to verify asset declarations.<sup>15</sup> In reality, however, the Integrity Authority is not in a position to fully carry out this task. This is partly because, in case of certain posts, the amended law **only provides for the investigative part of the verification of assets declarations** to be carried out by the Authority, leaving the assets declaration procedure itself – which may result in dismissal from office – to other bodies. For many state officials, its powers are even more limited.<sup>16</sup> An even more serious practical problem is that the Integrity Authority **has not been given access to the databases** it would need to carry out verification. This shortcoming is also pointed out by the Authority in its report.<sup>17 18</sup>

Other problems that the Council decision had already identified earlier, **such as the clarification of the rule creating the procedural powers of the Authority in cases of exclusion from EU funds, have not been resolved.**

## 2. Anti-corruption Task Force

The anti-corruption Task Force was set up in early December, 2022 meeting the relevant requirements of the RRP and the remedial measures.<sup>19</sup> The Anti-Corruption Working Group adopted its first report<sup>20</sup> in March 2023, which included further recommendations to government and other authorities. It is worth noting that the adoption of the report was not unanimously supported by the non-governmental members (3 out of 10 non-governmental members voted against and 2 abstained).<sup>21</sup> This was mainly due to the fact that a number of important proposals of the non-governmental side were already rejected by government members during the consultation process in the sub-working groups.<sup>22</sup>

**The legislation requires the Government to respond to the recommendations and statements agreed on by the Task Force as a whole, which means that** the Government is not expected to officially react to the more progressive and ambitious non-governmental proposals, that has already been responded to by the government-side members of the Task Force. (This malfunctioning was also highlighted in the debates<sup>23</sup> on the report on the National Anti-Corruption Strategy. In the latter process, it was also striking that the Government wanted to replace the public consultation on the strategy with consultation within the Task Force. Moreover, the Government **is reluctant to discuss any anti-corruption issues in the Task Force** that are not explicitly provided for in the Recovery Plan: e.g. the draft whistleblowing bill, which is indeed relevant for any anti-corruption action, was neither announced, nor discussed in the Task Force.)

After one year, it is also clear that **the relevant act and the recovery plan did not take into account the disproportionate burden of the Task Force membership on non-governmental actors.** The lack of apparatus, remuneration and trust in the potential of the Task Force leads to a premature loss of motivation among members, which is exacerbated by the legal requirement for non-governmental members to carry out their duties in person, without the opportunity of substitution (such a requirement does not apply to government members). The lack of capacity on the non-governmental side is also evident from the fact that in less than a year, 3 of the 10 original members have resigned<sup>24</sup>, and only one could be replaced. As a result, there are now only 8 non-governmental members of the Task Force, compared to the required 10, which, while not changing the voting power of the non-governmental members, leads to an overload of work for members. **No suitable candidates have been found for the two remaining posts for months, which is not surprising, given that the above circumstances do not make Task Force membership appealing to the handful of people with the right skills and credentials.**

This is particularly striking as there was an initiative by the Ministry of Interior to even increase the number of members on both the government and non-government side by a further one to 11, due to the creation of the new ministry for European Affairs this Summer. It is worth mentioning that the draft law initiating the increase of the headcount was published as part of a draft

<sup>15</sup> C9.R1. Milestone 162. Indicative timeline for completion 2023 Q1.

<sup>16</sup> See e.g. *Assessment 2023 April*, p. 6–7; [Hungarian MP's Assets: Less Declared And Still Not Monitored - K-Blog; Integritas\\_Hatosag\\_Eves\\_Flemzo\\_Integritasjelentes\\_20220629.pdf \(integritashatosag.hu\)](#), p. 148.

<sup>17</sup> [Integritas\\_Hatosag\\_Eves\\_Flemzo\\_Integritasjelentes\\_20220629.pdf \(integritashatosag.hu\)](#), p. 152.

<sup>18</sup> Other shortcomings of the asset declaration system are described in chapter 3.

<sup>19</sup> RRP C9.R2., Remedial measure II., See also *Assessment 2023 April*, p. 7–8.

<sup>20</sup> RRP, C9.R1. Milestone 166, Indicative timeline for completion: 2023 Q1

<sup>21</sup> [Korrupcioellenes-Munkacsoport-ules\\_20230313\\_alairt-jegyzokonyv.pdf \(kemcs.hu\)](#) Minutes of the 13/03/2023 session.

<sup>22</sup> It should be noted that non-consensus (i.e. non-governmental) proposals were also included in the final report, but the government's obligation to act on them is much lighter and, and in fact, there is no obligation at all to react to them.

<sup>23</sup> [SKonicaBC252305112270 \(kemcs.hu\)](#) Minutes of the 27/04/2023 session.

<sup>24</sup> See the Open Letter of Petra Reszkető, Director of Budapest Institute, in which she explains her reasons for resigning [Tisztelt Címzett \(budapestinstitute.eu\)](#). The other members have not gave reasons for their resignation publicly.

package of legislative amendments on migration<sup>25</sup> (!), without either the Integrity Authority or the Task Force having been informed or consulted beforehand. The controversial provision was eventually removed from the proposal tabled to the Parliament. Unfortunately, **the above-mentioned circumstances are painful indications that the non-governmental members of the Task Force are not seen as real partners by government actors.**

Perhaps the one and only positive aspect is that discussions in the Task Force are in fact decent, i.e. the work is not hindered by the smear campaigns that appear from time to time in the government media, regularly targeting the very same civil society actors and anti-corruption NGOs that are the members of the Task Force.<sup>26</sup>

### 3. Asset declarations

The issue of asset declarations<sup>27</sup> is perhaps the best indicator of the government's **reluctance to combat high-level corruption**. Some problems have already been mentioned above, such as the fact that the Integrity Authority has not been given the powers necessary to conduct their functions related to asset declarations and that the outcome of their “investigation (verification) procedure” is not binding on other bodies that actually conduct the asset declaration procedure. In some cases the powers of the Integrity Authority are even more limited.<sup>28</sup>

Meanwhile the government has in fact amended acts relevant to the commitments indicated in the remedial measures and milestones, and thus extended the scope of those required to submit a declaration of assets, however, it did not succeed to similarly extend the material scope of asset<sup>29</sup> declarations. The legislation in its current form is a step backwards from the system that had been in place for years: it is not required anymore to declare all real estates, and instead of submitting exact amounts of their income, declarants can use an income scale, with the highest range of EUR 13.000 and above.<sup>30</sup>

The scope of reporting on the assets and income that declarants indirectly hold or indirectly benefit from still **remains unclear** – similarly, the asset declaration form does not contain any reference to ultimate beneficial ownership. It is important to stress that some assets **remain impossible to verify in the absence of proper record-keeping** – for example, if a person is a beneficiary of a private equity fund or trust,<sup>31</sup> or if the declarant has preferential dividends in a company in which they otherwise hold less than 25%. The same applies to optional agreements. According to articles in investigative media,<sup>32</sup> these are increasingly common ways of concealing assets. Overall, it can be concluded that the range of assets to be declared on the form is much narrower than the government indicated in the relevant remedial measure and in the recovery plan.

A more obvious problem is that **there has been virtually no progress** over the past year on the commitments that were so-called ordinary milestones in the recovery plan, i.e. the ones that do not block any other recovery plan payments, despite the fact that their implementation deadline is well overdue.<sup>33</sup>

In March 2023 the government tabled the infamous Bill T/3131 on “the modification of rules related to asset declarations in order to reach an agreement with the European Commission”, which was intended to settle the commitment to create a searchable database of asset declarations. The text and even the title of the bill was completely eliminated last minute **after the parliamentary debate** in order to replace it by the provisions of the justice reform.<sup>34</sup> The issue of the asset declaration database was thus left in the dust, and no progress (draft legislation, consultation) has been made in this area since then. The searchability

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<sup>25</sup> Still available at [Magyarország Kormánya - A közbiztonság mege. és a migr. ell. küzdelem érdekében szükséges törvények mód. \(kormany.hu\)](https://www.kormany.hu/en/magyarorszag-kormanya-a-kozbiztonsag-mege-es-a-migr-ell-kuzdelem-erdekében-szükséges-törvények-mód-(kormany.hu)).

<sup>26</sup> See e.g. HírTV: [‘video.hirtv.hu/embed/275327’](https://video.hirtv.hu/embed/275327) ‘Transparency International is the most corrupt organization in the world’, statement in a TV-spot by Tamás Deutsch, MEP.

<sup>27</sup> C9.R4: Strengthening rules related to asset declarations., Remedial action III.

<sup>28</sup> [Hungarian MPs's Assets: Less Declared And Still Not Monitored - K-Blog](#)

<sup>29</sup> RRP, C9.R1. Milestone 171, Indicative timeline for completion: 2022 Q4. See *Assessment 2023 April*, p. 10–12.

<sup>30</sup> Note also that this solution clearly came from the declaration system used by MEPs – although the latter is also widely criticised. E.g. [Transparency-International-EU-briefing-MEP-financial-interests.pdf](#). Transparency International EU, 2023.

<sup>31</sup> Note also, that while the asset declaration form refers to “shares in private equity funds”, in fact, technically, in Hungarian legal terminology equity funds have no shares, but so-called “investment units”. Moreover, as trusts are not considered as “economic entities” MPs and other declarants does not have to indicate if they are the beneficiaries of such funds.

<sup>32</sup> Jandó Z: [Pofonegyszerű módszerrel rejtik el tízmilliárdok útját a NER oligarchái](#). ‘The oligarchs of the NER hide tens of billions in a simple way’. 16 October, 2023. G7. [Pofonegyszerű módszerrel rejtik el tízmilliárdok útját a NER oligarchái | G7 - Gazdasági sztorik érthetően](#); Wirth, Zs: [Törölték az óriási vagyonokat rejtő magántőkealapok gazdáit az állami adatbázisból, miután a Direkt36 cikket írt róluk](#). ‘The owners of private equity funds hiding huge wealth have been removed from the public database after Direkt36 wrote an article about them’. 25th July, 2023. [Telex: Törölték az óriási vagyonokat rejtő magántőkealapok gazdáit az állami adatbázisból, miután a Direkt36 cikket írt róluk](#)

<sup>33</sup> RRP, C9.R1. Milestone 172 – ‘Setting up of a new system for the electronic submission of asset declarations in digital format and a public database for asset declarations’. Indicative timeline for completion: 2023 Q1.

<sup>34</sup> On this unusual legislative move, see the Joint letter of HHC, Amnesty and EKINT. [joint\\_letter\\_EC\\_judicial\\_reform\\_20230502.pdf \(helsinki.hu\)](#)

of MPs' asset declarations was essentially addressed by cramming all (!) the asset declarations of MPs into one single searchable pdf file (which is around 2000 pages).<sup>35</sup> That is hardly a database, let alone a solution to the original problem.

As for the last and perhaps most important commitment on asset declarations, **it is the application of effective, dissuasive sanctions** – a new enforcement system that should be already in place today.<sup>36</sup> This shortcoming, which has been raised in a number of previous Greco reports, is apparently intended to be **sabotaged by the government**: not only has the legal framework not been put in place, but there has not even been any consultation or debate on it, and **the issue is not even included in the latest draft Anti-Corruption Strategy 2023-2025**.

#### 4. Judicial review

A new procedure, **motion for revision** ('judicial review') was introduced to the Code of Criminal Procedure at the end of 2022.<sup>37</sup> In the case of certain corruption offences, the new rules provide the opportunity for individuals and authorised bodies to challenge the decisions of the prosecution and investigative services that dismiss a crime report or terminate criminal proceedings, i.e. individuals can file a motion for revision against the decision or and eventually file an indictment to the court of law. In case of the specific offences, these decisions are published anonymously by the relevant authorities (the police, the tax authority, and the public prosecutor's office). As this is a new institution, there has been limited opportunity to assess the measure in terms of its contribution to the fight against high-level corruption. This is primarily because the legal provisions only allow for the submission of such motions for revision in proceedings initiated after 1st January 2023. Consequently, at present, proceedings are mostly in their first phase (i.e. the authorities are publishing their anonymous decisions) and there is no publicly available information on how often citizens and authorised bodies submit motions for review, let alone how the court decides in these cases.

However, the data available so far show that our fears that the institution would not make a real difference are justified: the tight deadlines set by the law and the limited accessibility of casefiles make action practically impossible. It is also clear from the data K-Monitor analysed, that the anonymised decisions often do not contain sufficient information to consider submitting a motion for review.<sup>38</sup>

Even so, at least one case has been reported where the Integrity Authority itself has initiated a judicial review: in connection with a newspaper article on suspicious public procurements<sup>39</sup>, the Prosecutor's Office took the question of an opposition MP as a crime report and forwarded it to the Police Service. However, the Police quickly dismissed it, as the newspaper article **did not allow them to establish that a crime had been committed**. It was the Integrity Authority that lodged a motion<sup>40</sup> for revision against the decision, **claiming that the police had not carried out any investigative measures**. The motion of the Integrity Authority was dismissed by the police, the prosecutor's office and eventually by the Buda Central District Court as well,<sup>41</sup> essentially on the grounds that the complaint had been filed **solely on the basis of a single article** of an investigative media outlet, and as the article did not specifically identify any criminal offence, but only hinted at the possibility of collusion in public procurement, dismissal of the crime report without conducting an investigation could be justified.

Unfortunately, it is revealing that the court's statement also said that "[o]f course, the present case and the investigative article in question **are not free of political content, and it is also through this lens that it is necessary to assess the crime report** and the decision of dismissal."<sup>42</sup> In any case, it does not bode well that **the institution, which was essentially conceived to encourage investigation of high-level corruption offences, is not used properly because the crime reports and the investigative articles on which they are based are "not free of political content"**.

<sup>35</sup>Searchable' asset and interest declarations on the Parliament's website: [parlament.hu/documents/10181/64498761/Kepviselok\\_dec\\_20230712.pdf/14500f71-179d-89b5-a51a-dc7743e2afcd?e=1688979454151](https://parlament.hu/documents/10181/64498761/Kepviselok_dec_20230712.pdf/14500f71-179d-89b5-a51a-dc7743e2afcd?e=1688979454151)

<sup>36</sup>RRP, C9.R1. Milestone 173 – 'Introduction of effective administrative and criminal sanctions concerning the serious violations of asset declaration obligations'. Indicative timeline for completion: 2023 Q3.

<sup>37</sup>RRP C9.R3: Introduction of a specific procedure in the case of special crimes related to the exercise of public authority or the management of public property ('judicial review'). Remedial action V. See *Assessment 2023 April*, p. 9–10.

<sup>38</sup>K-Monitor's own analysis is due to become public in the following weeks.

<sup>39</sup>[Megtaláltuk a „tenderkirály” cégeket és a várost, ahol több száz megbízást nyertek | atlatso.hu](https://atlatso.hu/2023/04/12/megtalaltuk-a-tenderkiraly-cegeket-es-a-varost-ahol-tobb-szaz-megbizast-nyertek/)

<sup>40</sup>[Felülbírálati indítványok – Integritás Hatóság \(integritashatosag.hu\)](https://integritashatosag.hu/2023/04/12/felulbiralati-inditvanyok-integritas-hatosag/)

<sup>41</sup>[Hiába lépett fel az Integritás Hatóság, a súlyesztöbe került a győri tenderkirály-ügy | atlatso.hu](https://atlatso.hu/2023/04/12/hiaba-lepett-fel-az-integritas-hatosag-a-sulyesztobe-kerult-a-gyori-tenderkiraly-ugy/)

<sup>42</sup>[gyori-ugy-felulbir-indity-elutasitasa-birosag.pdf \(atlatso.hu\)](https://atlatso.hu/2023/04/12/gyori-ugy-felulbir-indity-elutasitasa-birosag.pdf/)

## 5. Public interest asset management foundations

Since our last analytical assessment,<sup>43</sup> there has been no change in this area: no bill has been tabled that would regulate the independence, the necessary qualifications of the boards of trustees, or the length of their term. There was no intention to formally declare a conflict of interest with certain politically sensitive posts: **on the contrary, at present, holding office in public interest trusts is an exception from the conflict of interest rules for political leaders.**<sup>44</sup> In February 2023 an informal request by the government led to the resignation of ministers from their memberships in the Boards of Trustees, however this is no guarantee under the current legal framework that they would not be able to return. After almost two years, the Constitutional Court has failed to put on his agenda the petition in which K-Monitor argued that the mere fact that trustees can vote in parliament on the funding of such foundations could create a conflict of interest.<sup>45</sup>

The legal regulation of public interest asset management foundations does not ensure prudent operations: decisions of the members of the Board of Trustees can only be challenged by the public prosecutor, and the State Audit Office can only exercise its powers of control over budget support and the management of public assets. Shares of major Hungarian companies and real estates that the government deliberately gifted to the foundations governing the Mathias Corvinus Collegium, the Corvinus University and other foundations do not fall under the scope of state audit.

There are also considerable problems with transparency: only basic information such as the registered office address or the names of the members of the Board of Trustees are publicly available via the internet, list of the members of the supervisory board or the current deed of foundation are often only available at the court of registration. Public interest asset management foundations themselves often do not comply with their obligation of proactive disclosure - and the newly introduced powers of the National Authority for Data Protection and Freedom of Information do not even cover these institutions.

The above-mentioned issues are **not only problems at an abstract level**, but may also have a significant impact on academic freedom and autonomy, which can be illustrated by several recent examples.

- (1) Interestingly enough, in June, István Stumpf, who also enjoys the confidence of Viktor Orbán, resigned from his position as a member of the Board of Trustees of the University of Tokaj-Hegyalja, reportedly precisely because his fellow trustees wanted to appoint a candidate as rector of the University who was not supported by the University Senate: **the Board of Trustees clearly went against the University's autonomous decision.** Mr Stumpf and a fellow trustee argued that the decision of the Board of Trustees has violated academic freedom, but 3 of his fellow trustees had no such scruples. As a result of the dispute, Stumpf and his fellow trustee resigned their membership and new trustees were elected within a month. An acting rector now heads the institution.<sup>46</sup>
- (2) One of the most generous endowment was given to Matthias Corvinus Collegium (MCC)—a Fidesz-leaning college that also operates as a public interest asset management foundation. The MCC does not run a university in Hungary but provides talent training for secondary school and university students, as well as disseminates knowledge (book publishing, conferences, trainings, workshops etc.), almost exclusively in the social sciences. Its trainings and publications are not without ideological overtones, and are often promoting the ideological aims and principles of the governing party, targeting intellectuals and aiming to cultivate a young elite loyal to Fidesz. **The MCC has immense resources for its tasks, as a result of endowments in shares of major Hungarian companies received from the state.** This is how the MCC was able to acquire Hungary's largest book publisher and book distribution company from the majority owner this summer (with this move, **about 50% of the Hungarian book distribution market has been taken over by the MCC**)<sup>47</sup>. According to recent media reports the participation in the MCC's training programme for secondary school students will be rewarded with 70 extra points out of the maximum 500 in the admissions process of many universities recently taken over by public interest asset management foundations, i.e. it can even replace a higher-level language exam. This also suggests that there is a systemic attempt to limit academic freedom through the collusion of the boards of trustees of public interest asset management foundations.<sup>48</sup>

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<sup>43</sup> RRP C9.R5: Ensuring the transparency of the use of public resources by public interest asset management foundations. Remedial action IV. See. *Assessment 2023 April*, p. 12–14.,

<sup>44</sup> [Public Interest Trusts: Can Government Politicians Continue to Control the Public Assets Needed to Ensure Academic Freedom? - K-Blog](#)

<sup>45</sup> [New Public Interest Trusts: K-Monitor to File Amicus to Constitutional Court - K-Blog](#)

<sup>46</sup> See e.g. *Telex: Összekülönbözött kurátortársaival Orbán bizalmasa, aki ezért lemondott a Tokaj-Hegyalja Egyetem kuratóriumi elnöki posztjáról.* (Orbán's confidante has clashed with his fellow trustees and resigned as chairman of the board of trustees of the University of Tokaj-Hegyalja.) [Telex: Összekülönbözött kurátortársaival Orbán bizalmasa, aki ezért lemondott a Tokaj-Hegyalja Egyetem kuratóriumi elnöki posztjáról.](#)

<sup>47</sup> See e.g. [Beláthatatlan következményei lesznek – Libri kontra MCC | Litera – az irodalmi portál.](#) In English: [Authors leave Hungarian publisher in protest at sale to Orbán-linked college | Hungary | The Guardian.](#)

<sup>48</sup> [Felvételi pont a NER utánpótlás képzéséért \(partizanmedia.hu\)](#) (in Hungarian)

- (3) A recent case reveals that universities managed by public interest asset management foundations may be subject to strong influence and pressure not only from the political sector but also from **the economic elite as well**. Corvinus University in Budapest<sup>49</sup> was basically the first university to come under the control of a public interest asset management foundation in 2020, and as a founding capital the foundation **received 10% of the shares of one of Hungary's and the region's leading energy companies**, MOL Zrt. Zsolt Hernádi, the CEO of MOL, was appointed as a president of the Board of Trustees. In short, in February, 2023 a lecturer at the university initiated an ethical proceeding, as he learnt that a student, who, according to press reports, was a close relative of one of MOL's major shareholders, was allowed to take an exam under preferential conditions. In fact, the student in question should not have been allowed to sit any exams at all for academic reasons, however, his influential parents put pressure on the university. While the first instance of the ethical proceedings found three persons responsible, including the then rector of the University, they were acquitted in the second instance. Following the incident, the rector resigned. In October 2023, the lecturer, who had initiated the proceedings was fired from the university, partly because his comments had brought the university into disrepute.<sup>50</sup>

## 6. Enhancing the transparency of public spending

There have been no substantial developments since our latest analysis in relation to this milestone.<sup>51</sup> <sup>52</sup> The Parliament has amended the Freedom of Information Act with Act XLIV of 2022 in order to create a central database, but the legislation has already **omitted significant data providers** as according to the provision, only 'budgetary bodies' within the meaning of the Public Finance Act are required to provide data to the database.<sup>53</sup> In the terminology of the referred Act, this means that **many public bodies are simply excluded from the scope of the data providers**, for example, state and municipal companies set up to perform public tasks. This is a significant problem as many budget subsidies are administered through such companies. One of Hungary's largest public procurement agencies, the Digital Government Agency, which centrally manages all digital procurements, also operates in a corporate form. Perhaps even more important than the lack of companies is the fact that, according to the Public Finance Act, **local governments themselves** (who also carry out a fair amount of public procurements) are not considered as "budgetary bodies" and are therefore not obliged to publish anything in the database. Consistently, the new transparency procedure empowering the National Authority to impose sanctions for failure in disclosures do not apply for these entities. Brief analysis and the own account of the Authority<sup>54</sup> has shown that the Authority did not impose fines in the first few months after the new law came into force.

While according to the relevant milestone,<sup>55</sup> the central register should be in "an open, interoperable and machine-readable format, which allows bulk download and data to be sorted, searched, extracted, compared and reused", in reality, the data is only made available in separate files per government bodies every two months and cannot be automatically processed.<sup>56</sup> **The site's main aim, to help find contract data of the beneficiaries of public funds, remains impossible.**

## 7. Development and implementation of a National Anti-corruption strategy and action plan

As of October 2023 the new National Anti-corruption Strategy and the action plan is still not adopted, apparently there is still an ongoing discussion between the European Commission and the Hungarian Government on certain issues. Moreover, it is still unclear, whether the implementation of the previous strategy<sup>57</sup> has been completed. A first version of the new strategy was

<sup>49</sup> Despite similarity in names, there is no actual relation between Matthias Corvinus Collegium and Corvinus University.

<sup>50</sup> [Telex: Kirúgta a Corvinus a tanárt, aki vizsgálatokat kezdeményezett, miután kivételeztek egy befolyásos családból származó diákkal](#) (Telex: Corvinus fires teacher who initiated investigations after favouritism towards a student from an influential family) In Hungarian.

<sup>51</sup> C9.R6: Enhancing the transparency of public spending. Remedial action xvii.

<sup>52</sup> See Assessment April 2023, p. 14–16.

<sup>53</sup> RRP, C9.R6. Milestone 175 – 'Entry into force of a legislative act ensuring enhanced transparency of public spending.' Indicative timeline for completion: 2022 Q4.

<sup>54</sup> [Tájékoztatók / Közlemények - Közlemény az Információszabadság napja alkalmából 2023. - Nemzeti Adatvédelmi és Információszabadság Hatóság \(naih.hu\)](#)

<sup>55</sup> RRP, C9.R6. Milestone 176 – 'The central register set up under the remedial measures in the conditionality procedure is fully operational and the full set of information required is available in it.' Indicative timeline for completion: 2023 Q1.

<sup>56</sup> [A rough winding road leads to public data on the new portal promised to the EU - K-Blog](#)

<sup>57</sup> RRP, C9. R7: Milestone 177 – Strengthening the anti-corruption framework in Hungary by implementing concrete actions under the National Anti-Corruption Strategy and a related action plan covering the period 2020-2022, Indicative timeline for completion: 2023 Q1.



already shared with the Anti-Corruption Task Force in April, and the Task Force adopted an additional report on 13 June.<sup>58</sup> Non-governmental members criticized the lack of comprehension between the strategy and the action plan and lack of public consultation, among other things. At present, only the first version of the Strategy is publicly available on the website of the Anti-Corruption Task Force. The wording of the (draft) Strategy and the Action Plan reveals lack of ambition. The action plan e.g. refrains from implementing concrete plans: instead of planning to introduce a measure until a certain deadline, it rather commits to 'examining the possibility of introducing measures'. Even so, the deadline for implementing certain elements of the action plan often seemed extremely long. In October 2023, the government sent the Integrity Authority and the members of the Anti-Corruption Task Force its comments on the Task Force's proposals on the first draft, and for informational purposes a new, revised version of the strategy, but this has not been made public at the time of writing.

## 8. Procurement-related milestones

Public procurement has been the subject of a number of milestones<sup>59</sup> and remedial measures. As it has been pointed out on several occasions, the problems in the public procurement system are not necessarily stemmed in the quality of the rules: rather, they are related to compliance, enforcement and lenient practices. The new measures gave a number of new institutions a mandate to identify efficiency potential corruption and integrity risks in the public procurement system, such as the Performance Measurement Framework Working Group, the Integrity Authority and even the Anti-Corruption Task Force.

On this issue, it is important to underline that while several measures aim to reduce the share of single-bidding, the reduction alone does not necessarily mean less corruption in public procurements. In many cases 'supporting bids' or high number of invalid bids (due to strict eligibility criteria) may also reveal corruption, and this type of abuse is obviously not reflected in the sheer proportion of single bid procurements. It is worth noting though, that the fact that in Hungary the share of single bid procurements is significantly higher for high-value non-EU funded public procurements, may indicate that **the control system is less effective in the case of domestically funded procurements**.

One of the first commitments were new developments on the Electronic Procurement System<sup>60</sup> to allow the structured, machine-readable search and bulk export of all contract award notice data – a commitment that the government has delivered relatively soon, in autumn 2022. However, **downloaded data is not of sufficient quality to allow analysis**, let alone to identify patterns of corruption or integrity risks. This is partly caused because the data export does not contain a set of important data that is not necessarily included in the contract award notices themselves (such as e.g. name of all bidders, number of invalid tenders, reference to conditional procurement, contract amendments), however these datasets exist in the EPS in electronic format, though not in a format that would allow bulk data download or scraping. The data of the downloadable contract award notices is available in the exact form in which they are provided by the contracting authorities – this means, among other things even the format of the tax numbers are not uniform. This, together with various unfiltered errors, makes any analysis extremely difficult. The inaccuracy and uneven quality of the data has also been highlighted by the Framework for Measuring Procurement Efficiency<sup>61</sup> and the Integrity Authority's Integrity Report,<sup>62</sup> but the government's response has been to refrain<sup>63</sup> from any measures that would improve data quality.

Meanwhile, the unavailability and unprocessability of data, thus the inability to identify patterns of corruption not only **obstruct the work** of enthusiastic investigative journalists and independent public policy analysts, but also that of **bodies that are supposed to monitor public procurements**. This is revealed by the fact that in cases of suspected collusion or pre-arranged procurement irregularities, the Public Procurement Authority itself frequently acts on the basis of 'whistleblowing reports' and not based on risk assessment. Some of these **whistleblower reports**, however – more or less diverging from the original purpose of the concept of whistleblowing – are not **based on** insider information but on **meticulously, manually collected and processed**, but otherwise publicly available **data**.<sup>64</sup>

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<sup>58</sup> [Kiegészítő jelentés NKS.pdf \(kemcs.hu\)](#)

<sup>59</sup> RRP, C9.R10 Reducing the share of single-bid public procurement procedures; C9.R11: Development of the Electronic Public Procurement System (EPS) to increase transparency; C9.R12 Performance measurement framework for public procurement; C9.R13 Action plan for increasing the level of competition in public procurement; C9.R14 Training scheme, and support scheme, on procurement for micro-, small and medium-sized enterprises to facilitate their participation in public procurement procedures. Remedial actions vii-xi. See Assessment 2023 April, p. 18–25.

<sup>60</sup> RRP C9.R11. Milestone 197. Indicative timeline for completion: 2022 Q3

<sup>61</sup> [Elektronikus Közbeszerzési Rendszer \(gov.hu\)](#), Annex 9.

<sup>62</sup> [Integritás.Hatosag.Eves.Felemzo.Integritasjelentés.20220629.pdf \(integritashatosag.hu\)](#), p.164.

<sup>63</sup> [integritashatosag.hu/wp-content/uploads/2023/10/int-hat-2022jelentés-korm-valasz.pdf](#), p. 6.

<sup>64</sup> An example of this is the recent case published by the Public Procurement Authority, where, following a whistleblowing report, matching criteria were identified in 28 public procurement contracts which served to restrict competition in public procurement. [Feljelentést tett a Közbeszerzési Hatóság: 28 esetben manipulálhatták a közbeszerzéseket - Főportál \(kozbeszerzes.hu\)](#)



The problematic issue of **framework agreements conducted by central purchasing bodies** has been identified by several evaluations, including the reports of the Integrity Authority<sup>65</sup> and the Procurement Framework Working Group as well.<sup>66</sup> This widely used form of procurement has the potential to **gravely distort the market for a particular product or service category in the long term**. The surveys also suggested that in many cases even the procuring entities themselves were unable to assess whether these procurements were efficient, or whether they could achieve financial savings. In theory, these problems could be alleviated if **central purchasing could be waived below a certain threshold or under certain transparent conditions**. In its reply to the Integrity Authority, the government has only decided on soft commitments to address this issue (the ministries managing central purchasing bodies are examining whether it is possible to address the identified problems).<sup>67</sup>

The action plan<sup>68</sup> adopted by the Government to increase competition in public procurement has relatively limited ambition. Among other things, it provides for improvements to the search engine of the EPS, registration for the EPS-notifications and the publication of various guidelines, with only two major novel elements: **full anonymous access to public procurement documents** in the EPS and a **reduction in appeal fees**. The Action Plan also includes two measures already included in the original Recovery Plan of 2021: (1) a training scheme for SMEs and (2) the launch of a support scheme to encourage SME participation in public procurement – both of the programs have already started, but it is arguable whether they are likely to contribute to real, substantive improvement. This is especially true for the support scheme: as the call for proposals was not drafted carefully enough, there are already indications that the flat-rate subsidies may have been accessed by fraudsters.<sup>69</sup>

## 9. Improving transparency and access to public information

As part of the recovery plan, in addition to the central database of public expenditure,<sup>70</sup> the government has also made commitments that could strengthen freedom of information in general.<sup>71</sup> One of these was to speed up the judicial process<sup>72</sup> in relation to freedom of access to information requests. Almost ten months after the amendment of relevant legislation, there is sufficient evidence to evaluate to a great extent the practical effects of these measures. The new litigation rules have indeed significantly speeded up access to information. A court case can now be closed in a couple of months instead of a year and a half such procedures used to take. Early experience shows that some major first instance courts are very serious about keeping the fast-track deadlines. However, the **fast-track rules can in many cases be burdensome for the data requester**. Under the new rules, it is permitted for the defendant to present its defence on the spot at the first hearing. In such a situation, **the party litigating for access to data cannot prepare in advance and has to elaborate its arguments at the trial**. Postponement of the hearing in such a case is only possible in exceptional circumstances. Under the new rules, there is a greater need for legal preparation and representation by a lawyer, which makes access to justice more costly. **Short deadlines can also be a challenge for courts when hundreds of pages of documents have to be reviewed and assessed properly within the 15-day timeframe**. Time pressure on judges might decrease the quality of justice. A stay of the proceedings cannot be requested even at the joint request of the parties, which precludes the parties from having time to reach an agreement. The cases brought under the new rules are currently in the second instance, so it is not possible to make any overall conclusions on the functioning of the new scheme.

In theory, the recovery plan also includes commitments<sup>73</sup> that put data requesters in a more favourable position than before, such as the abolition of certain fees and the reduction of the 45+45 day deadline for answering FOI requests which was an exceptional rule in force referring to the COVID-19 pandemic and later the war against Ukraine. However, according to media reports and the experiences of K-Monitor, **data holders still regularly obstruct easy access to information**: they more and more often provide access to documents for on-site examination instead of providing a copy; or they make extensive use of exceptions referring to the business secrets or preparation of certain decisions that require keeping information confidential.

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<sup>65</sup> [Integritas.Hatosag.Eves.Elemzo.Integritasjelentes.20220629.pdf \(integritashatosag.hu\)](#), p.164.

<sup>66</sup> [Elektronikus Közbeszerzési Rendszer \(gov.hu\)](#). Annex 5., Annex 9.

<sup>67</sup> [integritashatosag.hu/wp-content/uploads/2023/10/int-hat-2022jelentes-korm-valasz.pdf](#), p. 7–12.

<sup>68</sup> [118/2023. \(III. 31.\) Korm. határozat - Nemzeti Jogszabálytár \(njt.hu\)](#)

<sup>69</sup> E.g. in one particular construction procurement, for example, an unusually large number of bidders, more than 30, competed, many of them were clearly unqualified to carry out the task. However, 29 (!) of the non-winning bidders have applied for and won the public procurement support.

<sup>70</sup> See Chapter 6.

<sup>71</sup> RRP, C9.R26: Improving transparency and access to public information. See *Assessment 2023 April*, p. 35–39.

<sup>72</sup> RRP, C9.R26, Milestone 229 'Entry into force of a legislative act ensuring legal predictability in access to public information cases in court'.

<sup>73</sup> RRP C9.R26 Milestone 230, Entry into force of legislative amendments ensuring increased transparency of public information.

Other milestones related to freedom of information stipulate that the Government Control Office shall “carry out comprehensive and detailed checks on all public bodies at least twice per year and upon complaint to assess whether they comply with their respective requirements on transparency of public data and providing access to data of public interest”, and publish a biannual report on its findings.<sup>74</sup> This task clearly falls outside the functions and expertise of the Government Control Office, however, government representatives have previously indicated in the Anti-Corruption Task Force that the milestone will ultimately be carried out by the National Authority for Data Protection and Freedom of Information. However, the Authority's powers have not been broadened in a way that would clearly place it within its remit to meet this milestone.

## **10. Improving the quality of law-making and effective involvement of stakeholders and social partners in decision-making**

One of the most important elements of the reform would be the **reintroduction of the practice of public consultation**,<sup>75</sup> which has been scattered over the years, despite the obligation of the legislators to do so. Following a legal amendment, public consultations are now overseen to some extent by the Government Control Office, which may in certain cases impose sanctions. Indeed, compared to the past, a large number of draft government regulations and laws have been published on a dedicated website.<sup>76</sup> Unfortunately, the way in which they are published is **superficial and only formally meet the requirements set out in the relevant act**: purely technical amendments have been put on consultation, and the titles and summaries of the published legislative packages rarely indicate clearly the subject matter of the proposals. Therefore it requires a serious investment of time and energy on the part of citizens and stakeholders to comment draft legislative proposals, and frankly, it is arguable whether it is not a waste of time: according to the analysis K-Monitor carried out back in May, **the overwhelming majority of recommendations received were simply rejected by the government, mostly on the ground that recommendations are not in line with legislative intent.**<sup>77</sup> Overall, this makes it unappealing for citizens to participate in public consultations. Moreover, regardless of the milestones and remedial measures, the Government has also taken steps towards eliminating existing forms of social consultation, such as public hearings.<sup>78</sup>

Remedial measures and RRP commitments stipulated the creation of a legal framework that would allow the establishment of a new, more diverse monitoring committee to follow up the RRF plan. As of October, 2023 the new members of the Monitoring Committee had been selected through a public call for application, and they were able to comment in writing on the new RePowerEU Chapter of the Recovery and Resilience Plan. However, **no monitoring Committee Meeting has been held to date.**<sup>79</sup>

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<sup>74</sup> RRP C9.R26 Milestone 231, Report of the Government Control Office on access to public information (1).

<sup>75</sup> RRP C9.R27 Milestone 235, Entry into force of amendments to the relevant legislative acts to enhance the use of public consultations and impact assessments in the law-making process.

<sup>76</sup> [Magyarország Kormánya - Dokumentumtár \(kormany.hu\)](https://www.kormany.hu/)

<sup>77</sup> [PUBLIC CONSULTATION with THE ORBAN GOVERNMENT – Is it worth it? - K-Blog](#)

<sup>78</sup> [Hungarian Government To Hollow Out Public Consultations Despite Commitments - K-Blog](#)

<sup>79</sup> Note, however, that other Monitoring Committees overseeing the Partnership Agreement 2021–2027 and the operational programmes have also been restructured. Most of these MCs have indeed held meetings. While there is opportunity to conduct meaningful discussions on these meetings, newly elected members have reported pressure on them in order to approve the already published call for applications without debate.