

Pro-European Hungarian experts about EU funding to Hungary

by András Lukács, Clean Air Action Group

It is the opinion of many Hungarian experts that EU funding has not contributed to economic, social, and environmental improvements in Hungary. Several of them have even declared that EU money has caused more harm than good.



Brandy distillery in Hungary being built with EU money (It is to be noted that nearly 10% of the population suffers from serious alcoholism.¹)
(The author's photo.)

According to the relevant EU legislation², the European Structural and Investment Funds support the following policy objectives: “a more competitive and smarter Europe by promoting innovative and smart economic transformation...” To get a picture of whether EU funding to Hungary has contributed to achieving these objectives, I have collected opinions of highly qualified Hungarians who have good knowledge about the use of EU funds in Hungary. All of them support the European Union and the process of European integration. (The citations³ are in inverse chronological order.)”

“...the EU, while significantly widening its economic and political playing field, has fostered new types of economic dependency and has contributed directly and indirectly to the erosion of democratic institutions and values in many of the new member states.”⁴ – *László Bruszt, Director of the CEU Democracy Institute, Professor of Sociology at the Central European University*

“The results of [EU] subsidies granted directly to companies ... for the period 2010-2021 were very disappointing – the subsidised firms grew more slowly than their non-subsidised counterparts and there were no positive effects in other areas either, be it exports, employment or efficiency gains. The conclusion was that the owners took out the EU funds allocated to these companies in the form of dividends in the following years.”⁵ – *Péter Bucsky, journalist*

“I think the [EU] money shower has done at least as much harm as it has been a blessing. Many good things have been achieved, but it has made the economy dependent on bids, the moral level has deteriorated a lot, and because many people have been living off the bids, competitiveness has declined. There was no owner of the money, there was no proper control of what it was being used for. ... In contrast, in Germany, the Marshall Aid was not distributed but was disbursed as a long-term loan, so that those who received it were interested in creating productive value. And the interest repaid could be redistributed again as loans. In our country, we have not been able to transform the economy with many times more money than the Marshall Aid.” – *István Szent-Iványi, former State Secretary of the Ministry of Foreign Affairs, former member of the Foreign Affairs and Budget Committees of the European Parliament*⁶

“Almost all EU funding comes to each country with the involvement of its government. The Orbán government has therefore acquired the right to decide how EU funds are used, and has distributed the money to its oligarchs through various mechanisms, essentially through ‘public procurement’. It is an artificial breeding ground. The oligarchs have become extremely rich, but they have not been able to create real companies that can compete internationally. They can survive by receiving a constant blood transfusion from the EU through the government. The system is only economically viable if the money comes in and is distributed among the oligarchs and the – uncompetitive – companies they control. They live off EU subsidies.”⁷ – *Attila Ágh, Professor in the Department of Political Science at Corvinus University of Budapest*

“...the problem is that the Orbán government is not used to having to manage the economy, because it hasn't had to, since the money has been pouring into the country without doing it.”⁸ – *László Molnár, CEO of the influential economic consultancy GKI*

“... the outcome of the Hungarian case [the suspension of EU funding] is extremely important, because it will really be a guideline for how corruption and other problems in other member states will be dealt with, how seriously they will be taken.

...

There are thousands of studies available on the impact of EU money on growth – and the conclusions are not uniform. Roughly half of the studies concluded that there was a positive effect, a third said there was no effect, and a sixth concluded that the impact of EU money on growth was actually negative. ... I tend to share the view of those who attribute a relatively modest medium to long-term impact of EU money on convergence.”⁹ – *Zsolt Darvas, Research Fellow at Bruegel and Senior Research Fellow at the Corvinus University of Budapest*

“Cohesion policy has not achieved its original objective, although important results have been achieved in infrastructure development and the financing of public investment. The question is how effective these investments are and whether they will pay off in the long term. Overall, the objective of reducing territorial disparities has not been achieved. At the same time, I am sceptical as to whether this market correction mechanism can be expected to counteract market processes that increase territorial disparities. The solution would be to develop institutional

capacity and invest in human capital and research and development. A significant share of Cohesion Funds resources has been used to increase competitiveness, but Hungary has not moved up the international rankings. Hungary was ranked 33rd in the World Economic Forum's competitiveness ranking in 2003, but has slipped back to 47th in 2019. EU funds have not contributed to competitiveness overall, but the causal link is difficult to establish. A practical example: a metalworking company uses EU funding to buy a state-of-the-art tool, which then sits in its warehouse gathering dust because it either doesn't get the orders it needs or doesn't have the staff to handle it. ... The strategy of the Hungarian government, through centralisation – although it is not written down anywhere – is to tie up as many resources as possible, essentially the entire budget and more, as quickly as possible. 96% of the resources of the previous, 2014–2020 cycle have already been contracted by 2017. The point of contracting far more than the total Cohesion funding for the country is that, even if irregularities are detected and some invoices are not accepted in Brussels, i.e. not paid, the full available funding can still be called up. Projects that are not paid by Brussels because of proven irregularities can be covered by the Hungarian budget. So this is a very well functioning ‘money pump’.”¹⁰ – *Gergő Medve-Bálint, associate professor at Corvinus University of Budapest, is also a senior research fellow at the Institute of Political Science of the ELKH Social Science Research Centre. His research focuses on European integration and the impact of Cohesion Funds and state aid on the EU periphery, industrial policy and regional development*

“Despite the fact that Hungary has been one of the largest beneficiaries of EU funding, it has not contributed to increased economic efficiency and competitiveness, inequalities have not decreased and corruption has increased.”¹¹ – *József Péter Martin PhD, Executive Director at Transparency International Hungary, senior lecturer at Corvinus University of Budapest*

“...the EU’s billions of Euros allocated to Hungary were known in advance to poison Hungarian politics, and thus do more harm than they could have done if they had been allocated to a happy country governed by a state of unimpeachable integrity, professionally serving the public good. This is why I think the best news for our economic policy is, paradoxically, that in the difficult year of 2022, the European Parliament, the Commission and the Council finally suspended and made subject to the rule of law and anti-corruption conditions part of the billions of Euros to be pumped into the country (6.3 out of 22, in the end). Even if these conditions are far from perfect (often legalistic, formal, partly circumventable), they may be able to limit the rent-seeking most damaging for our society by a regime based on the distribution of public money to cronies and clients. To rejoice in this is not treason, but a shared success, since the Europeans in whose interests ‘Brussels’ is intervening by screwing the subsidy tap are also ourselves.”¹² – *Balázs Váradi, economist, senior researcher at the Budapest Institute*

“Over the last few years, EU funding in the field of education, and public education in particular, has allowed Hungary to build and develop a system that has severely deteriorated compared to the past, instead of improving it. ... The lesson to be learnt from the use of EU funding for public education is that if the EU gives money for a purpose, then the content of the use of the money should not be left solely to national governments, but should be consistently monitored by the EU not only to ensure that the use of the money is in line with the EU’s financial requirements, but also that the content is compatible with core European values. The EU should not allow European taxpayers’ money to be used for purposes that are contrary to these values. This is particularly important in the case of public education, the quality of which will affect the lives of generations to come.”¹³ – *László Miklósi, President of the Association of History Teachers*

“If you want to find out how serious the Hungarian government is about the Recovery and Resilience Plan (RRP) and the rule of law process, all you need to do is to read the Hungarian RRP, which is awaiting approval in Brussels. The transport chapter of the plan includes the

development of the Békéscsaba-Lókösháza railway line. ... In the Hungarian Great Plain, without major structures (e.g. bridges over large rivers)! ... How is it possible that what can be sufficient to build completely new high-speed rail lines, designed for 250 km/h, in other places, even in mountainous valley areas with rivers, can be spent in Hungary to upgrade the Lókösháza line?... All that can be said about the above case is that if you do not want to believe the Hungarian window-dressing, but want to know the reality, you do not have to believe the Commission, you only have to read the RRP that is awaiting approval. In black and white, it shows that the Hungarian government is already stealing from the unapproved plan as if there were no tomorrow, and it is also a clear indication of what the future holds. EU funds will continue to leak away without trace into the pockets of the oligarchs of the NER [the network of political and cultural institutions and private corporations closely aligned with Prime Minister Viktor Orbán], while the Hungarian government continues to have fun with the EU's sham... How long this will satisfy the EU, the German or the French government, no one can even guess today. In any case, if they had the will to do so, if they believed their eyes and not their desires, if they at least read what they voted for, they would obviously have to stop wasting EU taxpayers' money in Hungary.”¹⁴ – *Benedek Jávor, former Member of the European Parliament; in 2019, he was the recipient of the Environment Award at The Parliament Magazine's annual MEP Awards*

“...the Orbán regime was built practically before the eyes of the European Union, and nothing was done about it for twelve years. In fact, they gave very serious financial support to this whole system. The question is what has happened now. The European Union has suddenly woken up and suddenly realised that, my God, what is happening in Hungary, what has been built here? Obviously, such a suggestion makes me smile. I do not believe that the European Union has the political will to seriously call the Hungarian government to account concerning the various institutions and legal conditions for combating corruption. If the EU had wanted to, it would have found a way to act in this matter over the last ten or twelve years. The seriousness of their current actions is also questionable from their side.”¹⁵ – *David Jancsics, Associate Professor at the School of Public Affairs, San Diego State University. His study 'The Role of Power in Organizational Corruption: An Empirical Study' was voted Best Journal Article by the US Academy of Management in 2013.*

“...However, not getting into trouble in time is probably the bigger problem. Because in this case – and we experienced this in the 1980s – the country gets money even when it should not, i.e. the outside world does not force economic policy to make the corrections that it would otherwise have to make in its own interest. The Argentine syndrome could set in, in which one can wallow indefinitely.”¹⁶ – *Professor László Csaba, economist, Member of the Hungarian Academy of Sciences*

“...our accession to the EU has driven the first nail into the coffin of Hungarian environmental protection. When we joined the EU in 2004, we suddenly had a lot of money which we had to spend quickly.”¹⁷ – *Sándor Bardóczi, Chief Landscape Architect of Budapest*

“It is not the crisis that causes a political system to collapse, but the failure to properly respond to the crisis. The Fidesz system will be incapable of doing that. Their system and their nomenclature live on external subsidies. The country receives EU money, roughly four to five percent of GDP, and this is how it finances development. Without it, GDP would have stagnated or declined over the last ten years. And the NER [the ‘System of National Cooperation’, i.e. Fidesz and its cronies] riders get rich because the state keeps subsidising their companies and giving them overpriced orders. But a company that can always win because of state preferential treatment is not competitive on the international market. And if the biggest Hungarian companies are not competitive in the world, Hungary is not competitive either. It is a sign of the country's economic inability to compete that around eighty per cent of exports are produced

by multinational companies here, which pay low wages by European standards, and twenty per cent by agriculture, which sells mostly unprocessed products abroad. The companies of the NER riders have almost zero export performance, and what is particularly painful is that there are very few Hungarian products that are in demand and well paid for because of the added value they add. As a result, as soon as EU subsidies run out, GDP will fall, and the NER companies will collapse without state support and orders. It is not the external crisis that will cause bankruptcy, but the uncompetitiveness of the Hungarian economy.”¹⁸ – *Tamás Mellár, university professor of economics, former president of the Hungarian Central Statistical Office*

“EU funds in Hungary represent a significant part of the investment of enterprises. However, as we attempt to demonstrate, over the last decade or so, these funds have been used in a wasteful and inefficient way. They have not led to increased growth of enterprises, but have caused significant market distortions instead. EU funding has resulted in slower growth for Hungarian beneficiaries than for their non-funded peers.” – *Péter Bucsky, journalist. His thorough analysis of the effects of the use of EU funds appeared originally in Hungarian on the economic news portal g7.hu and a slightly shortened version in English on the website of Policy Solutions.*¹⁹

“...with that colossal amount of money [coming from the EU], we could have built a new country. ... The government’s position on EU money for 12 years has been –with little exaggeration - to spend it quickly on big projects and to allocate the rest on a political basis. The efficiency and competitiveness of firms receiving grants has not increased satisfactorily, perhaps because they are used to receiving free money.”²⁰ – *Ákos Péter Bod, former President of the Hungarian National Bank and former Minister of Industry and Trade (in the cabinet of József Antall)*

“...we are living in an era of continuous electoral fraud since 2010. It is impossible to list in a breath all the ways in which the party-state has now secured its continued victory, from the rewriting of the electoral system to the ingenuity of ‘political governance’, where every resource in existence is subordinated to one goal: the Fidesz brainwashing. And let’s add: the Orbáns have achieved a concentration of power unique in Hungarian history through the organised theft of EU resources, right under Europe’s nose, with the tacit approval of the German EU leadership.”²¹ – *Zoltán Batka, political scientist, writer, journalist*

“If we look at Hungary's performance after joining the EU compared to the neighbouring countries, we can say that European money became poisoned, and later inevitably sustained the politically controlled, clientelist system of Fidesz.”²² – *Dániel Deák, professor at the Budapest Corvinus University (university of economics)*

„Every year we receive a transfer [from the EU] equivalent to three to four percent of Hungary's GDP. Hungary receives an exceptional, unprecedented amount of external aid. Despite this, the performance of the Hungarian economy between 2010 and 2020 is not outstanding, with average annual economic growth of less than three percent in this decade. Productivity growth of the Hungarian economy averaged one per cent per year, far below the performance of the countries in the region. ... It is clear that if the resources available are allocated without competition or distributed in a rigged manner, efficiency will be dismal. However, this is not only the fault of the Hungarian government, the European Union is also to blame, as corruption is contrary to the principles of a market economy based on private property and competition. By funnelling huge sums of EU aid into private pockets, the payback requirement is reduced because these resources are allocated to inefficient places where they are overpriced, stolen, cheated and lied about. ... if it [EU money] is distributed corruptly – that is a disaster. But this is so even if it is not distributed corruptly. Free money reduces the profitability, the return on investment requirements. So it makes investments marketable that are not viable in the market. And if it does stand its ground and you do get money, you are quite simply stealing the money

or, to put it more politely, taking the money.²³ – *György Surányi, CEO and Chairman of CIB Bank and former President of the Hungarian National Bank*

“Since the Kádár regime, the Hungarian economy has managed to achieve growth cycles by relying on external sources. This is the first time that we have had the good fortune to receive a financial transfer from the European Union that does not have to be repaid. It is rare for countries to receive money as a gift to improve their competitiveness. We have not been able to take advantage of this opportunity.”²⁴ – *Viktor Zsiday, economist, one of the richest persons in Hungary, Portfolio Manager of Concorde Asset Management and Chairman of PLOTINUS Asset Management*

“According to Júlia Király, the Hungarian government has not made the most of the EU funding it has received. In Hungary, rigged tendering and overpriced investments have contaminated the competitiveness of companies. ‘EU funds for catching up should not be given to zombie companies,’ she said.²⁵ – *Júlia Király is former Vice-President of the Hungarian National Bank. She is professor of finance and monetary policy at the International Business School, Budapest and a research fellow at the Institute of Economics of the Hungarian Academy of Sciences.*

“...in a market economy, it is a sin to give grants to profit-oriented companies as national gifts when funds just started to flow from the EU tap. The possibility of free money confuses — or, more bluntly, poisons the thinking of both potential beneficiaries and those distributing funds. All those who can, not wanting to miss the money falling from the sky, will apply for it, regardless of whether they need a certain investment or asset (service) or not. The giveaway of support will lead to wastefulness, as the projects thus implemented would have never come to fruition by market allocation mechanisms. The thinking of fund distributors will also be confused by this allocation of funds without compensation because man is feeble. Especially so once reaching a position where there is no efficiency ramification involved in who gets the gift. Sooner or later ‘whoever gives more kickback’ takes effect. I.e. these free funds will be channeled to the person distributing them. And this is exactly what happened.”²⁶ – *József Papp, professor emeritus at the Budapest Corvinus University, author of the book “A magyar gazdasági csoda” (The Hungarian Economic Miracle) which was finished in 2009 (i.e. before the present ruling party, Fidesz came to government), and in which he gave a thorough analysis of the (mis)use of EU funds in Hungary*

“My research on the attitudes of Hungarian society towards the EU shows that a significant majority of Hungarians perceive corruption problems in the use of EU funds and expect the EU to monitor their use more closely. The European Anti-Fraud Office carries out thorough checks, but only in a minority of cases is this followed up by official action in Hungary. Proceedings have been brought against ‘small players’ in our country, but the real big players have so far got away with it. Sometimes invoices that fail the checks are not even submitted to Brussels. It is also common practice for the government to over-commit itself to tenders, anticipating objections. If there is a problem somewhere, the money is used for other projects.”²⁷ – *András Bíró Nagy, Director of the political research institute Policy Solutions*

“Just in strictly economic terms, if you get 3.5 billion EUR per year, which is about 3 % of the Hungarian GDP, if nothing changes, you must have had 3 % growth annually in the last more than a decade. Where is it? All this means that this money had other impacts instead of generating real additional growth. There were 3 major problems with the money: 1) On many occasions the public procurement process did not follow the EU rules. 2) What is widely used is overpricing. This is not unusual in other countries either, so up to 5% this is tolerated, and the European Commission closes its eyes. However, if you have an overpricing of 60-70% which had been the case a number of times in Hungary, it cannot remain without consequences and should be (should have been) punished. 3) The money is taken, the public procurement is all right, and then the money is used for a completely different purpose. There have been many

serious misuses of the money in Hungary, and I am very surprised, that the EU until now was unable to start a rigorous examination process. Several times it was found that there is a fraud, but there were no serious consequences till now.”²⁸ – *András Inotai, former Director of the Institute of World Economy of the Hungarian Academy of Sciences, Member of the Advisory Board of the Bertelsmann Foundation, the Academic Council of the College of Europe, and member the editorial board of more than a dozen economic journals published in various European countries*

“One explanation [of the elimination of the independence of the institutes of the Hungarian Academy of Sciences] is the vengeance against the Hungarian Academy of Sciences, because the Academy has defended CEU; another explanation is that in the new EU funding structure from 2021, it must be ensured that EU money for innovation and R&D will be channelled to certain groups. The more money comes to Hungary, the more can be allotted to private hands.”²⁹ – *Károly Takács, sociologist, former Director of the Sociological Institute of the Hungarian Academy of Sciences, in an interview in which he explained why he moved from Hungary to Sweden his whole project, funded with 2 million Euro by the EU’s European Research Council*³⁰

“There is a debate in the EU whether countries with a democratic backlash should be funded or not. If the conclusion is that funding should continue, citizens believing in democratic values will lose hope in the EU. If the conclusion is that funding should discontinue, far too many people would not understand why it is necessary and would feel that the EU had intervened in domestic affairs. However, this phenomenon can be explained with clear words. ‘European values’ and ‘democracy’ are not enough. Instead: ‘The EC cares about how European taxes are spent. It is happy to support developing countries as long as it can be certain that the support will be spent on public good and will not land in the pockets of oligarchs. Only countries where checks and balances, an independent judiciary and independent media enable sufficient control over the spending of EU funds and that are partners to the (EPPO) European Public Prosecutors Office can receive financial support’.”³¹ – *Mátyás Eörsi, former undersecretary in the Hungarian Ministry of Foreign Affairs and Member of the Parliamentary Assembly of the Council of Europe*

“...the Hungarian government of today isn’t kept in power by a military superpower with seemingly endless reinforcements, but rather the unimaginable amounts of money that can be stolen without any limitations whatsoever: the EU funds. They pay the wages of their mercenaries from the EU money amounting to thousands of billions of forints.”³² – *Ákos Hadrázy, independent member of the Hungarian Parliament; he is running the website korrupcioinfo.hu*

„EU money has been spent either on useless things or we don’t know what they have been spent on. OLAF investigates only the tip of the iceberg, and these essentially show that there has been probably overpricing, which does not drive the economy.”³³ – *Csaba László, economist, Member of the Hungarian Academy of Sciences*

“Nowadays there is no land that could be freely occupied as it had been in Roman times, but there is EU funding. We find that EU money is available to some as the newly conquered land for the Romans. This is a so greatly unacceptable part of today's Hungarian public life, which the Christian intelligentsia cannot and does not want to clarify.”³⁴ – *Keresztény Értelmiségiek Szövetsége (Union of Christian Intellectuals), Magyar Polgári Együttműködés Egyesület (Hungarian Civil Cooperation Association) and Professzorok Batthyány Köre (Batthyány Circle of Professors), three associations that have always been very loyal to Fidesz*

“The country has received as much as 6-7% of its GDP as inflows from the various cohesion and structural funds of the Union year after year in recent times. This has generated an average

GDP growth hovering around 3%, not a glorious achievement by any standard. In fact, a KPMG study commissioned by none other than the Prime Minister's Office (yes, Hungary is not a dictatorship, the study was released!) estimates that there would have been zero economic growth in Hungary without the EU's transfers. Add to this an amount equal to 3.5% of GDP that flows into the country in the form of remittances from Hungarians working in Western Europe, and you will understand that Orbán's so-called model relies entirely on the EU for its success. ... Without the EU, Hungary would have no cohesion/structural fund transfers, no jobs in Western Europe or at home, no remittances, no autonomous economic growth, and a continued economic crisis. The 'Orbán model' is a mirage, an exceptionally lucky state of grace that is unsustainable. Hungary's average productivity has not increased for a decade despite the enormous amounts of EU development money poured into the economy, meant to achieve modernization and structural change. Once the rain of gold disappears, it will become clear that the political economy of illiberal democracy has been a bluff dependent upon its opponent, the EU."³⁵ – *Zoltán Pogátsa, Head of the Institute of Economics at the University of Western Hungary.*

"...instead of guaranteeing convergence and prosperity for the whole society, EU funding, in the hands of the intertwined business and political elite, caused terrible distortions in the Hungarian economy, which will have long-term damaging effects."³⁶ – *Viktor Zsiday*

"Thank you, European Union. It matters not how painful it is, but it must be said that without you Hungary wouldn't have ended up where it is now. If you didn't finance the building and functioning of Orbán's dictatorship, the whole edifice would have crumbled already. It doesn't matter how painful it is to point out, but the destruction of Népszabadság, one of the last bastions of press freedom, was purchased with the immense amount of money you have poured into the country and which is now being used by the criminal oligarchs of a criminal state."³⁷ – *Mária Vásárhelyi, a well-known and respected media expert commenting on her Facebook site just after the government shut down the most widely read political daily newspaper, Népszabadság*

"Based on the experiences in Hungary during the past years, it seems that the cursed treasure effect is valid also for EU funding. There is no proof that the Hungarian economy grew faster than it would have without EU money."³⁸ – *Balázs Váradi, economist, senior researcher at the Budapest Institute, reporting about the results of their research on EU funding to Hungary*

"Non-refundable EU funds are absolutely damaging, because they provide wrong incentives, lead to inefficient allocation of resources, distract their attention, and, on the whole, enhance their already existing weaknesses. ... Although the official purpose of EU funds is to increase the competitiveness of enterprises and to enhance their innovation capabilities, it might turn out, that it is just the present system of funding that causes the lagging of the European Union, its imitating and following behaviour in the international competition."³⁹ – *Levente Zsembery, CEO of X-Ventures, Hungary's leading venture fund management company*

"If our country spends EU money following the present trends and framework, this might cause the biggest tragedy of Hungary."⁴⁰ – *Zsombor Essősy, CEO of MAPI Hungarian Development Agency Corp., "The Expert of EU and Domestic Funds" (as it is described on MAPI's website)*

"All surveys show that the use of the [EU] cohesion and structural funds have been a complete failure..."⁴¹ – *Professor Dániel Deák*

"We use EU funds with very low efficiency ... EU money is not valued, and not only in the public sphere: entrepreneurs often buy machines for which they have no or little need, and when we ask why they purchased them, they answer that it was for free."⁴² – *Attila Chikán, professor at the Budapest Corvinus University and former Minister of Economy (during the first Orbán government, in 1998-1999)*

“The Orbán regime has been openly and consequently destroying the fundamental institutions of liberal democracy. The taxpayers of liberal democracies are financing the feudal chain for this, and they finance everything which the regime presents as its own success, and they substitute the capital chased away.”⁴³ – *Editorial of the most widely read daily political newspaper, Népszabadság*

“It is possible to make the taxpayers of countries conducting good policies pay for the price of bad policies in other countries, for example by the redistribution in the EU... The present parasite government is kept alive precisely by this.”⁴⁴ – *Sándor Révész, a leading columnist at Népszabadság*

“I have read the paper ‘Good Intentions Meet Reality: The Dire Consequences of Spending EU Taxpayers’ Money in Hungary’ by András Lukács, President of the Clean Air Action Group with great attention and interest. The Clean Air Action Group is a well-known NGO in Hungary whose field of interest extends well beyond environmental issues: it is a respected anti-corruption watchdog and defender of the public interest in general. The arguments raised in its pamphlet are important, well-founded, and deserve deep scrutiny. Although they present only the side-effects of the EU funds in Hungary – which are not unknown among the experts of the cohesion and agricultural policies of the EU –, they deserve serious attention in order to make the best use of the EU taxpayers’ money.”⁴⁵ – *Dr. Tamás Halm, Secretary General of the Hungarian Economic Association, Former Deputy President of the National Development Office of the Republic of Hungary*

„EU funding might make the actors of the [Hungarian] economy infantilistic.”⁴⁶ – *Gábor Bojár, Chairman of the Board of Directors of the famous and very successful and innovative company Graphisoft (which never asked for and never received public money)*

“The main reason the business elite started to be involved in politics, and to side with political parties and persons, is the fact that Hungary joined the EU, from where thousands of billions of Forints started to flow to us. It was already worth influencing the allocation of this money, and it became possible to get substantial financial resources as winners of applications for grants.”⁴⁷ – *Imre Kovách, scientific advisor and former director of the Sociological Institute of the Hungarian Academy of Sciences, introducing a study of the Institute on the topic*

“When they implement an investment, they do not consider how much it will cost to maintain and operate it during the next 10 to 20 years. Regarding the whole period, it might be that the EU funds cause more harm than good.”⁴⁸ – *President of the State Audit Office, László Domonkos, speaking about the results of their examination of the use of EU funds by local governments*

“Present development policy is financed by non-transparent redistribution. It serves only to reward those who are close to the current political power, and it is a hotbed of corruption.”⁴⁹ – *József Papp, Professor at the Budapest Corvinus University*

“It is not the market competition, the efficiency which directs the allocation of capital, but the embeddedness in [political] power. The struggle for public money – for lack of market coordination – necessarily creates overcapacities, the maintenance of which continuously eats up more and more taxpayers’ money.”⁵⁰ – *József Papp, Professor at the Budapest Corvinus University*

“To make things worse, the calls to apply for grants often miss their goal; they do not facilitate finding solutions for the actual problems, while the funds offered generate a demand that the company concerned does not necessarily need. This trend is further intensified by companies which specialize in grant application writing, and which are interested in obtaining the offered funds but are not interested in utilizing them efficiently. ... In the period between 2003 and 2006, the growth rate of enterprises that received state subsidies did not show any significant

difference in comparison to companies that did not receive such grants. In fact, many of the grant-aided firms actually registered negative growth. In the SME [small and medium enterprises] category, the larger and older enterprises practically snatched away for themselves all available grants and used them to sustain their low-efficiency operations. There were just a very small number of companies (approximately one-seventh part of all grant recipient companies) which achieved any substantial progress and whose success was at least partly attributable to the received grant.”⁵¹ – *László Szerb, Associate Professor at the Faculty of Business and Economy at the University in Pécs, in the study ordered by the Reformszövetség (Reform Alliance), an influential business circle, in 2009*

“The present practice of state aid entails enormous losses of time and financial resources, and deteriorates competitiveness to an extremely large degree.”⁵² – *Gábor Bojár*

“The subsidies allocated to Hungary’s business sector do not result in any perceptible improvement of the growth potential or the much-coveted competitiveness. It is a hardly refutable suspicion that a large part of the grants arriving in Hungary is just ‘money going down the drain’, and that, even with the best of intentions, they do not contribute to attaining Hungary’s fundamental economic policy goals (growth, regional development, specialized training, etc.) but rather prolong the agony of enterprises that are unfit for survival.”⁵³ – *Miklós Hegedűs, managing director of the influential economic consultancy GKI Energy Research and Consulting Ltd.*

¹ Üdvözljük az egymillió alkoholista országában! (*Welcome to the land of a million alcoholics!*)
https://index.hu/gazdasag/2020/01/24/alkohol_forgalom_magyarorszag_statiztika/

² Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

³ The translations from Hungarian to English are mine. A.L.

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Disclaimer: This document has been produced in the framework of the project “Towards a climate neutral EU: efficient allocation of EU funds” funded by the European Climate Initiative (EUKI). EUKI is a project financing instrument by the German Federal Ministry for Economic Affairs and Climate Action (BMWK). The EUKI competition for project ideas is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. It is the overarching goal of the EUKI to foster climate cooperation within the European Union (EU) in order to mitigate greenhouse gas emissions.

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