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An explanatory model on the reorganization of the Hungarian Academy of Sciences and on the expropriation of its research institutes

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This short analysis deals with a possible interpretation scheme of the real objectives of the Hungarian government with the forced transformation of the Hungarian Academy of Sciences (HAS) and the destitution of the network of its research institutes in 14 points. With this analysis the CRCB would like to contribute to the discussions on the transformation of the HAS and simultaneously help the HAS, the oldest institution of the Hungarian Nation.

### **An explanatory model on the reorganization of the Hungarian Academy of Sciences and on the expropriation of its research institutes**

Supporting partner:

3gteam kft.: <http://www.3gteam.hu/>

Staff:

Hajdu, Miklós	research fellow
Fölsz, Hanna	research assistant
Matuz, Anna	intern
Molnár, Balázs	software engineer
Nyirő, Zsanna	research fellow
Orbán, Júlia	administrative assistant
Tóth István János	director

Experts:

Andor, Katalin	economist
Goldstein, Katalin	English language consultant
Gyenes, Jenő	software engineer
Dr. József, Magda	lawyer, public procurement specialist
Dr. Kelemen, Zoltán	lawyer, public procurement specialist
Kiss, Tibor	public relation consultant
Székely, Attila	public procurement expert

CRCB Nonprofit Ltd.  
e-mail: [info@crcb.eu](mailto:info@crcb.eu)  
internet: <http://www.crcb.eu/>

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*"It is important to make use of all our knowledge to gain access to these direct [EU] funds"*

*("Fontos, hogy fókuszáljuk a tudásunkat, hogy ezeket a közvetlen [EU-s] forrásokat le tudjuk hívni.")*

[György László,  
state secretary of Ministry of Innovation and Technology]  
<https://www.youtube.com/watch?v=ueAAQdhW42M>

## Description of the model in 13 points

1. The above quotation comes from Mr László György (state secretary of the Ministry of Innovation and Technology). That was his main argument for the reorganization of the institutions of the Hungarian innovation system, above all the Hungarian Academy of Sciences (HAS) when he was interviewed on July 12, 2018 by the Hungarian pro-governmental TV channel, the "ECHO TV".

2. This argument has never been used in any of the public statements by Mr. László Palkovics (the Minister of Innovation and Technology). There are no hints to this, for example, in the articles referred to in the Annex, or in his interview given to the Hungarian weekly 168ora (<https://168ora.hu/>), or in his planned but undelivered speech on 6<sup>th</sup> December 2018 at the General Assembly of HAS (<https://bit.ly/2HnIzP>) that was later made public by TV channel ATV (<https://bit.ly/2VHuGrd>). This was not accidental. Mr. Palkovics never mentioned the requirements to be fulfilled in order to have access to the EU funds as the reason for the planned reorganization. He justified the necessary changes in the financing and institutional system of the HAS with the consensus on "big issues" or "prioritizing the scientific activity" and the improvement of "the low-level efficiency of research and innovation activity".

3. We suppose that the fundamental reason for the reorganization of HAS is defined in point [1]. The Hungarian government realized that the structure of the available EU funds will be revised in the 2021-2027 EU budget, and the EU plans to distribute [€100 billion for innovation, research and development for Europe's next big research programme](#) on Framework Programme Nine. To put it simple, there are two channels in the EU financial support system: (i) money channelled directly to governments, the allocation of which is in the discretion of those beneficiary governments (e.g. cohesion funds); (ii) money delegated to the organizations of the beneficiary countries directly by the EU administration (e.g. H2020).

4. The EU will modify the structure of accessing the EU funds. The EU has recognized that some governments simply "appropriate" the financial resources provided by the EU and then these governments either use the funds to build their clientele and/or to the benefit of the families and friends of the governing elite (<http://www.crcb.eu/?p=1679>). In case of Hungary the insight gained into this matter can be found in the Sargentini attachment, in the report of the EP's Budgetary Committee on page 3: <https://bit.ly/2KhSbRk>. Because of some member states' attitude the EU

wants to curb the access to the funds in two ways (a) with the implementation of a new policy called "*conditionality*" principle (support is revoked from member states that violate the criteria of the rule of law); (b) the EU wants to increase the importance of the financial support which the EU institutions decide in Brussels.

5. The Hungarian government, recognising the changes deemed unavoidable, seeks ways to make the Hungarian conditions more adaptive to these changes. One of its strategies is to deprive the HAS of its network of research institutions and to detach and make compatible to the Orbán's regime the potential future winner institutions that are to obtain those direct financial supports from Brussels (method ii).

6. We assume that the Hungarian government has two goals (a) to sustain the existing opportunities that Hungary has (to be able to obtain as much financial support as in the 2014-2020 period); (b) and to further fuel their crony system: to secure the financial satisfaction of the clientele of NER (in English SNC)<sup>1</sup>. So far this latter policy has been smoothly applied in Hungary in the recent years. See the corruption risks in public procurement and the volume of contracts won by Orbán's front Mr. Mészáros and his family members and close friends during 2016-2018 (<http://www.crcb.eu/?p=1293>).

7. In the present situation, however, the Hungarian government has to face the following problem: in the institutions with "NER compatibility" where the pro-Fidesz control is strong or dominant [for example in the National University of Public Service (<https://bit.ly/2IUAYvJ>), the Századvég (<https://bit.ly/2ISKKod>) or Nézőpont (<https://bit.ly/2EPSLX6>) etc. ] the government is aware of the fact that due to the lower level of human capital compared to those in the research institutions of HAS the chances to win the directly allocated EU sources/funds are minimal (The absorption rate is very low at these pro-governmental research institutes with "NER compatibility"). The non-NER compatible institutions, however, still function/operate independently and autonomously –as the network of research institutions of HAS – the level of human capital is much higher and their chances to

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<sup>1</sup> The „SNC” (the „System of National Cooperation” in Hungarian the „Nemzeti Együttműködés Rendszere”) is the self-appellation of the Orbán's regime. See the document adopted by the Hungarian Parliament on 22th May 2010: <https://bit.ly/2ENfrr4>. About the mechanisms and operation of SNC see <https://reut.rs/2TyWtwr>, <https://on.ft.com/2BSL2qp>, and <https://bit.ly/2H0hABX>.

successfully apply for tenders launched directly by the EU are much higher (so, their opportunity to have access to funds is pretty high).

8. We assume that the government would like solve the problem mentioned in point [7] with the *"kill two birds with one stone"* method: its idea is to get direct influence in the management of those institutes (transform them to be "NER compatible") that have higher opportunity to win EU direct financial supports and were so-far non-NER compatible, i.e. which were relatively autonomous."

9. The possible solution is demonstrated in Figure 1 below. In this Figure, non-NER compatible institutions, that have the potential to access EU funds for innovation and research and the NER compatible institutions, were categorized into four groups according to two aspects. (A, B, C, D).

Figure 1: Hungarian research organizations (universities and research institutes) classified according to Fidesz dominance ("NER compatibility") and the degree of access to direct EU innovation and research funds

		The degree of possible access to direct EU funds in the next 2021-2027 cycle	
		Significant	Insignificant
Muzzle / Fidesz dominance/ NER compatibility	Existent	A ←	B
	None	↑ C	D

10. We assume that the strategy of the government is to achieve the dominance of the institutions in "A" to the detriment of the others in B, C and D cells. For that purpose, it is necessary to relocate most of the institutes in cell "C" to cell "A". With this move the Hungarian government will kill two birds with one stone: (a) reorganize the so-far "uncontrollable" and dispersed institutes of HAS into NER-compatible formats; (b) increase access to the EU funds for NER-compatible organizations.

11. Such radical reorganization could be implemented in three ways: (1) transferring and integrating institutes presently in cell "C" into the structure of institutions in cell "B" or cell "A". For example, merge the research institutes of HAS into the structure of National University of Public Service or into - the

just-privatized by NER compatible leaders - the Corvinus University of Budapest's institutional structure (<https://bit.ly/2KLXpsA> and <https://bit.ly/2Rapvic>). (2) Or simply acquire direct control over the institutes in cell "C" (those in HAS) thus automatically moving them to cell "A". This opportunity would be provided by a new foundation form established by the law of the family trust funds (<https://bit.ly/2IUU0rY>), pressured by the government during the "negotiations" with HAS in which the HAS would have a minor and transitory role with its marginalization in the longer term). (3) And a last option: parallel to the abolition of some HAS institutes (e.g. the Centre for Economic and Regional Studies, <http://www.krtk.mta.hu/english/>) the relocation of individual researchers with minimal inclination for NER-loyalty into NER-compatible institutes. In this case researchers may individually choose among three options: 3a) leave the scientific carrier; 3b) look for research positions abroad; 3c) become loyal to NER and integrate into NER-compatible institutions (university, government institute, private institute e.g. Századvég, etc.). In this case the NER is forcing researchers to work under its control.

12. The result is the same in all three cases: the weight of research institutes in cell "A" will increase and because of the substantially increased human capital the research institutes in "A" will be more likely to have access to the EU funds.

13. This in turn, could reinforce the position of NER, namely, this could make NER have access to the EU funds for the years from 2021 to 2027 as well. The mechanism is the following: the cronies of NER will become sub-contractors of projects bidding for EU funds. This practice is well-known in the corruption literature<sup>2</sup>, we call this model the "*impact study model*". In these cases, the corrupt agent forces the client (e.g. the leader of the consortium who wins the project) to sub-contract X or Y companies or individual experts (the cronies of NER) with overwhelmingly fake tasks to accomplish. We do not know yet to what extent this method will be viable in the next budgetary period, but we think this is what the Orban's government plans for.

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<sup>2</sup> See P., D., V., A. 2012. *The Hidden Order of Corruption. An Institutional Approach*. Farnham: Ashgate; P., D., V., A. 1999. *Corrupt Exchanges. Actors, Resources and Mechanisms of Political Corruption*. New York: Aldine de Gruyter; Z., S., I. J., T., & S., V. (2012). *The social and institutional structure of corruption: Some typical network configurations of corruption transactions in Hungary*. In B. Vedres & M. Scotti (Eds.), *Networks in Social Policy Problems* (pp. 156-176). Cambridge: Cambridge University Press. doi:10.1017/CBO9780511842481.009

## Discussion

14. If the above is the scenario then what considerations are there that the government has not focused on yet?

(i) The government does not count with individual decisions, that is, the individual researchers may have three options when the government still choose [11.(1)] or [11.(2)] methods. Exit, Voice and Loyalty (<https://bit.ly/2yVg1lm>).

In other words, if an institution is forced to move from field "C" to "A", then those researchers who work in the institution where the academic freedom is limited could decide whether to exit (quit their positions) or protest. So the government does not take into account the decisions of researchers. In case of regime oppression the researchers could decide to leave the country and take a job abroad (<https://bit.ly/2MMBDHU> and <https://bit.ly/2ZqZTRf>).

(ii) and Orban's government does not consider the fact that the "NER compatibility" or the muzzle and the high absorption rate of the EU fund contradict each other: on the one hand it requires loyalty and the rejection/elimination of academic freedom, on the other hand it would require creativity and innovation but these do not exist without academic freedom. That is the NER compatibility and the high rate of absorption of the EU funds is a contradiction in itself (*contradictio in adiecto*).

(iii) Orban's government does not reckon with the improvement of the EU control system. Until now it has not been able to effectively detect the sophisticated corruption methods in Hungary, for instance the "impact study model" (where everything is formally well documented, seems formally appropriate, and the EU has not found any hard evidence of corruption). But this situation may change in the future and the improvement in the EU control system will allow to efficiently detect the corruption techniques of Orban's regime (see <https://reut.rs/2WDLejJ>, <https://bit.ly/2WBgzjnj>, <https://politi.co/2EiCgUw>).



## Annex

All articles that contain arguments of Laszlo Palkovics (minister of Innovation and Technology) on the „reorganization” of HAS from 1 June 2018 to 9 February 2019. on four online Hungarian news portals (888.hu, origo.hu, magyaridok.hu, index.hu), N=100,211

	id		site
1	3128159	<a href="https://magyaridok.hu/gazdasag/egyseges-innovacios-es-tudomanypolitikai-strategia-jon-letre-3198271/">https://magyaridok.hu/gazdasag/egyseges-innovacios-es-tudomanypolitikai-strategia-jon-letre-3198271/</a>	magyaridok.hu
2	3053307	<a href="https://index.hu/tudomany/2018/06/15/az_mta_kiall_a_fuggetlensegeert_a_kormany_tervezetivel_szemben/">https://index.hu/tudomany/2018/06/15/az_mta_kiall_a_fuggetlensegeert_a_kormany_tervezetivel_szemben/</a>	index.hu
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4	3127914	<a href="https://magyaridok.hu/belfold/palkovics-laszlo-nem-serti-az-mta-autonomiajat-a-tervezett-torvenymodositas-3204454/">https://magyaridok.hu/belfold/palkovics-laszlo-nem-serti-az-mta-autonomiajat-a-tervezett-torvenymodositas-3204454/</a>	magyaridok.hu
5	3127683	<a href="https://magyaridok.hu/belfold/palkovics-a-kormany-nem-akar-beleszolni-mely-teruletke-re-forditja-forrasait-az-akademia-3211420/">https://magyaridok.hu/belfold/palkovics-a-kormany-nem-akar-beleszolni-mely-teruletke-re-forditja-forrasait-az-akademia-3211420/</a>	magyaridok.hu
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7	3050200	<a href="https://index.hu/tudomany/2018/07/06/palkovicsnak_elfogadhatatlanok_az_mta_alternativai/">https://index.hu/tudomany/2018/07/06/palkovicsnak_elfogadhatatlanok_az_mta_alternativai/</a>	index.hu
8	3125384	<a href="https://magyaridok.hu/belfold/palkovics-laszlo-prioritasok-kellenek-a-kutatasi-forrasok-elosztasahoz-3268958/">https://magyaridok.hu/belfold/palkovics-laszlo-prioritasok-kellenek-a-kutatasi-forrasok-elosztasahoz-3268958/</a>	magyaridok.hu
9	3136980	<a href="http://888.hu/article-az-akademia-nem-forditotta-hasznos-es-fontos-celokra-az-adofizetok-penzet">http://888.hu/article-az-akademia-nem-forditotta-hasznos-es-fontos-celokra-az-adofizetok-penzet</a>	888.hu
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