EU Taxpayers' Contribution to Building the Orbán Kleptocracy

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Contents

Summary

Based on data from 340,000 public procurement contracts, the analysis examined the extent to which EU taxpayers, against their will, supported the establishment of Viktor Orbán's kleptocracy between 2011 and 2023 through EU funds allocated to Hungary. To this end, we use data on public contracts awarded to thirteen key actors that won public tenders under the Orbán's kleptocracy, as well as data on public contracts with a high risk of corruption (awarded without competitive bidding).

Within the contracts financed by EU funds, the net value of contracts awarded to the thirteen key actors in the Orbán's kleptocracy and contracts awarded without competition was €19.3 billion between 2011 and 2023. Based on a kleptocratic rent ratio of 20-40 percent, we estimate that EU taxpayers supported the Orbán's kleptocracy with €3.2-5.5 billion. This amount represents 3.8-6.4 percent of the net value of all contracts financed by EU funds. It should be noted that overpricing resulting from the kleptocratic system and the kleptocratic rent is not only financed by EU subsidies but also by nationally funded contracts. In the latter case, the kleptocratic rent is slightly higher, at 7.6-13.0 percent of the total value of public procurement. These figures also mean that EU and Hungarian taxpayers financed the establishment and consolidation of Viktor Orbán's kleptocracy in a ratio of 1:3 and 2:3 between 2011 and 2023. The presence of electoral cycles in the annual volume of kleptocratic rents derived from EU funds constitutes direct empirical evidence that the Orbán's kleptocracy has strategically utilized EU financial support to reinforce its political stability.

1. Introduction

This analysis provides estimates of the extent to which EU taxpayers unintentionally supported the construction of the Orbán's kleptocracy[1] through EU funds allocated to Hungary from 2011 to 2023. The estimates presented here are conservative in three respects.

First, the analysis only considers EU funds distributed through public procurement processes. It does not account for funding allocated via grant schemes or awarded directly by the Hungarian government. Public procurement is estimated to represent approximately 45–50% of all EU funding in Hungary. For example, in 2023, Hungary received €6.9 billion in EU support, and government bodies awarded contracts through public procurement worth €2.9 billion that year.

Second, we assume that competitive, market-based pricing prevails in contexts characterized by low corruption risk. This means that where there was more than one bid, market pricing occurred, and where there was not, overpricing and kleptocratic rent-seeking took place.

Third, within public procurement contracts financed by EU funds, we only estimate the amount that reached the beneficiaries of the Orbán's kleptocracy in two specific categories: (a) contracts won by companies connected to the thirteen key actors of the Orbán's kleptocracy and (b) contracts classified as high-risk for corruption (i.e., awarded without competitive bidding). We do not include smaller-scale procurements in which local Fidesz-linked actors were the beneficiaries—even though these are also integral to the functioning and benefit structure of Orbán's kleptocracy. They, too, represent the mechanism through which a country's political elite diverts foreign development aid—intended to serve national progress—toward private enrichment.

Accordingly, the results provided should be regarded as lower-bound estimations. The actual contribution of EU taxpayers to building and maintaining Orbán's kleptocracy may be significantly higher than reported here.

During the analysis, we examined data from 340,000 contracts or contract lots, taking into account framework agreements as well.

The first part of the analysis outlines the volume and share of all public procurement contracts, including those financed by the EU, that were awarded to companies linked to several key individuals, such as Lőrinc Mészáros, László Szíjj, and thirteen key actors in Orbán's kleptocracy.

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[1] We consider Viktor Orbán's autocratic regime—gradually built since his return to power in 2010 (Csánádi et al., 2022)—to be a kleptocracy, as it aligns with the political-economic concept of kleptocracy (Rose-Ackerman, 1999; Acemoglu et al., 2004). In the following, we refer to it as Orbán's kleptocracy, as the entire system is closely tied to his name and he occupies its central position. Without him, the system would likely collapse.

The second section offers broader estimates of the total EU funds supporting the Orbán's kleptocracy between 2011 and 2023. These are derived using two approaches:

1. The volume of EU-funded contracts awarded to companies tied to the thirteen key actors of the Orbán's kleptocracy.

2. The volume of EU-funded public procurements is classified as a high corruption risk due to the lack of competition.

These represent the financial scale of EU taxpayer support—however involuntary—for consolidating Viktor Orbán's kleptocracy in Hungary.

The final section summarizes the main findings and outlines a few broader conclusions.

2. Literature

It is now well established in both theoretical and empirical research in political science and political economy that the political elite in aid-receiving countries often divert foreign aid for their own purposes—to finance their clientele networks, secure re-election, or maintain political stability. Numerous studies have investigated the economic and political impacts of foreign aid. However, surprisingly little attention has been paid to these dynamics within the context of EU Member States.

A critical and underexplored question is whether the political elites in EU recipient countries—especially those in Central and Eastern Europe—can similarly appropriate EU funds for their own benefit, just as elites in developing countries have been shown to do with traditional foreign aid. This analogy—foreign aid as EU subsidies; developing countries as post-socialist EU Member States—has been largely neglected in both academic literature and European Commission evaluations.

One of the earliest scholars to warn of the potentially harmful effects of foreign aid was Thomas Peter Bauer. In his influential critiques (Bauer, 1973; 1976), he argued that foreign aid often fails to help those in need and instead serves to reinforce the power of ruling elites. According to Bauer, aid can foster corruption and obstruct political reforms in recipient countries. His insights laid the foundation for the so-called "aid curse" theory (Djankov et al., 2008), which highlights how political elites often exploit foreign aid for personal or political gain.

Building on Bauer's framework, Maren (1997) analyzed the real-world impact of foreign aid in Africa. His case studies reveal how humanitarian and development aid are often politicized and diverted by local elites and NGOs. This collusion leads to outcomes that directly contradict donor intentions, such as fueling ethnic conflict or suppressing dissent. Maren convincingly shows how substantial aid flows helped consolidate authoritarian rule in several African states.

Svensson (2000), using a game-theoretical model, found that foreign aid in weak institutional settings fosters rent-seeking behavior. The more aid a country receives, the more it is worthwhile for the elite to fight for it rather than invest in productive activities. He demonstrated that aid often leads to inefficient competition among elite groups, with much of the aid diverted from development goals. If several political groups are competing for resources, a significant portion of aid will be "lost" due to competition, meaning that actual development effectiveness will be lost. His analysis suggests that continuous aid flows can hinder institutional development by reducing governments' incentives to collect taxes and remain accountable to citizens. In countries with weak institutional frameworks, aid is more likely to lead to corruption and concentration of power than to real development.

Finkel et al. (2007), analyzing U.S. foreign assistance between 1990 and 2003, found that political elites often divert aid to consolidate power rather than stimulate economic development. Aid, in this context, becomes a tool for political stabilization rather than a catalyst for reform.

Kilby (2009) examined how political alignment with major donor countries—particularly the U.S.—affects the enforcement of World Bank loan conditions. His findings indicate that countries aligned with powerful donors receive more favorable terms, allowing for misuse or inefficient allocation of funds. According to Kilby (2009), foreign aid tends to improve the economic position of political elites rather than strengthen democratic institutions. It enables elites to maintain their hold on power and consolidate both financial and political influence. Kilby's research findings suggest that most aid fails to reach its intended beneficiaries and is instead captured by those in power.

Angeles and Neanidis (2009) demonstrated that in contexts where local elites possess significant political and economic power, aid is more likely to be misappropriated. They pointed out that the stronger the local elite, the greater the abuse in the use of subsidies and aid. Dreher et al. (2019) further supported this view with evidence that China's aid in Africa is geographically correlated with the birthplaces of recipient country leaders, indicating that aid allocation often reflects political and clientelist motives.

According to the theory proposed by Bruce Bueno de Mesquita and Alastair Smith (2011), political leaders are able to maintain their hold on power by bribing a key group of supporters, known as the selectorate. In this context, international aid serves as a tool for political survival: it enables governments to corruptly reward members of the political elite in order to preserve their authority. Bueno de Mesquita and Smith (2011) argued that dictators and authoritarian leaders use aid and resource revenues to strengthen their regimes. These external resources are not primarily employed to foster development but to maintain political control.

In the context of the EU, Fazekas and Tóth (2017) found that EU-funded public procurement contracts exhibit higher corruption risks than nationally funded ones. Their analysis, based on large-scale procurement data, suggests that EU funds may

exacerbate corruption in some Member States. Fazekas and King (2018), using Czech and Hungarian procurement data from 2009–2012, found that EU funding increased corruption risks by up to 34%.

Cruz and Schneider (2017) explored how local politicians in developing countries can claim credit for foreign aid they did not allocate, thereby boosting their chances of re-election. This mechanism allows political elites to benefit electorally from aid even without controlling its distribution.

Andersen et al. (2022) provided compelling empirical evidence that foreign aid is frequently diverted to offshore bank accounts. Using BIS data from 1977 to 2010, they found that countries heavily dependent on aid often exhibit increased offshore deposits following aid disbursements—suggesting that an average of 7.5% of aid is misappropriated in this manner.

Min et al. (2023) examined the political capture of World Bank agricultural aid in India between 1995 and 2008. They found that alignment between local and national political parties significantly influenced aid distribution, again demonstrating that political considerations often outweigh needs-based allocation.

These studies highlight a recurring theme: in countries with weak institutions or dominant political elites, foreign aid is prone to misuse, clientelism, and rent-seeking behavior. The parallels between these findings and the use of EU subsidies in Central and Eastern Europe are striking—and merit far more scholarly and policy attention.

3. EU Funds and the Key Actors of Orbán's Kleptocracy

One of the most prominent figures in the Orbán's kleptocracy is Lőrinc Mészáros[2], the former gas-fitter from Felcsút[3] who later became mayor. He warrants separate attention. Between 2011 and 2023, companies affiliated with Mészáros[4] won 701 public procurement contracts in Hungary, most of which were in the construction sector. Of these, 341 contracts were financed by the European Union, i.e., by EU taxpayers. Before Viktor Orbán came to power, Mészáros—then merely a local gas-fitter—had not won a single public procurement contract. As Figures 3.1.1 and 3.1.2 illustrate, the number of public contracts awarded to Mészáros-affiliated companies—and particularly those funded by EU taxpayers—increased steadily in tandem with the consolidation of the Orbán's kleptocracy. Between 2011 and 2021, the volume of awarded contracts grew both for projects financed from domestic (Hungarian) sources and those funded by the EU. In total, between 2011 and 2023, Mészáros-affiliated firms won public procurement contracts worth €9.5 billion, of which €5.6 billion (approximately 59 percent) was funded by EU taxpayers. Between 2011 and 2018, the share of EU-funded contracts was between 74 and 100 percent, although it declined significantly in subsequent years (see Figure 3.1.5).

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[2] See Dunai, 2018; Tóth & Hajdu, 2022; Laki, 2022; Tóth, 2022; Gyurkó, 2023; Wirth, 2023.

[3] Felcsút, where Hungarian Prime Minister Viktor Orbán spent his childhood, is a village of less than 2,000 inhabitants in Fejér County in the Transdanubia region in Hungary (https://hu.wikipedia.org/wiki/Felcs%C3%BAt).

[4] It is unclear whether the companies formally owned by Lőrinc Mészáros are actually owned by the gas fitter from Felcsút or whether he serves as a trusted confidant (frontman) who merely lends his name to the companies, which Viktor Orbán and his family actually own. Hereinafter, we will refer to these companies as companies affiliated to Lőrinc Mészáros.

Fig. 3.1.1.-3.1.5. Statistics of Contracts Won by Companies affiliated to Lőrinc Mészáros, 2010-2023
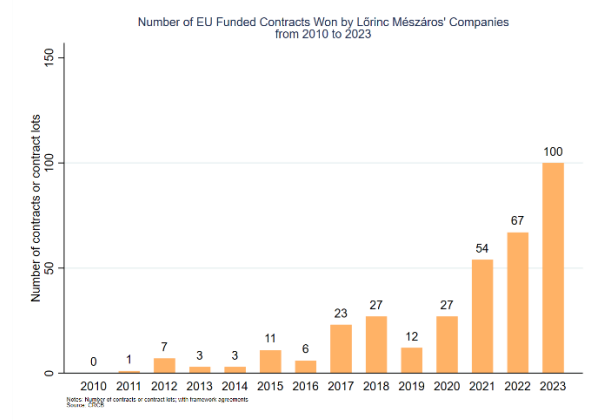
Fig. 3.1.1.

Number of Contracts Won by Lőrinc Mészáros' Companies
from 2010 to 2023

Fig. 3.1.2.

Number of EU Funded Contracts Won by Lőrinc Mészáros' Companies
from 2010 to 2023

Fig. 3.1.3.

Total Net Value Won by Lőrinc Mészáros' Companies
from 2010 to 2023

Fig. 3.1.4.

Total Net Value Financed by EU Subsidies and Won by Lőrinc Mészáros' Companies
from 2010 to 2023

Fig. 3.1.5.

Share of Net Value Financed by EU Subsidies in Total Net Value
Won by Lőrinc Mészáros' Companies from 2010 to 2023
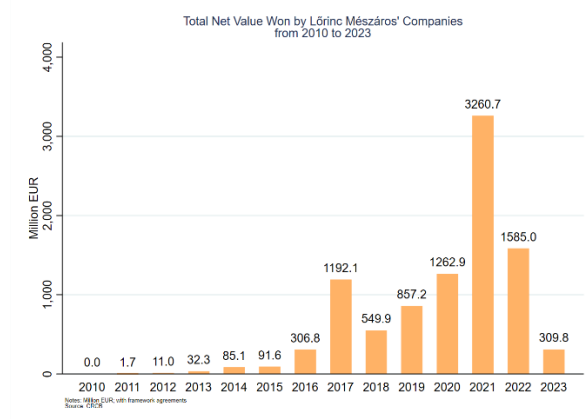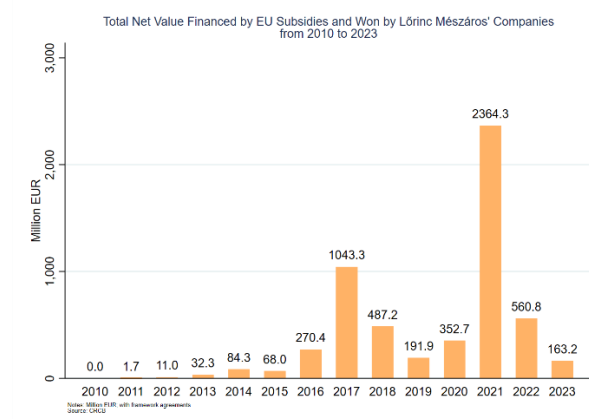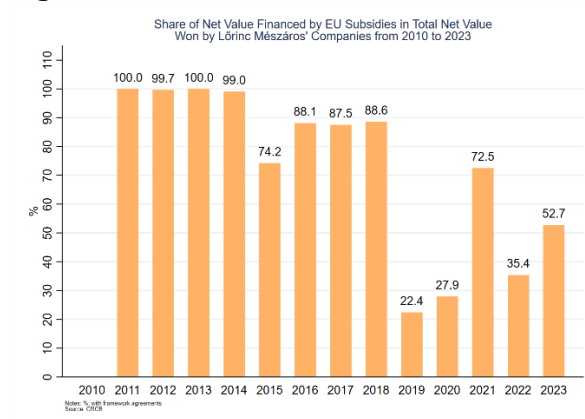
Another key figure of the Orbán's kleptocracy is László Szíjj[5], whose construction companies have played a prominent role in public procurement since 2011. Even prior to that year, Szíjj's companies had won several contracts—291 in total, including 151 funded by the EU. Before 2011, the total value of public procurement contracts awarded to Szíjj's companies was €282.7 million, of which €251 million (89 percent) was EU-funded. Following Orbán's rise to power, Szíjj's companies became substantially more successful, winning 999 contracts between 2011 and 2023, 429 of which (43 percent) were financed by the EU. Annual data are presented in Figures 3.2.1 and 3.2.2. Although the volume of public procurement won by Szíjj-affiliated companies is lower than that of Mészáros-affiliated companies (see Figures 3.2.3 and 3.2.4), they still secured contracts worth €7.1 billion between 2011 and 2023, of which €3.3 billion (46.1 percent) was financed by the EU. Between 2011 and 2015, the share of EU-funded contracts ranged from 69 to 99 percent (see Figure 3.2.5).

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[5] See: Erdélyi, 2019; Kovács, 2019; Brassai, 2022; Horn, 2022; Tóth & Hajdu, 2022; Gyurkó, 2023; Wirth, 2023; Vida et al., 2023; Busi, 2024; Weiler & Kávai Horváth, 2025.

Fig. 3.2.1.-3.2.5. Statistics of Contracts Won by László Szijj's Companies, 2010-2023

Fig. 3.2.1.

Number of Contracts Won by László Szijj's Companies
from 2010 to 2023

Fig. 3.2.2.

Number of EU Funded Contracts Won by László Szijj's Companies
from 2010 to 2023

Fig. 3.2.3.

Total Net Value Won by László Szijj's Companies
from 2010 to 2023

Fig. 3.2.4.

Total Net Value Financed by EU Subsidies and Won by László Szijj's Companies
from 2010 to 2023

Fig. 3.2.5.

Share of Net Value Financed by EU Subsidies in Total Net Value
Won by Lőrinc Mészáros' Companies from 2010 to 2023

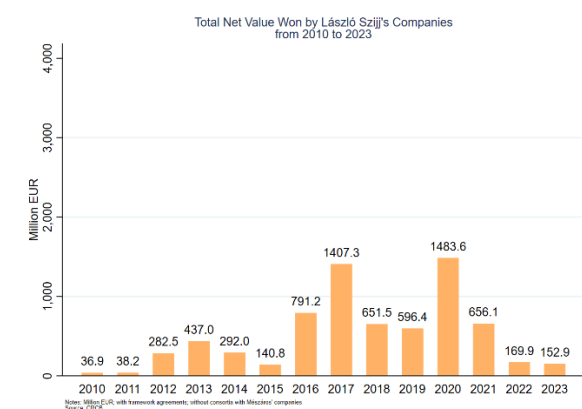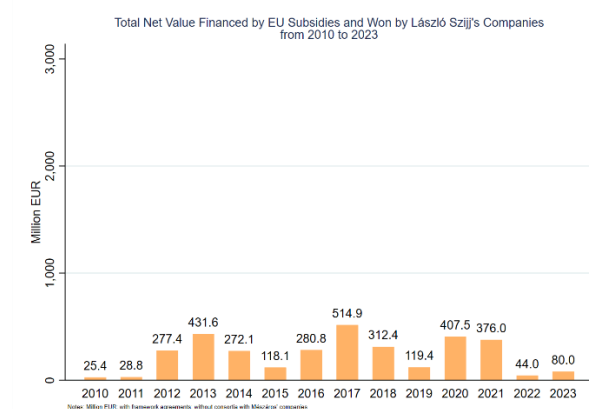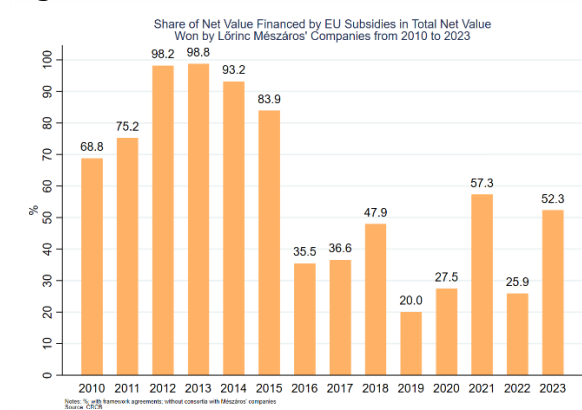Finally, we calculated public procurement statistics for thirteen key actors within the Orbán's kleptocracy[6]. These include Orbán's childhood friend Lőrinc Mészáros, his former college roommate Lajos Simicska, his close associate István Garancsi, his son-in-law István Tiborcz, and László Szíjj, who is personally close to Orbán, alongside several Fidesz-affiliated businessmen, their partners, and relatives. Their connections to Orbán and Fidesz are detailed in Tóth & Hajdu (2023), while their interlinked networks are analyzed in Tóth & Hajdu (2021). Collectively, these thirteen actors are associated with 44 companies that have won at least one public procurement contract in Hungary since 1999. Between 1999 and 2010, they secured 412 contracts; from 2011 to 2023, they won more than nine times that number—3,778 contracts (see Figure 3.3.1). Between 1999 and 2010, these contracts were worth €725 million, amounting to 0.8 percent of the total contract value. Between 2010 and 2023, they received contracts worth €16.5 billion—15.2 percent of the total net value of contracts.

It is worth noting that between 2005 and 2010, the thirteen key actors secured only €451 million in net value from EU-funded public procurement contracts, accounting for just 1.4 percent of the total net value of all such contracts. These key players found themselves in a significantly more favorable position after Orbán came to power: from 2011 to 2023, they won 1,312 EU-funded contracts worth €12.2 billion (see Figure 3.3.2), which accounted for 14.2 percent of the total value of EU-financed contracts in that period. In other words, following Orbán's rise to power, their share of the net value of EU-funded public procurement contracts increased tenfold compared to the preceding period. Between 2010 and 2014, the annual share of EU funding among their contracts fluctuated between 70 and 94 percent, and later declined significantly (Figure 3.3.5). Over the entire period, EU-financed contracts made up 49 percent of the total value of contracts won by these thirteen actors.

The political cycles are clearly reflected in the annual net value of public procurement contracts, especially those financed by the European Union. The volume of contracts awarded to companies affiliated with the thirteen key actors significantly peaks in the years preceding parliamentary elections (2013, 2017, and 2021), following the pattern of election years (2014, 2018, 2022). The value of contracts won by these firms is considerably higher in pre-election years than in the years immediately before or after them (see Figures 3.3.3 and 3.3.4).

Between 1999 and 2010, the companies belonging to the key actors already tended to win higher-value contracts than other Hungarian firms (see Figure 3.4.1). A similar pattern is observed for the distribution of EU-funded public procurement contracts between 2005 and 2010 (see Figures 3.4.1 and 3.4.2). This disparity increased markedly after Viktor Orbán came to power in 2010 (see Table 3.1). Since then, the thirteen key actors' companies have typically secured large-value public contracts and rarely bid for contracts of lower value. This holds true both for contracts overall

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[6] The list of analyzed 13 key actors see in Annex 2.

and specifically for those financed from EU sources (see Figures 3.4.3, 3.4.4, 3.5.1, and 3.5.2).

Fig. 3.3.1.-3.3.5. Statistics of Contracts Won by Companies of Thirteen Key Actors of Orbán's Kleptocracy, 2010-2023

Fig. 3.3.1.

Number of Contracts Won by 13 Key Actors of Orban's Kleptocracy from 2010 to 2023

Fig. 3.3.2.

Number of EU Funded Contracts Won by 13 Key Actors of Orban's Kleptocracy from 2010 to 2023

Fig. 3.3.3.

Total Net Value Won by 13 Key Actors of Orban's Kleptocracy from 2010 to 2023

Fig. 3.3.4.

EU-funded Total Net Value Won by 13 Key Actors of Orban's Kleptocracy from 2010 to 2023

Fig. 3.3.5.

EU-funded Share of the Total Net Value of Contracts Awarded to the 13 Key Actors of Orbán's Kleptocracy (2010–2023)

Table 3.1. The mean and standard error of the logarithm of net contract values in the two groups of companies for the periods 1999–2010 and 2011–2023

Period	Group of winner companies	Mean	Standard Error	N
1999-2010	Not affiliated to 13 key actors	-2.32	0.07	89,738
	Affiliated to 13 key actors	-1.91	0.08	681
2011-2023	Not affiliated to 13 key actors	-3.02	0.04	237,307
	Affiliated to 13 key actors	-0.77	0.04	3,774

Note: including framework agreements; ln of net contract value in million EUR

Fig. 3.4. Histograms of Logarithm of Net Contract Value by Groups of Companies 1999-2023

Fig. 3.4.1.
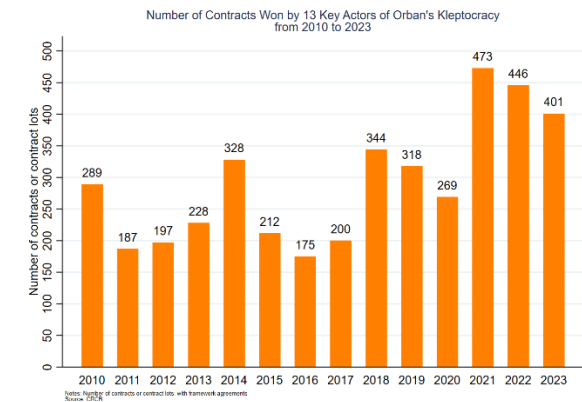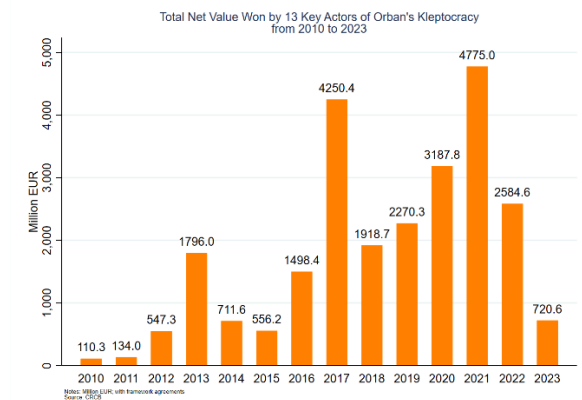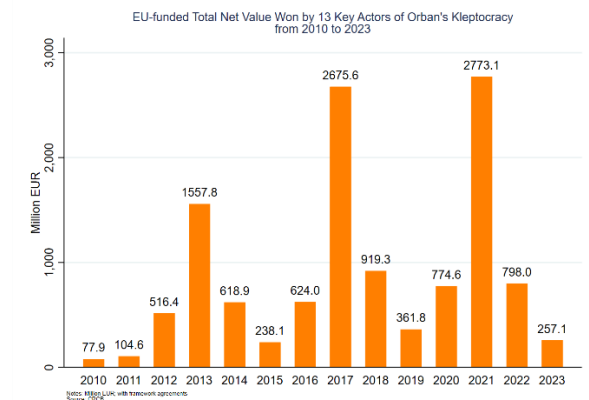

Fig. 3.4.2.

Fig. 3.4.3.

Fig. 3.4.4.

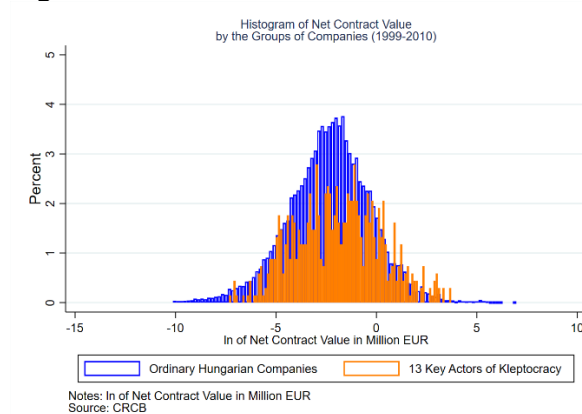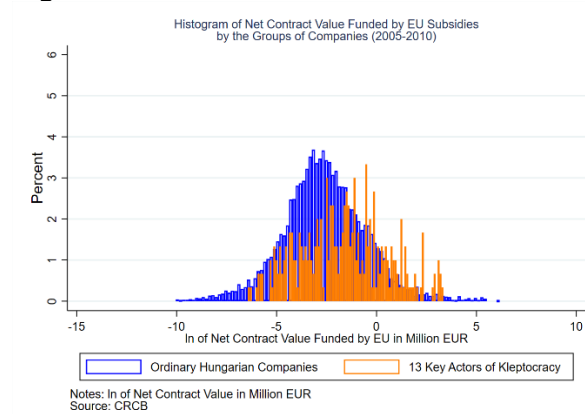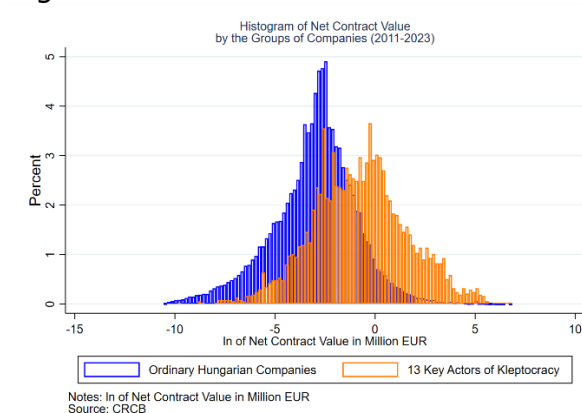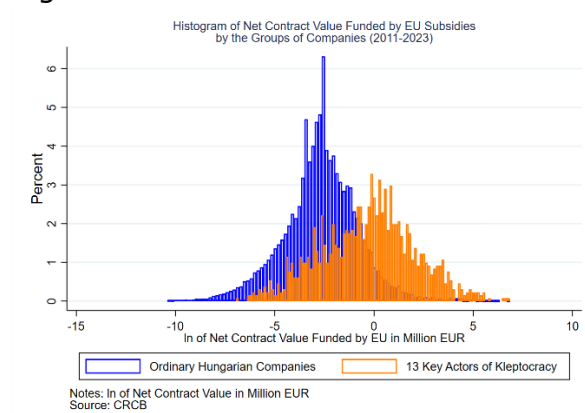Fig. 3.5. Mean of ln Net Contract Value Financed by EU by Periods and Groups of Companies from 1999 to 2023
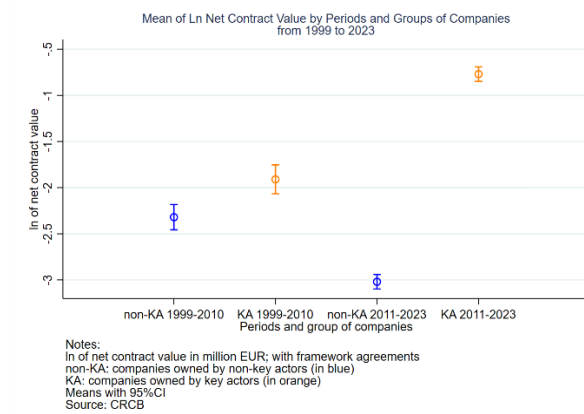
Fig. 3.5.1.

Mean of Ln Net Contract Value by Periods and Groups of Companies from 1999 to 2023

Fig. 3.5.2.

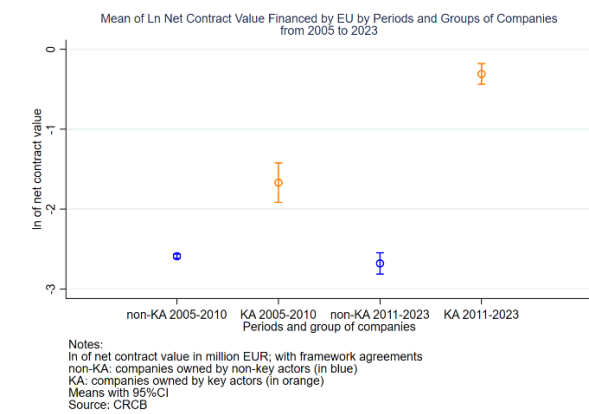Mean of Ln Net Contract Value Financed by EU by Periods and Groups of Companies from 2005 to 2023

4. EU Funds and Volume of Estimated Kleptocratic Rent

In a market-based procurement environment, the net contract price (Y) consists of the cost of the product/service (C) and the normal industry profit (P):

$$Y = P + C \tag{1}$$

In contrast, within a kleptocratic system, the net price (Y_k) provided to a system insider (k) is higher than the market price ($Y_k > Y$), as it includes the kleptocratic rent (R_k) derived from the kleptocratic system. This rent represents the benefit that the system actors gain from the distortion of market mechanisms and the restriction of competition:

$$Y_k = R_k + P + C \tag{2}$$

The kleptocratic rent ratio (γ) compares the rent received by kleptocratic actors within the kleptocratic system to the price for the same good or service under market competition. It expresses the extent to which the price increases as a result of being connected to the kleptocratic system:

$$\gamma = \frac{R_k}{P+C} \tag{3}$$

Expressed as a percentage, γ indicates the degree of overpricing in a given contract attributable to ties with the kleptocratic system. However, since the "pure market" price is not directly observable in individual cases, the value of γ must be estimated indirectly through natural experiments.

This ratio is hypothetical—since actors embedded in a kleptocratic system never operate under fully competitive market conditions, and market-based actors outside the system, by definition, cannot charge kleptocratic prices because they do not

benefit from the system's distortions. Nevertheless, it is possible to estimate *γ* by comparing the typical price for a product or service within the kleptocratic system to the price observed under competitive market conditions after the dismantling of that system.

One such natural experiment arose from the 2019 Hungarian municipal elections. In municipalities where opposition parties replaced previously ruling Fidesz administrations, there was an opportunity to fundamentally reform procurement practices. According to interviews with economic advisors in several of these municipalities, once they cut ties with previously dominant Fidesz-affiliated firms and implemented competitive bidding procedures, procurement prices dropped significantly. Under identical quality and delivery conditions, previously prevailing "kleptocratic prices" exceeded competitive procurement prices by 25–40 percent[7].

Based on our earlier quantitative analysis, the level of overpricing in high-corruption-risk procurements between 2009 and 2016 was estimated to be between 14–24 percent (Tóth & Hajdu, 2017).

In the present analysis, we estimate the value of *γ* using three scenarios, assuming a kleptocratic rent ratio of 0.2, 0.3, and 0.4 over market prices.

We estimate the total volume of kleptocratic rents across different groups of companies and contract types:

> 1. Public procurement contracts awarded to the thirteen key actors in the Orbán's kleptocracy;
>
> 2. Non-competitive, high-corruption-risk procurement contracts;
>
> 3. The union of the two groups above.

For each group, we estimate the kleptocratic rent both for all contracts and specifically for EU-funded contracts, thereby offering an estimate of the extent to which EU taxpayers have inadvertently financed inflated prices tied to actors within the system.

It is important to emphasize that the methodology used here provides a *conservative estimate* of the volume of kleptocratic rents, for several reasons:

> (i) It does not account for local-level actors connected to the system, who may also have benefited from rents;
>
> (ii) It assumes competitive pricing wherever corruption risk is low;

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[7] The empirical estimates for *γ* thus fall between 0.25 and 0.4. In the 2019 municipal elections, opposition parties replaced Fidesz leadership in a total of 56 city and Budapest district municipalities. In 2023, we conducted interviews in three Budapest district municipalities where Fidesz leadership had been replaced by opposition administrations. These interviews were carried out with experts familiar with the municipalities' economic and budgetary affairs.

(iii) It focuses exclusively on public procurement, although EU funds may have reached system-affiliated actors through other channels as well.

The results are presented in Figure 4.1 and Table 4.1. As shown in Figure 4.1, political cycles also appear to affect the kleptocratic rent: the estimated annual volume spikes in the years preceding parliamentary elections—2013, 2017, and 2021. In other words, the EU taxpayers' contributions to sustaining the Orbán's kleptocracy peak in the run-up to elections, effectively serving to support the reelection efforts of the Fidesz government led by Viktor Orbán.

Fig. 4.1. The Contribution of EU Taxpayers to Building and Maintaining of the Orbán's Kleptocracy Considering 20%, 30% and 40% of Rent from 2011 to 2023
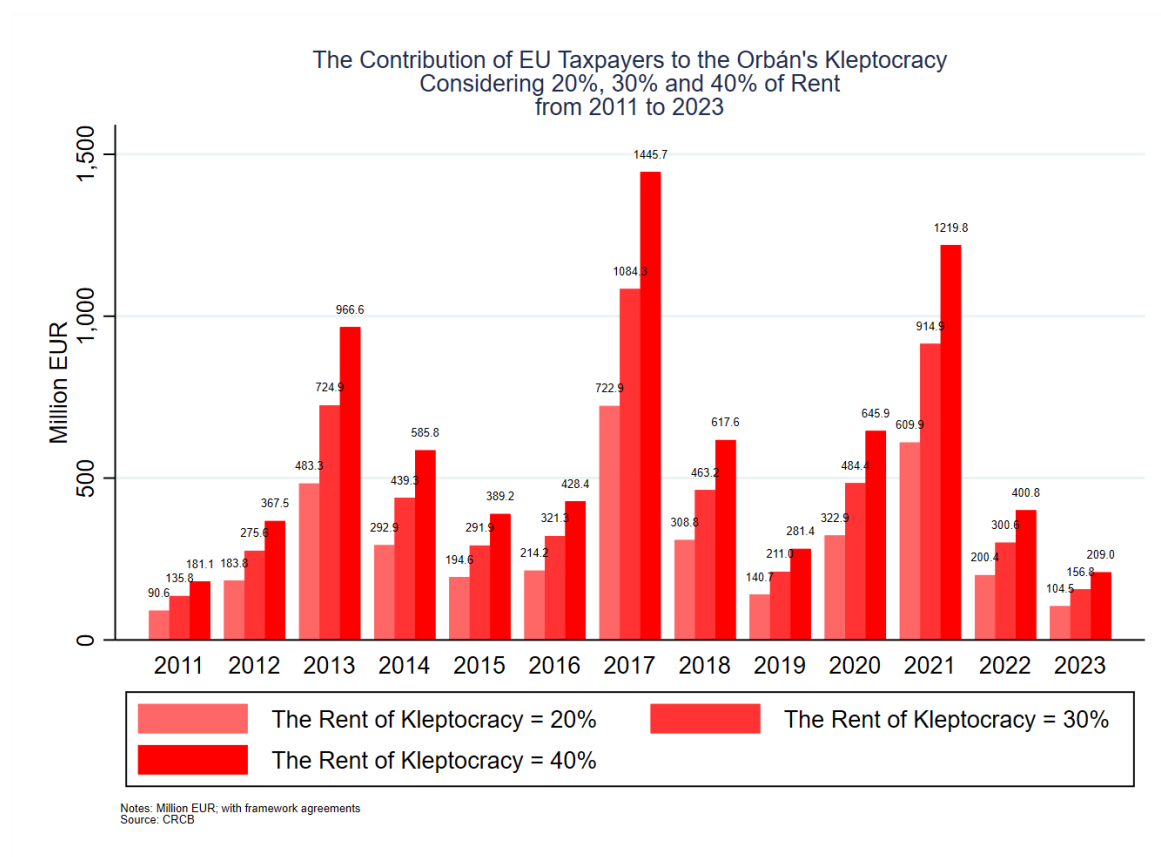
Table 4.1 presents separate estimates of the kleptocratic rent associated with contracts awarded to companies linked to Lőrinc Mészáros, László Szíjj, and the all thirteen key actors, and high-corruption-risk procurements, under different assumed values of the kleptocratic rent ratio (γ). If we consider only public procurement contracts won by firms affiliated to Lőrinc Mészáros, the estimated contribution of EU taxpayers to sustaining the kleptocratic system through this channel alone ranges between €940 million and €1.6 billion.

If we extend the assumption of kleptocratic pricing to all contracts awarded to companies linked to the thirteen key actors, the estimated EU-funded contribution increases to between €2 billion and €3.5 billion for the period 2011–2023.

Furthermore, if we also assume the presence of kleptocratic rents in non-competitive procurement processes, then through these two channels (contract groups C and D), EU taxpayers may have contributed between €3.2 billion and €5.5 billion to sustaining the kleptocratic system—assuming a kleptocratic rent ratio (γ) between 0.2 and 0.4.

Table 4.1. The Estimated Volume of EU Taxpayers' Contribution to the building and maintaining of Orbán's Kleptocracy by Public Procurement, 2011-2023

Sets	Contracts	Total net contract value	Net contract value funding by the EU	Share of EU funding, %	In contracts funded by EU the kleptocratic rent[3] is		
					20%	30%	40%
					$γ=0.2$	$γ=0.3$	$γ=0.4$
A	Contracts won by companies affiliated to Mészáros	9,546.2	5,631.0	59.0	938.5	1,299.5	1,608.8
B	Contracts won by Szijj's Companies[1]	7,099.6	3,263.0	46.0	543.8	753.0	932.3
C	Contracts won by companies of 13 key actors[2]	24,950.7	12,219,4	49.0	2,036.6	2,819.9	3,491.3
D	Contracts with high corruption risk	33,321.1	7,955.9	23.9	1,326.0	1,836.0	2,273.1
E	Union of C and D sets	55,247.3	19,346.7	35.0	3,224.5	4,464.6	5,527.6

Notes: million EUR; with framework agreements;
1): We only considered contracts that were not won jointly (in consortium) with any companies affiliated to Lőrinc Mészáros;
2): the list of key actors see the Annex 2.
3): The volume of kleptocratic rent is $R_k = Y_k - Y_k/(1+ γ)$

Table 4.2. The Estimated Share of Kleptocratic Rent in Total Net Contract Value by Taxpayers, 2011-2023

	Total net contract value	Total net value in contracts won by 13 key actors or in contracts with high corruption risk	Amount of kleptocratic rent			Total kleptocratic rent / Total net contract value		
	m EUR	m EUR	m EUR					
			γ=0.2	γ=0.3	γ=0.4	γ=0.2	γ=0.3	γ=0.4
Nationally funded contracts	78,866.5	35,880.5	5,980.1	8,280.1	10,251.6	0.076	0.105	0.130
Contracts funded by the EU	85,762.5	19,346.7	3,224.5	4,464.6	5,527.6	0.038	0.052	0.064
Total	164,628.9	55,227.2	9,204.5	12,744.7	15,779.2	0.056	0.077	0.096

Notes: million EUR; with framework agreements.

This amount represents between 3.8 percent and 6.4 percent of the net value of EU-funded contracts concluded during the period, which totaled €85.8 billion (see Table 4.2). At least this proportion of EU funds likely ended up as kleptocratic rents for system actors through public procurements. This corresponds to roughly half of the estimated rent share paid to kleptocratic actors via procurements financed by Hungarian taxpayers, which is estimated to be between 7.6 percent and 13.0 percent (see Table 4.2).

According to our estimates, the construction and maintenance of Orbán's kleptocratic system was financed by EU and Hungarian taxpayers in approximately a 1:2 to 2:3 ratio between 2011 and 2023 through public procurement contracts.

5. Conclusions

Based on data from 340,000 public procurement contracts, this analysis examines the extent to which EU taxpayers involuntarily supported the establishment and development of Viktor Orbán's kleptocracy between 2011 and 2023 through EU funds allocated to Hungary. To do this, we used data on public procurements awarded to thirteen key actors associated with the Orbán's kleptocracy, as well as procurements with a high corruption risk (contracts awarded without competition).

The results indicate that the thirteen key actors in the Orbán's kleptocracy won a total of €25 billion in public procurement contracts during this period, of which €12.2 billion—or 49% of their total net contract value—was financed by EU funds. The net volume of high corruption risk (non-competitive) contracts amounted to approximately €33.3 billion, with nearly €8 billion (23.9 percent) of these financed by EU funds.

Between 2011 and 2023, the net value of EU-funded contracts won by the thirteen key actors in the Orbán's kleptocracy, combined with non-competitive contracts, totaled €19.3 billion. Assuming a kleptocratic rent rate (γ) between 0.2 and 0.4, our estimates suggest that EU taxpayers contributed between €3.2 billion and €5.5 billion to sustaining the Orbán's kleptocracy. This amount corresponds from 3.8 percent to 6.4 percent of the net value of all contracts financed by EU funds.

It is important to note that the overpricing resulting from the kleptocratic system—the kleptocratic rent—occurs not only in EU-funded contracts but also in contracts financed by national funds. For the latter, the kleptocratic rent is estimated to represent a somewhat higher share of total procurement values, ranging from 7.6 percent to 13 percent.

Overall, this means that between 2011 and 2023, EU taxpayers financed one third of the establishment and consolidation of Viktor Orbán's kleptocracy, while Hungarian taxpayers covered the remaining two thirds.

The presence of electoral cycles in the annual volume of kleptocratic rents derived from EU funds constitutes direct empirical evidence that the Orbán's kleptocracy has strategically utilized EU financial support to reinforce the political stability of the system.

The actual extent to which EU taxpayers have supported the Orbán's kleptocracy is undoubtedly greater than what is presented here. The estimates provided in this analysis should be regarded as *conservative*, as they focus exclusively on one specific channel of misuse—public procurement. In practice, successive Orbán governments have employed a variety of additional mechanisms and channels to divert EU funds toward the consolidation and entrenchment of the kleptocratic system (Csanádi, 2022).

Based on the analysis, the European Union's decision to suspend payments to Hungary appears to be justified. An examination of 340,000 public procurement contracts reveals four phenomena that are incompatible with core EU values:

> (i) Systemic Overpricing: The high proportion of public procurement contracts awarded without competition—and frequently to key actors within the kleptocratic system (the key actors accounted for 15.2 percent of all contracts and 14.2 percent of contracts financed by EU funds)—indicates that overpricing is not an isolated issue in Hungary, but a systemic feature of the procurement process.

> (ii) Distorted Allocation of EU Funds: The data show that thirteen key actors in the Orbán's kleptocracy—typically business figures with close ties to Fidesz—received a disproportionately large share of EU-funded contracts after 2010.

> (iii) Misuse of EU Taxpayers' Money: The net contribution of EU taxpayers to sustaining the Orbán's kleptocracy is estimated to range between €3.6 billion and €5.5 billion.

(iv) Exploitation of Political Cycles: Patterns of resource allocation reveal a marked increase in kleptocratic rents in the years leading up to national elections. This trend suggests that EU funds were, at least in part, strategically deployed to bolster the re-election prospects of Fidesz, Orbán's ruling party.

So, the EU made the right decision when it started to suspend in 2022 the payment of EU funds to Hungary. The findings presented in our analysis, based on Hungarian public procurement data from 2011 to 2023, confirm the theoretical predictions of Bauer (1976) and Svensson (2000). The phenomenon known as the "aid curse" appears to manifest in the context of Hungary's relationship with EU subsidies, where external funding may have contributed to entrenched elite power. Our results are consistent with empirical evidence of previous research suggesting that the ruling elites of aid-recipient countries tend to allocate foreign assistance toward themselves and their clientelist networks. The weaker and more corruption-prone the institutions of the recipient country, and the more compromised its democratic norms and political competition, the greater the likelihood that foreign aid will be diverted and misused. In contexts where recipient countries exhibit autocratic characteristics—or, in extreme cases, outright dictatorship—the misappropriation of aid becomes particularly pronounced. Under such conditions, the political elite is more capable of utilizing foreign assistance to maintain and stabilize its hold on power. Just as these patterns hold true for foreign aid and developing countries, they also apply to EU funds and the countries that receive them. The EU must not finance corrupt, authoritarian regimes.

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Annex

Annex 1. HUF/EUR Exchange Rate Used, 1998-2023

Year	EUR 1 =	
1998	HUF	251.43[*]
1999	HUF	252.80
2000	HUF	260.04
2001	HUF	256.69
2002	HUF	247.96
2003	HUF	253.51
2004	HUF	251.68
2005	HUF	246.56
2006	HUF	250.85
2007	HUF	251.31
2008	HUF	251.25
2009	HUF	280.58
2010	HUF	275.41
2011	HUF	279.21
2012	HUF	289.42
2013	HUF	296.92
2014	HUF	308.66
2015	HUF	309.90
2016	HUF	311.46
2017	HUF	309.21
2018	HUF	318.87
2019	HUF	325.35
2020	HUF	351.17
2021	HUF	358.52
2022	HUF	391.33
2023	HUF	380.40

Notes:
*: EUR/HUF exchange rate in 1th January 1999; annual average exchange rates calculated from daily average exchange rates. Source of daily data: https://www.mnb.hu/arfolyam-lekerdezes

Annex 2. List of Thirteen Key Actors from 2011 to 2023

The following individuals are key actors associated with Viktor Orbán's kleptocracy. They are owners or beneficiaries of 44 companies that won at least one public procurement contract in Hungary between 1999 and 2023. Their personal ties to Orbán or the ruling Fidesz party are well-documented (Anonimus, 2014; Vorák, 2015; Lambert, 2018a; Lambert, 2018b; Lambert, 2018c; Lambert, 2019; Dunai, 2018; Oroszi, 2018a; Oroszi, 2018b; Erdélyi, 2019; Kelen-Alánt, 2019; Tóth & Hajdu, 2021; Bódis, 2022; Brassai, 2022; Horn; 2022; Laki, 2022; Tóth & Hajdu, 2022; Tóth & Hajdu, 2022; Gyurkó; 2023; Wirth, 2023; Busi, 2024; Katus, 2024; Weiler & Kávai Horváth, 2025; Székely, 2025):

1. Gyula Balásy – A businessman close to Fidesz, working for the party since 2005.

2. István Garancsi – Businessman and friend of Viktor Orbán.

3. Lőrinc Mészáros – Gas fitter from Felcsút and Orbán's childhood friend.

4. Lajos Simicska – Businessman and Orbán's former college roommate.

5. István Tiborcz – Businessman and Viktor Orbán's son-in-law.

6. László Szíjj – Businessman, business partner of Lőrinc Mészáros, with close ties to Orbán.

7. Zsolt Homlok – Businessman and Lőrinc Mészáros's son-in-law.

8. Gellért Jászai – A businessman close to Fidesz and associate of Lőrinc Mészáros.

9. Csaba Csetényi – Businessman with close links to Fidesz.

10. Endre Hamar – Businessman and business partner of István Tiborcz.

11. Tibor Kuna – A businessman close to Fidesz.

12. Attila Paár – Businessman and business partner of István Tiborcz.

13. Károly Varga – Businessman, friend and business partner of László Szíjj.