

# Holding Orbán and other powerful people to account

Activity and Impact Report of Direkt36 - 2017

„Poverty is not as great a danger to liberty as is wealth, with its corrupting, demoralizing influences. Let us never have a Government at Washington owing its retention to the power of millionaires rather than to the will of millions,” said Joseph Pulitzer, a Hungarian-born American journalist, one of the most famous figures and pioneers of modern journalism, in 1875. Although Pulitzer talked about the American government, this quote repeatedly came to our mind when we recollected what Direkt36 had done and had achieved in 2017.

The most important highlights are:

- **Direkt36 obtained a secretly made audio recording** that shows how a company, linked to the Hungarian Prime Minister’s son-in-law, won public procurements worth hundreds of millions of forints;
- **We exposed how companies owned by the family members of Viktor Orbán participated in huge EU-funded development projects** while Orbán had been waging a war against Brussels;
- We uncovered serious anomalies in EU-funded start-up projects after having processed **20 000 pages of official documents**;
- Our journalists participated in the coverage of the most important international investigative cooperation of the year, the **Paradise Papers**.

These and other stories of Direkt36 published in 2017 have two things in common. Firstly, they reveal that in Hungary not everyone is subject to the same rules, but there are companies and individuals that have wider access to common resources than others. And, very often, their advantage is more due to their political connections than to their experience or performance.

The other link between these stories is that the facts presented by Direkt36 have never been challenged by the state or by other subjects of our stories. Yet, these institutions and people rarely made efforts to explain to the public what they do to resolve malfunctions or to return common resources that had disappeared due to abuses uncovered by Direkt36. It seems as if Pulitzer’s nightmare was coming true.

Fortunately, there were positive developments in 2017 as well. Throughout the year we had seen several examples that prove that investigative journalism is a powerful tool

despite the shrinking space for freedom of speech and the huge political pressure that Hungarian journalists have to face. The Hungarian police found proofs of crime, the EU anti-fraud office revealed serious irregularities, and the Prime Minister’s Office promised an inquiry into abuses exposed by Direkt36.

We could also significantly strengthen our supporting community: we have never received such a big amount of private donations from so many individuals as in 2017. These donations are indispensable for our organization, because these allow us to do our work independently, serving only the public interest.

Let’s look at the details briefly!

Questions about this report are welcome at [info@direkt36.hu](mailto:info@direkt36.hu).  
(Closed on 02/10/2018)



## OUR STORIES AND THEIR IMPACT

### The businesses of Orbán's family

Following trucks; freezing in a container packed with an enormous amount of documents in the middle of winter; long litigation with non-helpful state agencies; lots of interviews and lots of legwork - all this was needed to deepen our years-long investigation into the Orbán family's business interests and successes. When we launched Direkt36 in 2015, we were mainly focusing on the companies owned by the Prime Minister's son-in-law, István Tiborcz, and oligarchs who were close to Orbán at that time, Lajos Simicska and Lőrinc Mészáros. Last year, however, we found proof that not only they, but companies owned by other family members of the Prime Minister also benefit from state projects, mainly funded by the EU.

These stories are particularly remarkable as in 2001, during his first term as Prime Minister, Viktor Orbán said that he had asked his father to stay away from large public construction projects so that they can avoid any conflict of interest. Our investigation showed that this arrangement has apparently changed since then and we confronted Orbán with this. We travelled all the way to Brussels because we knew that, for some reason, he is more willing to answer journalists' questions at his press conferences there.

Orbán was apparently caught off guard by our questions and tried to explain that as long as the companies of his family are not subcontractors but only suppliers of public constructions, he does not consider the situation problematic. Direkt36, however, later proved that, at least in one case, a company of the Orbán family participated in a public project as subcontractor.

These investigations were pretty difficult not only because there is no publicly available data on the suppliers and lower level subcontractors of EU-funded projects. Another obstacle was that state agencies are not particularly helpful when we ask for documents about such projects. But the biggest obstacle is that because of the persons concerned it was very difficult to find sources who were willing to provide information to journalists. One of the authors of this series, Blanka Zöldi, wrote: „It was interesting to experience that an initially cooperative contractor suddenly became silent as we started to ask about ‚crushed stones‘ - this material was delivered to several public projects by a company belonging to the Prime Minister's father”.

#### **What happened after the publication of these stories?**

- The EU's Anti-Fraud Office, OLAF, had been examining the tenders won by the company formerly owned by the Prime Minister's son-in-law for two years. At the beginning of 2018, OLAF announced that it had found serious irregularities in these development projects. The report is not public, but leaked details show that many findings of OLAF coincides with the evidences revealed by Direkt36.

- After the publication of our investigations, several individuals reported alleged wrongdoings to the police but the probes were closed quickly. It turned out, however, that there is still an ongoing investigation at the Tax Authority concerning these development projects with the suspicion of particularly high-value budget scams.

- Direkt36, with the assistance of the Hungarian Civil Liberties Union, has filed a lawsuit against the state owned National Infrastructure Development Company, which is in charge of large public development projects. The lawsuit was won at first instance and the ruling forced the company to disclose the data we asked for. The case will continue in 2018.

- Some investigations in this series were picked up not only by Hungarian, but several foreign media outlets as well. The British Guardian and Politico Europe in Brussels have cited our articles, while Austrian, Slovenian, Serbian and Polish newspapers also covered the topics unfolded by Direkt36.

## Hidden assets

”What would happen if I declared another 300 million forints? Nothing.” Sándor Farkas, an MP of the governing party Fidesz gave a lesson of honesty with these words, after we uncovered that he left out large-scale agricultural funds from his compulsory wealth declarations. Farkas is not the only politician we wrote about in this series. We also found that the head of the Tax Authority, who is also an MP of Fidesz, András Tállai receives approximately 1800 euros a month from two part-time jobs besides his parliamentary stipend. He defended himself by saying that this is quite usual, yet, in his latest declaration filed a few months ago he declared no similar sources of income.

Also in this series, we launched the first co-production project of Direkt36 and RTL, the most popular Hungarian commercial television channel. In our joint investigation, we showed how MPs misused reimbursement money that was supposed to cover their office expenses.

### What happened after the publication of these stories?

- According to his latest wealth declaration, András Tállai gave up his two lucrative part-time jobs, which were exposed by Direkt36.

- In 2016, we published several articles about the misleading wealth declarations of László Tasó, then State Secretary for Transport Policy. At the beginning of 2017, it turned out that Tasó’s mandate would be terminated. At the time of the announcement, the government stressed that it was not a punishment for Tasó, instead he would receive a new, more important task. After a couple of days, Tasó was transferred to the Prime Minister’s Office, where he became secretary of state for small settlements. For now, Tasó is not too active: on his official website the only news about his activities as a secretary of state secretary is the one about his announcement from February 2017.

## Offshore secrets

The broadest international project of the year in journalism was the coverage of the Paradise Papers, a massive leak of company documents from several offshore havens. Co-ordinated by the International Consortium of Investigative Journalists, 380 journalists from around the world participated in the work. From Hungary, the only journalist invited was the founding editor of Direkt36, András Pethő. In our Paradise Papers series, we showed how powerful Hungarians use offshore entities in the international business activities. We found the offshore interests of Hungary’s ambassador to Switzerland (a diplomat close to Orbán), former offshore companies of the Hungarian-born American movie producer, Andy Vajna, and we uncovered many details about an offshore luxury real estate project organized by Hungarian investors.

### What happened after the publication of these stories?

- ICIJ’s 380 journalists working on Paradise Papers received the prestigious American Polk Prize.



## Black holes of EU funds

At Direkt36, we usually decide by ourselves which projects we want to pursue. The only exceptions so far were our international collaborations. At the end of 2016, though, the Hungarian edition of Forbes Magazine reached out to us with an idea. They received a huge amount of leaked documents about an EU-funded venture capital programme, and they needed help to process it. The material was so interesting that we said yes almost immediately. In our stories, we showed how wealthy Hungarian investors tapped into this programme, sometimes violating its core principles. Among them were Zsolt Hernádi, head of the Hungarian oil company Mol, Istvan Garancsi, a close friend of the Prime Minister, and Péter Heim and Ágoston Gubicza, who both had very close links to the governing Fidesz party.

## Russian connection

In 2017, we launched another project that will probably keep Direkt36's journalists busy for years. We focus on the Hungarian-Russian relationship, and the development of the Paks nuclear power plant, referred to by the government as the largest development project in Hungary's history. In the first part of this series, we showed how a powerful German businessman, Klaus Mangold played a key role in the nuclear deal between Hungary and Russia and also in getting the EU's approval of the project. We also started to build a database – and published stories based on that – about companies that have already been chosen by the Russians for the Paks development. The series will continue in 2018.

### **What happened after the publication of these stories?**

- The article on Klaus Mangold triggered broad international attention. The German magazine Krautreporter and the EU Observer in Brussels re-published the full story.

# Tapped tax benefits

It started as a stand-alone story, but we found so many interesting details that our Balatonfüred investigation grew into a mini-series. This story demonstrates how hundreds of millions of forints were misused in a sports program funded from corporate tax benefits. Under the program launched by the Orbán government, corporations can give a percentage of their corporate tax to sports clubs. Through the example of Balatonfüred, a major city by the Lake Balaton, Direkt36 exposed the shortcomings of the scheme. We showed how a formerly non-existent water polo club grew out of nowhere in Balatonfüred, so that the city could access development funds for which it would not have otherwise been entitled. We also uncovered how a dormitory built for young talented handball players was used for something quite different. As the author, Anita Vorák, wrote, “To my biggest surprise, I found a four-star hotel instead of the handball academy. I walked around the building to find the handball player kids, but it was obvious that the whole building was occupied by the hotel.” This story was covered in co-operation with RTL Klub.

## What happened after the publication of these stories?

- János Lázár, head of the Prime Minister’s Office, promised an investigation, but we have no information about the results yet.

# Downtown billions

We continued our investigations on public procurements in Budapest. Hungarian police found evidence of crime in a development project that had previously been uncovered by Direkt36. We also showed how Cabinet Minister Antal Rogán’s wife is related to two hotel investors from Jordan who did official business with Rogán during his term as mayor in downtown Budapest.

## What happened after the publication of these stories?

- The police investigated one of the public procurements exposed by Direkt36 and found proof of crime. However, they couldn’t identify the perpetrator yet.

- The court restarted the trial in another case which was also closely followed by Direkt36. The defendants are the former notary of the downtown district of Budapest and two local construction investors. Although at first instance the defendants were acquitted, the court has now ordered a new procedure.





## Advisers of the state

We have continued our series about consultants of various state institutions or influential people. We travelled to Croatia to find the foreign assets of Lőrinc Mészáros, a friend of Viktor Orbán, who had worked as a gas fitter but in a few years became one of Hungary's wealthiest people. We found a formerly unknown Hong Kong company of Árpád Habony, a close advisor of Viktor Orbán. We showed that the company had links to one of the mysterious actors of the controversial Hungarian residency bond business that caused losses for the state.

# PRIVATE DONORS, AUDIENCE AND FOLLOWERS

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**Number of crowdfunding donors**      **1282**      **+13%** from 2016

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**Number of crowdfunding donations**      **4385**      **+59%** from 2016

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**Expenses covered from crowdfunding donations**      **48,6%**      **+8,7%** from 2016

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**Reach (readers and viewers)**      **3.163.230**      **+200%** from 2016

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**Followers on Facebook**      **29.793**      **+9%** from 2016

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**Publication partners**      **444.hu (Hungary)**  
**Forbes Magazin (Hungarian edition)**  
**Krautreporter (Germany)**  
**RTL Klub (Hungary)**



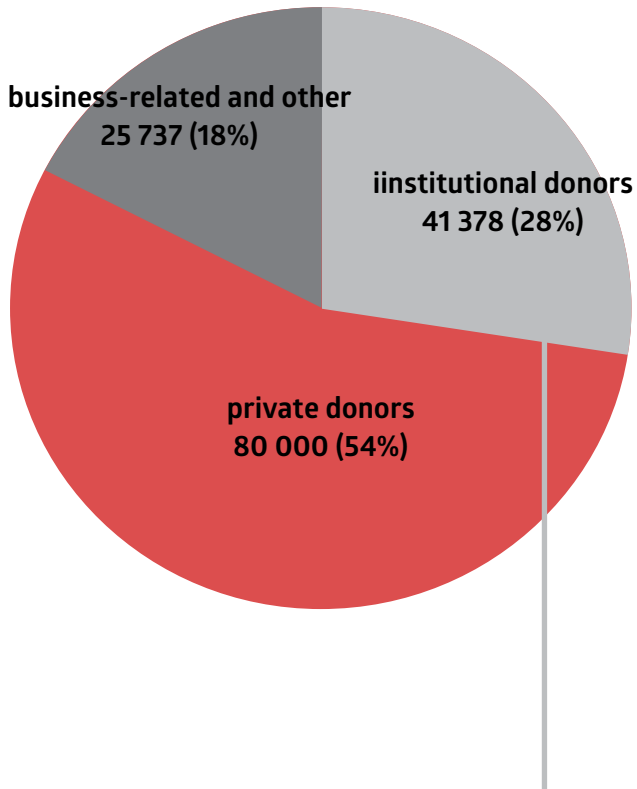


# FINANCE

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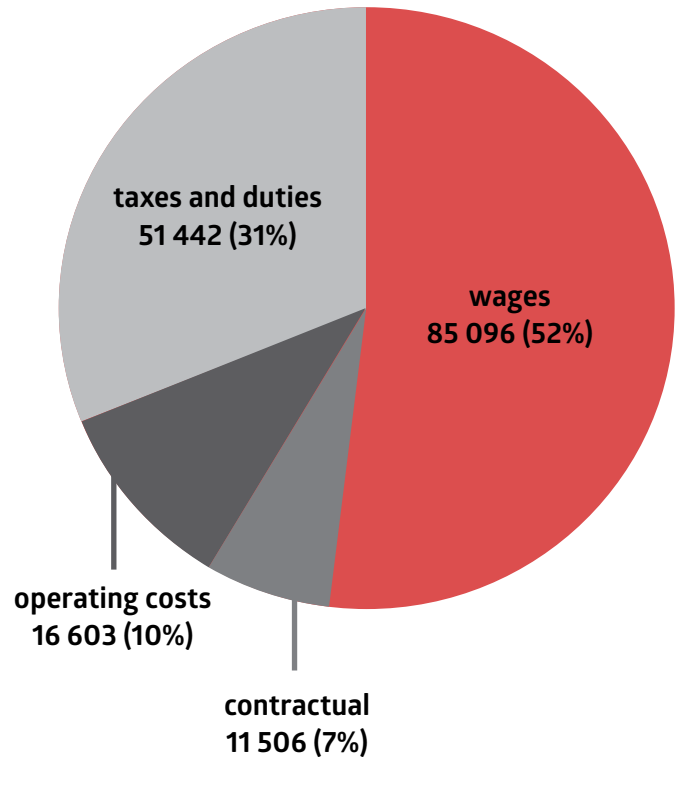
## INCOMES

147 115 EUR



## EXPENSES

164 647 EUR



## INSTITUTIONAL DONORS AND DONATIONS

Open Society Foundation **7,27 million HUF**

Fritt Ord **5,63 million HUF**

(Exchange rate: 312 HUF/EUR.)