Study on State asset management in the EU

Final study report for Pillar 3 – Hungary

Contract: ECFIN/187/2016/740792

Written by KPMG and Bocconi University
February 2018
Hungary

This country fiche presents a qualitative overview of the mix of governance models and investment strategies implemented by the Hungarian general government to manage its assets portfolio.

1. Mapping of the Governance of the Portfolio of Assets

Hungary has three levels of governance: the central, regional (i.e. the county), and local levels. Throughout this country fiche, we re-cluster these three tiers into two categories, i.e. the “central government”, which includes the national government, and the “local governments”, which include both the regional governments and the local governments.

The law governing state asset management in Hungary is the 2011 National Assets Act¹, which sets the guidelines for the governance regime adopted by the Hungarian government to manage “national” assets.

In compliance with this Act, the Minister of National Development is responsible for overseeing the overall state asset management. The Hungarian National Asset Management Inc. (MNV Zrt./HNAM Inc.) is a Public Sector Holding (PSH) fully owned by the central government which is responsible for the management of the state-owned assets. In more detail, it acts according to the government policies and its responsibilities include: asset management, portfolio rationalisation and property management; improvement of the profitability of national enterprises, and the preservation and development of national assets.

The HNAM Inc. operates under the supervision of the Minister of National Development and its portfolio includes: companies, real properties and intangible properties.

There is no unique, comprehensive and consolidated National public data source covering all the assets in the government’s portfolio.


1.1. Financial assets

The PSHs owned by the Hungarian general government operate in a broad spectrum of the domestic economy. This variety is reflected in the patterns of ownership and governance. For example, some financial assets are owned by the central government; others by the local governments.

The main bodies responsible for strategic decisions at a central level are:

- the central government, which is responsible for decisions related to dismissal/acquisition of Hungarian stakes in companies;

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¹ Act CXCVI of 2011 on National Assets. Available: https://net.jogtar.hu/jr/gen/getdoc2.cgi?docid=A1100196.TV [Accessed 10th November 2017]. According to the Act CXCVI of 2011 on National Assets, "national assets" include any "real and moveable properties" under the ownership of the state or its instrumentalities, as well as shares, financial assets and the like.
• the *Ministry of National Development*, which is responsible for the analysis of financial conditions of public companies and majority state-owned companies.

With the 2011 *National Assets Act*\(^3\), the Hungarian government set the legislative framework for operations and duties of the *HNAM Inc.*. It currently exercises ownership supervision over more than 500 state-owned business associations; of which, it directly exercises ownership rights for over 450 companies. Among the key companies supervised by the *HNAM Inc.* we can find: *MVM Hungarian Electricity Ltd.*, a major Hungarian energy group; *Szerencsejáték Ltd.*, a dominant player in the market of games of chance; regional transport companies providing local road transport services\(^4\).

The *HNAM Inc.* operates under the supervision of the *Minister for National Development*.

With respect to financial assets in the government’s equity portfolio, the five most important sectors in terms of Value Added (VA) generated by PSHs\(^5\) are:

1. *H – Transportation and storage*;
2. *B – Mining and quarrying*;
3. *C – Manufacturing*;
4. *D – Electricity, gas, steam and air conditioning supply*;
5. *E - Water supply; sewerage, waste management and remediation activities*.

### Table 1 Governance regimes: Financial assets, Hungary

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>Both the central and the local government participate in the companies’ capital. However, many of the shares are owned by the <em>HNAM</em>.</th>
</tr>
</thead>
</table>

**Most important sectors in terms of VA:**

1. **Sector H – Transportation:** the majority of PSHs are owned by the central government. Some PSHs are directly owned by the *HNAM Inc.*

2. **Sector B – Mining:** the majority of PSHs are owned by the central government and authorities.

3. **Sector C – Manufacturing:** PSHs are owned by both the central and local governments. However, many PSHs operating in the sector are directly owned by the *HNAM Inc.*

4. **Sector D – Electricity and gas:** the majority of PSHs are owned by the local governments.

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\(^5\) The five most important sectors in terms of VA generated by PSHs have been mapped in Pillar 1. For industry classification we rely on data provided by *Bureau van Dijk (BvD) Orbis*, which in turns gets its data from other service providers and bases industry classification on the NACE codes provided.
<table>
<thead>
<tr>
<th>5. <strong>Sector E – Water supply:</strong> almost all PSHs are owned by the local governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
</tr>
<tr>
<td><strong>Most important sectors in terms of VA:</strong> the relevant local governments and each relevant Ministry are responsible for the strategic decisions on PSHs operating within their jurisdiction in compliance with the legislative and investment framework outlined by the central government.</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
</tr>
<tr>
<td><strong>Most important sectors in terms of VA:</strong> the relevant local governments and each relevant Ministry are responsible for the operational decisions on PSHs operating within their jurisdiction.</td>
</tr>
<tr>
<td>National public data sources</td>
</tr>
<tr>
<td>n.a.</td>
</tr>
</tbody>
</table>

**Legend**

- C1 = Central government
- C2 = Central public body
- C3 = Central company-type structure
- D1 = Local governments
- D2 = Local public body
- D3 = Local company-type structure
- PM = Private body

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.
1.2. Non-financial assets

- **Airports**

**Table 2 Governance regimes: Airports, Hungary**

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>The property of airport infrastructures in the country belongs to the State, which in turn can grant them in concession to several airport operators or directly manage them.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The <em>National Transport Authority</em> within the <em>Ministry for National Development</em> is the body responsible for the strategic and investment decisions regarding Hungarian airport infrastructures.</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>As concessionaires of the infrastructures, airport operators are responsible for operational decisions regarding their airports (e.g. <em>Budapest Ferenc Liszt International Airport</em>, which is the biggest airport contributing to the annual movement of passengers and goods, was granted in concession to the company <em>Budapest Airport Zrt</em> for 75 years).</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The <em>National Transport Authority</em> and the <em>Hungarian Central Statistical Office</em> currently collect and report key information about airport traffic in Hungary. With regard to the airport infrastructures, there is currently no single, definitive, public source of information.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legend</th>
</tr>
</thead>
<tbody>
<tr>
<td>= Central government</td>
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<tr>
<td>= Central public authority</td>
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<tr>
<td>= Central company-type structure</td>
</tr>
<tr>
<td>= Local governments</td>
</tr>
<tr>
<td>= Local public authorities</td>
</tr>
<tr>
<td>= Local company-type structure</td>
</tr>
<tr>
<td>= Private body</td>
</tr>
</tbody>
</table>

Source: KPMG elaborations.
(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.
(b) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

- **Ports**

Hungary does not have maritime ports.6

6 Fluvial ports are not considered in the analysis. For further detail please see Methodological Notes of Pillar 2.
Roads

Table 3 Governance regimes: Roads, Hungary

| Owners of the asset | The road network consists of motorways, main or national roads, and local roads. In compliance with current legislation, motorways and main or national roads (national roads) belong to the central government, while local roads are owned by the relevant local governments. | C1 |
| Bodies responsible for the strategic and investment decisions | The Department for Road and Bridges of the Roads, Railways and Shipping Authority (which sits within the National Transport Authority) is responsible for strategic and investment decisions regarding the Hungarian national roads. Local governments are mainly responsible for strategic and investment decisions regarding other roads. | C2 |
| Bodies responsible for the operational decisions | The Hungarian Public Road Non-profit Plc is responsible for the operation and maintenance of the national roads network. It is a PSH fully owned by the Ministry for National Development. However, for some motorways, the financing, planning, design, construction and operations have been granted in concession to some private companies. The relevant local governments are mainly responsible for operational decisions regarding local roads. | C3 |
| National public data sources | The Hungarian Central Statistical Office collects and reports key information about the road infrastructures and traffic in Hungary. These information include the length of roads, the annual freight and passenger traffic. | C2 |

Legend

- C1 = Central government
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- C3 = Central company-type structure
- D1 = Local governments
- D2 = Local public authorities
- D3 = Local company-type structure
- PM = Private body

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

7 For more detail about the information reported by the Hungarian Central Statistical Office, please see: https://www.ksh.hu/?lang=en [Accessed 26th September 2017].
**Railways**

**Table 4 Governance regimes: Railways, Hungary**

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>The Hungarian central government is the owner of the railway network.</th>
<th>C1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The National Transport Authority is the centralised body responsible for strategic and investment decisions regarding the Hungarian railway network. It is responsible for granting concession of the railway infrastructure to the Hungarian State Railways (i.e. Magyar Államvasutak, MÁV) and the Győr–Sopron–Ebenfurti Railway (i.e. Győr–Sopron–Ebenfurti VasúRat Zrt., GySEV).</td>
<td>C2</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>MAV and GySEV act as infrastructure managers for the railway network. They are therefore responsible for operational decisions regarding this asset cluster. According to the above-mentioned Railway Act, the Ministry for National Development funds, by a contractual agreement, the infrastructure managers’ expenditures related to the management of the railway network.</td>
<td>C3</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The Hungarian Central Statistical Office collects and reports key information about the railway infrastructure (e.g. the length of railway tracks) and traffic in Hungary.</td>
<td>C2</td>
</tr>
</tbody>
</table>

**Legend**

- C1 = Central government
- C2 = Central public authority
- C3 = Central company-type structure
- D1 = Local governments
- D2 = Local public authorities
- D3 = Local company-type structure
- PM = Private body

**Source:** KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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8 For more detail about the information reported by the Hungarian Central Statistical Office, please see: [https://www.ksh.hu/?lang=en](https://www.ksh.hu/?lang=en) [Accessed 26th September 2017].
- **Mineral and Energy reserves**

**Table 5** Governance regimes: Mineral and Energy reserves, Hungary

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>Mineral and Energy reserves are owned by the central government(^9), which in turn can grant them in concession to private companies and PSHs for exploiting them.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The Hungarian Office for Mining and Geology(^10) is a central office, governed by the Minister for National Development, with full authority on appropriations. According to the above-mentioned Mining Law, it is the state mining and geology authority.</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>Many companies are given the rights to exploit the Hungarian mineral and energy resources in concession.</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The State Mineral Raw Materials and Geothermal Energy Inventory is the official register for Mineral and Energy reserves in the Country. It includes more than 3,950 registered mining areas and it is annually updated by the Hungarian Office for Mining and Geology(^11).</td>
</tr>
</tbody>
</table>

**Legend**

- C1 = Central government
- C2 = Central public authority
- C3 = Central company-type structure
- D1 = Local governments
- D2 = Local public authorities
- D3 = Local company-type structure
- PM = Private body

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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### Other natural resources

**Table 6** Governance regimes: Other natural resources, Hungary

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>Other natural resources belong to the central government(^{12}).</th>
<th>C1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The <em>Minister for Rural Development</em> is the central body responsible for governing environment, natural protection, and water affairs. More in detail, the main tasks of the <em>Minister</em> include regulatory tasks and policy development.</td>
<td>C1</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>The <em>Minister for Rural Development</em> (through environmental and water authorities, national park managers) is the main body responsible for operational decisions(^{13}).</td>
<td>C2</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The <em>Hungarian Central Statistical Office</em>(^{14}) annually collects and reports the key information about natural resources in Hungary (e.g. the land covered by forests, the environmental expenditure).</td>
<td>C2</td>
</tr>
</tbody>
</table>

**Legend**

- \( \odot \) = Central government
- \( \Box \) = Central public authority
- \( \Box \) = Central company-type structure
- \( \Box \) = Local governments
- \( \Box \) = Local public authorities
- \( \Box \) = Local company-type structure
- PM = Private body

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.

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\(^{12}\) Act on National Assets.


\(^{14}\) For more detail about the information reported by the *Hungarian Central Statistical Office*, please see: [https://www.ksh.hu/?lang=en](https://www.ksh.hu/?lang=en) [Accessed 26\(^{th}\) September 2017].
**Dwellings, Buildings other than dwellings**

**Table 7** Governance regimes for Buildings cluster, Hungary

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>Assets falling into this cluster are owned either by the central government or by the local governments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The <em>Minister for National Development</em> is responsible for overseeing all strategic decisions regarding public real estate assets(^\text{15}).</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>The <em>HNAM INC.</em> is the main body responsible for operational decisions regarding central government’s buildings. It owns approximately state infrastructures worth 53.4 Eur Bn, including buildings and real estate(^\text{16}). The local governments are also responsible for the operational decisions on buildings within their jurisdiction.</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The <em>Hungarian Central Statistical Office</em> has to annually collect some information about Dwellings and Buildings other than dwellings(^\text{17}) in Hungary.</td>
</tr>
</tbody>
</table>

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.

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\(^{15}\) *National Assets Act* of 2011.

\(^{16}\) *Hungarian National Asset Management Inc.* Available: [Accessed 10\(^\text{th}\) November 2017].

\(^{17}\) For more detail about the Buildings information reported by the *Hungarian Central Statistical Office*, please see [http://www.ksh.hu/nepszamlalas/tables_regional_00](http://www.ksh.hu/nepszamlalas/tables_regional_00) [Accessed 10\(^\text{th}\) November 2017].
Study on State asset management in the EU – Pillar 3
Hungary

Figure 1 Asset-responsibility chain and ownership matrix for the cluster of assets in government’s portfolio, Hungary

Legend
- C1 = Central government
- C2 = Central public body
- C3 = Central company-type structure
- D1 = Local government
- D2 = Local public body
- D3 = Local company-type structure
- PM = Private body

Source: KPMG elaborations.
n.a. = not available.

(a) For more detail about the clusters of governance regimes, please see Methodological Notes.
(b) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.
(c) For some cluster of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.
(d) Ports are not represented in this figure as there are no maritime ports in the country.

In light of the analysis presented earlier and summarised in Figure 1, the overall governance regime for the Hungarian government’s asset portfolio can be defined as centralised both in terms of ownership and in terms of responsibility for strategic and investment decisions on the assets.

2. Mapping of the Investment Strategy of the Portfolio of Assets

Despite the Hungarian parliament approved an Act setting the guidelines for a centralised state asset governance, there is no government- or parliament- approved state asset management strategy covering all assets. However, a few documents outline some general strategies covering some assets in the government’s portfolio.
2.1. Financial assets

Hungary had experienced several trends regarding public and private ownership during the last thirty years. In fact, after a push for the privatisation of major state-owned companies supported by the new parliamentary democracy in the early 1990s after the collapse of the communist regime, a re-nationalisation trend was actively launched by the new government in 2010\(^{18}\).

As shown in Figures 2 and 3 below, in the past three decades, the privatisations concentrated in few sectors and in certain time periods:

- 1996 – 2000, in which the adoption of the so-called Privatisation Act established the Hungarian Privatisation and State Holding Company (i.e. Állami Privatizációs és Vagyonkezelő Részvénytársaság, ÁPV Rt), which replaced the Hungarian State Holding Company and the State Property Agency as the bodies responsible for managing the privatisation process;

- 2001 - 2005, in which the privatisation process was driven (in terms of value) mainly by the “Transportation”, “Finance & Real Estate”, and “Petroleum” industrie, and by the “Manufacturing” industry in terms of volume of deals

- 2006 - 2010, in which the privatisation process was driven (in terms of value) by the “Petroleum” industry.

The post-2010 period featured a general investment strategy towards the re-nationalisation of companies operating in sectors considered as “strategic” by the central government with an official stance to “correct” the privatisation policies led by the previous governments.

**Figure 2** Privatisations across markets by value and by number, 1980–2014, Hungary

<table>
<thead>
<tr>
<th>Sector</th>
<th>By value</th>
<th>By number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Real Estate</td>
<td>13.3 Eur Bn</td>
<td>13.3%</td>
</tr>
<tr>
<td>Petroleum</td>
<td>13.9%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Trade</td>
<td>17.5%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Services</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Transport</td>
<td>11.2%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13.4%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>4.8%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Trade Industry</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Transportation</td>
<td>4.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Other</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Sources: KPMG elaborations on data from the Fondazione Eni Enrico Mattei (FEEM) database, 1980-2014.
(a) The value of privatisations refers to the sum of the values of the transactions agreed between a public body (seller) and a private entity (bidder) for that period.
(b) The number of privatisations refers to the total number of transactions for that period.
(c) Sectors that are below the 5% threshold in terms of both total value of the transactions and number of deals have been included in the aggregate cluster “Other”.

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Figure 3 Privatisations across markets over time by value, 1980–2014, Hungary

Sources: KPMG elaborations on data from the Fondazione Eni Enrico Mattei (FEEM) database, 1980-2014.

(a) The value of privatisations refers to the sum of the values of the transactions agreed between a public body (seller) and a private entity (bidder) for that period.

(b) In this country, no privatisations occurred during the 1980s. Indeed, privatisations kicked off 1990s when this, previously planned economy, was transformed into a market economy.
2.2. Non-financial assets

The Hungarian government has adopted the *Transport Development Plan 2015–2025*, which establishes a long-term framework for strategic decisions related to transport infrastructures. This plan is underpinned by the *Integrated Transport Development Programme (ITOP)* which sets out key projects in each transport infrastructure sector. This plan mobilises EU funds for 1,032 Bn HUF (approximately 3.4 Eur Bn) with the aim of providing support for:

- constructing missing road sections between the country borders and county seats;
- electrifying railway lines;
- eliminating railway bottlenecks and slow zones.

In the following sub-sections more details on the Hungarian investment strategy relating to non-financial assets are provided.

- **Airports**

Currently, no publicly available document defining a formalised government’s strategy with regard to airport infrastructures could be identified.

Hungary has 3 international airports: Budapest, Balaton-West, and Debrecen. With regard to the *Budapest Ferihegy International Airport* (i.e. the main airport in the country), in 2005 the Hungarian government decided to sell its shares to the airport operator *Budapest Airport Rt*, in order to promote the adoption of business management criteria and to boost private investments, hence allowing private capital into airport management. In more detail, the *ÁPV Rt* (i.e. the former privatisation agency, which was substituted by *HNAM Inc*) sold a 75% vote stake in *Budapest Airport Rt*. *Budapest Airport Rt* had the right and duty to operate and develop *Budapest Airport* as an international airport, through the asset management agreement signed with the *Trasury Property Directorate*.

Currently, the airport operator is fully owned by private investor[^19].

- **Ports**

Hungary does not have maritime ports[^20].

- **Roads**

Given the fragmented legal and historical framework for roads in the government’s portfolio, it is not easy to provide a clear and definitive rationale behind the Hungarian road network.

Currently, the Hungarian government invests in the maintenance and development of the road network. In fact, public road development goals which are not subsidised by the EU are to be supported by the state budget with several hundreds of billion HUF.


[^20]: Fluvial ports are not considered in the analysis. For further detail please see Methodological Notes of Pillar 2.
Public road projects involve a total length of almost 600 Km, requiring total funds of 1,500 Bn HUF (approximately 4.8 Eur Bn), of which the costs of highway development make up more than 1,100 Bn HUF (around 3.5 Eur Bn).

Furthermore, on the 2nd March 2016, the Minister for National Development announced that priority road projects worth 667 Bn HUF (approximately 2 Eur Bn) will be launched21.

- **Railways**

The current governance regime adopted by the Hungarian government was established by the entry into force of the Railway Act22, which incorporated the principles established at European level in the directives of the first and second railway packages.

In 2006, the Hungarian Railway Office was set up as the authority responsible for railway. Two years later the duties of the authority were given to the National Transport Authority.

The State has the responsibility to finance the railway system. On 21st December 2015, the Hungarian State and MAV Zrt signed a public service contract relating to the operation of the railway network for the period 2016–2025. This contract states that funding for running the railway network are to be ensured in the long-term.

Furthermore, according to the Central Budget of Hungary for the year 2017, the Hungarian State has budgeted 74,805 Mn HUF (approximately 238.4 Mn Eur) to cover the costs of operating the rail network. MAV Zrt receives roughly 90% of the amount invested by the Hungarian State.

- **Dwellings, Buildings other than dwellings**

In recent years, a key step forward the definition of a centralised strategy for the Hungarian government’s Buildings was the establishment of the above-mentioned HNAM Inc23, which started its operations on 1st January 2008, with the merger of 3 predecessor organisations, i.e. the State Privatisation and Holding Company, the Treasury Property Directorate and the National Land Fund Management Organisation.

Regarding the management of state-owned real properties, the main duty of HNAM Inc is to provide real estate services for the performance of State functions and for meeting public demand.

Currently, no publicly available document defining a formalised government’s strategy with regard to real estate assets could be identified.

- **Mineral and Energy reserves**

The liberalisation of the Hungarian electricity and natural gas market was completed in 2008. The Hungarian government has adopted a national energy strategy (National

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22 Act CLXXXIII of 2005 on Rail Transport.
Energy Strategy 2030). Its main goal is to invest in the sustainability, security and competitiveness of the Hungarian energy supply. The activity plan focuses on the creation of energy savings and on the use and support of renewable energy sources.

- Other natural resources

The current legislative framework on the Hungarian government’s Other natural resources makes very difficult to infer the rationale for ownership and the general investment strategy for the Other natural resource cluster as a whole.

3. PERSPECTIVE ON THE EXECUTION OF THE INVESTMENT STRATEGY

From the mapping of the governance regime (Section 1) and the investment strategies (Section 2) for state-owned asset portfolio, some key insights about the perspectives on the execution of the investment strategies can be drawn as follows:

- the Hungarian governance regime is moving towards a centralised model, which consists of one body responsible for the strategic and operational decisions of a large portion of the Hungarian general government’s asset portfolio. Although it does not have responsibility for the portfolio as a whole, the Hungarian National Asset Management Inc is responsible for exercising ownership rights over public assets. Its operations are based on the National Assets Act, and its assets are made of companies, real properties, and intangible properties;

- the elections of Fidesz’ government in 2010 led to re-nationalisations of the government’s Financial assets.

Currently, there is no publicly available document that defines the destination of the proceeds from forecasted privatisations.

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25 Currently HNAM Inc. exercises directly exercises ownership rights over about 450 companies. As far as public real properties are concerned, HNAM Inc.’s immovable assets comprise of about 553,000 items. For more detail, please see http://www.mnvzrt.hu/en/top_menu/company [Accessed 14th February 2018].
Figure 4 Matrix of Governance regimes vs Investment strategy by clusters of assets, broad features, Hungary

(a) The position of each asset cluster with respect to the "investment strategy" dimension (x-axis) reflects the general investment strategy adopted by the government for the cluster. The general investment strategy might not apply to every single asset within the cluster (e.g. the position of the cluster indicates that the government currently plans to invest/divest, and this does not imply that this applies to all assets within the cluster).

(b) Ports are not represented in this figure as there are no maritime ports in the country.

As Figure 4 shows, the assets governance regime is relatively “centralised”. The central government is responsible for the bulk of investments (e.g. the railway network, and the Financial assets) (first two quadrants on the left of Figure 4).

The “decentralised” model adopted for the management of the airport infrastructures has allowed private investors to contribute to investments and have a role in managing the infrastructures (see the case of Budapest Ferihegy International Airport as explained earlier on in this country fiche).

4. SYNTHESIS OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND RISKS

Financial assets

- Strengths/Opportunities:
  - the Hungarian central government has transferred the management on a significant portion of its PSHs26 in the hands of a unique PSH fully owned by the central government, i.e. HNAM Inc.;

26 Over about 450 PSHs.
the National Assets Act of 2011\textsuperscript{27} defines operations and duties of the HNAM Inc. with regard to Financial assets;

**Weaknesses/Risks:**

- HNAM Inc. constitutes a strategic tool for applying the policy designed by the government for its portfolio of Financial assets. The mandate of HNAM Inc. and its strategic targets are set by the government and therefore are strictly depending on the political scenario;

**Non-Financial assets**

**Strengths/Opportunities:**

- the Hungarian government has approved and adopted laws that define some clear guidelines governing state assets governance. These laws include the *Fundamental Law of Hungary*, the *Act CXCVI of 2011 on National Assets* and the *Act CVI of 2007 on State Property*;

- for some Non-financial assets in its portfolio, the Hungarian government has transferred the management in the hands of a unique centralised body (i.e. HNAM Inc.). However, the Hungarian central government keeps responsibility for the most important decisions regarding the management of these assets by overseeing their management and investment strategy;

**Weaknesses/Risks:**

- currently, there is no consolidated National public data source of public assets;

- a limited set of information is publicly available with regard to the strategic plan and the investment strategies in some cluster of Non-financial assets (e.g. airports and public buildings);

- as mapped in Section 2, investment strategies adopted by the Hungarian government and economic decisions about assets in the government’s portfolio strongly depend upon external funds and resources (e.g EU funds, private investors in the case of airports).