The Consequences of Public Procurement Irregularities in Hungary

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Abstract

Regularity is a very important aspect of the use of EU funds, since an incorrect application of the rules can have serious financial consequences, including a withdrawal of funding from the project and ultimately suspension of the payment of funds to the Member State concerned. Public authorities who are contracting authorities must carry out their purchases in compliance with the relevant EU and domestic public procurement rules. Hungary, being a significant net beneficiary of EU funds in the 2014-2020 period, has a high share of EU funded procurements. In 2018 the volume of EU funded public procurements amounted to HUF 1597.69 billion (EUR 4.97 billion), while the number and value of public procurements co-financed by the EU was 47.1% and 48.5% of all procurements respectively.

The paper aims to show how closely the use EU funds and public procurement are linked through regulation and practice and the potential adverse effects on the use of funds. It is shown from the perspective of Hungary how far public procurement procedures are affected by irregularities and what effect this has on the relevant projects. Data is presented on the irregularities and financial corrections concerning the use of the European Structural and Investment Funds, including public procurement procedures.

The findings suggest that many public authorities that are beneficiaries of EU funds commit errors when carrying out public procurement procedures, which lead to financial consequences. This is caused by the fact that public authorities are often not careful enough in avoiding discriminatory practices when designing their procedures. In order to avoid errors, public authorities should seek expert advice and make more use of domestic and EU guidance to ensure that they apply the rules correctly and avoid the loss of funding.

Key words: cohesion policy, European Union, financial corrections, irregularities, public procurement