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Old Questions – New Answers?

A Few Notes on the New State Property Act

SUMMARY: Let there be no illusions: in the legal regulation of state asset management - on account of the complexity of the state's institutional system, the differentiation of the assets managed and the necessarily contradictory system of objectives of the state's exercising of owner's rights - there are no perfect solutions. All proposals and decisions can only weigh advantages and disadvantages. With this in mind, the study formulates a few discussion points based on research experience from a researcher's perspective. Of these, it considers it extremely important to review the justification for state ownership based on a theoretical reflection of the scope and means of efficiently attending to public tasks and, taking this as a starting point, the filtering of the current portfolio and the extension of state property, a more detailed regulation of the aims, methods and evaluation criteria of asset management, as well as annual reports based on reliable records. The latter can only be credible if they cover all state property, take into account all related financial expenditures and handle changes to the composition of the property separately.

KEYWORDS: State Property Act, asset management, state property
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The new Constitution prescribes that the National Assembly is to dispose within the framework of a pivotal act of the protection of national assets, the requirements of the state's exercising of owner's rights, specifically of the scope of exclusive state ownership and the limits of selling [The Fundamental Law of Hungary, Article 35 (1)–(2)]. The justification for the latest amendment to the State Property Act envisages comprehensive reform of the system.[1] According to the official wording this does not aim to disrupt the conceptual and organisational framework set forth in 2010, therefore the reorganisation presumably will involve mainly a more decisive formulation of the new governmental value system and the method of asset management. This should provide an opportunity for progress in a few, yet unregulated areas, or in areas which for a long time have been weakly regulated.

To this end, the study intends to formulate discussion points and provide additional input based on research experience from a researcher's perspective. Prior to expounding on the questions suggested for consideration, an outline is provided of what kind of dilemmas, opportunities and limits exist in terms of the legal regulation of state property, as this may serve to explain previous shortcomings and prevent the emergence of new illusions.

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THERE IS NO PERFECT SOLUTION TO OLD AND FUNDAMENTAL DILEMMAS

As is the case with many other laws, it is a fundamental question in case of the act on state property as well what the scope, depth and detail of the regulation should be.

Designation of the affected scope is complicated by the fact that rights of state ownership are exercised by various organisations (local governments, ministries and specific asset management institutions), and the assets themselves

differ greatly in nature: from unmarketable objects or objects of limited marketability to sellable properties, agricultural land, organisations carrying out public tasks, the private sector and companies listed on the stock exchange. Is it possible to encompass all of this in a single, unified act? In the past 15 years, several attempts have been made to do so – with limited success.

> The act of 1995 was the first to set the target of uniform asset management, at the time only with regard to entrepreneurial assets. In 2007, the establishment of the Hungarian State Holding Company (MNV) in principle ordered all other elements -including Treasury and land assets – with the exception of the local governments into a uniform legal and organisational framework. The management rights, however, did not remain concentrated in one hand. (In 2009, nearly a fifth of the 301 economic organisations belonging to the Hungarian State Holding Company belonged to other institutions – State Audit Office of Hungary, 2010, page 10) The 2010 amendment did not abolish this; in fact, it further diversified the entitlements in this respect. The justification of the proposal submitted as a motion by an individual MP was of the opinion that the state property management system is „...fragmented and largely devoid of common operating principles"; standardisation entails an independent sectoral policy and the exclusive control-supervisory role of the Ministry of National Development, with asset management as a general rule entrusted to the Hungarian State Holding Company.[2] At the same time, the act subjects the Land Fund to separate regulation and specifies the extended scope of ownership of the Hungarian Development Bank on an item-by-item basis. Accordingly, under the uniform peak ownership and asset management rights remain fragmented, as a result of which the method for managing individual assets and companies may differ – which is not necessarily explained by their nature[3] – and there is no requirement for the as yet lacking standardisation of record keeping and reporting.

The benefits of a truly standard State Property Act and management would be a comprehensive approach and transparency; its drawback is that aims and tasks for the entire scope can only be formulated in general terms.

And *ownership* goals and the decisions and procedures necessary to achieve them are *differentiated*. Obviously, the aim in case of a property of limited marketability differs from that in case of a listed security. Furthermore, the government's intentions with relation to individual assets can change over time. Additionally, the aims of state ownership – especially with business enterprises – with regard to individual companies are necessarily diverse and contradictory, often precisely the most important justification for retaining state ownership.[4]

> For example in those instances in which the state is both owner and customer – as is the case with mass transport companies – three objectives should be met simultaneously: service should be of good quality, affordable to all, low in price and generate a profit, or at least not require major state subsidies on a continuous basis. Is easy to see that at best two of the three can be achieved at the same time – at the expense of the third. Depending on the prevailing conditions of decision makers, concessions are made here and there until the prolonged relegation of one of the aims causes unbearable tensions.

When efficiency considerations must be weighed against other public interests and a choice must be made from among conflicting criteria, public interest can only be defined by politics (this is one of its most important

tasks). This choice, however, is always a matter of values, which is difficult to constrain to the rigid limits of general legal patterns and difficult to render accountable. *Ad hoc* decisions, however, keep stakeholders in a state of uncertainty and, at the same time, continuously make ownership and regulatory action a matter of negotiation, providing better-informed company executives with stronger positions.

The same can be said in general for the *level of detail of the provisions of the State Property Act.* The advantage of a framework type law is flexibility which, however, creates less predictable operating conditions and results in a lower level of accountability. A law which imposes a greater level of detail in terms of procedures and selection and evaluation criteria, however, limits the discretion of decision makers and enforcers, including that of the government. Consequently, such a law can result in efficiency and other (political) losses, but provides all involved (including the State Audit Office, researchers and public opinion) with greater security and better points of reference for evaluation and control.

The *basis of the* listed *dilemmas* are the complexity of the state's institutional system, the differentiated nature of the assets managed and the necessarily contradictory system of objectives of the state's exercising of owner's rights. As these attributes are the immutable specificities of the owner, the object of ownership, and the relationship between them, no perfect solution exists in terms of legal regulation; *all proposals and decisions can only weigh advantages and disadvantages.*

Attempts have been made to *resolve* these dilemmas in recent decades. The most common procedure was to create a framework law with general requirements without specifying the aspects, rules of procedure, or evaluation criteria of individual decisions. If these contained aims and methods, they provided a colourful spectrum; weights and selection criteria were not assigned to the itemised lists. The statutes were often supplemented by legal regulations and mandatory requirements of a lower order, which would have provided more detailed guidance for a given period for the management of a specific area(s) – if they had been prepared, and if they were followed.

That is to say, the methods aimed at resolving the dilemmas were less than perfect. As a reminder, just a few well-known examples of *lax legal regulation.*

> All of the privatisation laws in effect in the 1990s contained a long list of objectives and applicable methods, without weighting and mostly without selection criteria. The 1995 act, for example, listed 13 privatisation goals, many of which contradicted each other. „Obviously, so many priorities cannot prevail in case of a specific transaction" writes *Péter Mihályi* on the subject (2010, Volume 2, page 16): „Actually, it was the case that upon announcing each individual transaction the decision maker is required to indicate those specific, individual criteria expected of the given privatisation transaction" – the author quotes the official justification approvingly. This can also be interpreted to mean that when such a rich list is compiled, it is not the orientation of decisions but the possibility of justifying unconstrained decisions in hindsight that is important.
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> The consequences of this type of regulation are clearly illustrated by privatisation and demonopolisation, i.e. the relationship of the sales and the establishment of the competitive market structure. The latter aspect was always included among the objectives, and fragmentation and limitation of customer concentration did occasionally occur. But the institutional regulation of the rules of procedure were excluded from the privatisation and competition acts (Kovács – Pogácsás, 1997); therefore, decisions were mainly influenced by the bal-

ance of power and interests prevalent at the time. Comprehensive criteria cannot be reconstructed in hindsight (Voszka, 2003; 2004), and the competition aspect was practically relegated with the acceleration of privatisation or against the consideration of increasing revenues (Török, 1997; Csaba, 1998). Accordingly, in many places monopolies and concentrated market structures remained – with weak state regulation to boot.

Another example: since the conclusion of institutional privatisation in principle the focus of regulation has been the state's exercising of owner's rights (using the widespread but legally imprecise[5] term: asset management). However, the 2007 act only specifies the purpose of this on the most general level (protection of property, economic and efficient operation and sale[6]) and describes the overall framework of the methods (direct and contractual management), but says nothing of the criteria for choosing among the aims and methods, or of evaluating their effectiveness. The 2010 amendment did not change this basic situation.

So framework type laws provide broad opportunity to apply arbitrary solutions taking place in the form of deals among the stakeholders. As a result, however, there is no guarantee of their compliance.

There were instances in which taking the law seriously caused difficulties. „The first management of ÁV Rt. – »Hungarian-Americans« (…) not used to conditions in Hungary – made the biggest mistake one can make in Hungary: they believed the contents of the Act on ÁV Rt. They tried to run ÁV Rt. as a real holding company" – writes *Tamás Sárközy* ironically but, on account of the resurgent counterforces and mercurial government policy, aptly (ibid 1997, page 222). More often not even the mandatory requirements were met – for lack of agreement or other reasons. For example, among the annual Asset Policy Directives containing short-term government priorities in 1990 the National Assembly only adopted a temporary document. The 1991 version was not approved due to disputes within the coalition, and it was only in autumn of 1992 that a valid directive was in effect for one or two months (Sárközy, 1993, page 163). In 1995, citing the swift conclusion of privatisation the institution was formally abolished.

SAO reports provide abundant information regarding recent violations of requirements. The Hungarian State Holding Company's opening balance sheet for 1 January 2008 was only prepared for the summer of 2009. However, at that time the original state could no longer be reconstructed. The corporate governance framework was only developed for May 2010. It would have been the obligation of the Hungarian State Holding Company to inform SAO of asset changes every six months, however, as of the end of 2009 it did once comply with this obligation (State Audit Office, 2010, pages 19, 21 and 25).

However, not only legislators and executives, but those in charge of asset managers were lax in their handling of the law. It is possible that *György Matolcsy* was right – who as researcher and advisor from the end of the 1980s gained a reputation as an advocate of diverse techniques and an inventor of creative solutions – and as far back as 1991 wrote the following: „In privatisation processes an excessive role is attributed to legal regulation; the basic questions, however, are decided by economic considerations (…) economic agents, especially investors and entrepreneurs find the legal loopholes" (Matolcsy, 1991, page 111).

Accordingly, with regard to state asset management, owing to the nature of the subject – and this is not only due to professional weakness or political considerations – going forward

there is no reason to expect a „perfect" law, let alone the full implementation of such. For my part, as a citizen and as a researcher I would favour – in the interest of predictability, transparency and accountability – detailed regulation. But I accept that other economic and political considerations overwrite this, and that it is not worth taking on the inherent disadvantages, especially in the case of a law which from a legal technical perspective is rigid and can only be amended with a two-thirds majority. Therefore, *I would support a law containing general principles, aims and procedures – leaving the details to other regulatory procedures.* However, consideration should be given to dedicating, if not a separate law, but at least a separate chapter to each of the fundamentally different asset types (land, Treasury assets, entrepreneurial assets), taking into account their specificities. Due to its differing nature, it is still not advisable to include municipal ownership in the scope of the State Property Act. However, in the new Act on Local Governments it is perhaps worth regulating asset management in greater detail.

A FEW ASPECTS IN PREPARING THE AMENDMENT OF THE STATE PROPERTY ACT

■ First of all, I would consider it important to conceptually define in law *to what and on what grounds state ownership should extend.* This would assume a systematic consideration of the issue, postponed for decades, of the scope of public tasks and the most expedient method of seeing to them – and of whether the role of state ownership is necessary to this end, or can be more efficiently substituted in some other way (e.g. through regulation).

The issue affects *current assets* as well. It would be good if the law prescribed the review of companies belonging to the Hungarian State Holding Company remaining public property from an expediency standpoint. The portfolio was partially formed as a residue and often as a legacy in the literal sense of the word.

> One can naturally argue about what kind of background institutions are needed by the individual ministries, or what justifies the fact that the entire Szerencsejáték Zrt. and 75 per cent of Magyar Villamos Művek remain in state hands. However, it is a complete mystery what the role of Agora Kft., Fővárosi Kézműipari Nonprofit Kft., Kormányzati Negyed Projekt Kft., Fifty Cent, Vilmos és társa or Megépítünk Építőipari Kft. – along with a dozen similar organisations in which the Hungarian State Holding Company has a majority or minority stake is in this respect.[7]

In many cases, privatisation may be justified, although according to the Constitution as a general rule this is now rather the exception: „National property may only be transferred for purposes specified by law, with exceptions prescribed by law, taking into account the requirement of value proportionality" [The Fundamental Law of Hungary (2011), Article 38 (3)]. According to the State Property Act in force, selling remains an option. However, as explained above the new regulation is to define the aims, methods and limits of transfer in greater detail. In addition, in my view for certain cases – e.g. as outlined in the preceding paragraph – *an obligation to sell should be prescribed* to the asset manager. It is not worth completely disregarding the old principle that privatisation is often the best form of asset management. The current government has taken and is planning to take such steps with Budapest Airport and Malév.

Defining the justification for public ownership is even more interesting on account of *future* trends, as the government is planning an *extension* of state property, and has already initiated this process.

Although the government programme did not address this question, the Prime Minister outlined the new approach even before taking office: „a national economy without strategic sectors in domestic hands (…) is weak and vulnerable. In the new world national assets are going to comprise a source of value. In the domestically owned banking system, energy, land, food, water and nature are going to be treated as values, and public interest will be protected by state ownership" (Orbán, 2009). An interpretation of asset enhancement was included in the 2010 amendment to the law which extends the asset scope [Act LII of 2010, Section 2 (1)]. Since then, the state acquisition of several companies has been raised,[8] and with the private pension fund assets a good number of smaller stakes ended up in public ownership. Following the repurchase of the 21 per cent stake of the Hungarian oil company, the competent minister confirmed that: „...the government is planning to recover state ownership in case of formerly privatised strategic companies similar to Mol" (Baka, 2011).

In the new act it would be justified to provide requirements for these transactions of the depth contained previously for privatisation. In what areas, for what purpose, and with what kind of return, financing and other conditions is it expedient to extend the scope of state property?

■ The new asset strategy could include a detailed explanation of these issues. At the end of 2009, the government, in accordance with the 2007 act, adopted such a document,[9] but review of it will obviously be necessary. The 2007 amendment entitled *National Asset Management Directives* refers to the strategy – with the addition of the *Annual National Asset Management Programme* – but only mentions it [Section 17 (1), item g)] in relation to the scope of duties of the Hungarian State Holding Company, without a more detailed definition. The new law should definitely outline the key substantive issues of the strategy and programme as well as the order of preparation and adoption, indicating deadlines and those responsible.

In addition to designating the scope of the role of the state as owner, the strategy would, stemming from its nature, regulate – in a more flexibly variable manner – in greater detail than the law acquisition as public property, and the aims, conditions and methods of selling and asset management, including the method of record keeping and evaluation criteria. It is obvious that different approaches should be used for asset groups with different basic characteristics (companies, real estate, agricultural land). Namely, the above assets should be defined separately, at least along the line of these three major segments – as is the case with strategy adopted in 2009 with a significant delay.[10] With regard to companies, it is important to summarise the method of exercising ownership, the basic principles of corporate governance, and the institutional environment. Within this framework, the annual programme – which as I understand it can be considered the successor to the old Asset Policy Directives – would set the short-term priorities, inter alia the specific areas for the decrease and increase of the asset scope, dividend policy, the direction, form and conditions of owner support, as well as the magnitude of transfers and payments related to public assets in line with the act on the budget.

■ The *annual report,* the submission to the National Assembly and amendment of which is prescribed by the 2007 act, is also important from the standpoint of transparent and responsible asset management. The report only gives a true picture of the *operation of state property if it covers it in its entirety.* Local governments obviously cannot be included in

this scope; however, a truly uniform review of organisations exercising state ownership rights outside of the central asset manager, as well as of property utilisation contracts would be absolutely necessary – as this has not been the case so far.

> At the time of the existence of the Hungarian Privatisation and State Holding Company, Treasury assets and land were naturally excluded from the balance sheets and financial reports. However, firms belonging to other state organisations (ministries and MFB) were also excluded from the summary. The establishment of the Hungarian State Holding Company in principle should have created the possibility of a full review. However, in the recent past the central ownership institution only managed 12 per cent of state property directly, 67 per cent belonged to other budgetary institutions, and the rest belonged to other asset managers.[11] SAO found (ibid 2010, page 53) that in – at least in the preliminary report – the Hungarian State Holding Company presented a mere 12.4 per cent of the changes to the assets directly entrusted to it relative to the balance sheet total – and even that only partially.[12]

This procedure is open to criticism not only due to a lack of completeness, but *can also be misleading.* Prior to 2008, it was regularly the case that on account of the reallocations between the various (state) asset managers, it was not possible to judge the *changes over time* in assets and results.[13] Assessment of *expenditures* is distorted by the fact that one-off or regular subsidies are disbursed not only by the central asset manager, but directly by the budget or other state organisations as well (see for example the bank consolidations, the various forms of financing for MÁV or the Budapest Transport Company, and MFB's preferential loan schemes). If state ownership rights can be exercised not only by the Hungarian State Holding Company and indirect asset management is extended even further (or its scope is only amended every now and then), furthermore, if support channels are differentiated, then evaluation and audit of financial management based on reporting restricted to assets and cash flows belonging directly to the scope of authority of the central asset manager cannot be sufficient.

More generally, it is a longstanding problem that the value and results of state property are influenced not only by the performance of the existing portfolio, but by *changes in its composition* as well. Previously privatisation, and nowadays the extension of the scope of assets may be the most important distorting factor. It is obvious, for example, that the situation following the purchase of the Mol stake – the magnitude of the asset, the changes in the companies' balance sheet profit or the ability to pay dividends – cannot be compared directly to the numbers of the preceding period. (A good, or in the short term seemingly good investment here or there can obscure the consequences of weak asset management in other areas – and vice versa.)

If the main aim is to preserve and increase the value of state property, then performance evaluation and control can only be reliable if the *report covers it in its entirety and takes into account all related financial processes* – including the amounts of support disbursed to state companies independently of the ownership organisation – *and if it handles changes in the composition of assets separately.* This naturally assumes the creation of a reliable (asset) register, which SAO has found lacking, and has been calling for years. Transparency and publicity would be facilitated by the Hungarian State Holding Company publishing its strategic and reporting documents on its website – at the time this study was written the website was rather deficient in this respect.[14]

■ From the standpoint of control and transparency of asset management, the existence and establishment of *company groups* is a special case. The SAO report (ibid, 2010) on the operation of the Hungarian State Holding Company in the year 2009 raises the fact that the subsidiaries of state companies disappear from the sight of the asset manager; in fact, they can be removed from the asset scope, essentially unchecked.

> Corporate assets given to central budgetary institutions for asset management – without parliamentary control – can be organised into firms which can be sold, only for the parent company to use up the resulting revenue. „Therefore, long-term state property turns into an empty, non-functional company which has lost its assets and which, from the standpoint of economic and strategic importance, is irrelevant. The further assets get from the first – still under parliamentary control – level (e.g. establishment of a new company via cross-ownerships no longer requiring Founder/General Meeting decisions), the more removed assets and activities become from state control and supervision" (SAO, 2010, page 21).

This is true not only for companies handed over for asset management, but for all state-owned enterprises.[15] Larger companies, among them state companies as well are generally organised in a network-like manner, the extreme case of which from the standpoint of internal governance – and, consequently, external transparency – is the establishment of *recognised company groups and holding organisations.*

> According to the Company Act, since 2006 it is possible to form recognised company groups,[16] in which decisions can be centralised without restriction and the controlling member can, in accordance with the control agreement, deprive companies belonging to the group of their decision-making rights, instruct them, and make decisions which are binding on them. Among state companies, Magyar Villamos Művek, consisting of a number of large companies including Paks, the distribution network, system operation and electricity trade was the first to choose this organisational form, not at the initiative of the owner, but of the management of the company.
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> The recognised company group is just one form of holding (or concern[17]) organisations established to manage several legally independent companies engaged in one or more sectors and to coordinate joint market action, efficient allocation of development resources, production, technology and marketing activities. These forms first gained ground in the scope of municipal governance. Inter alia, Debrecen, Miskolc, Pécs, Eger and, recently, Budapest have merged public companies of various scopes of activity or groups of these companies into such organisations. In the state sector the government is preparing the merger of MÁV and Volán companies into a single holding (Váczi, 2010).

From an owner standpoint a portion of the arguments for establishing these large organisations involve more efficient operation of the companies – cutting back on administrative and other costs, eliminating duplications, availing of synergies and economy of scale benefits, and doing a better job of coordinating activities. Belonging to the other group of arguments: better enforcement of ownership interests, tighter control, and simplified governance. The assumption underlying the latter is that instead of consulting with several smaller companies, it is only necessary to consult with the management of the holding, to control the operation of a single organisation. (The main reasons for the corporate mergers and trust formations at the beginning of the 1960s were similar.[18]) Due to the poorly developed system of asset man-

agement among local governments, the holding structure was indeed able to bring about governance benefits. However, the operational experience is not clearly positive here either, inter alia, on account of internal cross-financing of various activities and the restriction on the possibility of owner control (Atkári, 2007). The impacts are even more dubious in the state sector, where the order of exercising owner rights is better established. Therefore, in itself this is not grounds for a merger; the downside, however, can be all the more apparent: it can be difficult for the owner to follow the internal reallocation of assets and income. Furthermore, the owner is generally only notified of the end result by the rather obscure consolidated balance sheet. Historical experience shows that the economic and efficiency goals of establishing large public sector organisations are often not met, while the opportunity for owner control is often seriously compromised. The formally simpler governance in actuality adversely impacted transparency; the large size and reinforced monopoly situation created a bargaining position for economic organisations, which reinforced their ability to enforce their interests in the face of owner (theoretically public interest) intentions. As here too there is little chance of avoiding the phenomenon referred to as the centralisation trap (Voszka, 1984), the establishment and maintenance of state holdings and recognised company groups require very careful consideration. If the government insists on this organisational form, then the State Property Act should outline the specific rules for owner control of the companies belonging to the holding.

SUMMARY

Based on the foregoing, I recommend the following points for consideration in preparing the new State Property Act.

- The legislation should be a flexible *framework law* containing general principles, aims and procedures, undertaking the expected drawbacks in the area of predictability, transparency and accountability.
- It is essential to review the *justification for state ownership* based on a theoretical reflection of the scope and means of efficiently attending to public tasks.
- Taking this as a starting point, it is advisable to review the portfolio of the Hungarian State Holding Company and other state-owned asset management organisations and, in addition to defining the limits of privatisation, to prescribe an *obligation to sell* for certain assets.
- It also seems justified to *legally regulate the extension of state ownership*, specifying general goals, methods, and forms of financing and criteria for evaluating results.
- It would be advisable to outline in the law in greater detail the *aims, methods, and evaluation criteria of asset management,* specifically and separately for the main asset groups: companies, real estate, and agricultural land.
- One method of asset management could be to operate company groups and *holdings* so as to encompass several companies. The economic and management efficiency of doing so in the state sector is dubious. However, if these organisations continue to exist, or there is a possibility that their number will grow, then the State Property Act should define the specific rules of exercising ownership rights and control for this group.
- The detailed rules of state asset management are dictated by the *comprehensive asset strategy and annual programmes* (Directives). The law should outline the key substantive issues of these documents, the order of preparation and adoption, indicating deadlines and those responsible.
- The *report* on the operation of public assets, discussed by the National Assembly,

is important from the standpoint of publicity and transparency. Evaluating and controlling the achievement of goals assumes the creation of a reliable (asset) register, and can only be reliable if the report covers *all state property*, take into account *all* related *financial expenditures* and handles *changes to the composition of the property* separately. It would be worth stipulating these criteria as part of legislation.

Notes

[1] „The present amendment of Act CVI of 2007 on state-owned assets… establishes the most important conceptual and organisational frameworks that, once created, serve as the basis for the comprehensive reform of the system of a new type of state-owned assets management." (Explanatory Notes to Act LII of 2010, page 24)

[2] http://www.parlament.hu/irom39/00035/00035.pdf, page 24

[3] It is not clear, for example, why the justification for MFB ownership „...from a national economy standpoint to implement and expand significant developments and projects, increase efficiency, and improve competitiveness" applies to forestries, horse farms and two horse racing companies. http://www.parlament.hu/irom39/00035/00035.pdf, page 26

[4] For more detail see Voszka (2005).

[5] See Sárközy, 1997, pages 259–261

[6] Act CVI of 2007, Section 2 (1)

[7] For the full list seehttp://www.mnvzrt.hu/kozerdeku_adatok/szervezeti_szemelyi_adatok/gazdalkodo_szervezetek/nyilvantartasok/tarsasagi

[8] Inter alia, PPP projects, gas wholesale and certain banks, about which the Minister of National Economy said the following before being appointed: „The financial institution structure needs to be reorganised; a Hungarian ownership ratio of at least fifty percent would be necessary" (Matolcsy, 2010).

[9] http://www.mnvzrt.hu/data/cms533467/4_sz__NVT_vagyonstrategia.pdf. The State Audit Office has long called for such a law to be drafted (ibid n.d.).

[10] As pointed out by the State Audit Office (ibid 2010, page 33).

[11] Nemzeti Vagyongazdálkodási Tanács (National Asset Management Council), 2009, page 19. This is partially explained by the fact that, as of 31 December 2008, the majority of the HUF billion 15,236 assets registered were in the form of real estate (57 per cent), an additional fifth of it was land, and assets in the form of firms only amounted to 8 per cent. Although, the company shares registered as invested financial assets are not included in this figure.

[12] For 2009, the company's auditor, in addition to a number of other reasons, issued a qualified opinion on the report. http://www.mnvzrt.hu/data/cms576508/Konyvvizsgaloi_jelentes_MNV_jelentes_20091231_final_20101122.V.pdf

[13] In the absence of a more detailed statement, it was not even possible to follow changes to the number of companies belonging to Hungarian Privatisation and State Holding Company.

[14] Only the 2009 state of the strategy was discernible on the stored version of the website, the following could be read in the Business Plan section on 17 August 2011: „The Hungarian State Holding Company provides information related to the per-

formance of the 2008 business plan in 2009"; neither the SAO report from 2007 or 2008 were available on the site.

15 As the problem has already been mentioned by SAO (n.d.) in general terms.

16 Act IV of 2006, Chapter 5, Title 2

17 For detail on concepts and types see Bühner - Dobák - Tari, 2002. The book considers the concern a basic form, the controlling unit of which is referred to as a holding. In practice, in Hungary the use of the word „holding" came to designate company groups as a whole.

18 See Voszka (1984)

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