



By: Tomorrow's Affairs Staff

Hungarian universities pay the price of political control



On 30 September, the General Court of the European Union dismissed claims brought by **six Hungarian universities** challenging a ban on new European funding.

The ban was introduced because of conflicts of interest in the public trust foundations that manage these institutions.

Among the universities that sought to overturn the measure are the University of Debrecen and Semmelweis University in Budapest.

The court upheld the assessment that the powers held by political figures in the management of the foundations pose a serious risk to the spending of European funds.

The judgment was issued a week after the European Commission proposed **lifting the restrictions**, praising reforms introduced by the new Hungarian government.

The proposal includes releasing approximately €4.2 billion for development programmes and restoring access to the Erasmus+ and Horizon Europe programmes.

It must now be approved by the Council of the EU, where the member states are represented.

The court evaluated the legality of the earlier ban, while the Commission is considering changes introduced subsequently.

At the heart of both proceedings is the relationship between political authorities and institutions that use public funds.

The Hungarian case shows how an administration can retain influence over decisions through its appointees, even after leaving office, and how difficult it is to dismantle that influence later.

Administrations that choose their own successors

In 2021, founding and management rights over most Hungarian universities were transferred

from the state to public trust foundations responsible for asset management.

According to the Commission's **2023 Rule of Law Report**, the government appointed members of the governing boards for life, with subsequent members to be co-opted by the boards themselves.

The report warned of insufficient external oversight and of the risk that senior government figures could simultaneously hold paid positions on those bodies.

Such an arrangement separates the duration of political influence from the tenure of power.

Citizens can vote out an administration, but decisions regarding university assets and budgets remain in the hands of its appointees.

A foundation's formal legal separation from the state offers little protection against political interference if its trustees can allocate funds without effective checks on their decisions

Their powers endure by virtue of statutory rules that make it difficult for successor governments to replace management or impose oversight.

Lengthy mandates can protect universities from short-term political shifts, but such protection depends on appointing board members impartially and scrutinising their decisions effectively.

When a board fills its own vacancies, the initial political appointments can shape the running of the institution long after the government that made them has left office.

In such circumstances, European institutions must determine who ultimately decides how public funds are used.

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without effective checks on their decisions.

Brussels can act before abuse occurs

The court upheld the finding that the issue was systemic, meaning that, for the measure to stand, it was not necessary to establish an individual breach at each university.

There was a sufficiently direct link between inadequately mitigated conflicts of interest and a serious risk to the EU budget.

Erasmus+ funds educational cooperation and exchanges, whereas Horizon Europe supports research and innovation.

The body overseeing the distribution of these funds can also influence the selection of beneficiaries and projects.

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Waiting for such governance arrangements to result in demonstrable financial loss would allow funds to continue flowing through a system whose weaknesses are already known.

Misappropriated funds can sometimes be recovered, whereas research opportunities forgone through biased funding allocations or missed student exchanges can rarely be remedied retrospectively.

Brussels' authority is limited by the conditions set out in the regulation on a **general regime** of conditionality for the protection of the Union budget. Breaches of the rule of law must directly and sufficiently jeopardise the sound

financial management of European funds, and any funding restrictions must remain proportionate to the identified risk.

EU institutions must demonstrate that connection and justify the chosen measure, leaving scope for their decisions to be challenged before the courts.

For other EU member states, the judgment increases the legal risk of transferring public functions to bodies over which a government retains influence through political appointments.

Such a transfer may lead to funding restrictions if it weakens oversight of the use of European funds.

Any government considering this model will have to weigh the consequences for the institutions concerned in advance.

Part of the burden falls on students and researchers

The ban applied to new funding, while existing commitments under earlier programmes remained protected.

Universities outside the disputed model could continue to draw on European programmes, and the court held this restriction to be proportionate.

For the affected institutions, however, the consequences also extend to prospective projects that have not yet begun.

International research consortia are formed in advance, partners seek financial certainty, and grant calls have strict deadlines.

A university may possess the necessary expertise and personnel for a project, yet forfeit its participation because it cannot access European funds.

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Financial conditionality therefore inevitably penalises individuals who bear no responsibility for the governance of their institution.

The national authority remains obliged to the existing beneficiaries of the programme, including the discharge of payments due, as provided for in the European Regulation.

This collateral cost dictates that restrictions must be lifted as soon as their legal basis falls away. If the ban were to persist after the implementation of adequate reforms, member states would have little incentive to enact the required changes, while the academic community would continue to forfeit opportunities for collaboration.

The credibility of the European conditionality regime hinges on a willingness to reinstate funding once the requisite benchmarks are met.

The Minister assumes authority and responsibility

Hungarian reforms have altered the basis of the earlier model. Constitutional amendments adopted in June removed the entrenched constitutional status of the foundations and provided for the restitution of property previously transferred to them by the state.

Foundations governing higher education must be dissolved no later than 1 August 2027, under specific legislation regulating the continuation of their public functions.

A longer transitional period is intended to safeguard teaching, scholarships and healthcare services.

Founding rights over these foundations are already exercised on behalf of the state by the minister responsible for education and children's affairs.

Pending their dissolution, additional safeguards have been introduced, including term limits for members of governing boards and stricter controls on their independence and potential conflicts of interest.

The reform must protect universities from the authorities implementing it, particularly in relation to appointments that will shape their work long after the current dispute has ended

The Commission has given a positive assessment of wider reforms to the verification of asset declarations and the oversight of public procurement.

Assuming founding rights enables the government to dismantle the closed system of appointments and grants it the capacity to shape future leadership. Its responsibility is to prepare institutions for autonomous operation under public oversight.

Statutory limits on ministerial powers, the involvement of academic bodies in decision-making, and the right to challenge contested decisions before an independent body will be essential to achieving this.

Removing legacy management may be justified when it eliminates a conflict of interest, but both the grounds and the procedure must remain open to review. Otherwise, the same intervention could be used to install new politically loyal appointees.

The reform must also protect universities from the authorities implementing it, particularly in relation to appointments that will shape their work long after the current dispute has ended.

The same rules must apply to any successor government

The Commission's positive assessment makes the adoption of the proposal to lift the restrictions far more likely than the continuation of an outright freeze.

The government has enacted reforms on the basis of which it can seek the release of funds, while the EU institutions have an incentive to demonstrate that compliance with their conditionality produces tangible results. The final decision rests with the Council of the EU.



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The most contentious disputes may arise during the restructuring of universities, when property, contracts and staff positions are settled.

The foundations must be dissolved while the institutions continue to operate, granting the minister considerable discretion in making decisions that one side will frame as dismantling entrenched control and the other as fresh political interference.

Future assessments of the reform are likely to focus on specific appointments and the allocation of funds. Scrutiny will be more exacting if European funds are released before all the foundations are dissolved:

Brussels will have to distinguish justified transitional measures from attempts to re-establish political control under the guise of reform.

Extending statutory deadlines or weakening oversight could readily reopen the question of budgetary measures.

The EU's consistency will be most evident if a conflict arises with the administration whose reforms it has just endorsed.

It will then have to justify any new intervention as precisely as the initial prohibition, despite the political interest in treating the matter as settled.

Such oversight would prevent any future government from interpreting Brussels' support as permission to govern universities through its own appointees.