



Commission finds that Hungary has not progressed enough in its reforms and must meet essential milestones for its Recovery and Resilience funds

Brussels, 30 November 2022

The Commission has today presented an assessment under the conditionality procedure to Hungary.

The Commission finds that, notwithstanding steps taken, there is still a continued risk to the EU budget given that the remedial measures that still need to be fulfilled are of a structural and horizontal nature.

While a number of reforms have been undertaken or are underway, Hungary failed to adequately implement central aspects of the necessary 17 remedial measures agreed under the general conditionality mechanism by the deadline of 19 November, as it had committed to. These relate, in particular, to the effectiveness of the newly established Integrity Authority and the procedure for the judicial review of prosecutorial decisions.

The Commission has concluded that the conditions for the application of the regulation remain and that further essential steps will be needed to eliminate remaining risks for the EU budget in Hungary. As a result, the Commission has decided to maintain its initial proposal of 18 September to suspend 65% of the commitments for three operational programmes under cohesion policy, amounting to €7.5 billion. The Commission equally maintains its proposal that no legal commitments may be entered into with any public interest trust.

The Council will now have until 19 December to vote on the matter, requiring a qualified majority for the suspension of funds to enter into force.

The Commission, after ensuring essential milestones on judicial independence and protecting the EU budget were included, has also decided today to endorse Hungary's Recovery and Resilience Plan (RRP), conditioned on the full and effective implementation of the required milestones. In fact, in the recovery and resilience plan, and with a view to resolve the breaches putting the EU budget at risk, Hungary has committed to the 17 remedial measures, together with other rule of law reforms related to judicial independence, as a clearly defined set of 27 "super milestones". This means that **no payment under the RRF is possible until Hungary has fully and correctly implemented these 27 "super milestones"**.

Milestones on judicial independence and to protect the EU budget embedded in the Recovery and Resilience Plan

The Commission assessed Hungary's plan based on the criteria set out in the Recovery and Resilience Facility (RRF) Regulation. Hungary's plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the challenges outlined in country-specific recommendations addressed to Hungary under the European Semester. The plan represents a comprehensive and adequately balanced response to Hungary's economic and social situation, thereby contributing appropriately to all six pillars of the RRF.

The Commission's assessment also found that Hungarian plan devotes 48.1% of its total allocation to measures that support the climate objective. The implementation of Hungary's plan is expected to contribute significantly to the REPowerEU objectives to rapidly reduce dependence on Russian fossil fuels and fast-forward the decarbonisation of Hungary's economy, with a wide range of reforms in the field of sustainable transport, energy, water management and the circular economy. For example, the plan includes a comprehensive package of measures on energy, with transformative reforms and investments promoting renewable energy.

The Commission finds that Hungary's plan devotes 29.8% of the total allocation to support the digital transition. This includes measures to digitalise and improve education and public administration. The digitalisation of transport, energy and healthcare is expected to foster long-term economic development. The Commission concluded that the plan fulfils all relevant criteria and that none of the measures therein included is expected to significantly harm the environment, in line with the requirements laid out in the RRF Regulation.

The plan also includes a comprehensive set of **key institutional reforms to strengthen the rule of law**. These reforms effectively address the country-specific recommendations addressed to Hungary in relation to the rule of law and also serve to protect the financial interests of the Union. They are also expected to improve the efficiency and resilience of the economy by reinforcing the fight against corruption, promoting competitive public procurements and strengthening the independence of the judiciary. These reforms have been translated into a total of 27 “super milestones”, which must be fully and correctly implemented before any payment under the RRF can be made to Hungary.

They include, in particular:

- **Effective implementation of all 17 remedial measures under the General Conditionality Mechanism:**
 - Measures to **combat corruption**: these include setting up new, independent bodies and authorities – an Integrity Authority and an Anti-Corruption Task Force – equipped with the tools and capacity to act when public authorities fail to do so; introducing the possibility for anyone to challenge in court the decisions of investigators or prosecutors not to investigate or prosecute; significantly increasing the amount of information required from public officials when making asset declarations; and increasing transparency.
 - Measures to improve competition and transparency in **public procurement**.
 - strengthened rules on **conflicts of interest**;
 - increased **audit and control requirements**;
 - the use of the Commission's Arachne **risk-scoring tool**, an IT tool that supports Member States in their anti-fraud activities, by enabling them to collect data on final recipients of funds, contractors, subcontractors and beneficial owners; and
 - ensuring that the **European Anti-Fraud Office (OLAF)** can effectively conduct investigations in Hungary.
- Measures to strengthen **judicial independence**, by:
 - increasing the powers of the independent **National Judicial Council**, to limit undue influence and discretionary decisions, and ensure a more objective and transparent administration of courts;
 - reforming the functioning of the **Supreme Court** to limit risks of political influence;
 - removing the role of the **Constitutional Court** in reviewing final decisions by judges on request of public authorities; and
 - removing the possibility for the Supreme Court to review questions that judges intend **to refer to the European Court of Justice**.
- **Standard audit and control measures**, similar to what is also required for some other Member States' RRP:
 - fully functioning national system for monitoring the implementation of the plan;
 - strategy setting out how the Hungarian audit authority will audit RRF funds, in line with international audit standards.

The Commission also considers that the **audit and control measures** envisaged by Hungary, which cover all the measures set out above, are adequate to protect the financial interests of the Union, if fully implemented before any RRF funds are disbursed.

Next steps

For the Conditionality Regulation, the Commission will now transmit to the Council its analysis of the implementation of the 17 remedial measures by Hungary. Subsequently, the Council will have until 19 December to take a decision on the Commission proposal. The Commission will also keep the European Parliament informed.

For the RRF, the Commission has adopted today a proposal for a Council Implementing Decision to endorse the positive assessment of Hungary's recovery and resilience plan. The Council will now have, as a rule, four weeks to adopt its implementing decision. The RRF Regulation foresees that 70% of the RRF grants allocated to Member States must be committed before 31 December 2022. This also concerns Hungary's grant allocation.

The Commission will authorise disbursements of €5.8 billion in grants based on the satisfactory fulfilment of all the milestones and targets outlined in the recovery and resilience plan, reflecting progress on the implementation of the investments and reforms.

A total of 27 milestones necessary to ensure the effective protection of the Union's financial interests must be fulfilled before any payment can be made to Hungary under the RRF. A later reversal of these milestones would block any subsequent payments under the RRF.

On all of the above matters, the Commission will stay in close and constructive contact with the Hungarian authorities to continue to work on the swift and substantial resolution of the concerns identified under both procedures.

Background

As of 2021, the Union budget has an additional layer of protection in cases when breaches of the rule of law principles affect or risk affecting the EU financial interests. This [new conditionality regulation](#) allows the EU to take measures – for example [suspension of payments or financial corrections](#) – to protect the budget.

The RRF is the €723.8 billion key instrument at the heart of NextGenerationEU, which will provide up to €800 billion (in current prices) to support investments and reforms across the EU. The Hungarian plan forms part of an unprecedented and coordinated EU response to the COVID-19 crisis, to address common European challenges by embracing the green and digital transitions, to strengthen economic and social resilience and the cohesion of the Single Market. With the future addition of REPowerEU chapters into national recovery and resilience plans, the RRF will play a central role in responding to Russia's manipulation of energy markets following its war of aggression against Ukraine.

For More Information

[Questions and Answers: European Commission endorses Hungary's recovery and resilience plan](#)

[Questions and Answers on the rule of law conditionality procedure in the case of Hungary](#) (will be available shortly)

[Recovery and Resilience Facility: Questions and Answers](#)

[Factsheet on Hungary's recovery and resilience plan](#)

[Communication on the remedial measures notified by Hungary under the conditionality mechanism](#)

[Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Hungary](#)

[Annex to the Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Hungary](#)

[Staff-working document accompanying the proposal for a Council Implementing Decision](#)

[Recovery and Resilience Facility](#)

[Recovery and Resilience Facility Regulation](#)

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Quotes:

We are today giving our positive assessment to Hungary's comprehensive recovery and resilience plan. Regarding the rule of law, Hungary has committed to significant reforms. Only once these reforms are implemented in full will access to the EU's recovery fund be unlocked. The Hungarian plan will drive forward the green and digital transitions and strengthen its economic, social and institutional resilience. Improving the functioning of courts and judiciary will also benefit its business environment. Almost half of the planned investments will go to climate objectives, such as promoting much-needed renewable energy and sustainable transport. Hungary also aims to progress with digitalising education and healthcare, public administration, transport and energy. It has taken a long time to get to this point: now, when put into effect, this wide-ranging plan should create jobs and growth and make Hungary's economy more inclusive and resilient for years to come.

Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People

The rule of law, including independent justice and effective anti-corruption systems, are key elements of a democratic EU. This is why the Commission is upholding these values with commitment and determination. We recommend to the Council to continue the budget conditionality mechanism as the commitments, which the Hungarian government proposed and agreed to, have not been met. At the same time we are proposing to the Council to endorse the Hungarian Recovery Plan because it includes strong judicial milestones. EU funds will only flow to Hungary only once these milestones are fully met. We will continue to effectively assess the implementation of these commitments, including effective changes on the ground.

Věra Jourová, Vice-President for Values and Transparency

The Commission has thoroughly analysed the reforms undertaken by Hungary under the conditionality process by the set deadline of 18 November. Undoubtedly, Hungary has moved into the right direction and we can clearly confirm that the conditionality mechanism is an effective catalyst for protecting the budget. However, as a whole, there is a continued risk to the EU budget because of remaining gaps in central places of the reforms. That is why, the Commission has to maintain its proposal of 18 September to protect the Union budget.

Johannes Hahn, Commissioner for Budget and Administration

After many long months of discussions with Hungary, we are today proposing that the Council give its approval to the country's Recovery and Resilience Plan. This is the last of the 27 national plans to reach this stage. The plan contains an array of important reforms and investments to green and digitalise the Hungarian economy and improve the lives of ordinary Hungarians. Its implementation will help Hungary to navigate the challenging economic period that lies ahead. But let there be no doubt: there can be no disbursements to Hungary unless and until all 27 milestones covering judicial independence and protecting the EU budget are respected. It is thus first and foremost in Hungary's interest to ensure that this is the case

Paolo Gentiloni, Commissioner for Economy

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 [Read-out of the weekly meeting of the von der Leyen Commission by Valdis Dombrovskis, Executive Vice-President, Johannes Hahn, and Didier Reynders, European Commissioners, on Hungary's recovery and resilience plan and on the application of the Rule of Law conditionality regulation](#)