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INFORMATION

From: General Secretariat of the Council
To: Budget Committee

Subject: Hungary's access to EU funds: COM reply to EP follow-up questions

Delegations will find attached the Commission's replies to EP follow-up questions to Commissioner Hahn's letter regarding HU access to EU funds.

Replies to EP questions

Follow up questions to Commissioner Hahn's letter regarding HU access to EU funds

Further to Commissioner Hahn's letter to the Chairs of the BUDG and CONT Committees dated 26 January 2024, we would have the following follow-up questions:

- 1. Could the Commission confirm that only limited financial allocations have been paid to Hungary regarding ESIF and RRF, but that no net financial allocation reductions in ESIF or RRF has been applied yet?**

ESIF: No net financial allocation reduction has been applied regarding the CPR envelope of Hungary. CPR pre-financing was paid amounting to EUR 541 million so far and EUR 600 million has been reimbursed as net interim payments (https://cohesiondata.ec.europa.eu/cohesion_overview/21-27).

RRF: Only pre-financing related to the REPowerEU chapter has been paid under the RRF, in accordance with the RRF Regulation, after the adoption by the Council of the revised Hungarian RRP in December 2023. This prefinancing is designed to provide the necessary liquidity to kickstart the projects under the REPowerEU chapter. Any RRF prefinancing amounts paid to a Member State will be netted from future regular payment requests. The Commission will recover any pre-financing amounts that might not have been netted against regular payment requests by the end of the RRF lifetime.

- 2. Could the Commission confirm that the ESIF funds payments N+3 rule will kick in only end of 2025?**

Yes, this is in line with Article 105(1) of the Common Provisions Regulation.

- 3. Could the Commission explain more in detail if, how and when suspension of (part of) the funds due to non-fulfilment of horizontal and/or thematic enabling conditions will lead to net financial reductions in the MS MFF envelope?**

In case of unfulfilled enabling conditions, the amounts concerned are not suspended pursuant to Article 97 CPR. In accordance with Art. 15(5) CPR, expenditure related to the specific objective concerned may be included in payment applications but shall not be reimbursed by the Commission until the Commission has informed the Member State of the fulfilment of the enabling condition. Such expenditure (included in Appendix 2 of a payment application) can be taken into account for the N+3 purposes. A net reduction of allocation (decommitment) can be applied only in line with normal decommitment rules pursuant to Article 105 CPR.

4. Could the Commission confirm the understanding that around EUR 1.1 billion (55% of relevant commitments in year 2022) would be lost for Hungary in case suspended funds are not lifted by end of 2024, according to RoL Article 7 and MFF Regulation Article 6 ("suspended commitments of year n may not be entered in the budget beyond year n+2")? Could the Commission give more details on the timeline in 2024?

This is correct, the amount at risk is EUR 1 044 million (55% of the amounts under the 2022 column in the table below). According to Article 6(3) of the Conditionality Regulation, 'where measures concerning [...] the suspension of commitments referred to in point (ii) of Article 5(1)(b) are lifted, amounts corresponding to the suspended commitments shall be entered in the Union budget subject to Article [6] of Council Regulation (EU, Euratom) 2020/2093. Suspended commitments of year n may not be entered in the budget beyond year n+2.' If the measure under Article 2(1) of Council Implementing Decision (EU) 2022/2506 of 15 December 2022 is not lifted by the end of 2024, the amounts suspended will be lost.

On the basis of the programme references available on the platform (<https://cohesiondata.ec.europa.eu/countries/HU/21-27>), the Commission Register (<https://ec.europa.eu/transparency/documents-register/>) shows all relevant COM decisions affecting the programme. The decisions of the suspended programmes (when they were approved in December 2022) and their annexes, which include the amounts. Here below a summary table of budgetary commitments per year for each of the suspended programmes.

<i>Amounts in EUR</i>	2021	2022	2023	2024	2025	2026	2027	Total
Territorial and Settlement Development OP Plus	0	703.363.745	726.787.346	754.880.694	783.990.401	677.514.742	707.481.445	4.354.018.373
Environmental and Energy Efficiency OP Plus	0	640.183.307	660.024.953	611.432.275	634.643.807	547.859.085	571.754.581	3.665.898.008
Integrated Transport Development OP Plus	0	554.662.470	573.776.277	596.701.125	620.469.480	576.515.390	623.506.077	3.545.630.819

5. In case of a net financial allocation reduction, how can it be used otherwise? Can it be used as de-committed financial allocation to pay back the EURI costs?

In accordance with Article 7(3) of the Conditionality Regulation, suspended commitments of year n may not be entered in the budget beyond year n+2.

With respect to the EURI instrument, the amount available will be an amount equivalent to decommitments on the RAL made since 2021 cumulatively minus any amounts already considered in previous mobilisations of the instrument. The corresponding amount will be included in a dedicated section in the technical adjustment of the MFF for budget year n+1.

6. In its table, the Commission defined the order of application of suspensions via layers. Can the Commission explain the reasoning for the order? E.g. why Layer 3 on Conditionality Regulation is placed between Layers 1+2 and 4 on HEC? What is the financial implication of variation of the order of layers?

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

7. HEC apply to the reimbursement of payments claims (-> suspension of payments) whereas the Conditionality Regulation applies to the suspension of commitments. Can the Commission explain the interaction between suspension of commitment and suspension of payments and why it puts together two different concepts of suspension in one table without further detailing the different implications?

[Redacted]

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