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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

Delegations will find attached a reply from Commissioner Hahn to the European Parliament's BUDG and CONT Committees on Hungary's access to EU funds.



JOHANNES HAHN
MEMBER OF THE EUROPEAN COMMISSION

Brussels, 26.01.2024

Dear Chairs,

Thank you for your letter of 22 November 2023. The protection of the financial interests of the Union is ensured through different procedures under the general regime of conditionality, the horizontal enabling condition on the Charter of Fundamental Rights under the Common Provisions Regulation (Charter HEC) and the Recovery and Resiliency Facility (RRF).

The Commission assesses the conditions to protect the Union budget in line with the criteria set out by each relevant legislative act. In addition to the publication of the key decisions and to the information to the European Parliament as set in the relevant legislation, my fellow Commissioners and I have been informing your committees on the progress of the respective procedures.

On the Conditionality Regulation, I refer to my letter of 13 December 2023, where I informed you that, on the same date, the Commission adopted its reassessment of the situation in Hungary one year after the Council adopted measures to protect the Union budget from breaches of the principles of the rule of law in Hungary. In the absence of a written notification of new remedial measures by Hungary, the Commission's reassessment takes note of the implementation of remedial measure commitments Hungary made in 2022. The reassessment concludes that cross-cutting issues have not yet been addressed, and no further remedies were adopted by Hungary. This leaves the risk for the Union budget at the same level as identified by the Council back in December 2022 and for that reason the Commission decided that it cannot propose the Council to adapt or lift the protective measures.

Mr Van Overtveldt
Chair of the European Parliament's Committee on Budgets

Ms Hohlmeier
Chair of the European Parliament's Committee on Budgetary Control



As regards the Charter HEC, on the same day, the Commission decided that it was fulfilled as regards judicial independence, after Hungary took the measures it had committed to take to strengthen judicial independence. Fulfilment of enabling conditions must be ensured throughout the whole Cohesion Policy funding period. The Commission will closely and continuously monitor, notably through audits, active engagement with stakeholders and in monitoring committees, the application of the measures put in place by Hungary. If, at any point in time, the Commission considers that this horizontal enabling condition is no longer fulfilled, it may again decide to block funding.

Furthermore, despite Hungary's progress on judicial independence, the Commission maintains its concerns regarding other areas covered by the Charter HEC. These concerns relate to Hungary's so-called child-protection law, serious risks to academic freedom and the right to asylum. Until these concerns are addressed, the horizontal enabling condition remains unfulfilled, and the Commission cannot reimburse the related expenditure under several programmes. In respect of these three areas, progress in discussions with the Hungarian authorities is limited to first exchanges on the issue of academic freedom. As you know, there are also *thematic* enabling conditions, entirely unrelated to rule of law matters, which need to be fulfilled for the disbursement of funding.

During our exchange of 24 January 2024, you requested a breakdown of the amounts that have become reimbursable until 2030 following the Commission Decision of 13 December. Please find a table to this end in the annex to this letter, showing the impact of the horizontal and thematic enabling conditions, as well as that of the conditionality decision. The Commission services stand ready to explain this table in full detail at any moment.

With regard to the RRF, on 23 November 2023 the Commission assessed positively Hungary's amended recovery and resilience plan and the inclusion of a new REPowerEU chapter. On 8 December, the Council endorsed the Commission's assessment. Hungary's revised plan still features the 27 "super milestones" to ensure the protection of the Union's financial interests and to strengthen judicial independence. No disbursement following a payment request under the RRF is possible until the satisfactory fulfilment of each of these super milestones. Pursuant to the RRF Regulation, the Commission will assess the satisfactory fulfilment of relevant milestones and targets, including the super milestones, following the receipt of the first payment request from Hungary.

I remain available to continue discussing these matters further, including with fellow Commissioners in the appropriate formats.

Yours sincerely,

(e-signed)
Johannes Hahn

State of play 26/01/2024
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