

## Summary of the Commission's assessment of the Hungarian Recovery and Resilience Plan

Grants: EUR 5.8 billion

85 measures: 54 reforms and 31 investments divided into 9 components

Number of milestones and targets: 270

Climate target: 48.1%

Digital target: 29.8 %

### 1. Summary of the Commission's assessment of the Recovery and Resilience Plan

Criterion	Commission assessment	Rating A-C
2.1	<b>The plan pursues the general objective of the Recovery and Resilience Facility (RRF) to promote the Union's economic, social and territorial cohesion and is balanced in its response to the six policy pillars referred to in Article 3 of the Regulation.</b> The plan includes a broad mix of reforms and investments, with a particular focus on the green transition, digital transformation, building economic, social and institutional resilience, and on policies for the future generations. The plan also includes measures to support sustainable and inclusive growth, as well as social and territorial cohesion. The plan primarily addresses the green transition with measures promoting low-carbon public transport, energy grid developments, renewable energy generation, water management and the circular economy. The pillars linked to the digital transformation and to smart, sustainable and inclusive growth are addressed across various components, and the plan includes several measures to promote the digitalisation of public administration, education, healthcare and transport. The pillar on resilience is addressed through a significant number of measures, in particular through a comprehensive reform and investment package to modernise the healthcare sector, as well as to improve its efficiency and access for all. Institutional reforms are also expected to improve the resilience of the economy through strengthening the fight against corruption, competition in public procurement and the independence of the justice system. Policies for the next generation are notably covered by measures in the component on demography and public education and the component on disadvantaged settlements, in particular through measures promoting digital education and improved access to quality education and childcare. Long-term growth challenges are mainly addressed through measures in the field of education, healthcare and research and development. Measures promoting the development of a qualified and competitive workforce and supporting disadvantaged settlements provide the main contributions to the pillar on social and territorial cohesion.	A
2.2	<b>The plan is expected to contribute to effectively addressing a significant subset of the structural challenges identified in the country-specific recommendations addressed to Hungary in 2019, 2020 and 2022.</b> The plan contains important measures addressing the challenges related to ensuring a swift and smooth <b>green and digital transition</b> . In particular, a series of actions promote the clean and efficient production and use of energy, sustainable transport, water management and the transition to the circular economy. In addition, various measures aim at improving digital infrastructure and skills, as	A

	<p>well as the reinforcement of digital public administration. The plan includes a set of measures in the field of <b>education and training</b>, which contribute to addressing important challenges. It places emphasis mainly on the digitalisation of education, the improvement of digital skills, the modernisation of vocational education and training institutions, as well as on improving the attractiveness of the teaching profession by a reform foreseeing steady increases of teachers' wages. The plan also includes measures to improve the quality of learning environments in higher education and to enhance the <b>research and development</b> ecosystem. The plan includes measures that contribute to addressing the challenges related to <b>poverty and social exclusion</b> by strengthening basic services and providing comprehensive support for those living in the 300 most disadvantaged settlements, including measures to promote employment and skills development. The creation of additional childcare places will facilitate the <b>labour market</b> participation of parents. The plan sets out an ambitious agenda to address key challenges of the <b>healthcare system</b> such as unequal access to health services, a high prevalence of gratuity payments, excessive reliance on hospital-level care and regional disparities stemming from staff shortages and an uneven distribution of active health workforce across the country. The Hungarian plan also includes a comprehensive range of measures in many areas related to <b>rule of law</b> issues, aiming to overhaul existing practices and lead to structural improvements. These measures also contribute to addressing a significant subset of the structural challenges identified in the country-specific recommendations. The plan includes a number of measures to reinforce the <b>anti-corruption framework</b> and to strengthen the legislative, institutional and practical arrangements to more effectively prevent, detect and correct fraud, corruption, conflict of interest and other risks in the use of Union support in Hungary. Such measures include, among others, the establishment of an Integrity Authority and enabling a judicial review of decisions by the prosecution service or the investigating authority to dismiss a crime report or terminate criminal proceedings. A number of reforms aim to strengthen <b>judicial independence</b> in particular by eliminating undue influences and making sure that the position of the judges in terms of appointments, secondments and in other decisions is secured against arbitrary decisions. To this end, the plan includes measures in particular on significantly strengthening the role and powers of the National Judicial Council, reforming the functioning of the Supreme Court, removing the possibility for public authorities to challenge final judicial decisions before the Constitutional Court, and removing obstacles to preliminary references to the Court of Justice of the European Union. The plan includes an ambitious set of measures aiming to improve competition in <b>public procurement</b>, with targets to significantly decrease the currently high share of public procurements resulting in single bids. To achieve this, Hungary plans to set up a comprehensive performance measurement framework and enhance the participation of small and medium-sized companies in tenders. The plan also includes reforms to improve the <b>quality and transparency of the decision-making process</b> and to ensure a more systematic involvement of social partners and stakeholders. The plan also includes reform steps to tackle the risks of <b>aggressive tax planning</b> and to simplify the tax system. Finally, the plan includes a reform of the <b>pension system</b>, which aims to address challenges related to fiscal sustainability and population ageing, and envisages a number of spending reviews to improve the quality of public finances.</p>	
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2.3	<b>The plan, together with the rest of measures of NextGenerationEU, the European Union Recovery Instrument, has the potential to increase the GDP of Hungary by 1.0% to 1.4% by 2025</b> , not including the possible positive impact of structural reforms, which can be substantial. The plan is expected to promote smart, sustainable and inclusive growth, with a major contribution to investments that support successful green and digital transition, promote innovation, digitalise the public administration and public services, and enhance competition in public procurements. The measures are expected to lead to higher energy efficiency in public buildings and a higher share of renewable energy production. They are also expected to increase digital skills and improve health outcomes.	A
2.4	<b>Hungary has provided justification that no measure in its plan does significant harm to any environmental objective.</b> Where needed, Hungary has proposed the implementation of mitigating measures to avoid significant harm, which are enshrined in the relevant milestones and targets. Particular attention has been paid to measures whose impact on environmental objectives warrants close scrutiny. In particular, for measures that involve the construction and refurbishment of water supply infrastructures, relevant milestones ensure that no significant harm to the environment is done, through notably the implementation of results and conditions of Environmental Impact Assessments, in compliance with EU environmental law, and through ensuring that relevant water abstraction permits are granted and that the good ecological status of the surface and groundwater bodies affected by those investments will be achieved.	A
2.5	<b>The green transition is a key priority of the plan, with 48.1% of its allocation dedicated to climate-related measures.</b> The measures included in the plan are expected to contribute to the decarbonisation and energy objectives as identified in the National Energy and Climate Plan 2021-2030, and they are important steps to move towards the 2030 and 2050 climate targets, in the context of the European Green Deal. Investments in residential solar power systems and in the strengthening of the electricity grid, combined with comprehensive reforms aimed at facilitating the development and connection of renewable energy sources, including wind power generation, are expected to contribute to Hungary achieving its 2030 renewable energy production target. Renovations of buildings will decrease their impact on greenhouse gas emissions and improve air quality. Measures to make transport more sustainable, such as railways investments, the deployment of electric buses and a reform of the tariff system, are expected to result in a cleaner, smarter, safer and more efficient transport sector. The plan also includes reforms and investments on water management systems, as well as measures supporting the transition to a circular economy by supporting the use of secondary raw materials. None of the measures are expected to cause significant harm to the environment.	A
2.6	<b>With 29.8% of its allocation dedicated to digital measures, the plan includes a comprehensive package to promote the digital transformation of the economy and society.</b> Most components contain measures relating to the digital transition. In particular, significant measures are envisaged to improve the digital equipment and skills in primary, vocational and higher education. The plan also contains measures relating to the digitalisation of	A

	public administration as well as of the health, transport and energy sectors.	
2.7	<p><b>The plan envisages changes to a number of institutions and policies, which can be expected to address root causes of existing challenges and have a lasting impact.</b> The plan aims to achieve structural changes and efficiency gains in particular in the healthcare and energy sectors and in public procurement. The far-reaching reform in the field of healthcare aims to modernise the sector and eradicate the practice of gratuity payments, which hampers access of the low-income population to quality care and creates inefficiencies in the treatment pathways. The eradication of gratuity payments could be also expected to contribute to reducing low-level corruption. These reforms are supported by investments in e-health. Reforms in the energy sector aim to create a more effective administrative and legal framework to support the deployment of renewable energy projects and their connection to the electricity system, which is important for the green transition, as well as for improving the energy independence of the country. Measures to increase competition in public procurement and for the digitalisation of certain procedures are expected to increase the efficiency of public administration. More generally, the plan is expected to make a significant contribution to strengthening the institutional resilience of Hungary, by reinforcing the anti-corruption framework, strengthening judicial independence, and improving the quality and transparency of the decision-making process.</p>	A
2.8	<p><b>The milestones and targets in the RRP are appropriate for monitoring its implementation.</b> The milestones and targets reflect adequately the overall level of ambition of the plan, and are clear and realistic. They are well designed, with relevant, acceptable and robust indicators which should ensure proper monitoring during implementation. Milestones and targets are also relevant for measures already completed which are eligible according to Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.</p>	A
2.9	<p><b>Hungary has provided detailed breakdowns of individual cost estimates for investments and reforms with an associated cost included in the plan.</b> Cost breakdowns and supporting documents show that most of the costs are sufficiently justified, reasonable, plausible, in line with the principle of cost efficiency, and commensurate to the expected national economic and social impact. Hungary has provided sufficient information and evidence that the amount of the estimated total costs is not covered by existing or planned Union financing.</p>	B
2.10	<p><b>Hungary's procedures to prevent fraud, corruption and conflicts of interest as well as to ensure compliance with applicable law seem comprehensive provided that all dedicated audit and control milestones are satisfactorily fulfilled.</b> Based on the expected adequacy of the different control and audit layers of the institutional framework, on the expected legislative and practical provisions which are envisaged to significantly tighten requirements regarding the implementation and control of the use of Union support in Hungary, as well as on the additional arrangements Hungary has committed to implement, it can be concluded that the arrangements can reasonably be expected to be effective in preventing, detecting and correcting fraud, corruption, conflicts of interest and other irregularities when implementing the plan.</p>	A

	<p><b>Hungary needs to fulfil all milestones related to the control system before the submission of the first payment request, and no payment under the Facility should be made before their fulfilment.</b> In accordance with Article 20(5), point (e), of Regulation (EU) 2021/241, milestones linked to the protection of the financial interests of the Union should be set out in order to ensure compliance with Article 22 of that Regulation, through the establishment of an adequate control system. The satisfactory fulfilment of those milestones is expected to guarantee the adequacy of the internal control system, in accordance with Article 19(3), point (j), of Regulation (EU) 2021/241. Taking into account that a robust and effective anti-corruption framework, reinforced arrangements to effectively prevent, detect and correct fraud, corruption, conflict of interest and other illegalities when implementing Union support, a competitive and transparent public procurement system, and judicial independence are prerequisites for the functioning of an effective internal control system, milestones should be set out for the respective reforms, and disbursements under the Facility should be conditional upon their fulfilment. Taking into account that those milestones should be established to ensure the protection of the financial interests of the Union and the establishment of an adequate control system, before any payment under the Facility is authorised by the Commission, Hungary should fulfil all milestones related to the control system before the submission of the first payment request, and no payment under the Facility should be made before their fulfilment. This requirement is in line with and without prejudice to the remedial measures Hungary has proposed in the context of the procedure under Article 6 of Regulation (EU, Euratom) 2020/2092 on a general regime of conditionality for the protection of the Union budget.</p>	
2.11	<p><b>The plan represents a balanced mix of reforms and investments that are consistent and mutually reinforcing.</b> Coherence is ensured within the components, with investments accompanying relevant reforms, as well as between the different components in the plan. The proposed measures within the components do not contradict or undermine each other's effectiveness and no inconsistencies or contradictions between components have been identified.</p>	A

## 2. Horizontal principles and additionality

Horizontal principle	Commission assessment
<b>Complementarity with EU programmes 2021-2027</b>	The RRF complements other EU funding aiming to foster territorial cohesion and convergence in Hungary. Hungary is a major beneficiary of cohesion policy funds, which are primarily targeted at its less developed regions. Due to the greater flexibility of the RRF in terms of incorporating reforms and geographical coverage of investment measures, the plan can serve as a strategic complement to other EU interventions in Hungary.
<b>Principle of additionality</b>	Synergies with other EU programmes and instruments and the demarcations from those are properly explained. Such synergies will need to be carefully monitored at project level during implementation, especially with regards to cohesion policy funds. Where reforms and investment projects may receive support from other EU programmes and instruments, sufficient assurance has been



	provided that such support does not cover the same cost.
<b>Recurring costs</b>	The plan contains some recurrent costs, such as personnel costs and maintenance costs, which are deemed duly justified and acceptable. The plan provides justifications to show that these costs are essential for the success of the reforms and investments to which they correspond and that they do not represent a significant burden on the national budget. Most of these costs are temporary, while the non-temporary ones can be counterbalanced by budgetary savings if the measures they support are successfully implemented.

### 3. Reply to the European Parliament's questions

**Contribution to equality and gender equality:** the plan includes measures expected to help address challenges in the area of gender equality and equal opportunities for all. The plan contains a short chapter with reference to the European Pillar of Social Rights and its three pillars (equal opportunities, fair working conditions and social protection and social inclusion). The needs of disadvantaged groups, such as Roma, are specifically targeted in component 3. Other measures, such as in terms of access to education and skills, and the creation of new childcare places for the 0 to 3 age group (nurseries), are expected to contribute to gender equality and equal opportunities for all. Transport measures are also expected to facilitate access to services while new transport infrastructures and vehicles are expected to be accessible to persons with disabilities. Energy efficiency measures are expected to result in savings beneficial to more disadvantaged households. The plan does not include references to data disaggregated by equality grounds, except for the gender employment gap.

**Contribution to high-quality employment creation:** The plan aims at increasing the availability of qualified labour force by enhancing access to modern education and training, including for disadvantaged students and vulnerable groups. The plan includes several measures to improve the quality of higher education, adult learning and vocation education and training. To this end, the plan envisages a reform on reviewing and improving study fields in higher education by including more practice-oriented elements in the training requirements. New training courses offering micro-credential certificates are expected to be developed in higher education. The plan includes measures to improve the quality of the learning environment in universities, including better digital equipment, new trainings, renovated buildings and new or modernised learning spaces. Measures in vocational training are also planned to increase the availability of skilled workers. The plan envisages to develop new digital learning materials, digital equipment and renovated classrooms for students in vocational education and training. The plan envisages the development of a central examination centre (located in Budapest) to create the conditions for high-quality professional examination in certain professions for which the network of examination centres does not ensure appropriate territorial coverage at regional level.

**Contribution to the implementation of the European Pillar of Social Rights:** The plan includes investments aiming at tackling some of the most pressing challenges reflected by the Social Scoreboard indicators. The plan envisages measures to improve access to social and healthcare services in the 300 most disadvantaged settlements. The adequacy of social assistance in general remains, however, low. Investments are proposed to foster the quality of and access to primary care services. Hungary aims at improving labour market dynamics and working conditions through the development of a digital competency framework and the provision of related trainings to enhance the basic digital skills of the population. The plan also envisages reforms and investments in higher education, vocational education and training, and innovation as well as investments in the

digitalisation of public education. Measures included in the plan are expected to have a positive impact on social cohesion and contribute to reducing the social and economic risks of vulnerable groups include the development of early age childcare facilities, the promotion of digital skills in schools, increasing the participation of disadvantaged pupils and students with special education needs in quality mainstream education, reduction of the risk of segregation in schools, and a healthcare reform package that aims to ensure a more equitable access to healthcare services through investments and the eradication of informal gratuity payments in the healthcare sector. A comprehensive set of measures is also envisaged to support the most disadvantaged settlements according to specific needs.

**Addressing regional disparities:** A dedicated component focuses on the economic development of the 300 most disadvantaged settlements in Hungary. One of the measures consists in the participation of at least 10 000 persons in labour socialisation programmes, which include training, personal mentoring, tailored services and employment opportunities. Other components are focused on strengthening access to quality education and skills, notably digital ones. They include measures for the development of vocational education and training infrastructure.

**Contribution to upward economic and social convergence:** Measures of the RRP that are expected to have a positive impact on social cohesion and contribute to reducing the social and economic risks of vulnerable groups include the development of early age childcare facilities, the promotion of digital skills in schools, increasing the participation of disadvantaged pupils and students with special education needs in quality mainstream education, reduction of the risk of segregation in schools, and a healthcare reform package that aims to ensure a more equitable access to healthcare services through investments and the eradication of informal gratuity payments in the healthcare sector. A comprehensive set of measures is also envisaged to support the most disadvantaged settlements according to specific needs.

**Contribution to CSRs on taxation:** The RRP includes reforms aimed at tackling aggressive tax planning more effectively, such as increasing the data reporting on transfer pricing, the introduction of minimum substance requirements for corporate income tax for shell companies, aimed at preventing them from attracting profits without corresponding economic activity, and broadening the scope of non-deductibility rules for outbound payments to low- or zero-tax jurisdictions. As for tax simplification, the plan includes measures to reduce the number of taxes and on the digital transformation of tax compliance procedures. The latter measures will improve the work of the tax administration and should facilitate tax compliance by companies.

The information contained in this summary is based on the documents COM(2022) 686 final and SWD(2022) 686 final, which are the authentic documents representing the Commission's assessment of the plan.

## Annex

Table 1: Coverage of the six pillars of the Facility by the components of the Hungarian recovery and resilience plan

	Green transition	Digital transition	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
1. Demography and public education	○	●	○	○	○	●
2. Highly qualified, competitive workforce	○	○	●	●	○	○
3. Catching-up settlements	○			●	○	○
4. Water management	●	○				
5. Sustainable green transport	●	○		○		
6. Energy - green transition	●	○				
7. Transition to the circular economy	●		○			
8. Health	○	○		○	●	
9. Governance and public administration		●	○		●	

Key: '●' investments and reforms of the component significantly contribute to the pillar  
 '○' the component partially contributes to the pillar



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Table 2: Mapping of country challenges identified in 2019-2020-2022 country-specific recommendations and Hungary's RRP components

Country challenges	Associated CSR (2019-2020-2022) and European Semester recommendations	1 – Demography and school education	2 – Highly qualified and competitive workforce	3 – Catching up settlements	4 – Water management	5 – Sustainable green transport	6 – Energy	7 – Transition to the circular economy	8 - Health	9 – Governance and public administration
Renewable energy, energy infrastructure & networks	2019.3.2, 2020.3.4, 2022.6.1, 2022.6.2, 2022.6.3, 2022.6.4			○			●	○		
Energy efficiency	2019.3.5, 2020.3.4, 2022.6.5	○	○				●		○	
Environmental policy & resource management	2019.3.4, 2019.3.5, 2020.3.6, 2022.5.1				●			●		
Digitalisation of public administration and public services	2020.3.8								○	●
Digitalisation of businesses	2022.5.2									
Transport	2019.3.3, 2020.3.5, 2022.6.6					●				
Single market, competition & state aid	2019.4.5, 2022.4.5									
Public procurement & concessions	2019.3.6, 2020.4.3, 2022.4.6									●
Research & innovation	2019.3.1, 2020.3.7, 2022.5.4		●							
Active labour market policies, incentives to work	2019.2.1, 2020.2.1, 2022.3.1	○		○						

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<b>&amp; labour market participation</b>										
<b>Pension systems and active ageing</b>	2022.1.4	●								
<b>Poverty, social inclusion &amp; social protection</b>	2019.2.2, 2020.2.2, 2022.3.2			○					○	
<b>Healthcare</b>	2019.2.1, 2020.1.3, 2022.3.4								●	
<b>Taxation policy</b>	2019.4.4, 2022.4.4									●
<b>Tax administration, tax evasion &amp; tax avoidance</b>	2019.4.4, 2020.5.1									●
<b>Corruption</b>	2019.4.1, 2022.4.1									●
<b>Justice system</b>	2019.4.2, 2022.4.2									●
<b>Quality of law making</b>	2019.4.3, 2020.4.2, 2022.4.3									●
<b>Education</b>	2019.2.3, 2020.2.3, 2022.3.3	●	○	○						

Key: “●” investments and reforms of the component significantly address the challenge  
“○” the component partially addresses the challenge