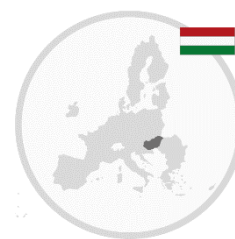


BRIEFING

Next Generation EU (NGEU) delivery – How are the Member States doing?



Hungary's National Recovery and Resilience Plan



Latest state of play

OVERALL RESOURCES

Recovery and Resilience Facility (RRF): €5 811.0 million

RRF grants: 100 %



Major objectives

Green transition: €2 800.0 million 48.1 %

RRF target: 37 %

Digital transformation: €1 737.0 million 29.8 %

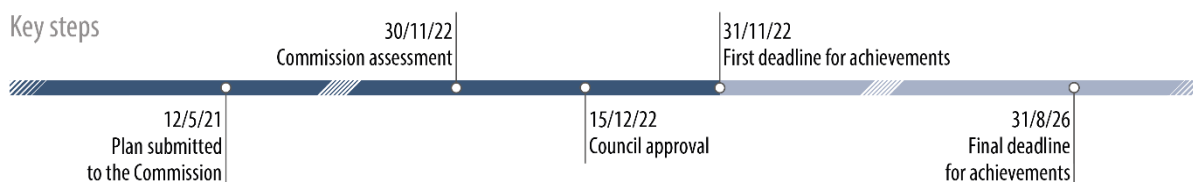
RRF target: 20 %

Initially, Hungary's share of the total financial envelope of the [Recovery and Resilience Facility \(RRF\)](#) was €16 830 million, of which €7 176 million was for grants and €9 663 million loans (the latter being available until August 2023). Hungary has requested the full estimated amount of grants available, but not any loans. Taking into account Hungary's updated data on its gross domestic product (GDP) for 2020-2021 and according to the [revision](#) applied in June 2022 to all EU Member States, the Hungarian resource limit for non-reimbursable support has diminished by €1 363 million. As a result, the [Hungarian National Recovery and Resilience Plan \(NRRP\)](#), approved by the [Council of the EU](#) on 5 December 2022, amounts to €5 811 million in EU grants, which represents

4 % of the country's GDP in 2019 and 0.8 % of the entire RRF. In addition, following the amendment to the RRF Regulation that enables Member States to include [REPowerEU chapters](#) with new or reinforced energy measures in their NRRPs, Hungary may now benefit from an additional €701.6 million allocation in grants, if such a chapter is submitted and approved.

Hungary submitted its first official [Recovery and Resilience Plan](#) to the European Commission on 11 May 2021 and updated it twice following discussions with the Commission before coming up with its final NRRP. This final plan, the last to be approved by the Council under the RRF, includes a broad investment- and reform-oriented programme to increase the resilience and sustainability of the Hungarian economy. At the same time, it meets the climate (37 %) and digital (20 %) minimum investment targets of the RRF Regulation, with 48.1 % of resources contributing to the green transition and 29.8 % to the digital transformation. The disbursement of the allocation is planned in seven instalments, scheduled to be requested between June 2023 and September 2026. Due to the late approval of the plan, the EU made no pre-financing. In addition, for any payment to be made under the RRF, Hungary needs to meet all 27 milestones that it agreed with the Commission in relation to rule of law reforms under the plan.

Key steps



This briefing is one in a series covering all EU Member States.

EPRS | European Parliamentary Research Service

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Country-specific challenges

In the context of the European Semester, the [Council](#) adopts country-specific recommendations (CSRs), providing Member States with policy guidance on how to boost jobs, growth and investments while maintaining sound public finances. NRRPs under the RRF are expected to effectively address at least a significant subset of challenges identified in the CSRs. According to [Hungary](#), the measures in its NRRP address the 2019, 2020 and 2022 CSRs.

The [2019-2020](#) CSRs included achieving prudent medium-term fiscal positions, ensuring debt sustainability and enhancing investment. Employment should be protected and the duration of unemployment benefits extended. The labour market integration of the most vulnerable groups should continue, in particular through inclusive education and upskilling. As regards social security, the adequacy of social assistance should be improved and access to essential services should be ensured for all. School digital infrastructure should be improved. Liquidity support should be ensured to small and medium-sized enterprises (SMEs). Investment should focus on the green and digital transitions, in particular clean and efficient production and use of energy, sustainable transport, water and waste management, as well as research and innovation. The anti-corruption framework should be reinforced and judicial independence should be strengthened. The involvement of social partners and stakeholders in the policymaking process should be ensured. Competition in public procurement and in the services sector should be improved.


Hungary's 2022 [CSRs](#), to be implemented in 2023, include ensuring that the growth of nationally financed current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to those households and firms that are most vulnerable to energy price hikes and to people fleeing Ukraine. Beyond 2023, a fiscal policy aimed at achieving prudent medium-term fiscal positions should be pursued. The long-term sustainability of the pension system should be improved, and income inequalities should be addressed. The anti-corruption framework should be reinforced, including by improving prosecutorial efforts and access to public information, and judicial independence should be strengthened. The quality and transparency of the decision-making process should be improved through effective social dialogue, engagement with other stakeholders and regular impact assessments. The tax system should be simplified further. Reform of and investment in sustainable water and waste management should be promoted, as should the circularity of the economy, the digitalisation of businesses, green and digital skills, as well as research and innovation. Overall reliance on fossil fuels should be reduced by accelerating the deployment of renewables and by adopting energy efficiency measures.

Objectives and structure of the plan


Figure 1 – Breakdown of funding by components





The plan aims to counter the economic and social impacts of the pandemic and to increase the resilience, sustainability and preparedness of the economy for the challenges and opportunities of the green and digital transitions. Addressing the six pillars for investments and reforms [identified](#) in the RRF, the plan is structured around nine fields of intervention (referred to as components), which contain subcomponents (referred to as subpoints, see Table 1 below), each to be implemented through a mix of investments and reforms.


 **A. 'Demography and public education':** The aim here is to create a competitive public education, based on the technological environment of the 21st century, and to enable pupils


to leave school with high-level digital skills. Another aim is to expand the possibilities for early childhood education as a way to reduce inequalities and increase the employment opportunities of parents of young children.


 **B. 'Highly qualified and competitive workforce':** This component aims to modernise tertiary education by improving research, development and innovation capacities and making higher education more practice-oriented. Another aim is to enhance cooperation between universities and businesses.


 **C. 'Catching up settlements':** Key actions here include construction of social housing, renovation of housing, improvement of housing conditions in order to strengthen social inclusion, as well as provision of incentives and support for the production and use of renewable energy in communities (for instance, social solar power plants).


 **D. 'Water management':** The main driver here is nature conservation and support for the transformation of consumption attitudes. Another is the development of new networks and systems through the establishment of an effective water management monitoring system, and yet another is the introduction of new, sustainable solutions.

 **E. 'Sustainable green transport':** Actions under this component aim to eliminate bottlenecks and create a sustainable and efficient transport system. Other aims are greening suburban and interurban transport, modernising regional networks, including cycle paths, contributing to increased labour mobility and improving the quality of life in rural areas.

 **F. 'Energy – green transition':** The primary aim of interventions here is providing a flexible and secure electricity grid for the integration of weather-dependent renewable energy sources. Interventions also seek to support residential solar panel use and heating modernisation as prerequisites for efficient energy management.


 **G. 'Transition to a circular economy':** This component aims to contribute to the spread of innovative solutions and thereby to sustainable growth goals, such as chemical recycling or the development of an infrastructure encouraging waste pre-treatment.







 **H. 'Health':** This component aims to contribute to a longer life spent in good health, to shorten patient trips and to reduce the number of doctor-patient meetings by introducing digital solutions at all levels. Other key elements include the development of a hospital network and the phasing out of the health cash benefit.



 **I. 'Governance and public administration':** This component covers measures related to the rule of law, including upgrading the co-operation systems of the prosecution, supporting strong reliance on data in decision-making and the legislative process, eliminating healthcare bribery, strengthening competition in public procurement, and introducing a software license management system.

The Hungarian NRRP's components contain a total of 31 investments and 53 reforms. While the bulk of RRF resources is allocated to investments, some reforms are also linked to expenditure covered by RRF financing (for instance, expenditure for the modernisation of higher education courses or for community-oriented pedagogy). Every component has a well-defined digital and green dimension.

Table 1 – RRF allocation for Hungary by individual components

Components	Subpoints	RRF resources (€ million)	Share in the total allocation
A. Demography and public education 	Creating new places in crèches	139.5	2.4 %
	Ensuring equal access to modern digital infrastructure in schools	390.0	6.7 %
	Supporting the education of children with special needs (SEN)	38.6	0.7 %
	Improving access to quality education in lower secondary schools	26.8	0.5 %
	Retraining teachers and improving the management skills of heads of institutions	24.4	0.4 %

B. Highly skilled, competitive workforce 	Modernising higher education courses (reform)	4.8	0.1 %
	Introducing institutional innovation and strengthening activities in higher education	45.2	0.8 %
	Modernising infrastructure and bringing digitalisation to higher education	182.8	3.1 %
	Developing digital curricula for vocational education and training	42.6	0.7 %
	Developing vocational education and training infrastructure for the 21st century	206.0	3.5 %
	Establishing a central examination centre	27.1	0.5 %
	Establishing national research and development laboratories	183.9	3.2 %
C. Catching up settlements 	Employment and skills development based on local specificities (reform)	36.5	0.6 %
	Constructing and renovating social housing, improvement of housing	51.2	0.9 %
	Producing and using renewable energy in disadvantaged municipalities	133.2	2.3 %
	Community-oriented pedagogy (reform)	25.4	0.4 %
D. Water management 	Awareness-raising (reform)	2.5	0.04 %
	Developing quantitative and qualitative monitoring systems for surface and groundwater bodies (reform)	25.4	0.4 %
	Construction works for main water supply systems, new networks	112.9	1.9 %
	Establishing a monitoring system	25.4	0.4 %
	Nature conservation	7.4	0.1 %
E. Sustainable green transport 	Expanding the capacity of the Budapest suburban railway network (HÉV)	734.0	12.6 %
	Eliminating railway bottlenecks, TEN-T corridor (Almásfűzitő-Komárno)	51.0	0.9 %
	Eliminating railway bottlenecks, TEN-T corridor (Békéscsaba-Lőkösháza)	372.0	6.4 %
	Developing zero-emissions bus transport	159.3	2.7 %
	Deploying a central traffic control system for the TEN-T rail lines	30.4	0.5 %
	Reforming the uniform national tariff and passenger information system	22.8	0.4 %
F. Energy – green transition 	Developing classical and smart grids for transmission systems	415.0	7.1 %
	Support for residential solar systems and electric heating systems	471.0	8.1 %
	Installing grid energy storage facilities (distribution and transmission)	147.3	2.5 %
	Installing grid energy storage facilities at the premises of energy market players	153.5	2.6 %
	Deploying smart metering	56.6	1.0 %
G. Transition to a circular economy 	Reinforcing a smart, innovative and sustainable industry; reinforcing the market of secondary raw materials	109.2	1.9 %

H. Health 	Developing primary healthcare (reform + investment)	183.0	3.1 %
	Creating the conditions for health care in the 21st century	644.0	11.0 %
	Supporting digital transformation of healthcare (reform + investment)	251.0	4.3 %
	Digitalisation programme for the safety and protection of life of people with limited self-sufficiency (reform + investment)	229.0	3.9 %
I. Governance and public administration 	29 reforms	66.0	1.1 %
Total		5 826.7	100 %

Source: [Hungary's Recovery and Resilience Plan](#). Totals might not tally due to converting and rounding based on the average EUR HUF ECB [reference rate](#) (from 1 April 2022 to 30 September 2022) used in the Council implementing decision. Some of the investments are partially covered from (additional) national resources.



Reforms



As already mentioned, the Hungarian NRRP contains 53 reforms, some of which are blended with investments (as shown in Table 1 above), while others are not covered by RRF financing. A number of reforms are related to component A, 'Demography and public education', and focus on developing competitive public education, reducing segregation risk, and improving the pension system while also making it sustainable. Vocational training and higher education systems will be reformed under the closely related component B, 'Highly skilled, competitive workforce'.

Employment and skills development, both customised to local specificities, as well as community-oriented pedagogy, are envisaged under component C, 'Catching up settlements'. Several reforms focus on energy and the green transition (transformation of regulation and procedures on energy, as well as encouraging and regulating the use of renewables), and on healthcare, where the priorities include supporting the digital transformation and developing the primary healthcare system.

Component I, 'Governance and public administration' envisages 29 reforms related to the rule of law. These include: establishing an integrity authority and an anti-corruption task force, drafting a national anti-corruption strategy and action plan; judicial review; eradicating healthcare bribery; developing an electronic public procurement system to increase transparency; enhancing the transparency of public spending; drafting and anti-fraud and anti-corruption strategy for the use of EU funds; enhancing cooperation with the European Anti-Fraud Office (OLAF); tax reforms; justice system reforms. These reforms were negotiated and agreed between the Commission and the Hungarian government and any payments under the RRF are conditional on their implementation.

Table 2 – Reforms under Hungary's NRRP by individual components

COMPONENT	Reforms
A. Demography and public education 	Developing competitive public education using 21st century technology
	Improving the attractiveness of the teaching profession
	Reducing the segregation risk
	Improving the sustainability of the pension system
B. Highly skilled, competitive workforce 	Renewing vocational education and training
	Modernising higher education courses
	Strengthening the innovation ecosystem
	Promoting employment and skills development based on local specificities

C. Catching up settlements 	Developing community-oriented pedagogy
	Creating framework conditions for effective support to the most disadvantaged settlements
D. Water management 	Developing sustainable water management: accelerating climate adaptation measures in water management
	Awareness-raising activities related to water management
	Developing quantitative and qualitative monitoring systems for surface and groundwater bodies
E. Sustainable green transport 	Reforming the unified national tariff and passenger information system in the context of the creation of a national transport operator
F. Energy – green transition 	Reforming electricity regulation
	Encouraging the development of onshore wind energy
	Improving the permit granting procedures for renewable energy projects
	Improving the transparency, predictability and availability of the grid connection
G. Transition to a circular economy 	Strengthening energy efficiency requirements
	Introducing national regulation for the transition to a circular economy
H. Health 	Developing primary healthcare
	Supporting the digital transformation of healthcare
	Developing a digitalisation programme for the safety and protection of the life of people with limited self-sufficiency
	Eradicating bribery in the healthcare sector
I. Governance and public administration 	29 reforms on the rule of law, including: anti-corruption measures, asset declarations, eradicating bribery in the healthcare sector, procurement procedures, transparency of public spending, tax reforms, justice system reforms

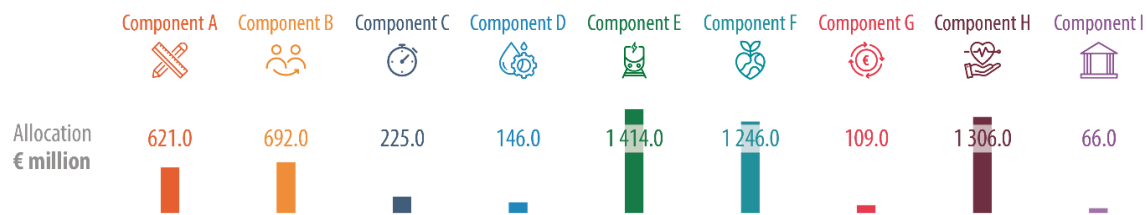
Source: [Hungary's Recovery and Resilience Plan](#).

Investments

A wide range of investments in the field of sustainable transport, energy, water management and the circular economy are expected to contribute significantly to the green transition and the decarbonisation of Hungary's economy. Hungary plans to invest €1 200 million in the modernisation of important railway lines and their management system in different parts of the country, and in the suburban railway line in the region of Budapest. A further €159 million is to be spent on the purchase of 300 electric buses. The plan includes a comprehensive package of investments promoting renewable energy. For example, to allow for the secure and flexible integration of energy produced from renewable sources into the grid, the plan earmarks €415 million for improving the electricity network and €304 million for installing storage facilities. Hungary also proposes to earmark €265 million worth of financing for outfitting 35 000 households with solar panel systems, and to deploy solar power plants in the most disadvantaged settlements. Several of these measures also contribute to the [REPowerEU](#) objectives to rapidly reduce dependence on Russian fossil fuels and fast-forward the green transition. Renovation of residential and public buildings, in particular education and healthcare facilities, will contribute to increasing energy efficiency. The plan also envisages setting aside €145 million for measures directed at water management systems and

aiming to restore water supply and improve water retention. It grants €109 million to measures supporting the use of secondary raw materials to promote the transition to a circular economy.






Figure 2 – Breakdown of RRF resources by individual components



Digitalisation is also expected to foster long-term economic development. In the area of transport, Hungary plans to invest €212 million in a central traffic management system for railway lines, a single national passenger information system, and a single ticketing system for bus and rail. The digital transformation of the energy sector is envisaged to be effected through the development of smart transmission and distribution grids and the roll-out of smart meters. The planned investment in the healthcare sector also has a significant digital component. For instance, €566 million is earmarked for the establishment of a central remote diagnostics centre, the introduction of an artificial intelligence-based system for the ambulance service, the development of mobile health apps and a remote patient monitoring system for those affected by limitations to their daily basic activities. Another €390 million will be spent on improving digital skills and providing digital equipment for school education, including in vocational training and higher education. To modernise, digitalise and improve public administration, Hungary has earmarked €48 million.

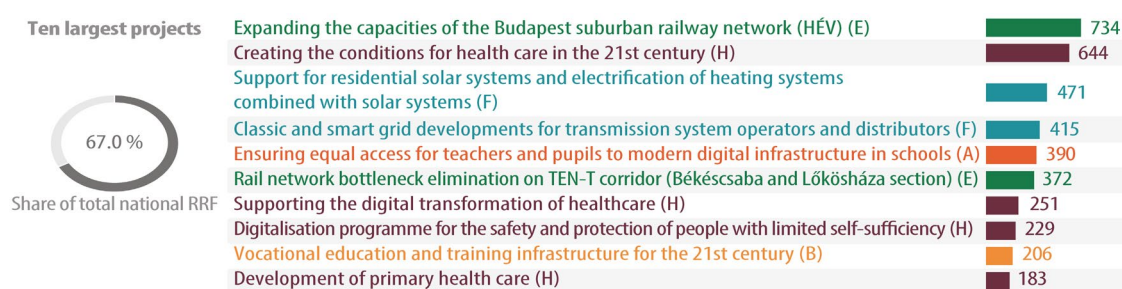
Table 3 – Largest investments to be supported under Hungary's NRRP

COMPONENT	Three largest investments under the component and their individual share	Examples of activities
A. Demography and public education 	Equal access for teachers and pupils to modern digital infrastructure in schools: 62.8 % Increased crèche capacity: 22.5 % Support for the education of children with special needs: 6.2 %	Providing 579 000 digital notebooks to pupils and teachers Creating 3 593 new places in crèches Developing travel services and specialised equipment for children with special needs
B. Highly skilled, competitive workforce 	Vocational education and training infrastructure for the 21st century: 29.7 % Establishment of national research and development laboratories: 26.4 % Modernisation of infrastructure and enhanced digitalisation of processes in higher educational institutions: 26.4 %	Ensuring that at least 34 042 students and staff in 19 higher education institutions will participate in digital training ICT development of 16 vocational education and training Institutions Creating a nationally available, centrally operated, equipped examination centre
C. Catching up settlements 	Production and use of renewable energy in disadvantaged municipalities: 59.1 % Construction and renovation of social housing: 22.8 % Employment and skills development based on local specificities: 16.2 %	Creating renewable energy-based production to meet the annual electricity needs of at least 5 000 vulnerable families Constructing or modernising housing (2 000 units) Making complex and integrated improvements in 300 municipalities
D. Water management 	Construction works for main water supply systems: 77.3 % Quantitative and qualitative monitoring systems for surface and groundwater bodies: 17.4 % Establishment of a monitoring system: 17.4 %	Improving water supply and drainage systems (Rábaköz-Tóköz) Establishing a national monitoring system for quantitative and qualitative assessment of surface and groundwater Setting up 100 new farmers' associations to promote and monitor water efficiency

<p>E. Sustainable green transport</p> 	<p>Expansion of the Budapest suburban railway network: 51.9 % Elimination of rail network bottlenecks along the TEN-T corridors, (upgrading railway tracks to support a speed of 160 km/h over a length of 11 km between Almásfüzitő and Komárom, and 30.3 km between Békéscsaba and Lőkösháza): 26.3 %) Zero-emissions bus transport: 11.3 %</p>	<p>Modernising 56 km of the Budapest suburban rail network €212 million for a central traffic management and ticketing system Purchasing 300 electric buses</p>
<p>F. Energy – green transition</p> 	<p>Residential solar systems and electrification of heating systems: 37.8 % Classic and smart grid developments: 33.3 % Installation of grid energy storage facilities: 12.3 %</p>	<p>Solar panel systems for 35 000 households €235 million for renovation of residential buildings Achieve at least a 21 % share of renewable energy sources in Hungary's gross final energy consumption</p>
<p>G. Transition to a circular economy</p> 	<p>Reinforcement of a smart, innovative and sustainable industry and the market of secondary raw materials</p>	<p>National waste management plan Circular economy strategy and action plan Chemical recycling of at least 40 000 tonnes of waste</p>
<p>H. Health</p> 	<p>Creating the conditions for health care in the 21st century: 49.3 % Digital transformation of healthcare: 19.2 % Digitalisation programme for the safety and protection of life of people with limited self-sufficiency: 11.8 %</p>	<p>€566 million for the establishment of a central remote diagnostics centre Introducing an AI-based system for the ambulances service Developing mobile health apps</p>
<p>I. Governance and public administration</p> 	<p>29 reforms</p>	<p>Integrity authority; electronic public procurement system (EPS); anti-corruption task force</p>

Source: Hungarian [NRRP](#).

Figure 3 – The 10 largest projects under the Hungarian NRRP



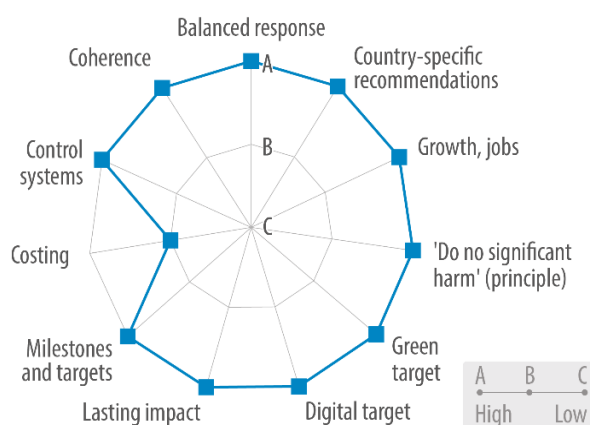
Governance

The modalities of the designation of the institutions involved in implementing the Hungarian NRRP were laid out in a separate document, [Government Decree 373/2022](#) of 30 September 2022 (Decree on the basic rules for the implementation of the Hungary Recovery and Resilience Plan and the institutions responsible for it) and received the Council's approval in a [Council decision](#). The decree sets out the framework for the allocation of the RRF funds and the implementation of the measures. It furthermore designates the institutions responsible for carrying out the tasks. The funds will be allocated by tenders and distributed through grant agreements. The National Authority is the body responsible for the coordination and implementation of the measures defined in the NRRP. In addition to the National Authority, a Cohesion Policy Coordination Committee, a Monitoring Committee and organisational units and working groups will be established. In order to ensure

coordinated implementation of the NRRP, the Monitoring Committee enables direct consultation with local and regional authorities, social partners, NGOs, youth organisations and other stakeholders relevant to the NRRP's implementation, as well as taking their recommendations into consideration. The Hungarian government is tasked with developing a management, funding, institutional and regulatory framework for the NRRP. The Development Policy Coordination Committee takes decisions related to development policy on behalf of the government. Its tasks are regulated by [Government Decision 1144/2010](#). This body is responsible for the implementation of decisions relating to the RRF and the NRRP. The Integrity Authority operates a whistleblowing platform that ensures the anonymity of whistle-blowers and complainants and provides a channel for confidential communication. The minister responsible for the spending of EU funds coordinates the development of the NRRP, is responsible for conducting the consultations with the Commission and supervises the implementation of the NRRP. The minister responsible for public finances monitors the accountability of public procurement procedures.

Those responsible for the different programme areas are the line ministries and their directorates, under the coordination of the National Authority. As regards control and audit, the plan stipulates that the National Authority is responsible for preventing, detecting and correcting serious irregularities. The Directorate General for Audit of European Funds (EUTAF) is the audit authority in charge of auditing the implementation of the plan. Reinforced rules have been put in place to enhance the prevention and detection of conflicts of interest, and their application will be controlled regularly by a newly set up Directorate for Internal Audit and Integrity (DIAI). Persons involved at any level in the implementation of the plan will have to avoid any perceived conflict of interest; the DIAI will run checks in this regard.

Figure 4 – Commission ratings by criteria



Commission assessment

On 30 November 2022, the Commission positively assessed the Hungarian NRRP, [proposing](#) that the Council approve it. For 10 out of the 11 assessment criteria listed in the [RRF Regulation](#) (Annex V), the Commission, as is the case with various other national plans, attributed the highest possible rating (A) to the plan (see Figure 4 on the left). Criterion No 9, cost justification, was the only one to receive a B (medium). According to the Commission, 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 Commission considers that the plan is a comprehensive and adequately balanced response to Hungary's economic and social situation. The Commission also considers that 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. A wide range of reforms in the area of sustainable transport, energy, water management and the circular economy would contribute to making this happen. For example, the plan includes a comprehensive package of measures on energy envisaging transformative reforms and investments promoting renewable energy.

The Commission highlights that the digitalisation of education, public administration, transport, energy and healthcare is expected to foster long-term economic development. The Commission concludes that the plan fulfils all the relevant criteria and that none of the measures included therein

are expected to significantly harm the environment. The institutional reforms to strengthen the rule of law 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. Due to these reforms being key to the unblocking of the RRF payments, they include [27 'super milestones'](#) that must be fully and correctly implemented before Hungary can receive any payment under the RRF.¹ The Commission also considers that the audit and control measures envisaged by Hungary are adequate to protect the financial interests of the EU.

Council decision and pre-financing

On 16 December 2022, by written procedure, the Council formally adopted the [implementing decision](#) whereby it approved the Commission's assessment of Hungary's NRRP. The decision welcomed the Commission's positive assessment of the plan. Since the 13 % pre-financing was available only for plans adopted by December 2021, Hungary was not entitled to receiving it due to the late approval of its plan.

European Parliament

Following the outbreak of the pandemic, the Parliament [strongly advocated](#) launching a common EU recovery instrument, and it eventually established the RRF as co-legislator with the Council. Based on the RRF Regulation and the [Interinstitutional Agreement](#) (IIA) on budgetary matters, Parliament can [scrutinise](#) the Commission's work on the assessment of national plans.

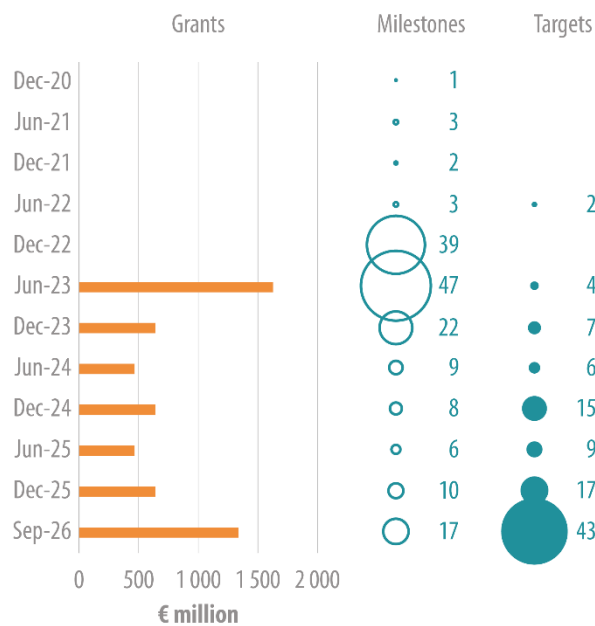
Parliament's Conference of Presidents established a standing working group on the scrutiny of the RRF, composed of the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON). This working group prepares and follows up on the recovery and resilience dialogue that Parliament holds every 2 months with the Commission. As per the IIA, Parliament, Council and Commission hold interinstitutional *in camera* meetings on the implementation of the broader NGEU recovery instrument at least three times a year. Through the [discharge procedure](#), Parliament also ensures democratic scrutiny of how NGEU resources are spent.

Before the formal adoption of the Hungarian NRRP, the Parliament had repeatedly called on the Commission and the Council to refrain from approving Hungary's draft NRRP as long as concerns regarding the observance of the rule of law, the independence of the judiciary, and the prevention and detection of and fight against fraud, conflicts of interest and corruption persist. In its position on the European Court of Justice judgment in cases [C-156/21, Hungary v Parliament and Council](#), and [C-157/21, Poland v Parliament and Council](#), concerning actions for annulment of the Rule of Law Conditionality Regulation, the Parliament highlighted the connection between the cases at hand and the RRF framework, mainly arguing that the full application of the said regulation was important to ensure EU financial interests would be protected when implementing the RRF. In the [plenary debate](#) of 16 February 2022, the Parliament urged the Commission to act immediately. A [resolution](#) to that effect was voted in the March 2022 plenary session. In its [resolution](#) of 23 June 2022 on the implementation of the RRF, the Parliament insisted that the milestones and targets related to the protection of the EU's financial interests and the establishment of an adequate control system are pre-conditions and must be fulfilled before the submission of a first payment request.

In its [resolution](#) of 15 September 2022 on the proposal for a Council decision determining, pursuant to Article 7(1) of the Treaty on European Union, the existence of a clear risk of a serious breach by Hungary of the values on which the Union is founded, Parliament noted the risk of misuse of funds under the RRF and reiterated its call for the Commission to refrain from approving Hungary's plan until it has fully complied with all European Semester country-specific recommendations in the field of the rule of law, and until it has implemented all of the relevant judgments of the European Court of Justice and the European Court of Human Rights. The [resolution](#) of 24 November 2022 on the assessment of Hungary's compliance with the rule of law conditions under the Conditionality Regulation and state of play of the Hungarian RRP deplored the fact that, because of the Hungarian government's actions, RRF funding had not yet reached the people and regions of Hungary.

Milestones and targets

Figure 3 - Indicative instalments schedule



Hungary must meet [27 'super milestones'](#) to ensure the effective protection of the financial interests of the EU before it can receive any payments under the RRF. These milestones include, in particular, the effective implementation of all 17 [remedial measures](#) under the Rule of Law Conditionality Mechanism, among them measures to combat corruption. Examples of such measures include setting up an integrity authority and an anti-corruption task force, both of which would be independent; 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 include strengthened rules on conflicts of interest; increased audit and control requirements; and the use of the Commission's [Arachne risk-scoring tool](#), an IT tool that supports Member States in their anti-fraud activities. Measures to strengthen judicial independence include increasing the powers of the independent National Judicial Council; reforming the functioning of the Supreme Court; removing the role of the Constitutional Court in reviewing final decisions by judges; and removing the possibility for the Supreme Court to review questions that judges intend to refer to the European Court of Justice. The total number of milestones contained in the plan is 167 and there are 103 targets.

Hungarian stakeholders' views

Social partners and other stakeholders were able to submit their observations to and suggestions for the plan until 30 April 2021. Their [contributions](#) were published on the Hungarian NRRP website, along with the answers of the government. Some 38 stakeholders published their remarks through the website and 52 by mail/email. In total, 1 261 specific proposals were made.

Several contributions focus on the shortcomings of the consultation process. In its position, the Association of Hungarian Local Governments (Magyar Önkormányzatok Szövetsége), complained about information regarding the reform programme and consultations with local governments not having been made readily available: less than a month before the deadline for submission to the Commission, the plan had not yet been made public. Substantive consultations with regional local governments on the content of the draft programme were consequently lacking.

The non-inclusion of social partners and other stakeholders into the consultation process was another point mentioned in the contributions. While the government contacted 467 partner organisations with whom it would consult, it did not publish their list. In addition, neither the organisations dealing with anti-corruption issues (TI Hungary, K-Monitor) nor those dealing with the independence of the judiciary (Hungarian Helsinki Committee, Amnesty International Hungary, Károly Eötvös Institute for Public Policy) were among those invited for consultation.

Other contributions have to do with energy-related measures. The Energy Club Association (Energiaklub Egyesület) pointed out that Hungary does not have any official and exact survey on energy poverty. As regards green energy, they pleaded for diversification and pointed out that in addition to photovoltaic systems, the development of other renewable systems would be essential. The Association of Climate-Friendly Municipalities (Klímbarát Települések Szövetsége) highlighted the absence of measures on the energy retrofitting of residential buildings.

On the subject of the environment, the Association of Hungarian Conservationists (Magyar Természetvédők Szövetsége) warned that the physical network that needs to be developed as part of the digital transition (installing cables, repeater towers) must be treated the same way as electrical networks, by enforcing the same environmental and nature protection aspects. Greenpeace Hungary highlights that the Hungarian NRRP exceeds the RRF target of spending at least 37 % of the available amount on climate policy, although the method for calculating the specific value is not entirely clear. Furthermore, as regards the circular economy, the Hungarian NRRP focuses mainly on waste management without taking into account the waste hierarchy. Moreover, waste prevention and re-use have received little attention.

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

D'Alfonso A., [Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic](#), EPRS, July 2020.

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[EU recovery instrument](#), EPRS interactive infographic.

[National Recovery and Resilience Plans: Latest state of play](#), EPRS blog, March 2023.

OTHER SOURCES

[European Statistical Recovery Dashboard](#), website, Eurostat.

[Recovery and Resilience Scoreboard](#), website, European Commission.

[Hungary's Recovery and Resilience Plan](#), dedicated website, European Commission.

ENDNOTE

- ⁱ Component I: Governance and Public Administration contains 38 measures with 111 milestones and targets. Of these, 27 milestones are 'super milestones'. They are mostly the initial steps of the different measures listed under Component I, added to the NRRP following the Commission's negotiations with the Hungarian government.

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First edition. The 'Monitoring EU recovery' briefings are updated at key stages throughout the lifecycle of the plans.