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**Subject: State Aid SA.57468 (2020/N) – Hungary
COVID-19: Umbrella scheme of direct grants provided from the
appropriations managed at the level of ministries' budgetary chapters**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 25 May 2020, Hungary notified a measure in the form of limited amounts of aid, the *Umbrella scheme of direct grants provided from the appropriations managed at the level of ministries' budgetary chapters* (“the measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”).¹
- (2) Hungary exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

¹ Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, 19 March 2020, OJ C 91I, 20.3.2020, p. 1, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 112I, 4.4.2020, p. 1 and by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3.

² Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

Mr. Péter Szijjártó
Minister of Foreign Affairs and Trade
1027 Budapest, Bem rakpart 47
Hungary

2. DESCRIPTION OF THE MEASURE

- (3) Hungary considers that the COVID-19 outbreak has started to affect the real economy. Although the full impact of the COVID-19 outbreak on the economy is not yet foreseeable, the short-term impact is already clear in the form of a sharp rise in unemployment and in a reduction or complete cessation of production and service provisions.³
- (4) The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, and to ensure that the disruptions caused by the outbreak do not undermine their viability and economic continuity during and after the outbreak.
- (5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, as interpreted by sections 2 and 3.1 of the Temporary Framework.

2.1. The nature and form of aid

- (6) The measure provides aid in the form of direct grants.
- (7) The objective of the measure is to provide financial support to undertakings to counter the liquidity shortage caused by the COVID-19 outbreak. Under the measure, undertakings can obtain direct grants for investments aiming to preserve or create new job opportunities.

2.2. Legal basis

- (8) The legal basis for the measure are the below indicated ministerial decrees which amend the national legal basis of each of the following existing block-exempted aid schemes with the aim to introduce a new category of support measure within the meaning of section 3.1 of the Temporary Framework:
- (a) SA.57434 (2020/X): *Kultúrát és a kulturális örökség megőrzését előmozdító támogatás a fejezeti kezelésű előirányzatok felhasználásának rendjéről szóló 13/2020. (V. 5.) BM rendelet alapján (27-29., 31-32. és 36-37. sorok)*. This scheme concerns aid to promote culture and heritage conservation.
- National legal basis: *A fejezeti kezelésű előirányzatok felhasználásának rendjéről szóló 13/2020. (V. 5.) BM rendelet Magyar Közlöny, 2020. év 99. szám, 2020. május 5* (“Government Decree No 13/2020 of December on the rules governing the use of appropriations managed under the heading (V. 5.), Hungarian Official Gazette, No 99, May 2020”).
- (b) SA.55989 (2019/X): *Általános csoportmentességi rendelet szerinti támogatások a fejezeti kezelésű előirányzatok kezeléséről és felhasználásáról szóló 4/2019. (VI. 14.) KKM rendelet alapján*. This scheme concerns regional aid and investment aid for start-ups, for fundamental and industrial research and development, for innovation, for

³ The Hungarian government declared the “State of Emergency” on 11 March 2020.

the promotion of energy from renewable energy sources, and for culture and heritage conservation.

- National legal basis: *A fejezeti kezelésű előirányzatok kezeléséről és felhasználásáról szóló 4/2019. (VI. 14.) KKM rendelet Magyar Közlöny 2019. évi 101. Szám* (“Government Decree No 4/2019 of December on the management and use of appropriations managed under heading (VI. 14), Hungarian Official Gazette, No 101, 2020”).
- (c) SA.53937 (2019/XA): *Mezőgazdasági csoportmentességi rendelet szerinti támogatások a Külgazdasági és Külügyminisztérium fejezeti kezelésű előirányzatok kezeléséről és felhasználásáról szóló rendelete alapján*. This scheme concerns aid for investments in tangible assets or intangible assets in agricultural holding linked to primary agricultural production.
- National legal basis: *A Külgazdasági és Külügyminisztérium fejezeti kezelésű előirányzatok kezeléséről és felhasználásáról szóló rendelete* (“Regulation of the Ministry of Foreign Affairs and Trade on the management and use of chapter-managed appropriations”).
- (d) SA.56387 (2020/X): *Nagyvállalati beruházási támogatások - megfeleltetés a 9/2018. (X. 19.) PM rendeletnek (kiegészítés a 25. cikk szerinti jogcímmel)*. This scheme concerns regional aid and investment aid for fundamental and industrial research and development, for energy efficiency measures, and for the promotion of energy from renewable energy sources.
- National legal basis: *a fejezeti kezelésű előirányzatok kezeléséről és felhasználásáról szóló 9/2018. (X. 19.) PM rendelet 1. melléklet 20. sor; a fejezeti kezelésű előirányzatok kezeléséről és felhasználásáról szóló 9/2018. (X. 19.) PM rendeletnek a Magyarország 2020. évi központi költségvetéséről szóló 2019. évi LXXI. törvénnyel összefüggő módosításáról szóló 23/2019. (XII. 23.) PM rendelet Magyar Közlöny 2019. évi 2016. Száma* (“Government Decree No 9/2018 of December on the management and use of appropriations managed under heading (X. 19), Hungarian Official Gazette, No 2016, 2019”).

2.3. Administration of the measure

- (9) The following authorities are responsible for granting and administering the measure:
- (a) The Ministry of Internal Affairs for the scheme referred to in recital (8)(a);
 - (b) The Ministry of Foreign Affairs and Trade for the schemes referred to in recitals (8)(b) and (8)(c);
 - (c) The Ministry of Finance for the scheme referred to in recital (8)(d).
- (10) The Hungarian authorities confirm that the aid is not channelled through credit or financial institutions.

2.4. Budget and duration of the measure

- (11) The estimated budget of the measure is:
- (a) HUF 3.6 billion (approximately EUR 10.2 million) for the scheme referred to in recital (8)(a);
 - (b) HUF 25 billion (approximately EUR 71.4 million) for the schemes referred to in recitals (8)(b) and (8)(c);
 - (c) HUF 25 billion (approximately EUR 71.4 million) for the scheme referred to in recital (8)(d).
- (12) The measure will not be co-financed by EU funds.
- (13) Aid may be granted under the measure as from its approval until no later than 31 December 2020.

2.5. Beneficiaries

- (14) The beneficiaries of the measure are micro, small and medium-sized enterprises (“SMEs”)⁴ as well as large enterprises active in Hungary. The Hungarian authorities estimate that up to 500 undertakings will benefit from the measure.
- (15) Aid may not be granted under the measure to undertakings that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”),⁵ the Agricultural Block Exemption Regulation (“ABER”),⁶ or the Fisheries Block Exemption Regulation (“FIBER”),⁷ respectively, on 31 December 2019.
- (16) The Hungarian authorities confirm that credit and financial institutions are excluded from the scope of the measure.

2.6. Sectoral and regional scope of the measure

- (17) The measure is open to all sectors except the financial sector.
- (18) The measure applies to the whole territory of Hungary.

⁴ As defined in Annex I to Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, p. 1.

⁵ As defined in Article 2(18) of the Commission Regulation (EU) No 651/2014 of 17 June 2014.

⁶ As defined in Article 2(14) of the Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 193, 1.7.2014, p.1.

⁷ As defined in Article 3(5) of the Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 369, 24.12.2014, p. 37.

2.7. Basic elements of the measure

- (19) The measure provides for aid in the form of direct grants that shall not exceed the following ceilings (in gross figures, that is, before any deduction of tax or other charge):
- (a) EUR 100 000 per undertaking active in the primary production of agricultural products;
 - (b) EUR 120 000 per undertaking active in the fishery and aquaculture sector;
 - (c) EUR 800 000 per undertaking active in other sectors.
- (20) Where the beneficiaries are undertakings active in the processing and marketing of agricultural products, the aid is not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.
- (21) Additionally, for agricultural, fisheries and aquaculture sector:
- (a) aid to undertakings active in the primary production of agricultural products is not fixed on the basis of the price or quantity of products put on the market;
 - (b) aid to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014; and
 - (c) where an undertaking is active in several sectors to which different maximum amounts apply, by appropriate means such as separation of accounts, for each of these activities the relevant ceiling is respected and that the highest possible amount is not exceeded in total.

2.8. Cumulation

- (22) The Hungarian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations⁸ and/or with aid under the GBER, ABER or FBER, provided the requirements and cumulation rules of those Regulations are respected.
- (23) The Hungarian authorities confirm that aid under the notified measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.

⁸ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p.1); Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013, p. 9); Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 8).

- (24) The Hungarian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the requirements of those specific sections are respected.
- (25) The Hungarian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in points 22(a) and 23(a) of that framework, shall be respected.

2.9. Monitoring and reporting

- (26) The Hungarian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting).⁹ In particular, the Hungarian authorities confirm that they will provide to the Commission by 31 December 2020 a list of measures put in place on the basis of the present umbrella scheme.

3. ASSESSMENT

3.1. Lawfulness of the measure

- (27) By notifying the measure before putting it into effect, the Hungarian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (28) For a measure to be qualified as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.
- (29) The measure is imputable to the State, since it is administered by the Ministry of Internal Affairs, the Ministry of Foreign Affairs and Trade, and the Ministry of Finance as set out in recital (9), and it is based on existing block-exempted aid schemes as described in recital (8) above. It is financed through State resources, since it is financed by public funds.
- (30) The measure confers an advantage on its beneficiaries in the form of direct grants (see recital (19)). The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.

⁹ Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 of 17 June 2014, Annex III to Commission Regulation (EU) No 702/2014 of 25 June 2014, and Annex III of the Commission Regulation (EU) No 1388/2014 of 16 December 2014.

- (31) The advantage granted by the measure is selective, since it is awarded only to certain undertakings and excludes credit and financial institutions as well as undertakings that were already in difficulty on 31 December 2019 (see recitals (15) and (16)).
- (32) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.
- (33) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU.

3.3. Compatibility

- (34) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.
- (35) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid “*to remedy a serious disturbance in the economy of a Member State*”.
- (36) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in Section 2) that “*the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings*”. The Commission concluded that “*State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs*”.
- (37) The measure aims at facilitating the access of undertakings to external finance at a time when the normal functioning of credit markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (38) The measure is one of a series of measures conceived at national level by the Hungarian authorities to remedy a serious disturbance in their economy. The importance of the measure to ensure access of undertakings to liquidity during the COVID-19 outbreak is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Hungarian economy.
- (39) Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“*Limited amounts of aid*”) described in section 3.1 of the Temporary Framework.
- (40) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of Hungary and meets all the conditions of the Temporary Framework. In particular:
- The aid takes the form of direct grants whose overall value shall not exceed EUR 800 000 per undertaking (see recital (19)(c)). The measure therefore complies with point 22(a) of the Temporary Framework;

- Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (11). The measure therefore complies with point 22(b) of the Temporary Framework;
- Aid will not be granted to undertakings under the measure that were already in difficulty on 31 December 2019 (see recital (15)). The measure therefore complies with point 22(c) of the Temporary Framework;
- Aid will be granted under the measure no later than 31 December 2020 (see recital (13)). The measure therefore complies with point 22(d) of the Temporary Framework;
- Aid granted to undertakings active in the processing and marketing of agricultural products are excluded when the aid is conditional on being partly or totally passed on to primary producers, fixed on the basis of the price or quantity of products purchased from primary producers, or put on the market by such producers (see recital (20)). The measure therefore complies with point 22(e) of the Temporary Framework.
- The overall nominal value of the direct grants do not exceed EUR 120 000 per undertaking active in the fishery and aquaculture sector (see recital (19)(b)) or EUR 100 000 per undertaking active in the primary production of agricultural products (recital (19)(a)). The measure therefore complies with point 23(a) of the Temporary Framework;
- Aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market (recital (21)(a)). The measure therefore complies with point 23(b) of the Temporary Framework;
- Aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014 (see recital (21)(b)). The measure therefore complies with point 23(c) of the Temporary Framework.
- Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Hungary will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 800 000 is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 120 000 is not exceeded per undertaking (see recital (21)(c)). The measure therefore complies with point 23bis of the Temporary Framework.

(41) The Hungarian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (see recital (26)).

(42) The Hungarian authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific requirements of the sections of the Temporary Framework are respected and the cumulation rules of the relevant Regulations are respected (see recitals (22) to (25)).

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

