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**Subject: State Aid SA.58065 (2020/N) – Hungary
Collective amendment of existing schemes under point 8 of the third
amendment of the Temporary Framework: SA.56994; SA.57446;
SA.57376; SA.57626; SA.57488; SA.57285; SA.57468**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 16 July 2020, Hungary notified an identical modification to the following schemes (“the existing aid schemes”):
- (a) State Aid SA.56994 (2020/N) – Hungary – Aid from Structural Funds aiming at supporting undertakings affected by the economic repercussions of the COVID-19;¹
 - (b) State Aid SA.57121 (2020/N) – Hungary – Exceptional Liquidity Guarantee Programs by Garantiqa Zrt and the Hungarian Development Bank (as amended by the scheme SA.57446);²
 - (c) State Aid SA.57064 (2020/N) – Hungary – COVID-19: Grants, guarantee and subsidised interest measures (as amended by the scheme SA.57376);³

¹ Commission Decision C(2020) 2535 final, SA.56994, of 17.4.2020.

² Commission Decision C(2020) 2855 final, SA.57121, of 28.4.2020. Amended by Commission Decision C(2020) 3647 final, SA.57446, of 29.5.2020.

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- (d) State Aid SA.57198 (2020/N) – Hungary – COVID-19: Crisis Rural Guarantee Programme by AHVGA (as amended by the scheme SA.57626);⁴
 - (e) State Aid SA.57269 (2020/N) – Hungary – COVID-19: CAPITAL FUNDS (as amended by the scheme SA.57488);⁵
 - (f) State Aid SA.57285 (2020/N) – Hungary – COVID-19: Grant Scheme Related To The Széchenyi Card Programme;⁶
 - (g) 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.⁷
- (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 1/1958⁸ and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE SCHEME

- (3) The Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”),⁹ provides that aid may be granted to micro or small enterprises within the meaning of the General Block Exemption Regulation¹⁰ (or the Agricultural Block

³ Commission Decision C(2020) 2878 final, SA.57064, of 29.4.2020. Amended by Commission Decision C(2020) 3533 final, SA.57376, of 26.5.2020.

⁴ Commission Decision C(2020) 3106 final, SA.57198, of 7.5.2020. Amended by Commission Decision C(2020) 4381 final, SA.57626, of 25.6.2020.

⁵ Commission Decision C(2020) 3462 final, SA.57269, of 20.5.2020. Amended by Commission Decision C(2020) 4229 final, SA.57488, of 19.06.2020.

⁶ Commission Decision C(2020) 3459 final, SA.57285, of 20.5.2020.

⁷ Commission Decision C(2020) 3951 final, SA.57468, of 8.06.2020.

⁸ Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

⁹ Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, 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, 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 and by Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 218, 2.7.2020, p. 3.

¹⁰ As defined in Article 2(18) of 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.

Exemption Regulation¹¹ or the Fisheries Block Exemption Regulation¹²), that were already in difficulty on 31 December 2019, provided that at the moment of the granting, these enterprises are not subject to a collective insolvency procedure under national law, and that they have not received rescue aid¹³ or restructuring aid.¹⁴

- (4) Hungary plans to modify the existing aid schemes to fully reflect the amendment to the Temporary Framework, as mentioned in recital (3).
- (5) The Hungarian authorities confirmed that no further modifications are proposed to the existing aid schemes.
- (6) The modifications will only be put into effect after the Commission's approval.

3. ASSESSMENT

3.1. Lawfulness of the measure

- (7) By notifying the modifications to the existing aid schemes before putting them into effect, the Hungarian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (8) For a measure to be categorised 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.
- (9) The existing aid schemes constitute State aid within the meaning of Article 107(1) TFEU for the reasons set out in the decisions referred to in recital (1).¹⁵ The

¹¹ 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.

¹² 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.

¹³ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹⁴ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

¹⁵ See recitals (25) to (30) of Commission Decision C(2020) 2535 final, SA.56994, of 17.4.2020; recitals (30) to (35) of Commission Decision C(2020) 2855 final, SA.57121, of 28.4.2020; recitals (32) to (37) of Commission Decision C(2020) 2878 final, SA.57064, of 29.4.2020; recitals (31) to (36) of Commission Decision C(2020) 3106 final, SA.57198, of 7.5.2020; recitals (36) to (41) of Commission Decision C(2020) 3462 final, SA.57269, of 20.5.2020; recitals (30) to (35) of Commission Decision C(2020) 3459 final, SA.57285, of 20.5.2020; and recitals (28) to (33) of Commission Decision C(2020) 3951 final, SA.57468, of 8.06.2020.

proposed modification to those schemes does not affect that conclusion. The Commission therefore refers to the respective assessment of the aforementioned decisions and concludes that the schemes as modified constitute State aid in the meaning of Article 107(1) of the TFEU.

3.3. Compatibility

- (10) The Commission assessed the existing aid schemes on the basis of Article 107(3)(b) of the TFEU in light of the Temporary Framework and concluded that they were compliant with the compatibility conditions set out in that Framework.
- (11) The Commission refers to its analysis of compatibility as set out in the initial decisions referred to in recital (1).¹⁶
- (12) As explained in the Temporary Framework, the Commission considers that micro and small undertakings have been particularly affected during the current crisis by the liquidity shortage caused by the economic impact of the COVID-19 outbreak. The unprecedented supply and demand shock due to the crisis has also exacerbated the difficulties such undertakings face to access financing on the market in general, as compared to medium-sized and large enterprises. Given their limited size and limited involvement in cross-border transactions, it is therefore less likely that State aid granted to these enterprises would distort competition in the internal market and affect intra-EU trade than State aid granted to medium-sized and large companies. This holds true even if these enterprises were to fall under the category of an undertaking in financial difficulty already on 31 December 2019, as long as they are not subject to a collective insolvency procedure under national law and have not received rescue aid (which has not been repaid) or restructuring aid (and are still subject to a restructuring plan).
- (13) In light of points 22(c)bis, 25(h)bis, 27(g)bis, of the Temporary Framework, the Commission considers that the proposed modification to each of the existing aid schemes meet the conditions of the Temporary Framework and do not affect the compatibility analysis as set out in the initial Decisions referred in recital (1).

¹⁶ See recitals (31) to (37) of Commission Decision C(2020) 2535 final, SA.56994, of 17.4.2020; recitals (36) to (41) of Commission Decision C(2020) 2855 final, SA.57121, of 28.4.2020; recitals (38) to (49) of Commission Decision C(2020) 2878 final, SA.57064, of 29.4.2020; recitals (37) to (45) of Commission Decision C(2020) 3106 final, SA.57198, of 7.5.2020; recitals (42) to (49) of Commission Decision C(2020) 3462 final, SA.57269, of 20.5.2020; recitals (36) to (45) of Commission Decision C(2020) 3459 final, SA.57285, of 20.5.2020; and recitals (34) to (42) of Commission Decision C(2020) 3951 final, SA.57468, of 8.06.2020.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the modifications to aid schemes SA.56994, SA.57446, SA.57376, SA.57626, SA.57488, SA.57285 and SA.57468 on the grounds that they are compatible with the internal market pursuant to Article 107(3)(b) of the TFEU.

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

CERTIFIED COPY
For the Secretary-General,

Jordi AYET PUIGARNAU
Director of the Registry
EUROPEAN COMMISSION