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**Subject: State Aid SA.58312 (2020/N) – Hungary  
Amendment of the scheme SA.57468 (2020/N) as amended by  
SA.58065 (2020/N) concerning 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 7 August 2020, Hungary notified an amendment (“the present amendment”) to the umbrella aid scheme SA.57468 (2020/N) (“the initial umbrella scheme”), which the Commission approved by decision of 8 June 2020 (“the initial Decision”)<sup>1</sup> under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”)<sup>2</sup>. The initial scheme was amended (“the amended

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<sup>1</sup> Commission Decision C(2020) 3951 final of 8 June 2020, SA.57468 (2020/N) - Hungary - COVID-19: Umbrella scheme of direct grants provided from the appropriations managed at the level of ministries’ budgetary chapters

<sup>2</sup> 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.

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umbrella scheme”), and approved by Commission Decision of 28 July 2020 on State aid SA.58065<sup>3</sup> (“the Decision approving the amended scheme”).

- (2) The Hungarian authorities confirm that the notification does not contain confidential information.
- (3) 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 1/1958,<sup>4</sup> and to have this Decision adopted and notified in English.

## **2. DESCRIPTION OF THE SCHEME**

### **2.1. Objective of the scheme**

- (4) Hungary intends to modify the amended umbrella scheme.
- (5) The objective of the present amendment is to provide further financial support possibilities to undertakings to counter the liquidity shortage caused by the COVID-19 outbreak.

### **2.2. The present amendment to the initial scheme**

- (6) Under the amended umbrella scheme, undertakings can obtain direct grants for investments aiming to preserve or create new job opportunities. The present amendment concerns:
  - (a) the nature and form of the aid by setting up an additional aid measure;
  - (b) the administration of the measure;
  - (c) the legal basis;
  - (d) the budget.

#### *2.1.1. Nature and form of aid by setting up an additional aid measure*

- (7) The present amendment extends the scope of the amended umbrella scheme<sup>5</sup> by introducing an additional measure<sup>6</sup>, which provides direct grants to undertakings to cover their financial costs in relation to guarantees taken out until 31 December 2020 (guarantee fee subsidies) in addition to direct grants for investments (“the additional scheme”).

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<sup>3</sup> Commission Decision C(2020) 5284 final of 28 July 2020, 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

<sup>4</sup> Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

<sup>5</sup> Under the amended umbrella scheme, undertakings can obtain direct grants for investments aiming to preserve or create new job opportunities. The schemes under the amended umbrella scheme are administered by the Ministry of Internal Affairs, Ministry for Foreign Affairs and Trade, Ministry of Finance.

<sup>6</sup> The additional measure comes on top of the measures referred to in recitals (8)(a) to (8)(d) of the initial Decision.

### 2.1.2. Administration of the measure

- (8) The Ministry for Technology and Innovation is responsible for granting and administering the additional measure.
- (9) The Hungarian authorities confirm that aid provided in the form of direct grants for investments is not channelled through credit or financial institutions.
- (10) However, financial intermediaries may be involved in the implementation of that part of the additional measure, which provides guarantee fee subsidies in relation to existing loans and guarantees, and in relation to loans and guarantees taken out no later than 31 December 2020. The Hungarian authorities explained that in this case, the entire advantage is passed on to the final beneficiaries and no advantage remains with the credit and financial institutions. Credit institutions or other financial institutions as financial intermediaries may not charge any additional costs beyond the financial costs covered by the guarantee fee subsidy. Financial costs - in relation to existing loans and guarantees, and in relation to loans and guarantees taken out no later than 31 December 2020 - charged by credit institutions or other financial institutions as financial intermediaries are capped. The guarantors may not charge a higher guarantee fee than what they would charge for guarantees not receiving guarantee fee subsidy. The entire advantage of the guarantee fee subsidy is transferred to the final beneficiary.

### 2.1.3. Legal basis

- (11) The legal basis for the additional scheme is the below indicated ministerial decree, which amends the national legal basis with the aim to introduce a new category of support measure within the meaning of section 3.1 and 3.4 of the Temporary Framework:
  - SA.55222 (2019/X): *Nemzeti fejlesztési programok és egyéb támogatások a fejezeti kezelésű előirányzatok és központi kezelésű előirányzatok kezeléséről és felhasználásáról szóló 14/2019. (VI. 12.) ITM rendelet alapján (1. melléklet 35., 36., 38., 41., 42., 56., 67., 82., 95., 103. sor)*. This scheme concerns, among others, regional aid, SME aid, start-up aid, R&D&I aid, training aid, energy and environmental aid and cultural aid.
    - Its national legal basis is the following: *a fejezeti kezelésű előirányzatok és központi kezelésű előirányzatok kezeléséről és felhasználásáról szóló 14/2019. (VI. 12.) ITM rendelet Magyar Közlöny, 2019. évi 98. szám, 2019. június 12.* (Minister for Technology and Innovation Decree No 14/2019 (VI. 12.) on the rules governing the use of appropriations managed under the heading and centrally, Hungarian Official Gazette, No 98, 12 June 2020).

### 2.4.4. Budget

- (12) The present amendment concerns an increase of the estimated total budget of the amended umbrella scheme<sup>7</sup>:

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<sup>7</sup> The estimated total budget is increased from HUF 53.6 billion (approximately EUR 153 million) to HUF 88.6 billion (approximately EUR 253.8 million).

- (a) the estimated budget for the schemes referred to in recitals (8)(b) and (8)(c) of the initial Decision is increased to HUF 50 billion (approximately EUR 142.8 million)<sup>8</sup>.
  - (b) The estimated budget of the additional measure is HUF 10 billion (approximately EUR 29.4 million).
- (13) There are no further changes to the amended umbrella scheme.

### **2.3. Other clarifications**

- (14) Hungary confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.

### **2.4. Monitoring and reporting**

- (15) Hungary confirms that it 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 above EUR 100 000 granted under the measure and EUR 10 000 in the agricultural, fisheries and aquaculture sector on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting<sup>9</sup>).

## **3. ASSESSMENT**

### **3.1. Lawfulness of the scheme**

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

### **3.2. Existence of State aid**

- (17) 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.
- (18) The qualification of the measure as State aid was established in recitals (28) to (33) of the initial Decision and recital (9) of the Decision approving the amended scheme. The modifications to the amended umbrella scheme described in recitals (6) to (12) above do not affect the conclusions set out in the aforementioned recitals. As a result of those modifications, the amended scheme, as modified, continues to grant a selective advantage from State resources that is imputable to

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<sup>8</sup> The initial Decision estimated a budget of HUF 25 billion (approximately EUR 71.4 million) for the scheme referred to in recitals (8)(b) and (8)(c) of the initial Decision.

<sup>9</sup> Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III of the Commission Regulation (EU) No 1388/2014.

the State, distorts competition and affects intra-EU trade for the same reasons as those given in those recitals.

- (19) The Commission therefore refers to the aforementioned recitals in support of its conclusion that the amended scheme constitute a State aid.

### **3.3. Compatibility**

- (20) The Commission assessed the compatibility of the initial umbrella scheme and of the amended umbrella scheme with the internal market on the basis of Article 107(3)(b) TFEU, as interpreted by Sections 2 and 3.1 of the Temporary Framework. It concluded that they were necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, since they met all the relevant conditions of the Temporary Framework.
- (21) The additional scheme 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 and the requirements for aid channelled through credit institutions or other financial institutions described in Section 3.4 of the Temporary Framework.
- (22) The Commission refers to its compatibility analysis as set out in recitals (34) to (42) of the initial Decision and as set out in recitals (10) to (13) of the Decision approving the amended scheme. Apart from the modifications referred to in recitals (6) to (12) above, the Commission notes that there are no other alterations to the initial umbrella scheme, as modified by the amended umbrella scheme.
- (23) The extension of the amended umbrella scheme with the additional scheme administered by the Ministry for Technology and Innovation contributes to the objective of the amended umbrella scheme, which is to provide financial support to undertakings to counter the liquidity shortage caused by the COVID-19 outbreak. The fact that the amended umbrella scheme includes an additional scheme does not alter the consideration in recital (38) of the initial Decision, that 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.
- (24) With the introduction of the additional scheme, aid can also be granted in the form of direct grants to undertakings to cover their financial costs in relation to guarantees taken out until 31 December 2020 (guarantee fee subsidies) in addition to direct grants for investments aiming to preserve or create new job opportunities as foreseen in the amended umbrella scheme. This does not change the fact that the aid takes the form of grants whose overall nominal value shall not exceed EUR 800 000 per undertaking, EUR 120 000 per undertaking active in the fishery and aquaculture sector or 100 000 per undertaking active in the primary production of agricultural products. The measure therefore complies with point 22(a) and 23(a) of the Temporary Framework.
- (25) The Commission considers that the estimated increase in the total budget – due to the budget of the additional scheme and due to the increase of the budget of the schemes referred to in recitals (8)(b) and (8)(c) of the initial Decision - does not alter the conclusion of the initial Decision that the scheme complies with point

22(b) of the Temporary Framework, as the aid is granted based on a scheme with an estimated budget.

- (26) Although the measure will be partially channelled through credit institutions, the Commission considers that the measure introduces safeguards in relation to the possible indirect aid in favour of those credit institutions to limit undue distortions to competition. First, financial costs - in relation to existing loans and guarantees, and in relation to loans and guarantees taken out no later than by 31 December 2020 - charged by credit institutions or other financial institutions are capped. The guarantors may not charge a higher guarantee fee than what they would charge for guarantees not receiving guarantee fee subsidy. Second, credit institutions or other financial institutions may not charge any additional costs beyond the financial costs (covered by the guarantee fee subsidy). Third, the entire guarantee fee subsidy is transferred to the final beneficiary.
- (27) The Commission notes that the umbrella scheme as amended by this second amendment notified by the Hungarian authorities, complies with point 16ter of the Temporary Framework, since the granting of aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid.
- (28) The Commission also notes that the monitoring and reporting rules laid down in Section 4 of the Temporary Framework will be respected.
- (29) The Commission therefore considers that the present amendments do not affect the compatibility analysis of the aid scheme as set out in the initial Decision and the Decision approving the amended scheme.

#### **4. COMPLIANCE WITH INTRINSICALLY LINKED PROVISIONS OF DIRECTIVE 2014/59/EU**

- (30) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution (“BRRD”)<sup>10</sup> in the event that an institution benefiting from the measures meets the conditions for the application of that Directive, the Commission notes that the notified measures do not appear to violate intrinsically linked provisions of the BRRD.
- (31) In particular, aid granted by Member States to non-financial undertakings as final beneficiaries under Article 107(3)(b) TFEU in line with the Temporary Framework, which is channeled through credit institutions or other financial institutions as financial intermediaries, may also constitute an indirect advantage to those institutions.<sup>11</sup> Nevertheless, any such indirect aid granted under the measure does not have the objective of preserving or restoring the viability, liquidity or solvency of those institutions. The objective of the measure is to remedy the liquidity shortage faced by undertakings that are not financial institutions and to ensure that the disruptions caused by the COVID-19 outbreak do not undermine the viability of such undertakings, especially of SMEs. As a

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<sup>10</sup> OJ L 173, 12.6.2014, p. 190-348.

<sup>11</sup> Points 6 and 29 of the Temporary Framework.

result, aid granted under the measure does not qualify as extraordinary public financial support under Article 2(1)(28) BRRD.

- (32) Moreover, as indicated in recital (26) above, the measure introduces safeguards in relation to any possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. Such safeguards ensure that those institutions, to the largest extent possible, pass on the advantages provided by the measure to the final beneficiaries.
- (33) The Commission therefore concludes that the measure does not violate any intrinsically linked provisions of the BRRD.

## 5. CORRECTION OF A CLERICAL ERROR IN THE INITIAL DECISION

- (34) The Commission notes that in recital (8)(a), (8)(b) and (8)(d) of the initial Decision, a translation error occurred. When referring to the national legal basis in English, the Commission has indicated Government Decrees instead of naming the respective Minister's Decree.
- (35) The translation error does not affect neither the assessment nor the conclusions of the initial Decision, nevertheless the Commission wishes to correct this error.
- (36) Therefore, recitals (8)(a), (8)(b) and (8)(d) of the Decision shall read as follows:

- Recital (8)(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* (“Minister of Internal Affairs Decree No 13/2020 (V.5.) on the rules governing the use of appropriations managed under the heading (V. 5.), Hungarian Official Gazette, No 99, May 2020”).

- Recital (8)(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 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* (“Minister of Foreign Affairs and Trade Decree No 4/2019 (VI. 14) on the management and use of appropriations managed under heading, Hungarian Official Gazette, No 101, 2020”).

- Recital (8)(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* (“Minister of Finance Decree no. 23/2019 (XII. 23.) amending Minister of Finance Decree No 9/2018 (X. 19.) on the management and use of appropriations managed centrally and at a chapter level in connection with Act LXXI of 2019 on the Central Budget of Hungary for 2020, Hungarian Official Gazette, No 216, 2019”).

## **6. 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