Subject: State Aid SA.61842 (2021/N) – Hungary
Collective amendment of existing schemes under the fifth amendment of the Temporary Framework.

Excellency,

1. **PROCEDURE**

   (1) By electronic notification of 8 February 2021, Hungary notified a 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 (as amended by the schemes SA.58065 and SA.59306);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 schemes SA.57446, SA.58065 and SA.59306);2

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(c) State Aid SA.57064 (2020/N) – Hungary – COVID-19: Grants, guarantee and subsidised interest measures (as amended by the schemes SA.57376, SA.58065, SA.58067, SA.59306, SA.59806);\(^3\)

(d) State Aid SA.57198 (2020/N) – Hungary – COVID-19: Crisis Rural Guarantee Programme by AHVGA (as amended by the schemes SA.57626, SA.58065 and SA.59306);\(^4\)

(e) State Aid SA.57269 (2020/N) – Hungary – COVID-19: CAPITAL FUNDS (as amended by the scheme SA.57488, SA.58065, SA.58390 and SA.59306);\(^5\)

(f) State Aid SA.57285 (2020/N) – Hungary – COVID-19: Grant Scheme Related To The Széchenyi Card Programme (as amended by the schemes SA.58065, SA.58288 and SA.59306);\(^6\)

(g) State Aid SA.57329 (2020/N) – Hungary COVID-19: Temporary aid scheme for the agri-food sector, aquaculture and forestry affected by the coronavirus outbreak (as amended by the schemes SA.58044 and SA.59306).\(^7\)

(h) 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 (as amended by the schemes SA.58065, SA.58312, SA.58806, SA.59306 and SA.60080).\(^8\)

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(i) State Aid SA.58202 (2020/N) – Hungary - COVID-19: COVID-19 related research, development and production support scheme (as amended by the schemes SA.58718 and SA.59306).  

(j) State Aid SA.58420 (2020/N) – Hungary – COVID-19 – Recapitalisation Fund Scheme Managed by Hiventures ZRT. 

(k) State Aid SA.59477 (2020/N) – Hungary – COVID-19: Scheme for the protection of the economy during the second state of emergency (as amended by the schemes SA.60367 and SA.61329). 

(l) State Aid SA.60910 (2020/N) – Hungary – COVID-19 scheme for the reduction of local business tax rates applicable to small and medium-sized enterprises to moderate the effects of the coronavirus pandemic on the economy. 

(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 1/1958 and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE AMENDMENT

(3) Recital (12) of the Fifth Amendment to the Temporary Framework states that “Member States may envisage modifying existing aid measures approved by the Commission under the Temporary Framework in order to prolong their period of application until 31 December 2021. Member States may also envisage increasing the budget of existing measures or introducing other amendments to align those measures with the Temporary Framework, as amended by this Communication. Member States which plan to do so are invited to notify a list of all existing aid measures they envisage modifying and to provide the necessary information listed in the annex of this Communication. This will allow the Commission to adopt one decision covering the list of notified measures”. 

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

14 Communication from the Commission, Fifth Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak and amendment to the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance, OJ C 34, 1.2.2021, p. 6.
In accordance with recital (12) of the Temporary Framework, Hungary plans to modify the abovementioned existing aid schemes in order to reflect the amendments envisaged therein.

First, Hungary wishes to prolong the period of application of the existing aid schemes until 31 December 2021. However, with regard to scheme SA.59477, as amended by SA.60367 and SA.61329, the prolongation concerns only measures A and B, for all the sectors listed in that scheme.

Second, Hungary wishes to grant aid up to the new maximum aid ceilings, as set out in section 3.1 of the Temporary Framework (as amended by the Fifth Amendment), under the following existing aid schemes: SA.56994, SA.57064, SA.57329, SA.57269, SA.57468, SA.59477, SA.60910. Therefore, for these schemes, the overall aid shall not exceed, where applicable:

- EUR 225 000 per undertaking active in the primary production of agricultural products;
- EUR 270 000 per undertaking active in the fishery and aquaculture sector;
- EUR 1.8 million per undertaking active in other sectors.

Third, Hungary wishes to increase the budget for the following existing aid schemes:

- For the scheme SA.56994, increase from HUF 350 billion (approx. EUR 1 000 million) to HUF 1 000 billion (approx. EUR 2 778 million).\(^{15}\)
- For the scheme SA.57121, increase from HUF 1 400 billion (approx. EUR 3 888 million) to HUF 2 100 billion (approx. EUR 5 833 million).
- For the scheme SA.57064, increase from EUR 2 310 million (EUR 10 million for aid in the form of grants, EUR 300 million for State guarantees on loans, and EUR 2 000 million for subsidised interest rates on loans) to EUR 2 510 million, by increasing only the grants from EUR 10 million to EUR 210 million. The amounts of the guarantees on loans and of the subsidised loans remain unchanged.
- For the scheme SA.57198, increase from HUF 250 billion (EUR 694.4 million) to HUF 350 billion (EUR 972.2 million).
- For the scheme SA.57329, increase from HUF 70 billion (EUR 198 million) to HUF 100 billion (EUR 278 million).
- For the scheme SA.57285, increase from HUF 81.4 billion (EUR 226.1 million) to HUF 111.4 billion (EUR 309.4 million).
- For the scheme SA.57468, increase from HUF 115.69 billion (EUR 321.1 million) to HUF 135 billion (EUR 375 million).

\(^{15}\) Exchange rate: 1 EUR = HUF 360, see [ECB webpage](https://www.ecb.europa.eu).
(h) For the scheme SA.58202, increase from HUF 105 billion (EUR 291.6 million) to HUF 125 billion (EUR 347.2 million).

(i) For the scheme SA.59477, increase the budget of Measure A from HUF 19.5 billion (EUR 53.9 million) to HUF 28.5 billion (approx. EUR 78.9 million), and increase the budget of Measure B from HUF 60.16 billion (EUR 167.1 million) to HUF 87.16 billion (approx. EUR 242.1 million).

(8) Fourth, as regards the scheme SA.56994, the Hungarian authorities would like to extend the scope of Union co-financing also, and to the extent possible, to financing provided from the Recovery and Resilience Facility (RRF) as well as from the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU). The Hungarian authorities declare that all rules of the relevant regulations will be complied with.

(9) Fifth, as regards the schemes SA.57269 and SA.58420, the Hungarian authorities wish to allow the possibility whereby measures granted in the form of repayable advances, guarantees, loans or other repayable instruments may be converted into other forms of aid such as grants, provided the conversion takes place by 31 December 2022 at the latest.

(10) Finally, as regards the scheme SA.57198, the Hungarian authorities wish to extend the scheme to factoring products, namely guarantees on recourse and reverse factoring where the factor has the right of recourse to the factoree. The guarantees will be granted under the same terms as described in the existing scheme.

(11) The Hungarian authorities confirmed that no further modifications are proposed to the existing aid schemes.

(12) The modifications will only be put into effect after the notification of the Commission’s approval.

3. **ASSESSMENT**

3.1. **Lawfulness of the measure**

(13) 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.

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16 The initial scheme SA.56994 was already co-financed by the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF), including co-financing under European Union Solidarity Fund (EUSF), as amended by the Coronavirus Response Investment Initiative (CRII) related regulations.

3.2. **Existence of State aid**

(14) 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.

(15) 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). The proposed modifications to those schemes do 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**

(16) The Commission assessed the existing aid schemes on the basis of Article 107(3)(b) and 107(3)(c) of the TFEU in light of the Temporary Framework and concluded that they were compliant with the compatibility conditions set out in that Framework. The Commission refers to its analysis of compatibility as set out in the initial decisions referred to in recital (1).

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19 For all existing aid schemes, except SA.58202.

20 For the scheme SA.58202.

(17) The proposed modifications are in line with the possibilities enunciated in the abovementioned recital (12) of the Temporary Framework and have been designed to meet all the relevant requirements. In particular:

(a) Aid under the existing aid schemes can be granted no later than 31 December 2021 (see recital (5) above). The modifications therefore comply, where applicable, with points 22(d), 25(c), 27(c), 35(a), 39(b), 43(c), and 48 of the Temporary Framework.

(b) Aid to be granted under the schemes SA.56994, SA.57064, SA.57329, SA.57269, SA.57468, SA.59477 and SA.60910, shall not exceed the maximum aid ceilings of i) EUR 225,000 per undertaking active in the primary production of agricultural products, ii) EUR 270,000 per undertaking active in the fishery and aquaculture sector, and iii) EUR 1.8 million per undertaking active in other sectors (see recital (6) above). The modifications thus comply with points 22(a) and 23(a) of the Temporary Framework.

(c) The aid ceilings and cumulation maxima fixed under the schemes will apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the EU funds (see recital (8)).

(d) Aid is granted on the basis of schemes with estimated budgets as set out in recital (7). The schemes previously approved under section 3.1 continue therefore to comply with point 22(b) of the Temporary Framework.

(e) Aid granted in the form of repayable advances, guarantees, loans or other repayable instruments may be converted into other forms of aid such as grants, provided the conversion takes place by 31 December 2022 at the latest and the rest of conditions of section 3.1 are complied with (recital (9)). The modifications therefore comply with point 23(ter) of the Temporary Framework.

(f) Finally, the extension of the guarantees to factoring products (see recital (10)) is planned in accordance with footnote 29 of the Temporary Framework, which establishes that the term ‘public guarantees on loans’ covers also guarantees on certain factoring products, namely guarantees on recourse and reverse factoring where the factor has the right of recourse to the factoree. Eligible reverse factoring products shall be limited to products that are used only after the seller has already provided its part of the transaction, i.e. the product or service has been delivered.

(18) In light of the above, the Commission considers that the proposed modifications of the existing aid schemes meet the relevant conditions of the Temporary Framework.
4. **CONCLUSION**

The Commission has accordingly decided not to raise objections to the modifications to the existing aid schemes on the grounds that they are compatible with the internal market pursuant to Article 107(3)(b) and 107(3)(c) 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](http://ec.europa.eu/competition/elojade/isef/index.cfm).

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President