



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL  
REGIONAL AND URBAN POLICY  
Administrative Capacity Building and Programme Implementation II  
Hungary

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**Subject: Your letter of 1 April 2021**

Dear Mr Horváth,

Thank you for your letter of 1 April 2021 and the detailed information attached to it. The President of the Commission has asked me to reply to you on her behalf.

First, I would recall that the European Union is founded on such values as freedom, democracy, equality and the rule of law. At the European Council of 10 and 11 December 2020, the Member States reaffirmed their commitment to promote and respect the values on which the EU is founded, including the rule of law, and agreed on a regime of conditionality for the protection of the Union budget. The new Regulation on a general regime of conditionality applies from 1 January 2021. Under the Regulation, the Commission may propose measures to the Council where it is established that breaches of the principles of the rule of law in a Member State affect or seriously risks affecting the sound financial management of the Union budget or the protection of the financial interests of the Union in a sufficiently direct way.

Second, I would stress that the Commission has repeatedly raised concerns<sup>1</sup> on the respect of the rule of law in Hungary, mainly in relation to the need to improve transparency and competition in public procurement and reinforce the anti-corruption framework. As part of the discussions on the programming of the 2021-27 EU cohesion policy funds, the Commission has asked Hungary to design new measures to improve the quality of governance, step up the fight against fraud and corruption, and increase administrative capacity. This includes the development of a new anti-fraud strategy linked to the use of cohesion policy funds in the 2021-27 period. The Commission will analyse the strategy and, where relevant, make recommendations. In addition, the Commission will continue using all the instruments available to protect the EU budget, including carrying out controls and audits, and imposing financial corrections.

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<sup>1</sup> See for example Hungary's 2020 Country report under the European Semester and the Commission report on the Rule of Law adopted on 30 September 2020

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Third, I would point out that the Commission pays particular attention to the involvement of territorial actors in the implementation of EU cohesion policy. Indeed, since 2014, Member States are legally bound to implement the European Code of Conduct on Partnership<sup>2</sup>. Inter alia, Member States are required to be transparent in the selection of partners, provide sufficient information to partners and give them sufficient time to make their voice heard in the consultation process, and ensure that partners are involved in all stages of the process, from planning to evaluation. The Commission is closely monitoring the implementation of the partnership principle in Hungary. In addition, the Commission will assess compliance with the European Code of Conduct on Partnership at the time of the submission of the draft Programmes covering the 2021-27 period.

Fourth, in relation of the 2014-20 Territorial and Settlement Development Operational Programme, I would recall that European Structural and Investment Funds are implemented under shared management. This means that Member States are responsible, inter alia, for the selection of projects. For its part, the Commission closely monitors implementation of the Operational Programme, including by taking part in the Monitoring Committee and approving the Annual Implementation Report. As mentioned before, the Commission also carries out audits and may, in case of serious deficiencies in the functioning of the management and control systems, interrupt payments. As part of the discussions of the 2021-27 territorial programme, the Commission has asked the Hungarian authorities to improve the territorial selection system and ensure that territorial resources are allocated in an objective, non-discriminatory and transparent way.

Lastly, in relation to the Recovery and Resilience Facility as part of Next Generation EU, I would point out that the national Recovery and Resilience Plans (RRP) should address the challenges identified in the country-specific recommendations, including transparency and quality of decision-making, corruption and public procurement. As part of the assessment of the RRP submitted by the Hungary authorities, the Commission will pay due attention to these aspects.

Yours sincerely,

Nicolas GIBERT- MORIN  
Head of Unit  
(e-signed)

c.c.: Mr Laurent SENS, EMPL.C.4  
Mr Miguel GIL TERTRE, SG-Recover.A.3

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<sup>2</sup> [https://ec.europa.eu/regional\\_policy/en/policy/what/glossary/e/european-code-of-conduct](https://ec.europa.eu/regional_policy/en/policy/what/glossary/e/european-code-of-conduct)