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COMMISSION STAFF WORKING DOCUMENT

Analysis of the recovery and resilience plan of Hungary

Accompanying the document

Proposal for a COUNCIL IMPLEMENTING DECISION

**amending the Implementing Decision of 15 December 2022 on the approval of the
assessment of the recovery and resilience plan for Hungary**

{COM(2026) 316 final}

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1. EXECUTIVE SUMMARY

After three years of stagnation the economy in Hungary is expected to recover. Economic growth in 2025 remained sluggish at 0.5%, following a 0.7% increase in 2024 and a 0.8% contraction in 2023. The resilient labour market and moderating but significant wage increases bolstered consumption. However, investment and exports were subdued due to uncertainties around trade prospects and weak performance in Hungary's sizeable automotive industry. GDP growth is forecast to gain momentum in 2026-27, underpinned by domestic demand and exports, as well as improved confidence. Inflation is set to moderate from 4.4% in 2025 to 3.2% in 2026 and 3.1% in 2027, thanks to currency appreciation and easing domestic inflation pressures.

Nevertheless, **Hungary continues to face significant challenges primarily related to high government debt and high government financing needs, competitiveness, and house prices.**

Hungary still faces concerns over the rule of law and the effectiveness of measures to protect the financial interest of the Union. Allegations of political influence over the courts, weakened oversight bodies, and patchy implementation of European Court judgments along with the use of state resources and regulatory frameworks to favour government-aligned interests, and pressure on civil society and independent media, further eroded transparency, accountability, and the consistent application of the rule of law. The new government has committed to addressing these challenges systematically, and the Recovery and Resilience Plan (RRP) provides a comprehensive package of measures aimed at achieving that objective. In particular, measures in the RRP ensure the protection of the financial interest of the Union in relation to the implementation of the RRP, reinforce the anti-corruption framework, guarantee the transparency of public resources and organisation of public procurement, and more effectively involve stakeholders and social partners in law-making.

Hungary submitted a reasoned request to the Commission to make a proposal to replace its RRP (grants and loans) relying on the legal basis of Regulation (EU) 2021/241. Notably, Hungary provided a reasoned request to the Commission to make a proposal to replace the Council Implementing Decision on the basis of Article 21(1) of Regulation (EU) 2021/241, due to objective circumstances making it no longer possible to implement the RRP in force.

Based on the assessment of the replaced RRP, including the REPowerEU chapter, the Hungarian new plan receives an A-rating on all criteria, except for costing, where the plan receives a B-rating (unchanged from the assessment of the original plan). All REPowerEU measures address at least one REPowerEU objective listed in article 21(c) of the RRF Regulation and they can be considered as having an even stronger cross-border dimension, which would be above the 30% threshold requirement.

(1) Balanced Response	(2) CSRs	(3) Growth, jobs...	(4) DNSH	(5) Green target	(6) Digital target	(7) Lasting impact	(8) M & T	(9) Costing	(10) Control Systems	(11) Coherence	(12) REPowerEU	(13) Cross- border
A	A	A	A	A	A	A	A	B	A	A	A	A

2. OBJECTIVES OF THE PLAN

2.1 The new RRP addresses the main challenges facing Hungary

The Country Report identifies wide-ranging structural challenges facing Hungary. These span governance and rule of law (anti-corruption framework and transparency), fiscal sustainability (sustainability of government finance and of the pension system), business environment and access to finance for business, green transition (electrification, decarbonisation, climate adaptation and water management) and social outcomes (skills, education, affordable housing and primary care). Moreover, Hungary also faces challenges concerning the short time remaining for the absorption of the available EU funds. Fiscal constraints have so far limited national pre-financing of EU funded measures and protective measures adopted under the Conditionality Regulation (Regulation 2020/2092) due to breaches of the principles of the rule of law affecting the Union budget have limited access to specific Union.

Hungary's new RRP raises the level of ambition in protecting the EU's financial interests and strengthening the rule of law. It expands well-performing measures, phases out those that cannot be completed within the timeframe of the RRF and introduces new measures to enhance fund absorption while addressing the ongoing and emerging challenges outlined above.

The replacement of the plan does not affect the amount allocated to Hungary for non-repayable financial support pursuant to Article 18(2) and Article 21a and 22b, whilst it reduces the support requested previously under Article 14(2) of the RRF Regulation for the loans by EUR 429 974 916.

Pursuant to Article 21(1) of the RRF Regulation, Hungary has justified the replacement of its existing plan on the basis of objective circumstances. The objective circumstances invoked include the reduction of administrative burdens and simplification of the RRP, in line with the Commission's communication on the "Road to 2026¹"; heightened ambition in the areas of rule of law and energy reforms; cost increases stemming from energy price volatility (driven by geopolitical events) and legal and administrative challenges. The revised plan streamlines measure requirements while retaining their core objectives, and replaces underperforming measures with alternative investments and reforms that can be completed by 31 Augustus 2026.

2.2 Components and their associated estimated costs

Component 1: Demography and public education

This component addresses access to inclusive quality education through digitalization, increasing participation of disadvantaged students and children with special education needs in mainstream education, reducing school segregation, raising the attractiveness of the teaching profession through significant wage increases, and expanding crèche places and upgrading school infrastructure.

¹ COM(2025) 310 final/2

Component 2: Highly qualified and competitive workforce

This component aims at modernizing vocational and higher education to strengthen Hungary's human capital for the green and digital transitions. It introduces innovative practice-oriented elements in higher education programmes, develops digital learning content, upgrades and renovates buildings in higher education and vocational training institutions to improve energy efficiency and digitalisation, and financially supports research and development activities. The component also includes development of a Central Examination Centre in Budapest to improve the quality of professional qualifications assessment.

Component 3: Catching-up settlements

This component addresses socio-economic and territorial challenges in the most disadvantaged municipalities in Hungary. It aims to reduce energy poverty through the installation of photovoltaic capacity for households, support the participation in labour socialisation programmes to improve the employability of residents, and promote inclusive community-oriented pedagogical development in local public education institutions. The component contributes to social cohesion, territorial convergence, and the green transition.

Component 4: Water management and circular economy

This component tackles Hungary's water scarcity and waste management challenges. On water, it establishes a sustainable water management action plan and carries out controlled water retention interventions, as well as completing the Kvassay pumping station to secure the ecological quality of the Danube branch. On circularity, it introduces legislation on deposit systems, single-use plastics, extended producer responsibility, and abandoned waste, adopts a national waste management plan, and launches a public communication campaign on waste hierarchy.

Component 5: Sustainable green transport

This component promotes modal shift and decarbonisation of the transport sector. It invests in suburban and TEN-T railway infrastructure, delivers zero-emission buses, trams and trolleybuses for urban public transport, electrifies additional railway sections, supports corporate uptake of electric vehicles, and sets up a financial instrument through the Hungarian Development Bank (MFB) to increase the roll-out of charging station infrastructure. It moreover establishes a Rolling Stock Company (ROSCO) to own and lease rolling stock under competitive public service contracts. The component includes a tariff reform that encourages greater use of public transport.

Component 6: Energy – green transition

This component addresses Hungary's climate and energy targets for 2030 by expanding renewable capacity and modernising the electricity system. Reforms liberalise onshore wind permitting, simplify grid connection procedures for renewables and introduce gross metering for residential solar. Investments support transmission and distribution grid upgrades, installation of residential solar panels combined with heating modernisation, battery energy storage, smart meter rollout, and energy efficiency renovation of public buildings. A major MFB-managed grant scheme for grid development is also included, scaled up further under the REPowerEU component.

Component 7: Health

This component addresses several challenges in the Hungarian health system, including overreliance on hospitals, regional workforce shortages, and informal gratuity payments. It aims to eradicate gratuity payments through new employment contracts for doctors and criminalisation, modernise hospital infrastructure and medical equipment, accelerate the digital transformation of healthcare via the e-health system, develop primary care through GP praxis communities and chronic disease management and prevention programmes, and upgrade local health and social care facilities.

Component 8: Governance and public administration

This component includes measures that are expected to be effective in addressing persistent weaknesses in the following broad areas: strengthening the anti-corruption framework (by the establishment of an Integrity Authority with broad competences and wide access to information, the setting up of an Anti-Corruption Task Force, start of the process to become part of the EPPO, introducing a possibility for judicial review of prosecutorial inaction, introducing strict asset declaration obligations coupled with transparency, oversight and sanctions, the phasing-out of public interest asset management foundations, facilitate access to public information); reinforcing the integrity and transparency of public procurement procedures (develop a monitoring tool to follow the development of the share of public procurement resulting in single bids, public procurements receiving Union support resulting in single bids, introduce conflict of interest rules and additional reporting and publication obligations for contracting authorities, develop a performance measurement framework to regularly assess the efficiency and cost effectiveness of public procurements , upgrading the Electronic Public Procurement System to increase transparency of public procurement and thereby facilitate independent oversight and analysis of competition,); judicial independence (strengthening the National Judicial Council by adopting provisions on a motivated binding opinion by the NJC for a number of matters regarding both individual decisions and regulations, reforming the Supreme Court's governance related to the rules on the election of the *Kúria* President, the rules on the case allocation scheme of the *Kúria*, and the rules on the functioning of the *Kúria*, including by abolishing a simplified application procedure for future members of the Constitutional Court to become judges and then be appointed to the *Kúria*, removing obstacles to CJEU preliminary rulings, abolishing Constitutional Court review of final judgments); protection of the financial interest of the Union (introduce and implement strict rules related to the prevention, detection and correction of conflict-of-interest, to ensure the oversight of staff working in sensitive positions, to introduce strict rules to ensure that the Arachne risk-scoring tool is systematically and effectively used by bodies involved in the management, control and audit of Union support in Hungary, to reinforce the independence and capacity of the body responsible for auditing the management and control of Union support in Hungary , to ensure that conditions for OLAF to carry out its investigations in Hungary are reinforced); improve the quality and transparency of the decision-making process through effective social dialogue, engagement with other stakeholders and regular impact assessments; and public finance and tax (spending reviews, fiscal framework reform, transfer pricing, non-deductibility rules on outbound payments, tax simplification, and reform of subsidized lending schemes..

Component 9: REPowerEU

The REPowerEU chapter complements Component 6 by deepening Hungary's energy market and improving its security of supply. It introduces a new methodology for network tariffs, broadens smart meter obligations, strengthens the role of aggregators, allows dynamic pricing contracts, opens balancing markets to competition, expands energy communities, creates a comprehensive regulatory framework for energy storage, and simplifies geothermal energy permitting. On the investment side, it scales up the MFB-managed electricity grid grant scheme and establishes a financial instrument for energy efficiency of residential buildings energy efficient.

Component 10: Business environment

This component features a capital injection in the MFB together with the reform of its governance and operations. The capital injection aims to provide financing to new affordable housing projects and support the competitiveness of innovative business through venture capital and loan financing programmes. Part of the MFB capital injection is intended to be channelled to an EIB-managed fund. The reform of the governance and operations of the MFB aims to bring additional transparency and independence in the operations of the bank.

Component 11: Digital innovation

This component strengthens Hungary's digital infrastructure and public services across three dimensions. It includes voluntary contributions to the AI Gigafactory and IRIS² satellite programmes with the aim of strengthening the technology sector and Europe's technological sovereignty and promotes the uptake of e-government services in the area of electronic identification and trust service.

Table of components and associated costs

Component	Costs (EUR million)
1: Demography and public education	765.65
2: Highly qualified, competitive workforce	613
3: Catching up settlements	65.60
4: Water management and circular economy	19.67
5: Sustainable green transport	2 802.17
6: Energy	1 721.30
7: Health	478.22
8: Governance and public administration	0
9: REPowerEU	704.51
10: Business environment	1 815.15
11: Digital innovation	1 014.72

2.3 Implementation aspects of the plan

Consistency with other initiatives

The new RRP of Hungary is consistent with other EU initiatives, such as the National Energy and Climate Plan, the Partnership Agreement with Hungary, the Operational Programmes receiving financing from the cohesion policy funds, the Medium-Term Fiscal-Structural Plan and the Youth Guarantee Programme. The new Hungarian RRP includes measures that have been transferred from other EU programmes, which consequently will be removed from those.

Administrative organisation of the implementation of the RRP

Hungary has established an adequate structure to implement the plan as well as to monitor and report on progress. The National Authority, whose role is performed by the National Development Centre (NFK), an organisational unit with independent legal personality operating within the Ministry of Rural and Regional Development, acts as the central coordinating body. The National Authority is responsible for the overall coordination of the implementation of the plan, monitoring progress towards milestones and targets, preparing payment requests and signing the accompanying management declarations.

The National Authority coordinates the work of the policy-responsible ministries and other implementing bodies responsible for the implementation of the components of the plan. Following changes in the allocation of government responsibilities, the designation of policy-responsible ministries has been updated, while the role of the National Authority and the overall governance framework of the plan remain unchanged.

The collection, storage and reporting of implementation data are ensured through the FAIR-EUPR monitoring information system. The National Authority coordinates the reporting of milestones and targets, relevant indicators and data on final recipients based on information recorded in the monitoring system. The monitoring arrangements are considered adequate to support the implementation of the plan and the reporting requirements under the Recovery and Resilience Facility.

Gender equality and equal opportunities for all

The plan includes targeted measures to reduce gender disparities in education, labour market participation, and access to essential services. In early childhood education and care, the construction of 110 new crèche places (C1.I4) will support parents, particularly women, in balancing work and family responsibilities, thereby enhancing female labour market participation. The RRP also promotes inclusive education through measures to reduce school segregation (C1.R1) and support students with special educational needs (C1.I2), ensuring equal access to quality education for all children, regardless of gender or background.

State aid

State aid and competition rules fully apply to the measures funded by the Recovery and Resilience Facility. Union funds channelled through the authorities of Member States, like the RRF funds, become State resources and can constitute State aid. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures are covered by an existing aid scheme or comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of

Articles 107 and 108 TFEU². When State aid is present and it requires notification, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by Hungary in the RRP cannot be deemed a State aid notification. In as far as Hungary considers that a specific measure contained in the RRP entails de minimis aid or aid exempted from the notification requirement, it is the responsibility of Hungary to ensure full compliance with the applicable rules.

3. SUMMARY OF THE ASSESSMENT OF THE PLAN

3.1. Comprehensive and adequately balanced response to the economic and social situation

The new RRP, including the REPowerEU chapter, cover in a comprehensive manner the six pillars structuring the scope of application of the Facility: (i) green transition, (ii) digital transformation, (iii) smart, sustainable and inclusive growth, (iv) social and territorial cohesion, (v) health and economic, social and institutional resilience, and (vi) policies for the next generation. The coverage of the Hungarian plan's components towards the six pillars is summarized in table below. All pillars are covered by at least one component, while a component may contribute to several pillars.

The range of actions of the new RRP corresponds to the objectives of the Facility with an appropriate overall balance between pillars. The allocations to green and digital transitions (of respectively 52.9% and 24.1%) exceed the requirements of the RRF Regulation (respectively 37% and 20%), and the plan therefore contributes significantly to those objectives.

The measures included in the new plan contributes to the following pillars:

Green transition

The green transition pillar of Hungary's new RRP focuses on decarbonisation, energy sovereignty, and circular economy principles and thereby aligns with the EU's climate objectives. Reforms and investments can be organised along three main objectives: encourage the deployment of renewable capacity (wind and solar) and connection to the grid; improve grid capacity and flexibility of the electricity market, for example through smart-meters, batteries and storage systems, and enhanced balancing services market; energy efficiency. Circular economy reforms target waste management legislation, including extended producer responsibility schemes and a deposit system for beverage bottles, alongside water retention interventions to enhance climate resilience. Sustainable transport is advanced through zero-emission bus fleets, railway reconstruction and electrification, and charging infrastructure investments, underpinned by a financial instrument to incentivise private sector rollout. These interventions collectively aim to reduce fossil fuel dependency, improve resource efficiency, and contribute to Hungary's 2030 climate targets, while ensuring compliance with the 'do no significant harm' (DNSH) principle.

² Commission Regulation 651/2014, OJ L 187, 26.6.2014, p. 1.

Digital transformation

Hungary's new RRP places significant emphasis on digitalising public services, education, and infrastructure to enhance competitiveness and resilience. Additionally, the plan fosters innovation and research through financial support for R&D institutions and includes a EUR 500 million voluntary contribution to the EuroHPC Joint Undertaking for AI infrastructure and a EUR 500 million voluntary contribution to IRIS² satellite programme. The voluntary contributions to the EuroHPC Joint Undertaking and the IRIS² satellite program contribute significantly to the overall digital rating of the plan. These measures collectively aim to bridge digital divides, improve service accessibility, and strengthen Hungary's long-term digital resilience, while ensuring alignment with the EU's Digital Decade targets.

Smart, sustainable and inclusive growth

Hungary's RRP promotes smart, sustainable, and inclusive growth through targeted reforms and investments that enhance productivity, social cohesion, and economic resilience. To boost competitiveness and innovation, the plan includes a governance reform of the Hungarian Development Bank (MFB) to strengthen its independence and operational framework, coupled with an equity injection of EUR 1.8 billion to support SMEs, affordable housing, student dormitories and venture capital. Part of the MFB capital injection includes the transfer of EUR 688 million of capital to an EIB-managed fund. Inclusive growth is advanced by tackling demographic challenges, such as labour market integration of vulnerable groups (e.g., Roma communities) through upskilling programmes and early childhood education expansion including the construction of crèche places. The Catching-Up Settlements Programme targets Hungary's 300 most disadvantaged municipalities by promoting employment and skills development and renewable energy access. Additionally, community-oriented pedagogy and local economic initiatives aim to reduce poverty and improve social inclusion.

Policies for the next generation

Hungary's new RRP places significant emphasis on future-oriented policies designed to empower younger generations through education reform, digital skills development, and improved labour market prospects. The public education system undergoes substantial modernisation, including the distribution of digital devices to schools. To make the teaching profession more attractive, the plan mandates teacher wage increases, with additional incentives for those working in disadvantaged areas. Early childhood education is expanded through the construction of new crèche places, while measures to reduce school segregation and support students with special educational needs promote inclusive learning environments. The vocational education and training (VET) and higher education systems are modernised with digital infrastructure upgrades and practice-oriented higher education programmes to better align skills with labour market demands. These interventions collectively aim to improve educational outcomes, enhance employability, and foster social mobility for young Hungarians, addressing long-term demographic challenges while aligning with the European Pillar of Social Rights and EU Youth Guarantee principles.

Social and territorial cohesion

Hungary's RRP prioritises social and territorial cohesion through integrated interventions addressing regional disparities, poverty reduction, and equal access to essential services. The Catching-Up Settlements Programme targets the 300 most disadvantaged municipalities, implementing social solar power plants to combat energy poverty while creating employment opportunities through labour socialisation programmes. Community-oriented pedagogy enhances educational outcomes in deprived areas, complementing nationwide efforts to reduce school segregation and improve early childhood education access. Territorial cohesion is strengthened through sustainable transport investments, including railway electrification and zero-emission bus fleets, which improve connectivity. The healthcare system modernisation ensures equitable access to services, particularly in underserved areas, while affordable housing initiatives supported through the MFB equity injection address urban-rural housing disparities.

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, economic, social and institutional resilience	Policies for the next generation
Demography and Public Education		○				●
Highly Qualified, Competitive Workforce	○	○	●	○	○	○
Catching Up Settlements	○			●	○	○
Water Management and Circular Economy	○	○	○	○	○	○
Sustainable Green Transport	●		●	○		○
Energy – Green Transition	●		●	●		
Health		○		○	●	
Governance and Public Administration		●	○		●	
REPowerEU	●		●	●		●
Digital innovation		●	●			●
Business environment	○	○	●	●	○	○

Key: “●” investments and reforms of the component significantly contribute to the pillar; “○” the component partially contributes to the pillar

Taking into consideration all reforms and investments envisaged by Hungary, its RRP represents, to a large extent, a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of Hungary into account. This would warrant a rating of A under criterion 2.1 in Annex V to the RRF Regulation.

3.2. Link with country-specific recommendations and the European Semester

The new RRP addresses the Country Specific Recommendations from 2019 to 2025. In particular, a sustainable mobility investment for an extended trolleybus fleet contributes to investment-related economic policy on transport infrastructure and on focusing investment on the green transition, in particular sustainable transport (2019 CSR 3, 2020 CSR 3). The plan addresses the Country Specific Recommendation on improving flexibility and competition in the electricity sector (2025 CSR 4) by investing significant resources in the development of the electricity grid to better accommodate renewable energy integration, opening up the balancing market – especially to aggregators, and encouraging the deployment of energy storage facilities. The improvements to the domestic fiscal framework contribute to addressing the Country Specific Recommendation on strengthening the medium-term budgetary framework, aligning the preparation of annual budgets with the budgetary year and limiting discretion in the implementation of annual budgets (2024 CSR 1, 2025 CSR 1).

The reform of subsidised lending contributes to addressing the Country Specific Recommendation on phasing out remaining price and interest rate caps to reduce distortive effects and facilitate the smooth transmission of monetary policy (2024 CSR 1, 2025 CSR 1). The equity injection into the Hungarian Development Bank as well as the contributions to the EuroHPC Joint Undertaking for AI infrastructure and to the EU Secure Connectivity Programme (IRIS²) contribute to supporting the Country Specific Recommendations on strengthening the innovation framework for the public sector and businesses by improving the predictability of public R&D spending and better targeting existing measures towards SMEs (2025 CSR 3). The equity injection into the Hungarian Development Bank also contributes to stimulating the development of capital markets (2025 CSR 3) and targeting support measures in the housing sector to low-income households and increase housing supply, including for social housing (2025 CSR 6).

Taking into consideration the reforms and investments envisaged by Hungary, its new RRP is expected to contribute to effectively addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester, and the plan does represent an adequate response to the economic and social situation of Hungary. This would warrant a rating of A under criterion 2.2 in Annex V to the RRF Regulation.

3.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of crisis, and social territorial cohesion and convergence

Hungary's new RRP represents a comprehensive strategy to enhance the nation's growth potential while building economic, institutional, and social resilience against future shocks. By integrating investments with structural reforms, the plan creates a robust framework for sustainable development that aligns with the European Pillar of Social Rights.

At the heart of Hungary's growth strategy lies a significant commitment to modernising its economic infrastructure. The newly established Rolling Stock Company (ROSCO), supported by an equity injection of EUR 1.8 billion, will catalyse the renewal of Hungary's rolling stock and create the basis for a more efficient management of railway services, thereby further contributing to the country's broader decarbonisation efforts. Complementing this, investments in urban mobility, including the acquisition of new trams and trolleybuses, will enhance connectivity. The REPowerEU chapter places particular emphasis on strengthening Hungary's energy independence

and accelerating its green transition. By expanding electricity grid capacity and flexibility, the RRP enables the integration of renewable energy sources at scale. The onshore wind energy deployment supported by streamlined permitting processes, will significantly increase Hungary's renewable energy generation. Simultaneously, the modernisation of transmission and distribution networks ensures that this renewable energy can be effectively integrated into the national grid. These measures are complemented by existing investments in energy storage facilities and efficiency renovations in public buildings, creating a more resilient and sustainable energy system.

Hungary's EUR 500 million contribution to the EuroHPC Joint Undertaking will support the establishment of an AI Gigafactory or other EuroHPC compute infrastructure, aligning with the European Commission's vision for technological sovereignty. This investment will accelerate the development of advanced computing capacity, reinforcing Europe's competitiveness in the global digital economy.

Similarly, Hungary's EUR 500 million contribution to the EU Secure Connectivity Program (IRIS²) will address critical security and resilience challenges by strengthening secure sovereign communications, enhancing the resilience of critical infrastructure and public services, and improving preparedness against cyber, hybrid and other security-related disruptions.

The equity injection into the Hungarian Development Bank's (MFB) will facilitate SMEs' access to financing, growth capital and venture capital markets, thereby boosting their competitiveness. By leveraging public capital to attract private investments, the equity injection will strengthen market structures and launch financial instruments to generate sustainable, measurable impact.

The RRP places equal emphasis on job creation and social resilience, recognising that sustainable economic growth must be inclusive. Through labour market integration programmes targeting vulnerable groups, the plan aims to provide opportunities in labour socialisation initiatives. The construction of new crèche places further supports working parents, particularly women, in balancing family and professional responsibilities.

The modernisation of healthcare facilities ensures equitable access to quality medical services across the country. Additionally, the equity injection into the MFB will channel private investments towards the construction of affordable housing, addressing urban-rural disparities and supporting low-income households and students.

By combining these economic, social, and institutional reforms, Hungary's new RRP creates a comprehensive framework for mitigating the impact of recent crises while building resilience against future challenges. The plan's focus on energy independence, digital transformation, and social inclusion ensures that Hungary is well-positioned to achieve sustainable growth and convergence with more advanced EU economies.

Taking into consideration all reforms and investments envisaged by Hungary, its new RRP is expected to have a high impact on strengthening the growth potential, job creation, and economic, social and institutional resilience of Hungary, on contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, thereby enhancing the economic, social and territorial cohesion and convergence within the Union. This would warrant a rating of A under criterion 2.3 of Annex V to the RRF Regulation.

3.4. The principle of 'do no significant harm'

Hungary's RRP is compliant with the 'do no significant harm' (DNSH) principle. Hungary has submitted comprehensive self-assessments demonstrating compliance with DNSH requirements

concerning environmental objectives, as defined under Article 17 of Regulation (EU) 2020/852, in accordance with the DNSH Technical Guidance (2021/C 58/01).

For all relevant measures, potential environmental and climate risks are systematically addressed through robust safeguards ensuring adherence to applicable criteria. Environmental risks are preventively mitigated by incorporating specific conditions into the implementation framework. Activities covered by the EU Emissions Trading System (ETS) must achieve projected greenhouse gas emissions that are below the relevant benchmarks. Additionally, a prohibited activities list has been established for all financial instruments to exclude support for any activities or assets misaligned with the DNSH principle.

Taking into consideration the assessment of all the measures envisaged, no measure for the implementation of reforms and investments projects included in the new Hungary's recovery and resilience plan is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of 'do no significant harm'). This would warrant a rating of A under the assessment criterion 2.4 of Annex V to the RRF Regulation.

3.5. Green transition

The replaced RRP of Hungary meets the requirement that at least 37% of its total allocation supports climate objectives, as stipulated under assessment criterion 2.5 of Annex V to the RRF Regulation. This includes both the overall plan and the dedicated REPowerEU chapter, with the climate tracking methodology applied in accordance with Annex VI ensuring that the new RRP maintains its alignment with the EU's 2030 climate targets and the 2050 climate neutrality objective.

For the new RRP as a whole, climate-related expenditures represent 52.9%, with the most significant contributions coming from investments in renewable energy deployment and grid modernisation. The plan supports the deployment of weather-dependent renewable installations (solar and wind) and their connection to the grid through streamlined permitting procedures and modernised transmission and distribution networks. Energy efficiency measures, such as the renovation of public buildings and the installation of smart meters, contribute to reducing energy consumption and emissions.

In the transport sector, the electrification of railway sections and the procurement of zero-emission buses will significantly lower greenhouse gas emissions, supporting Hungary's broader decarbonisation goals.

Within the REPowerEU chapter, climate-related measures also meet the 37% target (100%). The grant scheme will extend the scope of electricity grid modernisation to further enhance the integration of additional renewable capacity into the grid, while residential energy efficiency investments contribute to decrease dependence on fossil fuels. The REPowerEU chapter will moreover improve grid flexibility by supporting the installation of energy storage capacity, encouraging the colocation of batteries and weather-dependent installation, and reforming the market for balancing services.

The measures in Hungary's RRP are expected to make a significant and lasting contribution to the green transition, supporting the EU's 2030 climate targets and the 2050 climate neutrality objective. The expanded renewable energy capacity, combined with grid modernisation and energy efficiency improvements, will reduce Hungary's reliance on fossil fuels and lower greenhouse gas

emissions. These measures are designed to have a durable impact and to deliver environmental benefits long after implementation.

In addition to climate mitigation, the plan includes elements that contribute to biodiversity and environmental protection. Water retention interventions will enhance ecosystem resilience and support biodiversity in agricultural areas, while the modernisation of the Kvassay pumping station will improve the ecological status of the Danube branch. These investments align with broader environmental objectives, complementing the plan's primary focus on climate action.

Taking into consideration the assessment of all the measures envisaged, the new RRP, including its REPowerEU chapter, is expected, to a large extent, to make a significant contribution to the green transition or to address the challenges resulting from it and ensures that at least 37% of its total allocation contributes to the climate target. At least 37% of the total estimated costs of the REPowerEU chapter contribute to the climate target. This would warrant a rating of A under criterion 2.5 of Annex V to the RRF Regulation

3.6. Digital transition

The new RRP of Hungary meets the 20% digital expenditure target as required under assessment criterion 2.6 of Annex V to the RRF Regulation, with key contributions coming from investments in digital education, higher education modernization, and the digitalization of public services. The plan includes digital notebooks and digital tools for schools, which will enhance digital literacy and equip students with the skills needed for the digital economy. Additionally, the modernization of higher education infrastructure, including the development of digital learning content and the digitalization of higher education facilities, will improve access to digital education and support the transition to online and hybrid learning. The expansion of electronic health procedures, including the rollout of a central healthcare mobile application, will digitalize healthcare services, improving efficiency and accessibility.

The new and modified measures in Hungary's RRP are expected to significantly contribute to meet the digital expenditure target and the digital transformation of both economic and social sectors.

The investment in the AI Gigafactory initiative supported by a EUR 500 million voluntary contribution to the EuroHPC Joint Undertaking, will accelerate the development of advanced computing capacity and reinforce Hungary's support for Europe's digital sovereignty. Similarly, Hungary's EUR 500 million contribution to the EU Secure Connectivity Program (IRIS²) will enhance the country's secure satellite communications infrastructure, addressing critical challenges in digital security and resilience.

Taking into consideration the assessment of all the measures envisaged, the RRP is expected, to a large extent, to make a significant contribution to the digital transition or to address the challenges resulting from it and ensures that at least 20% of its total allocation (excluding the measures in the REPowerEU chapter) contributes to supporting digital objectives. This would warrant a rating of A under criterion 2.6 of Annex V to the RRF Regulation.

3.7. Lasting impact of the plan

The new RRP is expected to generate sustained positive effects on the Hungarian economy. The replaced plan elevates reform ambition in line with the recommendations of the European Semester, while introducing transformative investments in key areas such as decarbonization of transport, modernization of electricity grids, and support for SMEs.

The replaced RRP allocates significant resources toward the green transition, with a particular focus on enhancing the capacity and flexibility of the electricity grid to integrate higher level of weather-dependent renewable energy generation. This is further reinforced by ambitious regulatory reforms that facilitate investments in wind energy production. Together, these measures are expected to strengthen Hungary's energy security, mitigate energy price volatility, and reduce dependence on Russian fossil fuel import, thereby delivering long-term economic and environmental benefits.

The RRP also includes forward-looking measures to accelerate the adoption of electric vehicles and the electrification of railways. These initiatives are complemented by a comprehensive tariff reform.

To further enhance the competitiveness of Hungary's business environment, the replaced plan includes targeted capital injection in the National Development Bank to invest in affordable housing and innovative SMEs. The impact of these investments is amplified by structural reforms designed to improve the operational efficiency of the National Development Bank, phase out distortive sectoral taxes, and promote transparent market functioning through strengthened anti-corruption measures and enhanced beneficial ownership transparency. The take-up of the RRP loan envelope would increase Hungary's general government debt by 1.4pp of 2025 GDP.

Taking into consideration all reforms and investments envisaged by Hungary in its plan, their implementation is expected, to a large extent to bring about a structural change in the relevant institutions and in relevant policies and to have a lasting impact. This would warrant a rating of A under criterion 2.7 of Annex V to the RRF Regulation.

3.8. Milestones, targets, monitoring and implementation

Adequacy of the structure tasked with the implementation of the plan, monitoring of progress and reporting

The new plan reflects some of the amendments stemming from the establishment of the National Development Centre (NFK) and subsequent changes in the allocation of ministerial responsibilities affecting the policy-responsible ministries for certain measures. The restructuring of the government however does not affect the designation, task and roles of implementing bodies and the task allocation between the National Authority - which remains the coordination body for implementation – and the implementing bodies. Parallel to the increasing role played by the Hungarian Development Bank in managing the implementation of measures in the replaced RRP, including that linked to its capital increase, a specific reform is included in strengthening the operational efficiency, transparency and oversight of the bank. In addition, it is clarified that the legal mandate governing the management, control and audit of the RRP needs to extend beyond 2026 to ensure continued monitoring and reporting.

Milestones and targets

The milestones and targets of the new Hungarian RRP enable an adequate monitoring of the plan's implementation. Each of the new reforms and investments introduced includes at least one target and/or milestone that contains the key elements of the measure and allows for the assessment of the achievement of its objectives.

The performance of the investments included in the new components and REPowerEU chapter will be assessed on the basis of the achievement of multiple milestones and targets monitored by each public entity in charge of implementing the measures and capturing the key implementation

stages of each investment. The targets chosen are consistent with the objectives, cost estimates and implementation schedule of each measure and quantified by specific indicators reflecting the result of the works undertaken.

Overall organization arrangements

The new plan sets out an amended organizational structure for the implementation of the measures contained in it. The National Authority delegates the implementation tasks to Implementing Bodies, a Sub-Granting Body (for certain measures in Component C) and – for certain measures – the Hungarian Development Bank. The detailed task allocation between the National Authority and the different bodies involved in the implementation are defined in a government decree and further operationalized through delegation agreements and, in case of the Hungarian Development Bank, through implementing agreement.

The responsibilities of the different bodies involved in the coordination, implementation, monitoring, control, and audit of the plan are set out in the amended government decree, which reflects the establishment of the National Development Centre (NFK) as the organizational unit with independent legal personality performing the tasks of the National Authority, as well as changes in the designation of policy-responsible ministries and implementing bodies for certain measures.

The administrative capacity of the National Authority, the implementing bodies and the Hungarian Development Bank (whose role in implementation has increased and whose operational capacity, governance, transparency and oversight framework are being strengthened through a dedicated reform) helps ensure the effective implementation of the replaced RRP. In addition, and as further developed below (see Section 3.10 Audit and Control), Hungary has sufficiently described the relevant verification mechanisms, data collection systems and responsibilities that also can be qualified as clear, robust and effective to ensure effective completion of milestones and targets including those related to new measures.

The arrangements proposed by Hungary in its RRP are expected to be adequate to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators. This would warrant a rating of A under the assessment criterion 2.8 of Annex V to the RRF Regulation.

3.9. Costing

Hungary has provided cost estimates for all the amended or new investments of its RRP and sufficient information to consider that costs are overall reasonable and plausible. Measures have been estimated amongst others based on market prices or prices of similar units in past investments, contracts signed or on indicative offers. For other measures, a top-down approach is used where the overall cost of the project is based on similar projects from the past.

Reasonable costs

Based on the assessment of the cost estimates and related supporting documents, the cost estimates for most of the measures in the plan are deemed reasonable.

The reforms and investments included in the plan comply with the eligibility criteria set out in the Regulation. Based on the information provided by the authorities, costs supported under the RRF are incurred only for reforms and investments implemented after 1 February 2020 or 1 February 2022 for REPowerEU chapter measures, exclude value-added tax (VAT), and do not substitute

recurring national budgetary expenditure. Hungary did not provide an independent validation of the cost estimates.

Plausible costs

Based on the assessment of individual cost estimates and related supporting documents, most of the measures in the Hungary plan are deemed plausible. The amount of the estimated total costs of the plan revision is in line with the nature and type of the envisaged reforms and investments. Hungary has submitted sufficient costing evidence underpinning the claims presented in the plan. In the replaced plan, for the costs of new measures, including those in the REPowerEU chapter, the estimates have been deemed, to a medium extent, as plausible.

No double funding

Hungary has indicated that new and modified measures, including those in the REPowerEU chapter, funded under the RRF will not be financed by other Union funding. For those measures that have been transferred from other Union programs, the respective projects or parts thereof that are included in the RRP will be withdrawn from Union support under those programs. Therefore, no double-funding can occur.

Commensurate and cost-efficient costs

The new measures are expected to address a significant subset of the challenges identified in relevant CSRs. Therefore, the new RRP is assessed as being in line with the principle of cost-efficiency and is commensurate with the expected national economic and social impact.

The justification provided by Hungary on the amount of the estimated total costs of the new RRP is to a medium reasonable, plausible, in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact. Hungary provided sufficient information and evidence that the amount of the estimated cost of the reforms and investments of the RRP to be financed under the Facility is not covered by existing or planned Union financing. This would warrant a rating of B under criterion 2.9 of Annex V to the RRF Regulation.

3.10. Controls and audit

A robust national internal control system should ensure the protection of the financial interests of the Union (prevent, detect and correct fraud, corruption, double funding and conflicts of interest), as well as the accuracy of the data underlying the achievement of milestones and targets.

Robustness of internal control system and distribution of roles and responsibilities

The national set-up of Hungary's internal control systems for the Recovery and Resilience Facility is clearly defined and the role of the bodies involved is clearly described. The National Authority is designated as central coordinator. The National Authority role is performed by the National Development Centre (NFK), an organisational unit with independent legal personality operating within the Ministry of Rural and Regional Development. The plan also details the ministries that are responsible for supporting the National Authority and monitoring the implementation of each of the components of the plan. The designation of policy-responsible ministries has been updated following changes in the allocation of government responsibilities, without affecting the role of the National Authority or the overall governance framework of the plan.

The National Authority will perform management verifications of the fulfilment of milestones and targets in line with applicable law. These verifications will be done by desk reviews or on-the-spot checks. Where implementing bodies or sub-granting bodies are involved, the management verifications (both desk-based and on-the-spot) may also be carried out by those bodies based on the delegation agreement. Since August 2024, first-level on-the-spot verifications within the NFK are carried out by the Joint Services Directorate, acting as an internal service provider to the implementing bodies. The implementing bodies remain responsible for the performance of delegated tasks and for the work carried out by Joint Services Directorate. The National Authority supervises the implementing bodies and sub-granting bodies and carries out regular controls on them.

The plan clearly sets out that the National Authority is responsible for preventing, detecting and correcting serious irregularities. A dedicated unit within the National Authority is responsible for dealing with irregularities, including for assessing their appropriate follow-up. In case of suspected irregularities, the RRF Complaint and Irregularity Management Unit within the National Authority is the body to decide how to deal with the situation and what legal consequences should be applied if an irregularity is found.

That unit examine all complaints made in relation to the use of RRF resources; carry out desk-based checks, carry out on-the-spot checks as part of its function, as well as request information and data from the bodies implementing RRF measures as deemed necessary. To ensure independence, the unit is legally protected from receiving instructions in the performance of its activities in connection with decisions on irregularities and complaints relating to the use of RRF resources within its remit. In addition, Hungary has committed to maintaining the legal framework governing the implementation, control and audit of the plan, including the key control functions and safeguards, throughout the implementation period. Dedicated milestones require that the legal mandates of the institutions involved in the implementation of the plan and the core control requirements remain in force beyond 2026.

The Directorate General for Audit of European Funds (EUTAF) is designated as audit authority and will carry out the audit of the implementation of the plan. EUTAF has extensive audit experience and sufficient administrative capacity and is expected to conduct both system audits and substantive testing. In light of the increased responsibilities of EUTAF, Hungary committed to ensure the necessary legislative and budgetary arrangements to provide necessary financial and human resources to the EUTAF and to safeguard its independence to enable it to carry out its tasks. The EUTAF has developed an effective audit strategy in line with internationally accepted audit standards. The audit strategy is expected to be updated to include detailed arrangements for the audit of the implementation of the plan for the period until at least end-2028, including ex post verification activities and the audit treatment of the additional control mechanisms introduced under the plan. Based on its audit work, EUTAF is expected to prepare a summary of the audits carried out to accompany the payment requests to the Commission. The final version of the audit strategy is included as a milestone in the plan, to be fulfilled before the submission of the first payment request. In 2025, EUTAF carried out a thematic audit covering changes to the internal control system resulting from the establishment of the NFK and the related institutional restructuring.

Persons involved at any level in the implementation of the plan have to avoid any (perceived) conflict of interest, which is checked by the Directorate for Internal Audit and Integrity (DIAI). All staff are required to regularly declare their interests, and they need to report any

conflict of interest or risk thereof that may come to their attention. Following the establishment of the NFK in August 2024, the DIAI operates within the organisational framework of the NFK while remaining organisationally separate from the National Authority and the implementing bodies. Its functional independence is safeguarded by law. The DIAI is responsible for carrying out regular controls of the veracity of conflict of interest declarations. The DIAI is independent from the National Authority. Its work is supervised by the Integrity Authority. Detailed procedures are in force governing the prevention, detection and management of conflicts of interest, including regular verification of declarations and systematic follow-up of identified risks. Verifications of conflict of interests cover all staff involved in the implementation of the RRF, including personnel carrying out on-the-spot checks within the Joint Services Directorate. In addition, specific procedures apply to staff occupying sensitive functions, including mandatory rotation requirements, risk-based and random allocation of assignments, enhanced managerial review and additional monitoring measures.

Adequacy of control systems and other relevant arrangements

The plan contributes to the protection of the financial interests of the Union by reinforcing the anti-corruption framework and ensuring that detected irregularities are appropriately followed up and sanctioned, including through the judicial system. The plan includes several measures to reinforce the anti-corruption framework, including through the setting up of an Anti-Corruption Task Force with a significant involvement of independent non-governmental organisations, through the reinforcement of the accountability of investigating authorities and the prosecution services when handling corruption cases, and through increasing independent oversight by means of reinforced transparency and access to public data. Moreover, the establishment of an independent Integrity Authority is expected to reinforce the prevention, detection and correction of fraud, conflict of interest and corruption as well as other illegalities and irregularities concerning the implementation of Union support, with a particular focus on public procurement. Finally, the reinforcement of the judicial system will ensure that detected irregularities will be effectively dealt with by the judiciary, thus ensuring their correction and the protection of the interests of the taxpayers. Since 2022, the anti-fraud and anti-corruption strategy and the related action plan for Union support have been reviewed on an annual basis. The results of these reviews are used to update risk assessments and strengthen mitigating measures where necessary.

The arrangements and mechanisms to collect, store and make available data on final recipients seem appropriate. Article 22(2), point (d), of the RRF Regulation provides for an obligation of the Member States, for the purpose of audit and control, to collect data on final recipients, contractors, subcontractors and beneficial owners. Information collection on the implementation of the RRF in Hungary will be ensured through the FAIR-EUPR monitoring IT system which was originally developed for monitoring the implementation of cohesion policy funds. The institutional changes introduced following the establishment of the NFK did not affect the operation of the FAIR-EUPR system. The Development Policy Informatics Department established within the NFK coordinates the development and operation of the system and cooperates with the RRF Monitoring and Reporting Department in relation to data quality, system developments and reporting requirements. Hungary presented sufficient assurance that adequate and regular checks will be in place to ensure the quality, reliability and veracity of data in the monitoring system. Those controls include automatic consistency and logical checks of the IT system itself that prevents uploading the same supporting documents twice and checking whether

some of the main characteristics are in line with each other, availability of interfaces with official public administration databases that supports the “once only” principle and ensures that only official data is used in the system. Various controls on the data provided and targeted audits are expected to provide sufficient assurance.

Hungary is expected to provide access to data and to do so speedily and effectively. The related roles and obligations of bodies involved in the implementation, monitoring, control and audit of the RRF in Hungary are set out in a legislative act. This is envisaged in a dedicated milestone on the entry into force of the Government Decree setting out the roles and responsibilities of bodies involved in the implementation, audit and control of the plan, as well as in a dedicated milestone on the repository system, both to be completed before the submission of the payment request. In addition, dedicated milestones require that the legal framework governing the implementation, control and audit of the plan, including the key institutional mandates and core control safeguards, remain in force throughout the implementation period, including beyond 2026.

Hungary is expected to systematically and effectively use the Arachne data-mining and risk-scoring tool provided by the Commission. Hungary has operationalised the systematic use of the Arachne tool for both RRF and other EU funds. Relevant data are uploaded on a regular basis, and binding procedures require implementing, control and audit bodies to assess, document and follow up risks identified by the tool. Detailed arrangements are in force that ensure that a wide set of data is uploaded into the system every two months and that the different control and audit authorities systematically use the risk-scoring generated by the Arachne tool and take them into account during their controls and audits. It is also ensured that the different implementing and control bodies systematically follow-up on risks indicated by the Arachne tool based on binding procedural guidelines that should describe steps to be taken by these bodies in cases where the Arachne tool indicates risks. The adequacy of the practical arrangements of the use of the Arachne tool is subject to a dedicated audit.

While the overall implementation architecture remains broadly unchanged, the Hungarian Development Bank (MFB) is expected to assume a more prominent implementation role under certain measures. This increased role is accompanied by a comprehensive reform programme aimed at strengthening the institution’s operational capacity, internal control systems, governance and supervisory arrangements, as well as the transparency of its operations. The reform also includes a streamlining of activities designed to reinforce its focus on its core mandate and ensure the effective implementation of Union-funded measures, notably those supported under the RRF.

Detailed procedures are in force governing the prevention, detection and management of conflicts of interest and the supervision of staff occupying sensitive positions. These include mandatory rotation requirements, risk-based and random allocation of tasks, enhanced managerial oversight and regular compliance checks.

Dedicated audit and control milestones, to be fulfilled before the submission of the payment request, are in place to ensure that the internal control system of the RRF in Hungary is effective in preventing, detecting and correcting fraud, corruption, conflict of interests, double funding and other irregularities. Additional milestones reinforce the durability of the institutional framework and the effectiveness of audit and control arrangements throughout the implementation period, including through enhanced audit requirements and comprehensive ex post verification mechanisms for newly introduced measures and safeguards. These controls are required to cover

a significant proportion of financing agreements, public procurement contracts and related payments under the plan and focus on fraud, corruption, conflicts of interest and double funding risks. The satisfactory fulfilment of these milestones will give the necessary reassurance that the legal obligation of Hungary to protect the financial interests of the Union is met. Taking into account the systemic irregularities, deficiencies and weaknesses identified for Hungary in the procedure under Article 6 of Regulation (EU, Euratom) 2020/2092 on a general regime of conditionality for the protection of the Union budget ('the Conditionality Regulation'), a significant number of milestones to be fulfilled prior to the submission of the payment request under the plan have been identified.

Overall, Hungary's procedures to prevent fraud, corruption and conflicts of interest as well as to ensure compliance with applicable law seem comprehensive, provided that all dedicated audit and control milestones are satisfactorily fulfilled. The participation of Hungary in the enhanced cooperation establishing the EPPO further strengthens the framework for the protection of the financial interest of the Union, by reinforcing the capacity to investigate and prosecute criminal offenses affecting Union funds. Based on the expected adequacy of the different control and audit layers of the institutional framework, on the expected legislative and practical provisions that are envisaged to significantly tighten requirements regarding the implementation and control of the use of Union support in Hungary, as well as on the additional arrangements Hungary has committed to implement, it can be concluded that the arrangements can reasonably be expected to be effective in preventing, detecting and correcting fraud, corruption, conflict of interest and other irregularities when implementing the plan.

Adequacy of arrangements to avoid double EU funding

The arrangements to detect and avoid double funding from RRF and other EU funds and programmes are clearly described in the plan. Responsibility for avoiding double funding lies with the National Authority and entails close monitoring using a common monitoring IT system. Hungary identifies in detail the main demarcation lines regarding the source of financing between the RRF and other EU funds.

In addition, there is coordination of the different funding streams. In particular, the National Authority coordinates the planning and implementation of both cohesion policy spending and RRF support. The work involves regular consultation at management and expert level for both funding streams. Further coordination is envisaged through the Development Policy Coordination Committee, which is a government preparatory body for the coordination of the development actions co-financed by EU funds in Hungary.

Finally, Hungary monitors its RRF spending by using the same monitoring IT system it uses for cohesion policy spending (FAIR-EUPR). This allows to track measures in a single database and thus make it easier to identify potential overlaps and double financing. The authorities also systematically use the Commission's Arachne risk-scoring tool for both financing streams, which also contribute to the identification of the risks of potential double funding.

The arrangements described in the plan seem sufficient and adequate to exclude the possibility of double funding.

Legal empowerment and administrative capacity of control function

Hungary's plan demonstrates that the ministries and bodies responsible for carrying out controls on the implementation of the plan (i.e. the measures and the underlying investments

and reforms) have sufficient legal mandates (authority) to exercise these tasks. This is set out in the Government decree No 373/2022. The National Authority's number of staff (39) and its distribution as presented in the submitted plan seem to be adequate. A proper internal separation of functions is ensured as well. Furthermore, the authorities indicated that additional administrative capacities are available at the level of the line ministries to support the work of the National Authority in ensuring the monitoring and the complementarity of implementation of the different measures. Implementing bodies to which certain implementation tasks of the National Authority are delegated were selected on the basis of their professional expertise and available administrative capacity to carry out their tasks, which will be continuously supervised by the National Authority.

The EUTAF is expected to perform a broader set of responsibilities in relation to the implementation of the RRF, including audit and reporting tasks linked to relevant milestones and targets under Component I of the plan, as well as tasks stemming from Hungary's commitments undertaken in the context of the Conditionality procedure under the Regulation (EU, Euratom) 2020/2092. It is expected that the EUTAF will have appropriate resources to effectively perform these increased tasks in a timely manner. For that purpose, a milestone is added which has to be fulfilled before the submission of the first payment request under the plan. The reform establishing reinforced guarantees for the financial, operational and professional independence of EUTAF has been adopted and expected to contribute to ensuring that the audit authority can effectively perform its audit responsibilities.

The arrangements proposed by Hungary in the RRP to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under the Facility, including the arrangements aimed to avoid double funding from the Facility and other Union programmes, are assessed to be adequate subject to the implementation of the identified audit and control milestones before the first payment request. This would warrant a rating of A under the assessment criterion 2.10 of Annex V of the RRF Regulation.

Coherence

Hungary's RRP is structured into 11 mutually coherent components, supporting the strengthening of the economy, employment and social outcomes, and advancing the green and digital transitions.

Mutually reinforcing measures

The plan includes measures that create multiplier effects, accelerating progress toward Hungary's strategic goals. The interplay between transport decarbonisation and grid development is expected to drive systemic changes. The electrification of railway sections increases demand for clean electricity, which is met by the modernisation of the grid which in turn supports the expansion of charging stations for electric vehicles. The grid's enhanced capacity and flexibility (achieved through investments in smart grid storage facilities and transmission upgrades) are essential to managing the additional load from the electrified transport.

Complementary of measures

The new measures included further strengthen Hungary's green and digital transitions. The Energy Component and REPowerEU chapter include measures targeting different segments of the energy system. While residential solar panel support empowers households to generate their own renewable energy, onshore wind development focus on large-scale renewable capacity and geothermal energy reforms unlock potential for industrial and district heating. Grid development

acts as a critical complementary measure by ensuring that the transmission and distribution infrastructure can accommodate the increased capacity and variability of these renewable sources.

Regarding the digital transformation the new voluntary contribution to the AI Gigafactory initiative strengthens high-performance computing capabilities, while healthcare digitalisation modernises public service delivery. Smart metering dissemination, another complementary measure, enhances energy efficiency and grid management by providing real-time data on consumption. This allows for better demand-side management, which is critical as Hungary's grid integrates more variable renewable energy sources. Together, these investments ensure that key aspects of the digital transition, whether industrial, public, or infrastructural, are supported.

Taking into consideration the qualitative assessment of all components of Hungary's new RRP, their individual weight (importance, relevance, financial allocation) and their interactions, the plan contains measures for the implementation of reforms and public investments which, to a high/medium extent, represent coherent actions. This would warrant a rating of A under the assessment criterion 2.11 of Annex V to the RRF Regulation.

3.11. REPowerEU

The measures included in the REPowerEU chapter together with those under Component Energy – Green transition contribute to energy security, accelerating the deployment of renewable energy, and improving energy efficiency by reducing overall energy demand and by replacing fossil fuels with renewable energy sources. Hungary's REPowerEU chapter contributes to the objectives set out in Article 21c(3), point (b) of Regulation (EU) 2021/241, and addresses Hungary's significant dependence on fossil fuels - particularly natural gas for residential heating - and the grid bottlenecks that have constrained the integration of additional renewable energy capacity. The historically low share of onshore wind, resulting from a decade-long *de facto* moratorium under the applicable regulatory framework, further underscores the need for targeted regulatory reform.

Electricity market reforms in the REPowerEU chapter aim at enhancing demand flexibility through aggregation mechanisms and participation in the balancing market. Specifically, C9.R3 strengthens the role of aggregators by allowing active users to make self-generated electricity available through aggregator contracts; C9.R5 opens the balancing market to competition by removing barriers for weather-dependent generators and storage facilities; and C9.R4 allows residential consumers and micro-enterprises to opt voluntarily for dynamic pricing contracts. Complementing these reforms, enhancing the rollout of smart meters by extending the mandatory smart meter installation obligation (C9.R2), expanding energy communities (C9.R6), and incentivizing the uptake of storage (C9.R7) contribute to harmonizing electricity demand with weather-dependent supply. A reform on network tariff methodology (C9.R1) ensures that the resulting framework is cost-reflective and non-discriminatory, providing the correct price signals to support the overall market transition.

Hungary's distribution grid faces significant saturation constraints that limit the capacity of additional renewable energy installations to connect and feed into the network. The chapter contains a grant scheme for investment in the grid (C9.I1) to address this bottleneck by financing cables, transformers, smart meters, and other grid infrastructure through grants to DSOs and the TSO and eligible private operators, managed by the MFB. The financial instrument established to support residential energy efficiency (C9.I2) consists of combined loan and grant support channelled through financial intermediaries by MFB, requiring households to achieve at least 30%

primary energy savings as certified by energy performance certificates. This instrument contributes to the decrease in energy demand and fossil fuel dependence.

Investment in the grid (C9.I1) is in coherence with a similar investment in Component 6 (C6.I1), along with the reform in Component 6 accelerating the uptake of onshore wind power generation (C6.R2). The latter reform includes the commitment to increasing the number of priority areas for the development of wind installations to 25 where permit granting procedures are accelerated and rules simplified. The reform moreover requires the adoption of a plan of annual auctions allocating a minimum of 4 GW of wind energy production capacity for the period 2026–2030.

A first tender of at least 700 MW will be published by 31 August 2026. The grant scheme for investment in the grid (C9.I1) further supports the dissemination of smart metering, adding on investment C6.I4. The REPowerEU chapter moreover opens the possibility for consumers to opt for electricity contracts at market price - or dynamic pricing contracts (C9.R5).

The financial instrument supporting residential energy efficiency investments complements a similar measure under Cohesion policy. Together with reform C6.R4 in Component 6 that sets minimum energy efficiency standards, these measures contribute to decreasing energy demand. Considering that gas is the dominant energy source used for residential heating in Hungary, these measures are expected to contribute significantly to a decrease in demand for fossil fuels in the country.

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the chapter is expected, to a large extent, to contribute effectively to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030. This would warrant a rating of A under criterion 2.12 of Annex V to the RRF Regulation.

3.12. Cross-border or multi-country dimension or effect

The RRP has a strong cross-border and multi-country dimension. The REPowerEU chapter includes key reforms and investments incentivising the uptake of renewable energy sources, strengthening flexibility markets and the resilience of the electricity network and improving energy efficiency, thus contributing to the reduction of reliance on fossil fuels.

The electricity network development aims to support the uptake of renewable energy and improve the consumer and producer electricity connections. Coupled with the reforms incentivising energy storage, onshore wind energy connection and the functioning of the flexibility market, this investment is a critical measure fostering the resilience of the electricity network of the EU and reducing reliance on fossil fuels.

Lastly, the financial instrument supporting the energy efficiency improvements of residential dwellings is an enabler to multiply the effect of the a forementioned reforms and investment through reducing energy consumption of households.

The total estimated costs of these measures account for a total of EUR 704 510 827, representing 100% of the estimated costs of the REPowerEU chapter, exceeding the indicative target of 30%.

The REPowerEU component plays a pivotal role in addressing Hungary's Country-Specific Recommendations (CSRs), specifically CSR 2022/5, CSR 2022/6, and CSR 2023, by advancing energy efficiency, infrastructure modernisation, and cross-border connectivity.

Another flagship project under the RRP is the reconstruction and the electrification of the Szeged–Röszke railway line, extending to Hungary’s border with Serbia, alongside the construction of a new electrified delta track connecting railway lines 136 and 140. These upgrades will enhance cross-border rail transport efficiency, reduce reliance on fossil fuels, and align with the EU’s decarbonisation and sustainable mobility goals. By modernising critical infrastructure, the project supports Hungary’s green transition, strengthens regional economic ties, and improves logistics for both passenger and freight services.

These initiatives reflect broader REPowerEU objectives, among which accelerating energy independence, boosting renewable integration, and reinforcing EU-wide transport resilience while addressing socio-economic disparities through targeted energy and infrastructure investments.

Hungary's contribution of EUR 500 million to the AI Gigafactory initiative has a clear cross-border dimension. AI Gigafactories are Union-level strategic infrastructures designed to provide European researchers, startups, and businesses across all Member States with access to large-scale computing power and training capabilities for frontier AI models. The benefits of the investment - in terms of shared AI capacity, open access to supercomputing resources, and strengthening the EU's technological sovereignty - will by design extend well beyond Hungary's borders.

Finally, Hungary's contribution of EUR 500 million to the EU Secure Connectivity Programme IRIS² has an inherent cross-border dimension. IRIS² infrastructure and benefits - including enhanced communications resilience and reduced dependence on non-EU providers - will by design accrue across all Member States, well beyond Hungary's borders.

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the measures in the chapter are expected, to a large extent, to have a cross-border or multi-country dimension or effect. This would warrant a rating of A under criterion 2.13 of Annex V to the RRF Regulation.

REPowerEU measure	Costs (EUR million)	Contribution to the target in %
C9.I1. Grant scheme for the development of the electricity grid	643.2	91%
C9.I2: Setting up a financial instrument to improve the energy efficiency of residential buildings	61.3	9%

ANNEX I: Climate tracking and digital tagging

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff.	Int. Field	Coeff.
HU-C[C1]-I[I1.02]	Development of competitive public education using 21st century technology	423.8			012	100%
HU-C[C1]-I[I3.01]	Construction of childcare facilities - Renovation/extension of existing buildings	17.8	026	40%		
HU-C[C1]-I[I3.02]	Construction of childcare facilities - New buildings	109.2	025ter	40%		
HU-C[C2]-R[R1.01]	Modernization of higher education programmes – IT services and applications	0.5			012	100%
HU-C[C2]-R[R1.02]	Modernization of higher education programmes – Support to digital content production and distribution	0.03			021bis	100%
HU-C[C2]-I[I1]	Institutional innovation in higher education	16.0			108	100%
HU-C[C2]-I[I2.01]	Digitalization and modernization of higher education infrastructure – Capacity development activities, including organization of trainings, skill development	6.9			016	40%
HU-C[C2]-I[I2.02]	Digitalization and modernization of higher education infrastructure - Digital equipment	74.8			012	100%
HU-C[C2]-I[I2.03]	Digitalization and modernization of higher education infrastructure - Energy efficiency renovation	40.3	026bis	100%		
HU-C[C2]-I[I2.04]	Digitalization and modernization of higher education infrastructure - New buildings	4.9	025ter	40%		

HU-C[C2]-I[I3.01]	Vocational education and training infrastructure for the 21st century - Energy efficiency renovation	19.0	026bis	100%		
HU-C[C2]-I[I3.02]	Vocational education and training infrastructure for the 21st century - Purchase of ICT equipment	14.7			108	100%
HU-C[C2]-I[I4.01]	Development of the Central Examination Centre - Energy efficiency renovation	5.5	026bis	100%		
HU-C[C2]-I[I5]	Support for research and development	204.0			021	40%
HU-C[C3]-I[I11]	Production and use of renewable energy in disadvantaged municipalities	20.3	029	100%		
HU-C[C4]-R[R1]	Awareness raising - water	0.4	040	40%		
HU-C[C4]-I[I11]	Nature protection	19.3	035	40%		
HU-C[C5]-I[I11]	Development of suburban railway	103.5	067	100%		
HU-C[C5]-I[I12]	Rail network congestion switching on TEN-T corridor	390.6	067	100%		
HU-C[C5]-I[I3.1]	Development of zero-emission bus transport - buses	64.2	074	100%		
HU-C[C5]-I[I3.2]	Development of zero-emission bus transport – charging stations	3.1	077	100%		
HU-C[C5]-I[I4.1]	Development of tram and trolleybus system - CAF trams	135.2	074	100%		
HU-C[C5]-I[I4.2]	Development of tram and trolleybus system- Trolleybuses	30.5	074	100%		
HU-C[C5]-I[I4.3]	Development of tram and trolleybus system – Constructions	1.3	073	100%		
HU-C[C5]-I[I5]	Electrification of railway sections	141.8	069bis	100%		

HU-C[C5]-I[I6]	Boosting companies' uptake of electric vehicles (EVs)	112.6	ADHOC	100%		
HU-C[C5]-I[I7]	Setting up a financial instrument to increase the rollout of recharging stations for electric vehicles (EVs)	19.4	077	100%		
HU-C[C5]-I[I8]	Equity injection into a newly created Rolling Stock Company "ROSCO"	1 800.0	072bis	100%		
HU-C[C6]-I[I1]	Classic and smart grid development of transmission system operator and distribution system operators	425.0	033	100%	033	40%
HU-C[C6]-I[I2.01]	Support for the use of residential solar panels and heating modernization - PV panels	100.7	029	100%		
HU-C[C6]-I[I2.02]	Support for the use of residential solar panels and heating modernization - Renovation	110.5	025	40%		
HU-C[C6]-I[I13]	Installation of grid energy storage facilities for energy market participants	133.1	033	100%	033	40%
HU-C[C6]-I[I14]	Dissemination of smart metering	62.6	033	100%	033	40%
HU-C[C6]-I[I15]	Energy efficiency investments in public buildings	32.7	026	40%		
HU-C[C6]-I[I16]	Grant scheme for the development of the electricity grid	856.8	033	100%	033	40%
HU-C[C7]-I[I12]	Supporting the digital transformation of health	24.7			095	100%
HU-C[C9]-I[I11]	Grant scheme for the development of the electricity grid (top up)	643.2	033	100%		
HU-C[C9]-I[I12]	Setting up a financial instrument to improve the energy efficiency of residential buildings	61.3	025bis	100%		

HU-C[C11]-I[I1]	E-government services	14.7			011	100%
HU-C[C11]-I[I2]	AI Gigafactory and other EuroHPC compute infrastructure	500.0			021quater	100%
HU-C[C11]-I[I3]	Voluntary contribution to IRIS ²	500.0			051	100%