

## PHOTO OF THE DAY



MTI/György Varga

Fog at sunrise near Nagykanizsa, in south-western Hungary

## UPCOMING EVENTS

**Budapest general assembly meets**

**Events related to the war in Ukraine**

## TOP STORY

### GOVT 'REACHES GOALS ON RECOVERY FUNDING'

The government's goals set in June have been fulfilled, the regional development minister said after EU ambassadors on Monday sent a proposal to the European Council to approve Hungary's recovery plan and unblock its recovery funding.

Also, the goal was to strike a deal with the European Commission on cohesion funding by Dec. 31 to ensure that Hungary does not lose any of these monies, Tibor Navracsics told a press briefing, adding that agreement was reached. Navracsics said he trusted that the partnership agreements on the recovery fund and the operative programmes would be signed within days. Under the arrangements of the RRF, access to some 5.8 billion euros will be available to Hungary, he said, while by the end of 2027, some 14,000 billion forints can be accessed, including for operative programmes with Hungarian co-financing. Monies involved in the RRF will be spent on programmes that help achieve climate and energy policy goals and enable the development of digital infrastructure and public services and supporting companies' digital transition, he said. Concerning the monies available under the arrangements of the operative programmes, more than 4,000 billion forints have already been approved for agricultural and rural development so 9,000-10,000 billion forints will be left for other areas, he added.

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## **JUSTICE MINISTER: EU MEMBERS CLEAR HUNGARY RECOVERY PLAN**

European Union member states "listened to Hungary's arguments" and approved the country's recovery plan which is expected to lead to the unblocking of recovery funding, Justice Minister Judit Varga said in Brussels on Tuesday. "We woke up to a good news," Varga said, referring to the decision made in the early hours of Tuesday. Speaking ahead of a meeting of European affairs ministers in Brussels, Varga said adoption of the Hungarian plan "exactly reflects the situation", citing the European Commission as calling the Hungarian programme "one of the best".

During the process, the Hungarian government considered "all reasonable professional proposals that were not in conflict with the democratic mandates voters had bestowed on the government", she said, adding that the government "adopted constructive compromises" in that spirit.

Hungary has fulfilled all its commitments regarding the EU's conditionality procedure, she insisted, adding that the Hungarian government would continue to work "with the same effectiveness and in the spirit of forward-looking and constructive cooperation" to have now-suspended cohesion funds released to Hungary as soon as possible. She called it important that the other members had "understood

Hungary", and proposed that the ratio of suspended cohesion funding to Hungary should be 55% rather than 65% as the European Commission had intended. She said it was "a sign that member states have the final say" in the EU, which she called a "cooperative community with member states at the helm".

The European Council said on Monday that EU ambassadors had positively assessed Hungary's recovery plan which awaits the decision of EU leaders. The council also said at the same time that the Committee of Permanent Representatives has proposed suspending payment of cohesion funds to the country totalling 6.3 billion euros. If the proposal is accepted and Hungary completes 27 "milestone" reforms to reinforce the rule of law, it may access 5.8 billion euros of EU recovery funding to offset the impacts of the coronavirus pandemic and finance the transition to a green and digital economy, the council's statement said.

According to the ambassadors' evaluation, the Hungarian plan is made up of reforms and projects that would contribute to meeting the EU's country-specific recommendations, adding that it was designed to provide a thorough and balanced response to the economic and social situation in the country. The Hungarian plan includes a thorough package of key institutional reforms aimed at meeting country-specific recommendations concerning the rule of law, which serves protection of the bloc's financial

interests. Stepping up the fight against corruption, promoting competition in public procurement and strengthening the independence of the judiciary will also contribute to the efficiency and resilience of the economy, the statement said. Hungary will be required to fully and appropriately complete its reforms before the EU makes any payment to the country under the Recovery and Resilience Facility, the statement warned.

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## **NAVRACSICS: HUNGARY MAINTAINED OPEN STRATEGY AT EU TALKS**

Hungary maintained an open strategy at its talks with the European Commission, Tibor Navracsecs, the regional development minister, said after European Union ambassadors on Monday sent a proposal to the European Council to approve Hungary's recovery plan and unblock its recovery funding. He added that the government had given serious consideration to all requests and concerns coming from the Commission, and it was open to compromise if a good solution was offered. Accordingly, an agreement was reached with the EC concerning the rule-of-law procedure by September, allowing the sides to focus on the talks concerning the two large funds, and this brought about results by late November, he said. At the end of November, the EC said that it considered Hungary's national recovery plan "excellent" and

saw no further concerns regarding the cohesion funds, either, he added. The current development demonstrates the Council's recognition of the efforts made so far, he said.

In response to a question, Navracsics said the last stage in the schedule of implementation was at the end of March and then the package of laws will have to be approved by Hungarian parliament. The EC said that if the end-of-March deadline is sustainable, then the freezing of funds can be lifted in April or May, he added. He said he trusted that there would be no further demands by the EU. Continuous dialogue has been maintained with the EC, and the milestones currently achieved demonstrated that Hungary's efforts had been recognised, he said. The government will make an effort to clarify any possible problems raised during the talks with a view to preventing the need to raise any further demands, he added. Navracsics said there was no date set as yet for the signing of the partnership agreement. Monday's deal had to be reached first and now within a few days, the date of signing the agreement will be announced, he added. The plan is to announce 25 new tender invitations by the end of March, he said. Commenting on the loan part involved in the recovery fund, he said there were six months left to decide whether a loan would be taken out or not. The government will make its decision depending on the economic environment at the time, he added. Commenting on the milestones set for Hungary during the EU talks, he said Hungary had a good chance of

showing an example to other member states how to "handle an ideologically driven campaign of hysteria" by means of substantive measures, and how to make further steps in the areas of public procurements and the whitening of the economy. The future and legitimacy of the rule of law procedure will depend on how it can be kept at a distance from current politics and party politics, he said. The problem is not that the EU wants to protect its budgetary and financial interests, but the mixing of political considerations with legal ones, he said.

Gergely Gulyás, the prime minister's chief of staff, said the series of talks had resulted in a victory for the EU; and "we are also a member of the European Union". Maintaining European unity is especially important in the current situation, he said. Gulyás also said that anti-corruption measures did not harm Hungary, and the situation concerning corruption was not worse in the country than in western Europe or countries that joined the EU more recently.

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### **NAVRACSICS: HUNGARY'S ADOPTION OF GLOBAL MINIMUM TAX DOESN'T MEAN TAX INCREASES**

Tibor Navracsics, the regional development minister, told a press briefing on Tuesday that the fact that Hungary will adopt the global minimum tax does not mean that taxes will increase. As part of a deal with Brussels, an existing business tax would be seen as part of the general tax burden, so in

Hungary's case the corporate tax would not have to increase.

Gulyás added: the European Council put it in writing that the adoption of the global minimum tax would not force Hungary to raise taxes in addition to the current tax system, and the business tax could be incorporated.

Navracsics said the government had relaxed its previous objections to the global minimum tax when it became clear that the tax, which would have been harmful to Hungary in terms of increasing the tax burden and denting its competitiveness, would not result in a tax increase in the country. The global minimum tax in Hungary will affect several large companies which will have an additional tax payment obligation, but the system is being cleverly structured, Gulyás said.

Meanwhile, on the subject of the EU loan to Ukraine, Gulyás said Hungary's standpoint was that there should be no further joint borrowing, "and we succeeded in finding a solution which doesn't oblige us to borrow further". Hungary wanted Ukraine to have bilateral arrangements, but Ukraine preferred the simplicity of getting the funding all in one go, he said, adding that the EU found a satisfactory solution by setting aside 18 billion euros of support within the EU budget. Regarding dissatisfaction in the teaching profession, Gulyás said that as soon as EU funds are unlocked, the government will be able to increase the salaries of teachers. If operational funding is released on Jan. 1, then a pay increase will be implemented immediately, but this

depended on whether the Commission would demand additional conditions. He added: "However large the European Parliament's corruption scandal is, the Commission is afraid" of the EP, even though it was clear that the left wing in the EP had come under serious external influence and was embroiled in corruption scandal.

Asked about funding originating in the US to support independent media and civil organisations in central Europe, Gulyás said sovereignty must be respected, and the government of another democratic country and the question of who sits in its parliament should not be determined in Washington, Berlin or Moscow. Asked about Hungary's ratification of Finland and Sweden's NATO membership, Gulyás said that on Feb. 20, the first day of parliament's spring session, the chamber will consider the question as part of its normal schedule, and the government would not be able to address it by decree using its emergency powers.

### **ORBÁN: GOVT TO RAISE PENSIONS BY 15% FROM JAN**

The government will raise pensions by 15% as of Jan. 1, Prime Minister Viktor Orbán said on Tuesday. In a video published on Facebook, Orbán said he had signed a government decree on the pension hike. "In the wake of Brussels's ill-advised sanctions, an energy crisis is raging in Europe, which also has an impact on us Hungarians," the prime minister said, adding "we

are protecting families through price caps and reduced utility prices." While coping with current challenges, the government also focuses on long-term objectives such as securing a decent living for pensioners and preserving the value of pensions, Orbán said. He added that previous hikes had helped meet that goal in each year since 2010, and the next hike in January would serve that end in 2023, too. "Seniors can rely on us!" Orbán said.

Meanwhile, Finance Minister Mihály Varga said the central budget would ensure a monthly 473 billion forints (EUR 1.2bn) to cover the pension hike. According to the minister, pension payments in 2023, including a 13th month pension, will amount to 6,150 billion forints. "Since 2010 we have doubled pensions and their purchasing power has increased by 20%," Varga said, adding "we will continue to work to preserve the value of pensions amid the sanctions crisis".

### **SZIJJÁRTÓ URGES APPLICATION OF CHINA-EU INVESTMENT DEAL**

The Hungarian government urges that the investment agreement between China and the European Union should take effect as soon as possible, Péter Szijjártó, the minister of foreign affairs and trade, said on Tuesday. Szijjártó said on Facebook that he held a teleconference with his Chinese counterpart Wang Yi, adding that they had been in a working relationship for over eight years. "We have always seen eye to eye and our

talks were held on a basis of mutual respect; if we look back objectively on Hungarian-Chinese cooperation in the past eight years we can clearly call it a success story," Szijjártó said. Hungary is now "the number one" investment destination for Chinese companies in central Europe, which could help the country avoid a recession hitting Europe, he added. A plant being built near Debrecen, in eastern Hungary, by one of the largest battery makers in the world will help keep the Hungarian economy on a growth path in the long run, he said. The Hungarian government is working to "redirect" ties between the EU and China to partnership so they are not affected by "the failed sanctions", Szijjártó added. "We urge that the China-EU investment agreement should take effect as soon as possible. As Covid's grip eases, flights are being relaunched between Hungary and China, including flights between Budapest and Shanghai, Chungking, and Tientsin," he said.

Szijjártó said he was grateful for his counterpart's efforts to build bilateral ties from which "Hungary has benefitted a lot".

### **DEFMIN: SECURITY IN WESTERN BALKANS JOINT STRATEGIC INTEREST OF UK, HUNGARY**

The security of the Western Balkans is a joint strategic interest of the UK and Hungary, Defence Minister Kristóf Szalay-Bobrovniczky said after talks in London on Monday. Szalay-

Bobrovniczky told public media after a meeting with UK counterpart Ben Wallace that the bilateral talks held "in an atmosphere suitable for allies" focused on the situation in the Western Balkans and at Hungary's southern borders, as well as the Serbia-Kosovo tension. The security of the Western Balkans is a guarantee for Hungarians' security and the UK has also maintained a strategic interest in it for a long time, he said. As a result, the two countries share identical views on the matter, he added.

### **SZIJJÁRTÓ: HUNGARY OPENS NEW CONSULATE IN BRUSSELS**

Hungary has opened a new consulate in Brussels, which is important also because the greater the uncertainty in the world, the more important it is for the state to provide security for Hungarians at home and abroad, Foreign Minister Péter Szigjártó said in Brussels on Monday. The ministry cited Szigjártó as saying that the significance of Hungary's foreign representative office network had increased significantly in the recent, difficult period characterised by security challenges. He noted that during the coronavirus pandemic, more than ten thousand Hungarian citizens had been helped return to Hungary. Personal presence is required to represent Hungary's interests and recognising this, Hungary had opened a number of new embassies and consulates around the world in the

past eight years, he said. Their total number currently reaches 135 and the trend will continue, he added. A total of 400 million forints (EUR 960,000) have been spent on the new consulate which will serve, among others, the around 20,000 Hungarians living in Brussels, he said.

### **BUDAPEST MAYOR WELCOMES AGREEMENT CONCERNING EU FUNDS**

"We are glad that the European Union and the government have reached an agreement," Budapest Mayor Gergely Karácsony told a press conference on Tuesday in reaction to news that Hungary's EU recovery funding is likely to be unblocked. The government is "now obliged" to meet the bloc's requirements before the funds can actually be accessed, the mayor added. Karácsony said he was glad that Hungary would receive grants from the recovery fund, and urged the government that it should use the mechanism's loan component, too. Money borrowed under the mechanism could be used in full to rebuild the country's energy system, he added. Karácsony, who is co-leader of the Association of Hungarian Municipalities (MÖSZ), said the funds should also go to local councils, adding that "reducing Hungary's dependence on Russian gas and completing a green transition could hardly be possible without changing municipal energy provision". Answering a question, Karácsony said "ideally" the recovery

funds should be divided up equally between central investment projects, private investment projects, and municipal services.

### **OPPOSITION ON DECISION TO APPROVE HUNGARIAN RECOVERY PLAN**

Hungarian opposition parties on Tuesday reacted to the proposal by EU member state ambassadors on approving Hungary's recovery plan, which is expected to result in EU leaders unblocking of the country's recovery funds. The Democratic Coalition insisted Prime Minister Viktor Orbán had been dealt a big blow in Europe, having "failed" to immediately secure recovery funds, while a large portion of cohesion money had also been frozen despite Orbán having "caved" on the issue of the EU loan to Ukraine and the global minimum tax.

Momentum said Orbán bore sole responsibility for Hungary receiving less money from the EU, adding that more than 4,800 billion forints (EUR 11.7bn) in EU funding still hung in the balance.

The Socialists said the risk that a large portion of catch-up funds would be withdrawn was ever present, and Orbán had merely secured a reprieve and must show the government can comply with European norms. The budget, it added, would now have access to enough funding to stave off "an even bigger crisis".

Jobbik said the government had "backed down" on EU support for Ukraine and the global minimum

tax, and yet its single biggest duty to secure the funding to help Hungarian citizens had not been fulfilled.

LMP said the decision of EU ambassadors was good for large European companies, given that Hungary has been exempted from applying the global minimum tax. "Hungary can remain a tax haven," it added.

Ruling Fidesz said in reaction that the left was "working obsessively against Hungary". In a statement, the party said the left had been doing "everything they could" to get Hungary to lose the EU funds it was entitled to. "But they failed," Fidesz said, adding that the approval of Hungary's recovery plan and operative programmes meant that "after half a year of political stalling", Brussels had admitted that Hungary was entitled to those funds.

### **ECONOMIC DEVELOPMENT MIN: GOVT NOT TO EXTEND DEBT SERVICE MORATORIUM**

The government will not extend the current moratorium on borrowers' repayments, which is set to expire on Dec. 31, the minister of economic development said on Tuesday. Márton Nagy said the number of clients taking advantage of the moratorium had significantly declined. In August, only 1% of corporate borrowers and 3% of retail borrowers remained in the programme, he said, adding that the current cap on interest rates ensures

"appropriate protection" to 350,000 families and 60,000 businesses, and "retaining the repayment moratorium is not justified". The government has also decided that clients should not pay higher monthly instalments than prior to January, he said, explaining that the decision took into consideration interest and fees amassed during the participation in the scheme, and clients could make a full repayment over the longer term. The government introduced the repayment moratorium in March 2020, to mitigate the economic effect of the coronavirus pandemic on households and businesses.

### **SOCIALIST MEP: EU PROTECTING HUNGARIANS' INTERESTS AGAINST GOVT**

The European Commission has demonstrated that it can act in cooperation with EU member states against the government of a country to protect the interests of that country's citizens from their government, opposition Socialist MEP István Ujhelyi said on Tuesday. Ujhelyi told an online press conference in Strasbourg that "notwithstanding the best efforts of the [Hungarian] propaganda machine, it is hard to present Prime Minister Viktor Orbán's retreat as a triumph when he has also been issued with an official document showing that [his government] violated the rule of law and abused EU resources." It is the first time in EU history that it is officially

stated that a member state government severely violated the rule of law and consequently a part of its EU funding has been frozen, he said. "If ruling Fidesz does not implement the amendments to scale back its System of National Cooperation (NER) as promised, then Hungary could lose the 8,000 billion forints which is now frozen, including 4,800 billion euros non-refundable support, for good", he said.

### **HUNGARY GENERAL ELECTED DEPUTY HEAD OF NATO DIANA BOARD**

Imre Porkoláb, brigadier-general of the Hungarian military, has been elected deputy head of the board of directors of NATO's DIANA innovation network, the defence ministry said on Monday. The network, based on a NATO summit decision passed in June last year, is to provide a link between member states' innovation ecosystems and provide a framework for cooperation between start-ups, small businesses, and universities, the ministry said. In his new position, Porkoláb will work with NATO leaders and heads of DIANA to identify strategic directions and make relevant plans, the statement said.

### **US EMBASSY: USAID LAUNCHES CENTRAL EUROPE PROGRAMME**

The United States Agency for International Development (USAID), with bipartisan Congressional support, is supporting new locally

driven initiatives in Central Europe with the goal of strengthening democratic institutions, civil society, and independent media, “which are all pillars of resilient democratic societies”, the US Embassy in Budapest said on Monday. The statement said that “these programs will be implemented by a coalition of partners with deep knowledge of the region, experience in providing tailored support to local communities, and a commitment to internationally-recognized best practices to support democracy”. In Central Europe, USAID supports local partners in Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia to “increase the capacity of civil society to strengthen democratic principles and empower citizens to protect fundamental freedoms”, it said. Additionally, to “strengthen the competitiveness, financial independence, and sustainability of the independent media sector”, “build the watchdog skills of civil society and media to enhance rule of law observance, combat corruption, and increase access to justice” and to “increase civic engagement through collective action of citizens to strengthen democratic systems,” the statement said. It added that “the Biden-Harris Administration has made clear that bolstering democracy in the United States and around the world is essential to meeting the unprecedented challenges of our time”. “The US Congress, with bipartisan support, appropriated funds to strengthen

democracy and civil society in Central Europe, including for transparency, independent media, rule of law, minority rights, and programs to combat anti-Semitism,” the statement said.

**THINK-TANK: HUNGARY ‘HAS WON MAJOR BATTLE’ IN BRUSSELS**

Hungary has won “a major battle” in Brussels, securing access to the whole tranche of the country’s EU recovery monies and unsuspending parts of its cohesion funding, according to a Centre for Fundamental Rights political analyst. Hungary will have the opportunity to access the rest of cohesion funds at a later point, Levente Szikra told public broadcaster M1 on Tuesday, adding that the deal meant more battles lay ahead. Still, market confidence in Hungary is likely to improve, he added. The analyst said Hungary had fulfilled all its commitments in connection with the suspended funds and represented its interests in Brussels “very effectively”, though European Parliament pressure meant the government had not reached its aims entirely.

**ENERGY OFFICE: HUNGARIAN HOUSEHOLDS GET BEST ENERGY PRICE DEAL IN NOV**

Hungarian households continued to enjoy some of the cheapest energy in Europe in November, based on an

international price comparison by Hungary’s energy office (MEKH) and Energie-Control Austria. Whereas household electricity increased by 12% in London, 11% in Paris, and 10% in Prague compared with the previous month, and the retail price of natural gas in Berlin rose by 27% and in London by 25%, Hungarians’ electricity costs did not rise in November, while gas was the cheapest within the government’s price-cap system, MEKH said in a statement on Tuesday. Hungarian households paid the second lowest electricity bills after Belgrade at 9.06 euro cents per kilowatt hour based on average consumption below which the cap applies. Natural gas based on average consumption cost 2.49 euro cents per kilowatt hour in November. In the case of electricity and natural gas, consumers also paid some of the lowest prices in Europe above threshold of the price cap, the energy office added.

**SOME 7,000 UKRAINE REFUGEES ENTER HUNGARY ON MONDAY**

Fully 3,863 refugees entered Hungary at the Ukraine-Hungary border on Monday, while 3,061 came to the country via Romania, according to the national police headquarters (ORFK). Police issued temporary residence permits valid for 30 days to 136 people. Altogether 65 refugees, 20 children among them, arrived in Budapest by train, ORFK said on Tuesday.

