



GOVERNMENT OF THE REPUBLIC OF HUNGARY

**NATIONAL REFORM PROGRAMME
OF HUNGARY**

Based on the Széll Kálmán Plan

April 2011

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INTRODUCTION

Creating the “*Strong Europe*” chosen for the motto of the European Union’s Hungarian Presidency assumes a stronger European economy. Strong European economy requires fast and consistent implementation of structural reforms designed to serve rapid recovery from the crisis, improvement of Europe’s economic competitiveness as well as the long-term objectives of the Europe 2020 Strategy.

The first European semester, by ensuring better economic policy coordination, is to play a key role in that individual efforts of Member States contribute significantly to achieving Europe-wide common goals. The European Commission’s Annual Growth Survey and Conclusions of the March European Council correctly identified the priority areas where intervention by the Member States is needed for the purpose.

Europe and Hungary have the same goals; only a competitive, dynamically and sustainably growing Hungarian economy will contribute to achieving a strong European economy. Hungary’s first National Reform Programme is designed to give an adequate and credible response to structural problems, with special regard to low labour force participation and high public debt that currently inhibit dynamic and sustainable growth of the Hungarian economy.

In compiling the National Reform Programme, Hungary has striven for following the guidance by the European Commission in terms of substance, structure and length. Accordingly, the main purpose of the Programme is to present long-term structural reforms that will accelerate economic growth, boost employment and ensure sustainable level of public debt in conformity with both the priorities set out in the Annual Growth Survey and most elements of the Euro Plus Pact (which Hungary has not signed). In addition to structural reforms to foster economic growth, the National Reform Programme confirms Hungary’s previously indicated national targets regarding the headline goals of the Europe 2020 Strategy based on its own conditions and national priorities and outlines the key measures designed addressing them in the immediate future

Hungary has prepared its National Reform Programme in accordance with the Convergence Programme to submit both documents to the European Commission at the same time.

I. MEDIUM TERM MACROECONOMIC SCENARIO

In this section, we shortly present the medium term macroeconomic scenario on which Hungary's National Reform Programme is built.

It should be emphasized that, based on the new and integrated approach of the European semester, Hungary's National Reform Programme and Convergence Programme have been prepared in close co-ordination and the two documents will be submitted to the European Commission at one time. Since the macroeconomic outlook for the period between 2011 and 2015 will be detailed in the Convergence Programme, the following macroeconomic scenario has not more than to give a short summary as a cross-reference to the Convergence Programme.

The Government of Hungary has assumed two possible macroeconomic scenarios while planning mid-term economic policies. For one, consistent implementation of structural reforms planned and presented both in the National Reform Programme and the Convergence Programme should set up such favourable quality changes in the Hungarian economy that overall will make serious positive impact on potential growth. For the other, a conservative assumption takes into consideration only the directly quantified impact of structural reforms and doesn't assume indirect synergy effects expected from the critical mass of structural reforms. Following the principle of cautious economic policy planning, the Government of Hungary opted for the latter during the preparatory works of the Convergence Programme (and of the National Reform Programme).

With respect to the external conditions of economic growth, based on the *conservative* assumption, a moderate growth of world trade will follow that dynamic one coming up after having bottomed out in the crisis period. In addition to moderate global recovery, the Hungarian economy may show a GDP growth of 3 to 3.5 per cent annually in the medium term while the output gap – presently negative – may be closed by 2015. In terms of GDP structure, the Hungarian growth will remain export-driven in 2011 to 2012 with large investment projects in the vehicle industry to get into a productive phase from 2012 on while domestic demand will start to increase from 2011 with import growth exceeding that of the export from 2013. In labour market, the number of those economically active is expected to continue growing while the demand-side adjustment will go only in parallel to the gradual recovery of profitability in the private sector. Therefore, the growth of employment will pick up only gradually as well. For external balance, the Hungarian economy will continue to make a positive net external financing position in the following years. As a result, the level of external debt will be lowered continuously. However, due to EU transfers planned to be lower, or to net outflow of incomes that is likely to increase, net external financing capacity is projected to moderate. Due to higher raw material prices including particularly those of energy, the inflation will just slightly plunge in 2011 to return by only 2013 to the level of the mid-term inflation target.

Though the National Reform Programme (as well as fiscal planning) is built on the strictly conservative mid-term macroeconomic scenario set out in the Convergence Programme the Government of Hungary is confident that the structural reforms presented in the National Reform Programme (and in the Convergence Programme), if implemented together and consistently, will launch structural changes in the Hungarian economy in such a critical mass

that should result in higher potential growth due to qualitative improvement of competitiveness. Based on this *dynamic* macroeconomic scenario, which takes into account the indirect impact of structural reforms with synergies improving competitiveness significantly, the Hungarian economy will accelerate to a growth rate of 4 to 6 per cent from 2013 while the number of those employed may rise 400,000 with an investment ratio up to 25 per cent by 2015.

Key macroeconomic indicators (2010 to 2015)

| | 2010 | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | |
|---|------|-------|------|-------|------|-------|------|-------|------|-------|------|
| | Fact | Cons. | Dyn. |
| <i>Change in percentage from previous year</i> | | | | | | | | | | | |
| Gross domestic product | 1.2 | 3.1 | 3.2 | 3.0 | 3.6 | 3.2 | 4.8 | 3.3 | 5.2 | 3.5 | 5.5 |
| Households' consumption expenditure | -2.1 | 3.1 | 3.2 | 2.2 | 2.6 | 2.4 | 4.9 | 2.5 | 4.2 | 2.7 | 4.2 |
| Gross fixed capital formation | -5.6 | 5.7 | 6.4 | 5.3 | 8.0 | 6.0 | 8.4 | 5.7 | 11.4 | 5.8 | 11.9 |
| Exports (national accounts) | 14.1 | 9.7 | 9.7 | 10.5 | 10.8 | 12.1 | 12.3 | 11.6 | 12.5 | 11.7 | 12.5 |
| Imports (national accounts) | 12.0 | 9.7 | 9.8 | 10.4 | 10.9 | 12.2 | 12.6 | 11.8 | 13.0 | 11.8 | 12.9 |
| <i>Annual average in percentage</i> | | | | | | | | | | | |
| Unemployment rate | 11.2 | 10.9 | 10.9 | 10.5 | 10.5 | 9.9 | 8.8 | 9.3 | 7.3 | 8.7 | 5.9 |
| Employment rate(20 to 64 years) | 60.6 | 61.1 | 61.1 | 62.4 | 62.6 | 63.6 | 64.7 | 65.0 | 66.8 | 66.3 | 69.1 |
| <i>Percentage in relation to gross domestic product</i> | | | | | | | | | | | |
| Net external financing capacity | 3.9 | 4.2 | 4.1 | 5.6 | 5.4 | 5.8 | 4.9 | 4.4 | 3.1 | 4.4 | 2.6 |
| <i>Annual average in percentage</i> | | | | | | | | | | | |
| Consumption price index | 4.9 | 4.0 | 4.0 | 3.4 | 3.4 | 3.0 | 3.1 | 3.0 | 3.0 | 3.0 | 3.0 |

Note: Cons.: conservative scenario, Dyn.: dynamic scenario

The macroeconomic outlook for the period between 2011 and 2015 will be detailed in the Convergence Programme.

II. STRUCTURAL REFORMS TO ENHANCE ECONOMIC GROWTH

In order to strengthen the recovery from the crisis and facilitating smart, sustainable and inclusive economic growth as set out by the Europe 2020 Strategy, Hungary is to implement structural reforms that enhance long-term growth potential of the economy and improve fiscal sustainability as well. The planned reforms are consistent not only with the European Commission's recommendations but also with the key elements of the Euro Plus Pact (which Hungary has not signed) as well as the substance of the declaration "Getting Europe Growing" composed by nine Member States last March.

The following section presents the planned structural reforms that address the most relevant structural weaknesses hindering economic growth in Hungary¹, as well as the priority areas proposed in the Annual Growth Survey².

Széll Kálmán Plan

Early March 2011 the Hungarian government announced the Széll Kálmán Plan whose aim is to cut the debt burdens constraining the development of the Hungarian economy. The Széll Kálmán Plan is aimed at reducing public debt, restructuring of mismanaged areas of economic and social life, where public debt is reproduced as well as boosting economic growth. Against this background, the Széll Kálmán Plan has announced reform measures in key areas such as the labour market, pension and welfare system, public transport, education, prescription drug subsidies, public administration, state and local government finance and administration, in order to increase employment and boost economic activity as well as to improve the structural balance of general government budget and sustainably cut public debt. As a result of these measures, the share of public redistribution will decrease and, at the same time, the structure of public expenditures will become more conducive to growth. As a whole, the measures of the Széll Kálmán Plan will significantly stimulate all three sources of long-term growth: they will extend labour force supply, increase the dynamics of investments and contribute to the development of human capital. The following structural reforms are mostly included in the Széll Kálmán Plan.

¹ The ECOFIN Council's responsible bodies (Economic and Financial Committee, Economic Policy Committee) made the following recommendations in June 2010 as to eliminate the "macro-structural bottle-necks" with the most relevance on the Hungarian economic growth: (1) reducing the deficit and the high level of government debt while continuing efforts to reallocate public expenditure towards growth-enhancing items; (2) ensuring a stable and well functioning financial sector by reducing the risk from over-exposure to foreign denominated credit; (3) ensuring full utilisation of the economy's labour potential, in particular through raising the participation and employment rates; (4) improving business environment to facilitate the development of a more viable SME sector, and to promote favourable conditions for research and development and innovation activities; (5) improving the contribution of the education system to human capital formation.

² The Annual Growth Survey published by the European Commission in January 2011 set out the following ten priority areas as recommendation for the Member States: (1) rigorous fiscal consolidation; (2) correcting macroeconomic imbalances; (3) ensuring stability of the financial sector; (4) making work more attractive; (5) reforming pensions systems; (6) getting the unemployed back to work; (7) balancing security and flexibility; (8) tapping the potential of the single market; (9) attracting private capital to finance growth; (10) creating cost-effective access to energy.

1. Measures to sustainably reduce public expenditure and debt

The Hungarian general government deficit has continuously exceeded 3 per cent of gross domestic product (GDP) since the country joined the European Union in 2004. As a result, Hungary's public debt has risen to above 80 per cent of GDP (from a level just over 50 per cent in the early 2000s). While government measures aimed to keep the public deficit at the target for 2010 such as the extraordinary crises taxes on certain sectors successfully consolidated the budget in the short term, further structural reforms, notably on the expenditure-side, are needed for the longer-term sustainability of public finances.

In order to reduce public debt, the budget deficit should be brought down; at the same time fast economic growth and structural reforms are crucial to avoid the reproduction of public debt. Measures for this purpose outlined in the Széll Kálmán Plan involving the labour market, the pension system, public transport, higher education, prescription drug subsidy system, public administration and local governments as well as – to a smaller extent – the revenue side will improve the balance of the public sector by HUF 550 billion in 2012 and HUF 900 billion annually from 2013 onwards. In 2012, four fifths of this adjustment will come from expenditure cuts and from 2013, three fourths of the improvement of the public balance will be expenditure related. As a result of these measures, the public deficit should sink below 2 per cent of GDP by 2014 with gross public debt falling below 65 per cent relative to GDP by 2015. Bringing down public expenditure and debt is facilitated by the new rule in the draft Constitution setting a maximum limit of public debt at 50 per cent of GDP: till attaining this threshold, only budget bills that result in the reduction of public debt can be adopted as a general rule. Fiscal discipline is also strengthened by the proposed rule in the new Constitution that local government borrowing is subject to central government approval in advance.

The measures targeting budget expenditures and public debt will have a positive impact on the growth of the Hungarian economy: the reduction of public expenditures and the cut in the financing need of the state are factors which can improve the financing conditions of the private sector by themselves. In addition, the change in the structure of budget expenditures (by reducing the share of social transfers unfavourable from the aspect of growth) will also contribute to economic growth. Last, the measures will also contribute to strengthening the confidence of financial markets, which will have a favourable impact on economic activity via the reduction of risk premia.

(Measures to cut public expenditure and debt - and the fiscal and macroeconomic effects of structural reforms - which are presented below will be detailed in the Convergence Programme.)

2. Measures to manage risks from foreign exchange denominated loans

Due to a significant spread in the interest rates of the Hungarian forint and foreign currencies, Hungarian households' demand for foreign exchange denominated mortgage loans, especially those in Swiss franc drastically increased in recent years. The significant appreciation of Swiss franc against the euro (and as such against Hungarian forint, as well) since 2008 revalued the stock of Swiss franc-denominated mortgage loans to households. Due to higher monthly instalments inter alia, overdue repayments were seen for more than 117,000 mortgages with a

total amount of almost HUF 700 billion by 2010-end. Some 100,000 residential property units were to secure these mortgages.

The goal of measures implemented so far and further measures planned is to reduce the social, real estate market and financial stability risks arising from mortgage-backed lending to households. To this end, foreign exchange mortgages have been not recorded any more as of 2010 summer. As a result, the volume of new foreign exchange loans to households went down to a minimum level in the second half of last year. Eviction moratorium was announced in 2010 summer to manage heavy social risks in relation to non-performing mortgage loans. However, further measures are obviously required to ease systemic financial risks and social problems.

To manage risks related to the households' mortgage loans, the Government is planning to implement the following measures:

- The Government intends to sign a **comprehensive agreement with the representatives of the domestic financial sector** in spring 2011 as a part of which problems of mortgage loans would be settled. In the construction envisaged, the exchange rate determining the instalments for foreign exchange denominated mortgage loans will be fixed - at a level somewhat more favourable than now - with the difference from the actual future exchange rate to be entered on a separate account where the debt may be accumulated (or even disappear if better exchange rates emerge). For the negative balance, the Government is to undertake full guarantee for the period of the fixed exchange rate (and 25 per cent fallback guarantee for the rest of the term). As another element of the planned scheme, should the defaulted debtor sell his/her property, then the bank offers temporary housing aid and forgive the part of debt above the value of the property to secure the loan. At the same time, the Government offers interest rate subsidy to investors who want to buy a property unit that secures a loan so foreclosed. Furthermore, the Government is to establish the National Asset Management Company to acquire the property units of the families most in need through debtor or creditor agreements, or in auction, and then to let it out for rent to the debtor.

3. Measures to improve business environment

Based on analyses and international surveys available, one of the most important structural weaknesses of the Hungarian economy is the low quality of its business environment. The complexity and instability of the regulatory framework, high administrative burden on enterprises and insufficient enforceability of obligations as per contract make negative influence on business environment while corruption phenomena – causing serious competitive disadvantage to enterprises with fair market practices – may strongly distort market competition in certain cases.

Key measures to improve business environment are the following:

- In 2011, **comprehensive programme** is launched **to reduce administrative burden on enterprises**. In this context, the Government will decide on a proposal to envisage administrative burden cuts of some HUF 100 billion. As planned, next autumn may see another set of measures of further HUF 400 billion for the same purposes, to be

complied together with stakeholders. This second package will aim at a significant reduction of the difference between micro-size or small businesses and large enterprises in terms of administrative burden relative to sales revenues as well as setting up an institutional and legislative framework to prevent administrative burden from being increased as a result of government measures. The planned moves will ensure that administrative burden from national regulation is reduced by 25 per cent as Hungary committed itself previously.

- During 2011, a **programme to improve certain regulatory-institutional elements of competitiveness** will be elaborated. The main elements of the programme are to develop quality of public services (drawing up objectives and criteria in relation to action plans to improve public services of critical importance as well as defining the moves and methods of the planning process), to develop the domestic capital market (including particularly the measures ensuring protection of minority interest acquired to widen opportunities for Hungarian enterprises to raise funds), designing the institution of competitiveness agreements (based on which the Government is to conclude an agreement with a region or sector by undertaking to offer certain preferences in return for specific commitments by the enterprises in areas of relevance to the Government) and to encourage initiatives for competitiveness (helping the business sector's own initiatives).
- A **new public procurement law** will be adopted by July of 2011 with the key rationale that the existing very complicated act should be replaced for a new, simpler, more concise and transparent framework law. The new law will better serve the transparency of public spending and fair competition and create a system that is more flexible and adaptive for economic conditions to align with innovation needs emerging continuously in the field of public procurement (with a view to efforts to spread electronic purchasing).
- By the end of 2011, new laws will be adopted for **quicker foreclosure and liquidation proceedings** with more transparency to reduce burdens on enterprises.
- In the first half of 2011, the **e-government pillar of the Magyary Programme** (see below) will be prepared. It will draw up professional guidelines and give digital solutions to cut administrative burdens, to simplify processes, to implement on-demand programmes with the participation of the citizens, to develop public services and to support information and knowledge-based asset management and economy.

Together with the measures related to public administration and local governments (described in point 8), the above measures will contribute to strengthening the competitiveness of the Hungarian private sector: the reduction of administrative burden can directly increase the profitability of enterprises and their demand for investment and labour. Furthermore, a better regulatory framework and the improvement of the quality of public administration can indirectly contribute to more dynamic growth in the private sector via the improvement of the competitiveness of the Hungarian economy and its ability to attract capital.

4. Reforms affecting the labour market

One of the most significant structural problems of the Hungarian economy is the exceptionally low employment rate in international comparison (or the very low labour market participation in general): the employment rate of the population aged 20 to 64 years is around 60 per cent, one of the lowest in the European Union (and in the advanced countries generally). Low employment rate is an especially big issue for the low-skilled, the elder people, young career starters and, to a smaller extent, for women with small children.

As a guiding principle, the Hungarian Government considers work as a source of value creation and consequently put work at the forefront of Hungarian economic policy. The goal of labour market reforms is accordingly to channel back the people who are able to work but presently inactive to the labour market by means of more efficient labour market incentives and regulations as well as more targeted labour market, training or social subsidies.

Key measures planned concerning labour market are the following:

- In accordance with the Széll Kálmán Plan, the Government will announce still in the spring of 2011 the **National Plan for Work** outlining the programme in support of the creation of 1 million new jobs until 2020. In context of key interventions planned in the National Plan for Work, the following should be highlighted: review of active labour market policy objectives and instruments; modifying passive services to provide more incentives to work (shortening the maximum length of benefit for job search, change to job search aid and wage replacement benefit); improving efficiency of institutional framework of employment policy; slashing administration related to employment and whitening the labour market. According to the National Plan for Work, the primary objective is to encourage and support people to find a job on the open labour market by active labour market policy instruments, with the engagement of the private sector. It is also necessary to create a so-called transitory labour market in the sector of social work (e.g. staffing services) parallel to the primary labour market, especially in such fields where it is either not active or inefficient or unable to absorb enough people. The employment of those people who will not find jobs either in the primary or in the transitory labour market will be engaged by the central administration via public work projects (see next point). There will be free access for individuals to each subsystem in order to ensure that they can make their living from work.
- The framework of a **New Public Work Programme** will be prepared until July 2011. The basic principle of the Programme (to be launched as of January 2012) is to provide for earned income to those with working capacity but pushed out of the labour market temporarily or permanently and who cannot be offered a job by an employment centre as public work, rather than social benefits can help them maintaining their working capacity and facilitate their (re)integration into the labour market. To this end, all the persons with working capacity receiving unemployment benefits shall have to do public work offered for them for 4 hours a day. In case they do not complete the task or they cannot be offered a job, the social benefits disbursed to them shall not achieve the amount they could have earned by public work. The New Public Work Programme covers three subsystems of public working activity: big projects involving labour force in

bulk (e.g. dams, channels); regionally organised public work programmes as well as individual public works (implying integrated supply chains).

- In connection with the National Plan for Work, until September 2011 the **new Labour Code** will be adopted. This is aimed primarily at improving the flexibility of the labour market. Among the planned modifications of labour market regulation the key elements are the revision of the regulation on atypical employment forms as well as the change in the rules on work contracts, paid holidays, working hours, agency workers and probation work.

5. Measures concerning the pension system and social protection

In context of general government expenditure, the share of pension-related spending in Hungary is high in international comparison and showing a rising trend that will be further strengthened by the demographic changes. Meanwhile a significant part of social security pension expenditures is already not covered by revenues of the Pension Insurance Fund from social security contributions. The existing Hungarian social protection system prevents those involved from breaking out of poverty because of lacking motivation for work. The social and cultural environment developed in the recent years does not help the unemployed return to the labour market.

The reform of the mandatory social security pension system is particularly aimed at the balance of the Pension Insurance Fund to be ensured. Therefore, efforts are made to push back various forms of early retirement in addition to the separation of insurance, solidarity and social elements of the existing system from one another. The main goal of realigning the social protection system is to offer working opportunity in particular, rather than social aids to those durably out of work.

Key measures for long-term sustainability of the pension and social protection system are the following:

- Until the end of 2011, the laws on the **structural reform of the pension system** will be elaborated. In addition to long-term sustainability of the system, the goal of the new pension system is to establish consistent and transparent rules of pension calculation and determination, and the separation of the insurance, solidarity and social elements of the existing system from one another. The new pension system will enter into force as of January 2012.
- Until July of 2011, a **comprehensive review of early retirement schemes** will be made. As a general rule, early retirement will be eliminated. For the occupational groups that have so far enjoyed beneficial retirement rules, the Government will design new career models to consider and appreciate the special nature of their work.
- Also, until July of 2011, the **rules of disability benefits will be reviewed**. There is a part of those receiving benefits based on health damage who are still capable of earning activity, possibly after a temporary period of rehabilitation. Therefore, the Government's goal is to achieve that those of working age with health damage but

actual working capacity remain in the labour market and thereby a transparent and more rationalistic system is set up with less burden on the public finances. In context of the review, the number of entitlement categories should be brought down; transparency ensured as well as employment considerations made stronger.

- The **system of social benefits will be changed** so that the principle of incentives to work can be more emphasized. The goal of the new system is in line with the New Public Work Programme to offer working opportunity to those permanently out of work, especially in the disadvantaged regions of the country. A new recording system will be set up to register the available public works and those participating in such projects. Via this new system the relevant authority can also monitor the details of cooperation after the eligibility for social benefits have been defined. The maximum amount of social benefits available for a family will also be calculated; and social benefits will be conditional. The new social benefit system will enter into force as of January 2012.
- Until July of 2011, the existing **sick-pay system will be reviewed** with the purpose of narrowing the room for sick-pay abuses. In this context, the Hungarian Parliament decided in March of 2011 on lowering the ceiling of sick-pay (from 4 times to 2 times the minimum wage). Further planned measures in relation to sick-pay are aimed at strengthening the insurance principle, channelling those on sick-pay (as justified in terms of health condition) to early rehabilitation as well as at eliminating the so-called “passive” sick-pay due on earning incapacity immediately after the termination of insurance in legal terms. Furthermore, the Government will in the first six months review sanctions of criminal law over sick-pay abuses.

The reforms of the labour market and the measures concerning the pension and welfare systems will have a positive impact on labour market developments – especially in the long term. The measures concerning the pension and welfare systems will significantly boost labour market participation and although the labour market demand can presumably not absorb immediately the increased supply, the demand side of the labour market can meaningfully assist the extension of employment due to the labour force needs of public work projects. On the other hand, in the long term, as corporate profitability picks up - that will be assisted by Europe’s recovery from the crisis and the measures aimed at improving domestic business climate - the demand of the private sector will also contribute significantly to labour market adjustment.

6. Measures concerning public transport

Efficiency deficit of public transport has an adverse impact on the competitiveness of the Hungarian economy. Presently, public transport services are, in parallel to one another, provided for by several - loss-making - companies, the financing of which is a serious burden on the government budget (increasing public debt). The source of problems is partly the fragmentation of the company structure by increasing operating costs, and, on the other hand, an opaque and uncontrollable system of various allowances and preferences related to the use of public transport. The key measures concerning the system of public transport are the following:

- Until the end of 2011, a plan for **Hungarian Railways (MÁV) debt restructuring and reorganization** will be elaborated to consolidate the company's debt. Debt assumption by the Government is made conditional upon institutional guarantees to be established against the "reproduction" of the debt.
- To remove unnecessary overlapping operations and to make use of economies of scale, a **National Transport Company** will be set up as of 1 January of 2012. With the integration of MÁV and VOLÁN (intercity bus service provider), the process of organizational consolidation will commence in the public transport. The purpose is to eliminate overlapping items in the schedules, in addition to increasing organizational efficiency. Based on the Government's plans, the new financing scheme will ensure efficient functioning and quality services of transport companies.
- At the same time, the **existing tariff preferences will be reviewed**, and then, by fully reshaping the scheme, a new, simple and clear preference and tariff structure will be set up in order to limit allowances related to public transport through price subsidy cuts in particular.
- The **electronic toll-paying system** will be implemented as of 1 January 2013 making the costs of high-speed road network become proportionate to the load on it.

7. Educational reform

In terms of Hungary's economic growth and employment, it makes a serious obstacle that the structure and the quality of educational output are greatly different from actual labour market needs. For the young entering into the labour market directly from public education, the lack of basic skills (including the foreign language or literacy-related issues) is often a difficulty in view of the jobs available. It is also a problem the missing quality-based vocational schools where the students could acquire practical and professional knowledge. The higher education institutions issue a large number of first-job-seeking young people while the labour market do not need such a graduation indeed let alone the fact that it is often financed from public funds. As a result, these people are finally forced to accept jobs below, or different from, their education. Meanwhile those who receive a degree suitable for domestic use, often go abroad to work.

The key goal of reforms planned in education is to strengthen a practice-oriented learning and training there and a public education better adjusted for actual labour market needs; more emphasis on the vocational knowledge thereby improving the quality of vocational training and making it more attractive; and in higher education, increasing the share of those graduated from technical and scientific subjects.

In context of the educational reform, the following measures are on the agenda:

- Until September of 2011, **new laws to regulate public and higher education** will be adopted. Changes will be made in particular for setting up a new dual vocational training system in public education (ensuring that students can acquire theoretical knowledge and practical experience at their job), and at the same time, lowering the age from 18 years at present for mandatory attendance in education (with the objective

that the young and their parents have actual choice of whether to continue studies or begin to work). In higher education, government roles will be reconsidered in size and nature with a view to a smaller share to be undertaken. Taking into account demographic trends (the number of students is continuously lowering) and economic room for manoeuvre, the Government will from 2012 on reduce the number of student posts with public financing while the share of those studying technical and scientific subjects will increase. Organizational and institutional structure of higher education will be rationalized and efficiency improved. The new public education law will enter into force as of September 2012. The new system of higher education will also begin to work at the same time.

The measures under elaboration within the framework of the reform of the educational system will likely assist the more optimal and flexible adjustment of the skills of career-starters, who have just graduated, to labour market demand and this can contribute both to the extension of employment and the improvement of productivity.

8. Public administration and local governments

Renewal of public administration and improving efficiency thereof is a significant precondition for the dynamic growth of the Hungarian economy. In order to improve competitiveness, uniform, high quality public administration services are required. To this end, it will be fixed which responsibilities the state should have at national level; in context of international commitments (with special regard to the European Union) and which levels of public administration is the most suitable for certain services to be fulfilled with most efficiency.

Local governments – the greatest employers in education and health – make significant impact on the labour market, both in terms of demand and supply. On an international comparison basis, the Hungarian local government network is one of the most fragmented with problems of regional inequalities, the lack of harmony between responsibilities and financing in structural terms as well as lower efficiency.

In this context, efficiency of local governments including the sustainability of their finances should be improved undoubtedly. In the process, key items are the mitigation of fragmentation of the existing system; centralization of mayor's offices in small localities as well as the limitation of the local governments' borrowing powers to development loans under central government control.

Key measures concerning public administration and local governments are the following:

- The preparation of **Magyary Programme** aimed at the renewal of public administration goes in parallel to the preparation of Hungary's new Constitution with the purpose of an efficient national public service to be established. Key pillars of the Programme are: renewal of responsibilities of public administration (taking into account government responsibilities, review of their location and delegation, linking responsibilities, powers and resources to one another), establishing efficient organizational run (deliberate planning of resources, review of internal functioning of public administration to make it more efficient, performance measurement and audit system based on indicators),

review of public administration in-service procedures (policy design of strategic approach, reduction of loads on customers and clients) as well as increasing skills and commitment of public servants.

- As part of the fourth pillar of Magyary Programme (increasing skills and commitment of public servants), a **new career model of public servants** will be elaborated until July of 2011 to give a predictable and secure future vision to them.
- The most important objective concerning the local governments is the restructuring of services to be implemented through the revision of regulations in relation to central government' and local governments' responsibilities. Public administration responsibilities should be transferred from local governments to central government offices. At district level, central government administration responsibilities are delegated to **district offices** to be established as organizational unit of central government offices.

III. MEASURES TO SUPPORT THE NATIONAL TARGETS LINKED TO THE EUROPE 2020

STRATEGY

Hungary intends to contribute to the achievement of the five common European headline goals set within the framework of the Europe 2020 Strategy by realizing its own national targets that have been defined in order to reflect Hungary's domestic conditions and priorities. Below, we will present the concrete measures to support the Hungarian national targets that contribute to European headline goals, the basic considerations which have served as fundamentals to these and the key measures that will be implemented in 2011-12 by the Hungarian government in order to meet these target.

The national targets linked to the Europe 2020 Strategy's headline goals

Hungary intends to contribute to the five headline goals of the Europe 2020 Strategy by realizing the following national targets by 2020:

- increasing the **employment rate** of the population aged 20-64 to *75 per cent*;
- increasing the **expenditures on research and development** to *1.8 per cent* of GDP;
- increasing the share of **renewable energy sources** in the final energy consumption to *14.6 per cent*; achieving overall **energy savings** of *10 per cent*; capping the rise of greenhouse gas emissions (outside the EU's emission trade system) at *10 per cent* relative to the 2005 level;
- increasing the share of those having **completed tertiary level education or equivalent** to *30.3 per cent* within the population aged 30-34; reducing the share of early school-leavers (those without education or training in lower secondary education) to *10 per cent* within the population aged 18-24;
- reducing the **share of people living in poverty** or social exclusion by *5 percentage points*.

III.1. EMPLOYMENT

The Europe 2020 Strategy aims to increase the EU level employment rate to 75 per cent within the population aged 20-64 from the current (2009) rate of 69.1 per cent.

Traditionally, The Hungarian employment rate has been among the lowest in the European Union (60.5 per cent in 2009) and the rate even lags behind that of the countries in the region on the same level of development. The Hungarian Government defined the expansion of employment as the number one priority of its economic and development policy which would serve multiple ends: it will accelerate economic growth, balance the budget, stabilize the finances of major redistribution systems and help disadvantaged social groups and regions catch up.

Having considered the above aspects, **Hungary intends to increase the employment rate to 75 per cent for the population aged 20-64 until 2020** - that is, full convergence with the common EU target. In order to achieve this target, we will have to make particular efforts to increase the employment rate of people with low educational attainment, parents of minors as well as of labour market entrants. As the economic crisis made its impact felt on the labour market even

in 2010 (both Hungarian and the EU employment rates either fell or stagnated), a slight increase of the employment rate may be expected in 2011 due to economic growth and the gradually unfolding consequences of the structural reforms, a more pronounced increase is only to be expected from 2013 on. The Hungarian government intends to achieve the employment target through coordination of all relevant sectoral policies, therefore serious efforts will be made with regard not only to employment policy but other policies as well (e.g. tax policy, development of the business environment, education, education and training of adults, sectoral economic policies, social policy). The Hungarian government considers it a priority to stimulate the development of such sectors which, as potential break-out points of the economy, can play a crucial role in boosting employment.

The changes in the tax system which enter into effect from 2011 (flat-rate personal income tax, family taxation) will act as incentives for an employee to work more. The extra income from more work will not result in higher tax liabilities (the marginal and effective tax wedge will narrow) -- so it will be worth to work more.

In order to reach the employment target, it is especially important to initiate the labour market integration of the most disadvantaged population - especially those who live in households with low work intensity. To this end, it is essential to focus the measures on the most disadvantaged social groups particularly in the most disadvantaged micro regions. Furthermore, it is also of particular importance to consider these aspects in the support of enterprises by promoting work forms which are labour-intensive and can engage low-skilled labour force.

The key measures concerning employment are the following:

9. Transformation of active labour market policies

The government will transform the system of active labour market policies. The transformation will include the increase of the amount of support on employment, the revision of the conditions related to the support of wages and employment costs and the reduction and reform of training support. There will also be more emphasis on the stimulation and support of open labour market employment. The revision of the conditions of cash benefits can only result in a rise of the number of people with a job if each individual receives sufficient help for finding a job and increasing his/her chances on the labour market. The active labour market policies can facilitate the (active) job search of an unemployed person, his/her integration into this new job and his/her employability by services, incentives and support. In this way, they contribute to the extension of employment and the reduction of cash benefit claims. These measures must also assist the improvement of competitiveness (among others, by improving the employability of the labour force and helping meet the labour force demand of the private sector) on the one hand and the labour market integration of disadvantaged people on the other. The institution which will implement the active labour market policies is the National Employment Office which will be the key professional body responsible for carrying out the employment policy of the government after the establishment of the system of governmental offices.

10. Facilitating the reconciliation of work and family life

One of the key objectives of the government measures is to facilitate the return to the labour market for parents with small children and thus improve the living conditions of families who raise children. Additionally, these measures will contribute to achieving the dual goals of labour market flexibility and security.

The family tax allowance, which was implemented from 1 January 2011, allows parents with one or two children and parents with three or more children to reduce their tax base by a certain amount. In this way the net monthly income and the living conditions of working parents with small children improve substantially, and so they can better provide for their families which helps fulfil the principle of “it is worth working”.

In order to support flexible employment, if an employee, who has received child-care allowance or child support before, returns to her previous job and she is re-employed in a part-time position, both she and her colleague who had been her substitute and who is also part-time employed are eligible to 7 percentage points of contribution allowance from 1 January 2011. Parallel to this, in 2011 that contribution allowance is also in place which provides another incentive for employers by targeting the reduction of the labour costs of parents returning to work after having stayed at home with their children.

Parallel to restoring the period of child care allowance eligibility to three years, another objective of the government is to extend part-time employment. To this end, the government modified the regulation on jobs a mother can hold parallel to receiving child care allowance or child support in such a way that it would stimulate part-time employment.

The government is committed to increasing day-care centre capacities available for children of 0-3 years of age which will be complemented by flexible employment forms, flexible methods to organize work and such measures that support innovative programmes reconciling work and family life and the implementation of HR policies adaptable to individual circumstances.

11. Adult training programmes aiming at the improvement of skills

The objective of the programmes started in 2011, which are aimed at the training of employees, is to help employees keep their jobs and meet professional and the rapidly changing technical-technological challenges also in the long term. Due to the improvement of labour force competitiveness, of the employability of employees and their skills and competences, the competitiveness of SMEs increases, they can faster adapt to technological development and employers are encouraged to permanently improve the skills of their labour force.

The programme to be started for adults with disadvantages (“I learn again!”) will provide opportunity for obtaining basic education which is a precondition for entering any vocational training course and obtaining skills required by the labour market. The more qualified a person is the more active he is at seeking a job and the more likely to find one.

A programme will be started which is aimed at the improvement of prioritized key competences (ex. foreign languages, informatics) and which, by promoting life-long learning, will contribute

to enhancing the adaptability of the adult population and their foreign language and informatics competences.

12. Facilitation of the employment of disabled people

In order to increase the employment of disabled persons, the support provided for organizations which employ them will be rationalized and their return to the labour market will be stimulated by employment rehabilitation. The objective is to stimulate individuals to take up a job, preserve their health status and to help them return to work by the system of employment rehabilitation at the same time.

13. Developing the vocational training system and strengthening its labour market relevance

The development of the content of vocational training encompasses, among others, the comprehensive composition of learning material which will be utilized during courses, the development of examination system, the revision of the Hungarian Education Register, completion of core curricula and elaborating the tasks in connection with adapting professional training courses for the Hungarian Professional Training Framework (HPTF) and with preparing the credit system for vocational training (ECVET). As part of the reform of vocational school curricula, we will implement the so-called dual education model which means that young people will receive theoretical training in the vocational schools operating in regional integrated vocational education centres and they will receive professional practical training at genuine work places. The quality assurance of these places will be improved. After legal regulation on the operation of career monitoring is in place, on the basis of a unified country-wide methodology, the career of those having completed a vocational training course and the practicality of the obtained knowledge will become analyzable. This information can provide feedback for pupils which profession to choose, for the management and the owners of institutions providing vocational and adult training courses and for the local, regional and country-wide representatives of relevant authorities. We will work out an interdisciplinary national career advice system and the relevant facilities with uniform regulatory background, which can be managed and maintained by the current vocational guidance system.

In order to improve the chances of school drop-outs on the labour market, the government introduced the early start of vocational training at grade 9 which will be mandatory from the school year 2012-2013. This regulation makes it possible that after finishing grade 8 of the elementary school pupils can directly enter a vocational training course and they can complete it earlier by acquiring the practical skills of their profession at grade 9-11 when they are particularly susceptible to learning.

In order to create the adequate skills of the labour force to the extent that matches the requirements of the modern labour market, it is an objective to increase the number of tertiary education courses and the number of their participants. To this end, we will revise short-cycle courses bearing in mind the demands of the labour market, we will include certain target groups into tertiary vocational training and we will support the right career choice by the means of the vocational guidance system.

At the same time, these measures will directly contribute to achieving the targets set for education, to increasing the number of people who complete tertiary education and reducing the number of school drop-outs.

14. Measures encouraging labour force demand

The economic policy of the government is committed to reviving the economy by creating favourable business conditions - especially for SMEs - which will result in a rise in investments and in the number of new jobs, as prospects will improve. We intend to achieve all these by creating favourable regulatory background and by implementing measures aimed at improving business conditions (see point 3). Furthermore, the New Széchenyi Plan, which will provide several new tenders for enterprises from 1 March 2011 in economic sectors of priority, will substantially contribute to meeting the aforementioned targets.

Within the framework of the complex technological development programme, by utilizing EU funds (Economic Development Operational Programme), we will support such complex investments in some key sectors (e.g. healthcare, green economy) which can have a significant impact on employment by preserving old or creating new jobs. Support can be obtained for employing new labour force, for purchasing equipment or updating the information technology equipment. Additionally, we will support investments that will create new jobs for micro-, small- and medium-sized enterprises from the Labour Market Fund. The indirect goal of this measure is to support job creation in disadvantaged regions, to promote the employment of jobseekers with disadvantages and to mitigate regional differences.

We also intend to increase labour market activity by introducing flexible work forms and stimulating legal employment. For example, from 2010 the regulation on casual labour will get simpler that may act as an efficient incentive for employers to legalize the employment status of casual labourers in agriculture, construction and tourism industries.

15. Increasing employment by improving the health condition of the population and facilitating active and healthy ageing

The National Public Health Programme will improve the general health status of the population by carrying out steps aimed at health education, screening and other preventive activities. The National Public Health Programme will improve the health status of the working-age population, therefore expenditures on sick-pay and sick-leave will decrease and labour force productivity will increase. As a result of the early recognition of an illness and its effective treatment, we can better prevent the early loss of a great proportion of able-bodied labour force that will increase the employment rate. The rise of the employment rate and the improvement of the health condition of the working-age population will have a direct positive impact on the competitiveness of the Hungarian economy.

Numerous elements of the measures described above will impact labour market supply; several measures are designed to improve the current low labour market activity by stimulating the involvement of the most affected social groups. As a result of the implementation of active instruments, we expect that the job prospects of disadvantaged people and groups which are

the tail-enders regarding the EU average of the employment rate (the elderly, young people, parents with small children, unskilled people, and disabled people) will improve. The measures aimed at work and family engagements to be co-ordinated should help the return of parents with small children while adult learning programs could contribute to better positions of the low-educated in the labour market.

Regionality as a horizontal priority of the National Reform Programme

Achieving balanced, harmonic and sustainable regional development is a target of priority for the EU which is apparent from documents such as the Green Paper on regional cohesion or the 5th cohesion report.

In case of Hungary, it is justified to pay special attention to regional policy as our country is made up by regions of very diverse geographical, economic and social potentials. Therefore, there are great differences between the social and economic development levels of these regions. The efficient handling of unfavourable developments requires a subtle regional and development policy by which we could respond more swiftly and efficiently to the unique regional characteristics and challenges which certain regions and settlements impose. Furthermore, regional attitude must also influence sectoral policies which should be planned by acknowledging regional differences.

That is why it is crucial that, besides contributing to the achievement of the headline targets of the Europe2020 Strategy, the national targets set in the National Reform Programme should help regional convergence, too. To this end, regional aspects will appear as horizontal aspects during the implementation of the individual measures.

III.2. RESEARCH AND DEVELOPMENT, INNOVATION

According to the relevant common EU target, the EU average rate of research and development expenditures should be increased to 3 per cent of GDP until 2020 from the current (2009) level of 2 per cent.

Taking the target indicator into consideration, Hungary's performance, together with the other Central-Eastern European member states at a similar stage of development and of similar economic structures, falls far behind the EU average, as the rate of domestic research and development expenditures hardly exceed 1 per cent of GDP. However, as the data of the past couple of years suggest, positive tendencies have been emerging. The level of research and development expenditures has been slightly on the rise since 2004 (by 2009 it was 1.15 per cent of GDP), and parallel to this, within the overall rate of expenditures the rate of corporate R&D spending has also been increasing (in 2009 it reached 57.2 per cent of the overall R&D spending).

Hungary intends to achieve an increase in the level of research and development expenditures up to 1.8 per cent of GDP by 2020, in such a way that the share of corporate R&D spending should rise relative to overall research and development expenditures. As an intermediate target, the New Széchenyi Plan aims to achieve an R&D expenditure rate of 1.5 per cent by the middle of the decade. Another objective of the government is that Hungary's performance in regard to the innovation indicator should reach or even surpass the EU average by the end of the decade.

The governmental measures aimed at reaching the R&D target include the comprehensive revision of R&D and innovation policies and support programmes, the launch of new programmes, the transformation of relevant institutional and management system as well as the improvement of the relevant legal environment. The new measures which are aimed at stimulating R&D and innovation are basically horizontal, but the importance of individual sectors or sectoral aspects needs to be emphasized. (This diversity appears, for example, in the plans for eco-innovation and the development of creative industries.)

16. Transformation of the institutional system of the Science, Technology and Innovation Policy

The transformation of the institutional system of the Science, Technology and Innovation Policy (STIP) began in the second half of 2010 (establishment of the National Research, Innovation and Science Policy Council, creation of the unified institutional system of development policy, elimination of the Research and Technology Innovation Council). Thus, the efficient management system of a national innovation system (NIS) has been established for the long term which, by clearly defining functions and decision-making competences, was the precondition of elaborating and implementing further measures aimed at the reform of NIS. By the end of 2011, the transformation of the National Innovation Office will be completed, the Science and Technology Observatory will be established as well as the transformation of tertiary education and state-owned research institutes are also under consideration.

17. Transformation of the support system of research, development and innovation

As part of the transformation of the support system of research, development and innovation (R&D&I), competition administration will be streamlined, and we will also diversify the R&D&I support system which currently is also exclusively project-based. In order to enhance the competitiveness of the domestic economy, the support of adaptive innovation and technology transfer will stimulate the so far unexploited R&D&I potentials of the SME sector. Balanced growth will be facilitated by the support of regional R&D&I activities, cooperation and networking (poles and clusters). The new R&D&I support system will likely be set up by the end of 2011.

18. Renewal and implementation of the R+D+I strategy

By the renewal and implementation of the R&D&I Strategy, such an R&D&I regulatory background will be created which will not only introduce a R&D&I support system that can manage the various support forms as a whole (tax allowance, refundable and non-refundable grants and indirect subsidies, pre-commercial, innovative procurement) but which will be stimulating and transparent for law enforcement as well. Parallel to this, in order to better oversee R+D+I processes and professional feedback, we will operate a unified R&D&I monitoring and evaluation system. Yet another goal is to better harmonize the relevant professional fields (ex. tertiary education, priority sectoral policies). As part of the strategy, we must pay special attention to the issue of research infrastructure development (setting up an RI register and roadmap) which will serve as the basis for rationalizing the Hungarian participation

in large international R&D&I projects. The time horizon of the strategy stretches until 2020, and the programme will presumably be completed by the end of 2011.

III.3. CLIMATE CHANGE, ENERGY EFFICIENCY

The EU-wide targets on climate change and energy efficiency are in line with the targets set in the climate and energy package adopted in 2009. The three specific targets are aimed at increasing the share of renewable energy sources to 20 per cent by 2020 (within the EU final energy consumption), at reducing total energy consumption by 20 per cent and cutting green house gas emissions by 20 per cent (relative to 2009).

National targets of the individual member states regarding green house gas emissions and renewable energy are defined by European directives. However, the EU headline target concerning energy efficiency is only indicative and it is not incorporated in EU legislation. As far as Hungary is concerned, the share of renewable sources within the final energy consumption is currently 6.6 per cent (based on 2008 data), placing us within the bottom third among EU Member States (EU average in 2008 was 9.2 per cent), falling also behind the other Visegrád countries in this respect, but recently the value of the indicator shows an upward trend.

For Hungary, the Kyoto Protocol defined a 6 per cent reduction in green house emissions by 2012 relative to the average of the period 1985-87. However, the actual emission level was in 2008 by 36.1 per cent less than the baseline as a result of the economic structure transformation which took place after the regime change.

Therefore, Hungary intends to increase the share of renewable energy sources to 14.6 per cent by 2020, cut total energy consumption by 10 per cent as well as limit the increase of green house gas emissions at 10 per cent (relative to the level of 2005).

Hungary can only respond adequately to the impact which global climate change has on economic and social development, to the energy demand that has been increasing globally and to the unpredictable changes of fossil fuel prices if it can create an economic model in which energy savings, energy efficiency, intensive renewable energy utilization and the exploitation of domestic energy resources play a crucial role. In order to reach these targets, the government will launch energy efficiency programmes, support the development of green economy, seek to improve environmental safety and promote the efficient utilization of natural energy resources – based on the methods defined by the government’s programme and the New Széchenyi Plan. The government’s measures on this field may be introduced according to three main pillars

Considering available funds for the period of the current Programme, measures introduced in this chapter during 2011-12 will primarily result in an appropriate regulatory framework, planning methodology and an adequate data base that allow for targeted and efficient use of the funds expected to become available as a result of economic growth.

19. General regulatory and comprehensive programme-formulation incentives

A national strategy on energy efficiency of buildings, in accordance with Hungary’s second National Energy Efficiency Action Plan, will be prepared in the second half of 2011, to establish

the objectives and the appropriate framework of specific measures to enhance efficient energy use of buildings in different sectors.

Adoption of the Act on sustainable energy management and transformation of the mandatory off-take scheme (MOT system) in 2011 will establish a predictable regulatory environment that facilitates the use of renewable energy sources. Renewable energy sources are in the focus of the new MOT system, and off-take and support of green heat is also being considered when creating new regulations.

Review of building authorization procedures is also among the priorities, not only with respect to simplification, but in order to establish authorization procedures that pay particular attention to specificities of renewable energy resources, thus facilitating their use.

20. Support measures and programmes

Priorities of the New Széchenyi Plan (NSZP) concerning Green Economy define the planned government measures in connection with several of the climate- and energy-related objectives. Key group of measures aims at stimulating investment in sectors related to dissemination of renewable resources, regular tenders are to be expected in the framework of NSZP to support these investments.

In order to reduce energy consumption, several measures will be implemented to enhance energy efficiency of buildings in different sectors, including – in the short term - a survey of the energy efficiency of buildings owned by state and local authorities and the energy efficient renovation of blocks of flats built by industrial technologies and in the long term renovation of public buildings held by the state or municipalities.

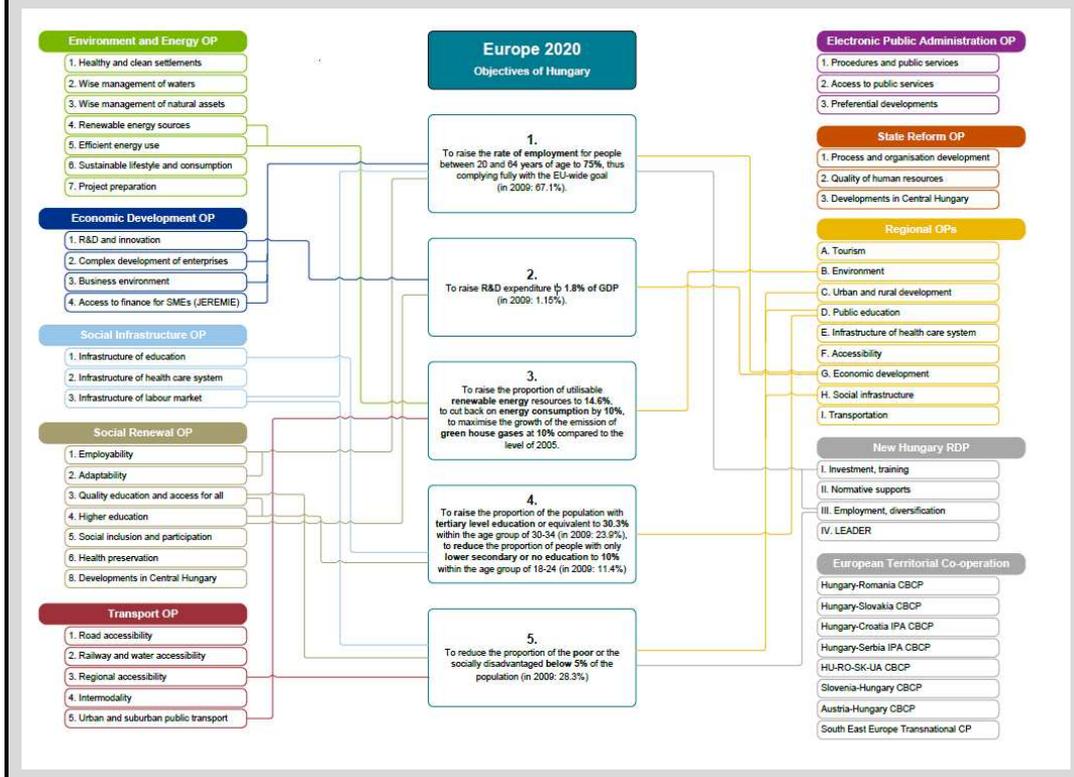
The Agricultural Energy Programme parties among the Green Economy development priorities of the New Széchenyi Plan which is aimed at promoting the efficient and sustainable exploration and production renewable sources of agricultural origin energies as well as at encouraging their local utilization. The key objective is to encourage provincial regions to cover a part of their energy demand from their own resources at reduced costs and in an environmentally friendly way – having taken the aspects of food and fodder production as well as environmental aspects into consideration.

21. Sustainable lifestyle and consumption – social awareness raising, expert advice

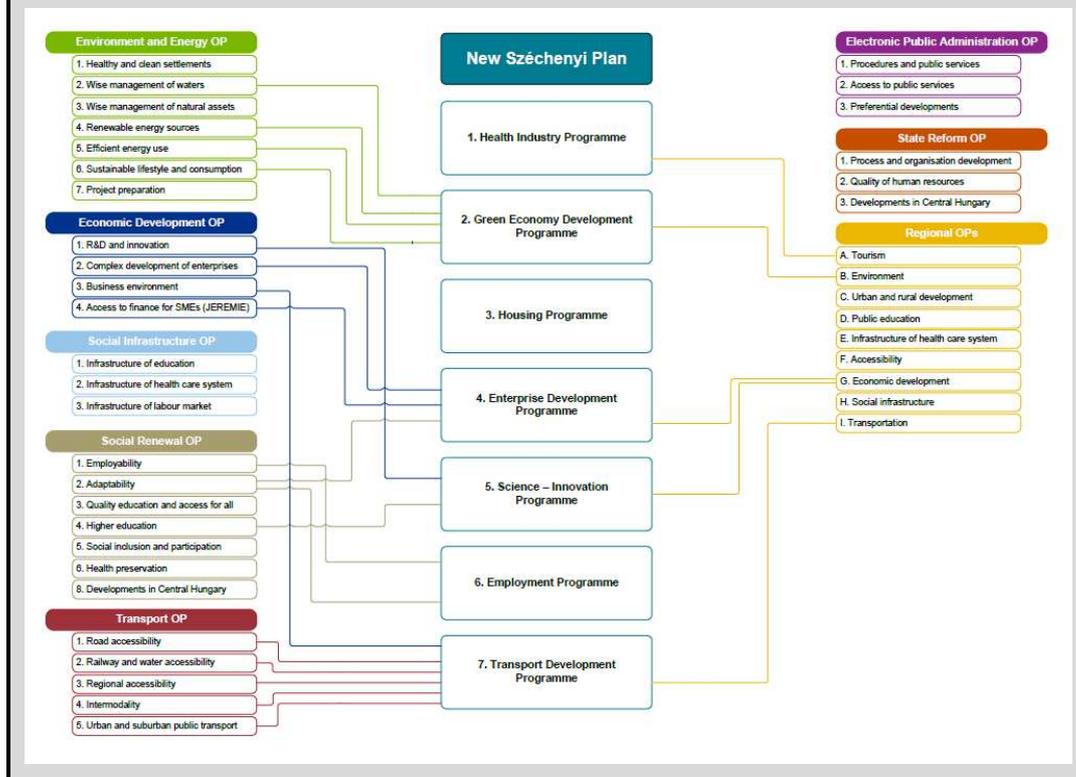
In order to establish and maintain green economy which is competitive and sustainable in the long term we need to reach out to the various social groups and influence their consumption practices. The programme places great emphasis on promoting values of sustainability (sensitivity to economic, social, natural and human-made environment) and awareness of the environment and shaping consumer demand accordingly. In order to create the optimal investment background for the promotion of green economy, we will establish a comprehensive data base which can store the technological, financial and supply side industrial information at the same place. Another key element of the measures is an awareness-raising campaign promoting the importance of the utilization of “clean energies” which can play a substantial role primarily in the media and in extra-curricular school education.

The Europe 2020 Strategy and the utilization of EU development funds

The five headline targets of the Europe 2020 Strategy appear among the priorities of the Hungarian development policy as well. To describe the overlaps between the targets of the Europe 2020 Strategy and the priorities of the Hungarian development policy, via the figure below we demonstrate which of the priorities of the National Strategic Reference Framework are directly related to some targets of the Europe 2020 Strategy. (The figure only demonstrates direct correlations, but no overlaps or synergies. Almost every priority of the development programmes contribute indirectly to the targets of the Europe 2020 Strategy.)



The figure below shows the links between the operational programmes of the New Hungarian Development Plan and the programmes of the New Széchenyi Plan based on the constructions announced in 2011.



III.4. EDUCATION

In order to improve the level of education, headline goals have been set at EU level in two different areas: first the share of population aged 30-34 having completed tertiary or equivalent education should be increased to least 40 per cent by 2020 (a rise from 31.1 per cent in 2008); second the school drop-out rate among students (aged 18-24) without education or training in lower secondary education should be decreased to less than 10 per cent by 2020 by the EU average.

With the purpose of advancing the level of education, **Hungary intends to increase the share of population (aged 30-34) having completed tertiary level education or equivalent to 30.3 per cent and to decrease the school drop-out rate (for the population aged 18-24) to 10 per cent by 2020.**

Currently (2010), the share of the population aged 30-34 having completed tertiary level education or equivalent is 25.7 per cent. The 30-34 age group in 2020, and the 18-24 age group in 2010, the majority has already been enrolled in higher education institutions. Thus, the number of graduates in 2020 is already fixed to some extent. The implementation schedule of the individual measures makes it possible to reach out to ever higher numbers of higher education students aged 18-24. To increase the share of these students, measures are required either to facilitate the successful completion of ongoing studies of those already attending

tertiary or equivalent education, or to introduce more such young people, having not attended courses yet, in studies which can be completed by 2020.

The school drop-out rate among the population of 18-24 was 10.5 per cent in 2010. Reducing this rate depends largely on the success of students considered socially, culturally, or economically disadvantaged. The share of disadvantaged among those of school age is growing. The reasons for leaving the school early are of course very complex: poverty, cultural and health-related disadvantages, employment and housing problems. These can become especially challenging when exacerbated by regional disadvantages. In the short term, it cannot be expected that the socio-economic status of the families will improve or the unfavourable demographic trends would change. It is especially unrealistic in those economic regions where families are mostly at risk from the viewpoint of the drop-out rate. If adopted, the new public education act aims to reduce the drop-out rate from 2013. Consequently their impact on the drop-out rate will only be visible thereafter. By introducing schooling supports, raising the quality standards and attractiveness of vocational training and by means of a scholarship system, the government intends to improve school retainment and to promote attendance.

Besides the measures described in this chapter, the measures in connection with vocational training are also a part of the transformation of the educational system. They are included in the employment chapter.

22. Reducing study time overhang and drop-out rates

Hungary plans to increase the number of young people having completed tertiary education by effectively reducing extension of the programs and the drop-out rate which are a current phenomenon of the Hungarian higher education.

23. Raising the number of engineering and IT graduates

By launching IT and engineering studies promotion programmes (open days, road shows, and foreign scholarship fund), the government aims to raise the qualitative and quantitative output of these fields. These programmes will be started already at secondary schools..

24. Improving foreign language skills

Currently, without the necessary foreign language skills, one cannot obtain a degree in the higher education. Therefore, our goal is the promotion of foreign language education and the improvement of the foreign language skills of higher education students.. As part of this programme, we intend to support the tutoring and testing of those already completed their studies but no longer enrolled students. Another part is to improve the foreign language education of students enrolled to higher education institutions.

25. Promoting the success of the school career of pupils with multiple disadvantages

The education sector pays particular attention to help children with multiple disadvantages – including Roma children. It is highly important to provide pre-school education at the earliest

possible age, to prevent and reduce failures of children at early school years, and to improve the pedagogical tools available to teachers. The target group of these measures is disadvantaged people and families living in depressed micro-regions, crisis zones as well as in isolated settlements who have limited access to quality services. Within the framework of preventing early dropping out, we intend to increase day-care capacities and to enhance the quality of day-care services. To help children unfold their individual skills and talents multiple programmes will be launched (co-financed by the European Social Fund): For children with disadvantages, to build up successful school career; to achieve an educational model that promotes tolerance between social classes; to provide equal chances in school careers; and to acquire the basic competences (reading, writing, arithmetic, text comprehension). As a result, their exam scores will improve and the danger of dropping out will decrease. Early school leaving poses the greatest risks for children who cannot complete their primary education. The compensatory courses of vocational schools are offering the opportunity for these children to join vocational education at the age of 15, without having completed their primary education. The government will additionally extend the scholarship system in vocational training schools for those who already study there.

These actions will improve access to education hence contributing to the improvement of the educational status of children with multiple disadvantages, particularly the Roma. At the same time, the share of population living in poverty or social exclusion will be reduced.

26. Promoting the success of children and students with special educational needs in their school career

A child or student with special educational needs has the right to receive special and conductive pedagogical care adequate to his/her special status. Such special care must be provided via early education and care, pre-school education, tailor-made development programmes, school education and care, and developmental strategies either in specialized courses, classes or groups, or together with ordinary children. The measures aiming to promote success at school for children and students with special educational needs prevent too early dropping out and help labour market integration.

The measures will have a positive impact on these children as well as their families. We expect that measures such as special education counselling, early education and care as well as the professional system evaluating learning skills and the rehabilitation system will prevent the unnecessary classification of Roma children as mentally retarded.

27. Complex public education measures

There are some complex public education measures to reduce early school drop-out. One of them is the preparatory year after kindergarten education which develops children, who are as yet unfit for entering school, meet school requirements via a special preparatory course in a primary school – instead of leaving children in the kindergarten for another year. As part of the “Híd Program” (in English: “Bridge Programme”), compensatory courses can be organized with a view to primary school and vocational training including the continuation of broken studies and the increasing number of those attending vocational schools. Corresponding to the increase in

the share of students with multiple disadvantages in vocational training schools, among 9- and 10-graders the number of drop-outs has also risen, therefore many children leave school before they would actually start learning a profession. The labour market does not accept those young people without a secondary school or a professional certificate. Thus, Híd will have a positive impact on these students and their families as more young people will obtain a professional certificate. Nation-wide professional monitoring will include the establishment of the external control system of institutions, the launch of experts' training as well as the elaboration of requirements – having considered the proposals of EQAVET in expert training to improve the efficiency of the public educational system. The new National Core Curriculum will secure access to quality public education as a public service thus helping reduce the rate of school drop-outs and helping labour market integration. Last but not least, to secure quality public education, the quality assessment and monitoring activities will include, besides the assessment and control of institutions, pedagogical development activities which will be determined via a nation-wide survey evaluating basic skills and talents..

The above measures will contribute to improving the quality of education. As a result of the Híd, more young people will leave the educational system, acquired a professional certificate.

28. Cultural services aimed at reaching the goals of public education

As far as the related sectors are concerned, cultural institutions offering informal types of learning and out-of-school facultative programmes will also have a major role. We expect that the extension of programmes promoting facultative and informal learning and on strengthening social acceptance and active participation will have an impact. The objective is to ensure programmes offered by cultural institutions such as those of art, library, museums as well as sporting clubs and facilities (especially those engaged in student and college sport). Supporting formal and informal learning will help the personal development of the youth, their creative skills. Working against their disadvantages will efficiently contribute to the development of their competencies and stamina. In this context, great emphasis is placed on easing disadvantages that cannot be compensated for by the school on its own.

III.5. POVERTY

The relevant headline target of the Europe 2020 Strategy is to reduce the number of people living in poverty or social exclusion by 20 million.(The target group is composed of three subcategories: 1. people living in relative poverty, 2. people living in material deprivation, 3. people living in households with low work intensity.)

As far as Hungary is concerned, the people affected by the aforementioned three indicators comprise 28.3 per cent of the entire population, approximately 3 million people, specifically 1.23 million, 1.77 million and 1.01 of the three groups respectively. At the same time, there is a considerable overlap between these groups. While the Hungarian average in terms of people under the poverty threshold is better than the EU average, the high levels with regard to the other two indicators put Hungary among the last of the member states. In light of the fact that in Hungary even maintaining the current level of poverty rate requires considerable efforts, our aim for this particular group of the population is to focus on reducing the level of poverty

among families with children as the situation of this group is far worse than that of the average population.

Within the framework of the Europe 2020 Strategy, **Hungary aims to reduce the level of poverty among families with children, the number of people living in severe material deprivation, and the number of people living in households with low work intensity by 20 per cent each.** Taking the overlaps into consideration, this means that Hungary plans to reduce the number of those affected by the three indicators by approximately 5 percentage points, or by 450 thousand people, to 23.5 per cent by 2020. In accordance with the general macro-economic scenario - based particularly on the expected increase in employment - we can expect some minor improvements of the poverty indicators between 2010 and 2012, and more significant increase in the following period. The situation of families with children is also in the focus while improving the overall macroeconomic framework, targeted measures aim at securing their livelihood. Decrease in the number of people living in households with low work intensity is influenced by economic growth and employment policy instruments. The expected raise in employment will result in an increase in the value of this indicator as well.

Therefore, this programme pays particular attention to objectives and specific measures designed to reduce poverty and enable integration, especially as far as the households with low work intensity are concerned. The primary goal is to facilitate their entry to the labour market, to create and improve work morale, increase participation in training programmes, improve health-consciousness, secure proper access to public services - in a framework designed by continuous consultation and cooperation with Roma organizations.

The measures proposed to reduce number of people living in poverty are grouped according to their main targets, the three individual indicators. The measures designed to reduce the likelihood of inheriting social disadvantages are aimed at reducing the number of families with children living in poverty, (comprehensive programmes designed to improve the situation of children and families with children, as well as scholarship programmes for students with multiple disadvantages), similarly to the development of children health services. Measures aimed at social inclusion of the most disadvantaged groups, increasing their labour market chances, assisting their access to public services – in accordance with labour market policies – are expected to reduce the share of population living in households without an active breadwinner. The complex programme designed to increase employability will result in the improvement of the situation of the population living in disadvantaged settlements, in reducing poverty and the extent and impact of social backwardness, putting an end to ethnic and social segregation as well as in improving the access of groups with multiple disadvantages to the welfare system and its services. The share of population living in severe material deprivation will be reduced by the measures aimed at livelihood security. The target groups of these measures among others, are low-income families struggling with housing problems and children who are eligible to permanent child support.

Regional concentration of poverty constitutes a fundamental problem; therefore, in the process of defining the relevant measures, development of disadvantaged areas and eliminating regional and social segregation are of particular importance.

The National Concept on Social Policy is currently being elaborated, its underlying approach recognizes, social policy as a factor actively contributing to the competitiveness of the economy. The Framework aims at ensuring the balance between social security and employment, reducing disincentives to work resulting from the social policy system and establishing a system of social services for the working-age population, that encourages job seeking. In order to increase the effectiveness and efficiency of social benefits, the National Concept on Social Policy will entail proposals concerning a new structural framework designed for the cash, in-kind and care services of the social security system including child welfare and child care systems plus concerning a revision of the implementation, financing and management of welfare services and care systems.

Family policy measures already introduced among the employment measures, as reduction of the tax liabilities of families raising children and the introduction of steps aimed at reducing the tax burden of families with children, encouraging women to return to the labour market, introduction of flexible work arrangements, target the reduction of the poverty of families with children – and especially the poverty of children.

Besides the measures described in this chapter, the measures introduced in the employment and education chapter will be also expected to significantly contribute to reaching our national targets.

29. Measures aimed at the integration of the most disadvantaged social groups, enhancing their opportunities on the labour market and improving their access to public services

A pivotal objective is enhancing the labour market opportunities of disadvantaged social groups. We intend to accomplish this goal by the help of measures aimed at improving the employment opportunities described above and the measures targeting social gap-bridging described in the following. To achieve success in this field, measures aimed at boosting the economy eliminating black and grey sectors of the economy will play a paramount part, as well as the ongoing transformation of the public works system, reform of the system of social benefits and restrictions on disability pensions. The measures provide access to jobs for the permanently unemployed population living in poverty throughout generations.. We will modify the system of cash benefit eligibilities by adding more incentives to work. We will transform the public work system and increase the number of public work providers. We will establish counseling and assistance services in the disadvantaged regions which will efficiently contribute to strengthening employability and facilitate successful integration of disadvantaged people into traditional training and employment programmes. We will provide complex programmes that include on-the-spot accommodation, motivational courses and trainings for social groups with most disadvantages, living in segregation and in deep poverty. The objectives of these programmes are to reduce the disadvantages via improved living conditions and to provide better access to employment, education, healthcare, social and public services. The development of micro regions' infrastructure of communal services is aimed at reducing poverty, reversing the negative social trends of the last couple of decades and at boosting the social and economic integration of these regions via coordinated actions. The measures are directly related to the measures aimed at reaching employment goals, and they can only succeed together.

Beyond the measures listed above, the steps described below will also contribute to reducing the rate of people living in poverty:

- Enhancing the quality of and access to daycare services: this measure is listed among the employment targets thus promoting the reconciliation of work and family life.
- Cultural measures (“Knowledge Express”, “Building a Community” programmes): these measures appear among the education targets.

30. Measures aimed at reducing the chances that social disadvantages are inherited

The measures aimed at reducing the chances that social disadvantages are inherited target primarily the improvement of the situation of the families of children and young people living in extreme poverty, among others those of the Roma. The measures are directly related to the measures aimed at reaching education targets, and they can only succeed together with the steps taken to reduce the drop-out rate. In order to provide services for the early development of skills for the youngest possible disadvantaged children we will increase daycare capacities (nursery, family daycare), launch innovative programmes (ex. “Good Start”) as well as provide kindergarten capacities in backward regions.

As it was described in the chapter about the promotion of the school career success of schoolchildren with multiple disadvantages – among others the Roma --, we thrive to prevent school failure by special pedagogical programmes, extending the pedagogical tools of teachers, implementing scholarship programmes with integrated mentoring and promoting various forms of all-day school education and care, promoting social tolerance and integration.

The welfare and child care systems will assist and motivate parents to send their children regularly to kindergarten and school by special social policy instruments designed pointedly for disadvantaged people, among them the Roma.

By extending the free food provision system for the children in need, we will provide healthy meals for children.

In the most backward micro regions with the worst social and employment parameters we will launch integrated local programmes aimed at reducing childhood poverty. Within this programme, locals (decision-makers, experts, disadvantaged families as well as the representatives of the Roma local minority government and NGOs) will elaborate a long-term child care strategy for their micro region and an action plan based on local needs, by the assistance of the experts of the programme. Furthermore, they will establish and operate professional networks, improve access to services and increase their number as well as establish a community centre and the related complex settlement-specific services in at least one segregated settlement of their region.

The healthcare system of disadvantaged social groups, among them the Roma, will be improved and we will conduct scheduled health screenings. The healthcare network and its capacities will be improved in order to provide greater accessibility.

Two key reasons of inheriting social disadvantages are living conditions and housing environment. In order to prevent the reproduction and preservation of social deficits, we will improve the living conditions of people, mostly the Roma, living in isolated or segregated areas by special action programmes.

In addition to the measures listed above, the measures described below will also contribute to reducing the rate of population living in poverty or social exclusion.

- Reducing the chances that social disadvantages are inherited by the tools of education;
- Cultural measures (“Museums for All” programme)

These measures are described in the chapter on the education targets, and within that, in the subchapter about the reduction of the drop-out rate.

Integration of the Roma population as presented in the National Reform Programme

Integration of the Roma population is a horizontal aspect in several measures introduced in the National Reform Programme, not only in case of the measures aimed at reducing poverty but it is visible in the fields of employment and education, too. Accordingly, the National Reform Programme contains several measures designed to assist the social integration of the Roma. In the next paragraphs, we provide an overview of the measures in the National Reform Programme with regard to Roma integration following the guidelines of the European Commission’s framework, published on 5 April 2011, intended for the national Roma strategies of member states. By designing a Roma strategy in accordance with the EU framework strategy, Hungary creates a detailed, systematic programme aimed at diminishing social advantages.

In order to promote economic and social integration of the Roma, we need a complex, long-term package of measures in which considerations of various areas and financial aspects are harmonized and may be operated simultaneously. The areas of concern are the following: spatial disadvantages (residential segregation, most disadvantaged micro regions and settlements), low school attainment, permanent joblessness, lack or limited access to quality public services and poor health status.

As for the definition of target groups, measures must be elaborated on the basis of spatial (disadvantaged areas and settlements) and social conditions (living with disadvantages, permanent joblessness, low school attainment, etc.) which will secure the social and economic integration of the poorest - among them a large number of the Roma - for the long term. In the four priority fields (education, employment, housing and healthcare), social and spatial aspects are considered.

Objectives of the respective priority fields

1. In education, the skills of the Roma population must be improved by providing equal access opportunities to quality education, by increasing the number of the Roma population having completed primary education and in addition by increasing the share of people having completed vocational training or secondary education and the share of people participating in the tertiary education system.
2. In employment, the employment rate must be increased primarily by promoting better labour market access opportunities.

3. In healthcare, the health status of the target group must be improved and better access to high-quality primary and secondary healthcare services must be provided.

4. In housing, living conditions must be improved and segregation must be reduced.

Horizontal aspects

1. In the fields described above, we need to consider as horizontal aspects the fight against discrimination and gender equality.

2. In each measure the priorities of equal opportunities and equal access must be applied which can facilitate a more efficient gap-bridging for the Roma. It is essential that during the elaboration and implementation phase experts pay particular attention to the aspect that developments must be carried out without further extending segregation.

3. Both in the phases of planning and implementation, participation of Roma professionals must be ensured.

Access to education. The educational deficits of Roma children pose a significant problem for the EU and for Hungary as well. Most of the Roma live in extreme poverty or in such areas where they have limited access to high-quality services - including education. Early child care is hardly available, there is no infant care system and access to nurseries, kindergartens and schools is limited. The drop-out rate is especially high among Roma schoolchildren. In Hungary, the majority of Roma children does not complete primary school on time, drop out of the vocational training system, hardly 20 per cent of Roma youth make a final exam (Baccalaureate) in secondary school and very few of them participate in tertiary education. Consequently, their opportunities on the labour market have been deteriorating badly. The programmes on the fields of education, welfare and social integration, such as projects for early care, for the prevention of dropping out of school as well as scholarship programmes, are designed to improve the opportunities of children. The complex programmes aimed at improving the labour market opportunities of parents are closely related to these.

Access to employment. Less than one-third of the Roma men aged 15-74 make their living primarily from a regular wage. One-sixth of Roma women have ever had a regular job. Another characteristic of Roma employment is that they usually do undeclared, casual work. Out of the employment policy programmes, especially programmes facilitating training and employment mobility, public employment programmes, projects aimed at job creation and the active labour market instruments target the unemployed with low school attainment who live in backward regions. In the aforementioned programmes it must be a priority to involve the population living in segregated environment. The goal of the measures in the field of vocational training is to involve a greater share of the Roma population in training programmes. In this way, we will provide several thousand Roma youth with marketable skills.

Access to healthcare services. The poor health status of the Roma is closely related to their social backwardness: on average, the Roma die 10 years earlier than the non-Roma. Infant mortality rate is twice to six times higher among the Roma than the non-Roma. The reasons for this, among others, are poor living conditions, lack of relevant information campaigns and limited access to (especially preventive) healthcare services. Therefore, it is of particular importance to provide equal access opportunities to basic medical and special healthcare services, improve the access of children and women to preventive healthcare services and to promote a health-conscious lifestyle (this is the aim of the elements of the Public Health Programme described also in the National Reform Programme as well as the proposals of the National Infant and Childcare Programme. We must pay particular attention to improving the health status of the population living in segregated environment.

Improving living conditions. A significant share of the Roma population live in segregated, isolated settlements without basic hygienic standards, where one of the most pressing problems is the scarcity of public services. Therefore, we will launch programmes to support housing and we will establish special instruments to eliminate settlements (transformation of the system of housing subsidies, harmonization of welfare services, complex settlement projects, urban rehabilitation programmes).

As far as the interventions aimed at reducing poverty are concerned, a key task is to distribute benefits fairly, as one of the greatest disappointments in this issue has been misuse – that is, programmes and benefits must reach those who are most in need. The changes under consideration are measures which will impact the basis of the social integration of the Roma, such as pedagogical development in early childhood, enhancing the chances of employment and improving the backward conditions of settlements. During the monitoring and evaluation of the programmes we will pay particular attention to tracking the changes which alter the social position of the Roma population.

There are several EU operational programmes (Regional Operational Programme, Social Renewal Operational Programme, Social Infrastructure Operational Programme) financed by EU resources, such as the European Social Fund, which serve Roma integration but the integrated programmes are also supported by the projects of the ERFA which aid infrastructure projects. However, as the majority of the Roma live in the countryside, we support the proposal of the Commission that the European Agricultural Fund for Rural Development should also support Roma integration to a greater extent.

By preparing a Roma strategy compatible with the EU strategic framework, Hungary will establish a detailed project system to reduce social disadvantages.

In order to meet targets aimed at poverty reduction, the Government will cooperate with the Roma local government system during the decision-making process of each such measure that will assist providing equal access opportunities to public services. As a result, we can improve the access to public services for the population belonging to the Roma community and differences will diminish. The specific national targets are the following:

- We will involve 100 000 of the Roma currently out of job in employment and support 10 000 Roma enterprises from which at least 3000 will be start-ups. We will launch a comprehensive Roma educational reform which will provide marketable skills for 20 000 young Roma people in 50 prioritized vocational training schools. In addition, 10 000 more young Roma people can participate in courses providing a final exam (Baccalaureate) and 5 000 more of them can study in the tertiary education system.
- In the field of vocational and adult training, 50 000 Roma adults with maximum vocational training school attainment can obtain marketable skills, and another 80 000 Roma adults will have the opportunity to take part in programmes which provide basic skills (writing, reading, arithmetic, informatics).
- Via the cooperation programme 150 000 Roma will undergo health screening and will receive permanent counseling necessary for a healthy lifestyle.

31. Providing the security of livelihood

The measure package aimed at securing livelihoods includes measures that support housing and free food for children for those in need. The taxation changes affecting families, the measures, which are currently under consideration, aimed at handling foreign currency indebtedness as

well as the planned transformation of the benefit and support system will play a crucial role in contributing to the success of this field. The government measures that are currently elaborated, which are designed to freeze maintenance costs by various tools such as central pricing and control of excessive profits, are also of particular importance. In addition, we will regularly complement maintenance costs by a home maintenance support thus preventing the accumulation of delayed loan repayment installations. The number of eligible applicants will increase by the modification of the current income limit. Currently, just like formerly, municipalities provide provision of free food for children in nurseries, kindergartens and primary schools up to grade 8 if they receive regular childcare support and it can greatly contribute to the reduction of the number of families with children living in poverty. Thus, these measures will significantly contribute to reducing the rate of families with children living in poverty, to reducing the rate of population living in severe material deprivation and they are directly related to the measures aimed at reaching the employment targets. These measures can only succeed together.

The contribution of measures in the National Reform Programme to the Europe 2020 national targets

Due to the complexity of the National Reform Programme and the diversity of the areas and measures described in it, it is very difficult to precisely define the concrete impact of individual measures of the National Reform Programme on the individual target indicators based on sound and uniform methodology. Therefore, below we will present primarily the estimates of the compound impacts of the all measures of the National Reform Programme on the target indicators.

As the National Reform Programme contains measures which are planned to be implemented primarily in 2011-12, the development of the target indicators supported by these measures is presented only for this period, too. Accordingly, we will describe the impacts of the measures of the National Action Plan on the individual target indicators until 2012. However, as besides the measures introduced in the National Reform Programme, the changes in the target indicators will be influenced by other factors as well (external circumstances, further measures etc.), the precise separation of these from the direct impacts of the measures would be extremely uncertain. Consequently, the estimates of the changes of the individual target indicators were defined by utilizing all available information - among them by the measures of the National Reform Programme.

We need to emphasize that Hungary will not commit itself to concrete targets concerning the development of the target indicators by 2012. The figures of the target indicators for 2012 presented below should be interpreted as projections which are based on the available information.

The changes of the target indicators concerning the Europe 2020 Strategy for the next two years can be estimated as follows - having calculated with the impacts of the measures of the National Reform Programme, too:

- - The **employment rate** of the population aged 20-64 is expected to rise to 62.4-62.6 per cent by 2012 (from 60.4 per cent in 2010). There will be slight improvement in employment in 2011, but a more pronounced one will materialize from 2012 on as, due to the impacts of the measures of the National Reform Programme, labour market supply will increase quickly and the growing labour force demand of the private sector will only gradually absorb it

parallel to the increasing corporate profitability, together with the extension of public work programmes.

- The rate of **research and development expenditures** is expected to rise to *1.2-1.3 per cent* of GDP by 2012 (from 1.15 per cent in 2009). Until 2011, the measures of the National Reform Programme primarily target the transformation of the institutional system (further to these, the measures aimed at improving business environment are also important from the aspect of the target indicator), which can only make their full impact felt over the course of several years.
- The **share of renewable energies** within the total energy consumption will rise to *7.4 per cent* by 2012 (from 6.6 per cent in 2008).
- The **share of the population having completed tertiary level education or equivalent** will rise to *25 per cent* among the population aged 30-34 by 2012 (from 23.9 per cent in 2009).
- The share of **early school-leavers** (those without education or training in lower secondary education) among the population aged 18-24 *will not change significantly* until 2012 (relative to the 2009 figure of 11.2 per cent), as recent trends point to stagnation and the measures will make their impact unfold in the medium- and long term.
- The **number of population living in poverty or social exclusion** will decrease by *5 per cent* 2012.

ANNEX 1: DETAILED OVERVIEW OF MEASURES OUTLINED IN THE NATIONAL REFORM PROGRAMME

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
|--|--|---|--|-------------------------------|--------------------|--------------|
| 1. Measures to sustainably reduce public expenditure and debt | <p>The measures aimed at reducing general public expenditure and debt are in detail presented in the Convergence Programme submitted to the European Commission at the same time with the National Reform Programme (similarly to fiscal savings on structural reforms presented below).</p> <p>Measures outlined in the Széll Kálmán Plan involving the labour market, the pension system, the public transport, higher education, prescription drug subsidy system, public administration and local governments as well as – to a smaller extent – the public revenue side will improve the balance of the public sector by HUF 549 billion in 2012 and HUF 900 billion per in 2011 and each year from 2013 onwards, respectively.</p> | <ul style="list-style-type: none"> Reducing public deficit and debt, improving the structure of expenditures (SC-1) Fiscal consolidation (AGS-1) | Implementation in process (as set by the schedule in the Széll Kálmán Plan). | Ministry for National Economy | | |
| 2. Measures to manage risks from foreign exchange denominated loans | <p>The goal of measures implemented so far and further measures planned is to reduce the social, real estate market and financial risks arising from mortgage-backed lending to households. To this end, foreign exchange mortgages have been not recorded any more as of 2010 summer. As a result, the volume of new foreign exchange loans to households went down to a minimum level in the second half of last year. Eviction moratorium was announced in 2010 summer to manage heavy social risks emerged in relation to non-performing mortgage loans. However, further measures are obviously required to ease systemic financial risks and social problems.</p> | <ul style="list-style-type: none"> Ensuring a stable and well-functioning financial sector, reducing the risks from foreign exchange denominated credit (SC-2) Ensuring the stability of the financial sector (AGS-3) | In progress. | Ministry for National Economy | | |

³ In this column, we set out the relevant objectives and priorities, which are at the forefront of the measures with regard to the 10 priorities compiled by AGS, the 5 structural bottlenecks of the highest importance for Hungary and 5 priority objectives of the Europe 2020 Strategy the details of which are found in the end of the Table.

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
|--|---|--|--|---|--------------------|--------------|
| 3. Measures to improve business environment | <ul style="list-style-type: none"> • Programme to reduce administrative burden of enterprises <p>In 2011, comprehensive programme is launched to reduce administrative burden on enterprises. In this context, the Government will decide on a proposal to envisage administrative burden cuts at amount of some HUF 100 billion. As planned, next autumn may see another set of measures at further HUF 400 billion for the same purposes, to be complied together with stakeholders. This second package will aim at a significant reduction of the difference between micro-size or small businesses and large enterprises relative in terms of administrative burden relative to sales revenues as well as setting up an institutional and legislative framework to prevent administrative burden from being increased as a result of government measures.</p> <ul style="list-style-type: none"> - Simplifying tax administration; - Narrowing the scope of audit requirements; - Elimination of overlapping traits in administrative and statistical data collection by the Government as well as irritating elements; - Making fining practice the authorities' more predictable; - Simplifying employment administration. <p>The planned moves will ensure that administrative burden from national regulation is reduced by 25 per cent as Hungary committed itself previously.</p> | <ul style="list-style-type: none"> • Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) | <p>In progress.</p> <p>First package of propositions to be adopted by Spring 2011.</p> <p>Second package of propositions by Autumn 2011.</p> | <p>Ministry for National Economy Ministry for Public Administration and Justice</p> | | |
| | <ul style="list-style-type: none"> • Programme to improve certain regulatory-institutional elements of competitiveness <p>During 2011, a programme to improve certain regulatory-institutional elements of competitiveness will be elaborated. The main elements of the programme are to develop quality of public services (drawing up objectives and criteria in relation to action plans to improve public services of critical importance as well as defining the moves and methods of the</p> | <ul style="list-style-type: none"> • Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) • Attracting private | <p>In preparatory phase.</p> <p>Adoption of programme during 2011</p> | <p>Ministry for National Economy</p> | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
|---------|--|--|--|--|--------------------|--------------|
| | planning process), to develop the domestic capital market (including particularly the measures ensuring protection of minority interest acquired to widen opportunities for Hungarian enterprises to raise funds), designing the institution of competitiveness agreements (based on which the Government is to conclude an agreement with a region or sector by undertaking to offer certain preferences in return for specific commitments by the enterprises in areas of relevance to the Government) and to encourage initiatives for competitiveness (helping the business sector's own initiatives). | capital to finance growth (AGS-9) | | | | |
| | <ul style="list-style-type: none"> • New public procurement law <p>A new public procurement law will be adopted by July of 2011 with the key rationale that the existing very complicated act should be replaced for a new, simpler, more concise and transparent framework law. The new law will better serve the transparency of public spending and fair competition and create a system that is more flexible and adaptive for economic conditions to align with innovation needs emerging continuously in the field of public procurement (with a view to efforts to spread electronic purchasing).</p> | <ul style="list-style-type: none"> • Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) • Tapping the potential of the single market (AGS-8) | In progress Adoption by 1 July 2011. | Ministry for National Development | | |
| | <ul style="list-style-type: none"> • New laws for foreclosure and liquidation proceedings <p>By the end of 2011, new laws will be adopted for quicker foreclosure and liquidation proceedings with more transparency to reduce burdens on enterprises.</p> | <ul style="list-style-type: none"> • Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) | Under preparation Elaboration of laws by 2011-end | Ministry for Public Administration and Justice | | |
| | <ul style="list-style-type: none"> • E-government pillar of the Magyary Programme <p>In the first half of 2011, the e-government pillar of the Magyary Programme (see below) will be prepared. It</p> | <ul style="list-style-type: none"> • Improving business environment, facilitate the | In progress. Strategy to be adopted in the first | Ministry for Public Administ- | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
|---|--|---|--|-------------------------------|--------------------|--------------|
| | will draw up professional guidelines and give digital solutions to cut administrative burdens, to simplify processes, to implement on-demand programmes with the participation of the citizens, to develop public services and to support information and knowledge-based asset management and economy. | <p>competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4)</p> <ul style="list-style-type: none"> • Tapping the potential of the single market (AGS-8) | half of 2011. | Ministry of Justice | | |
| 4. Reforms affecting the labour market | <ul style="list-style-type: none"> • National Plan for Work <p>In accordance with the Széll Kálmán Plan, the Government will announce still in the spring of 2011 the National Plan for Work outlining the programme in support of the creation of 1 million new jobs until 2020. In context of key interventions planned in the National Plan for Work, the following should be highlighted: review of active labour market policy objectives and instruments; modifying passive services to provide more incentives to work (shortening the maximum length of benefit for job search, change to job search aid and wage replacement benefit); improving efficiency of institutional framework of employment policy; slashing administration related to employment and whitening the labour market. According to the National Plan for Work, the primary objective is to encourage and support people to find a job on the open labour market by active labour market policy instruments, with the engagement of the private sector. It is also necessary to create a so-called transitory labour market in the sector of social work (e.g. staffing services) parallel to the primary labour market, especially in such fields where it is either not active, inefficient or unable to absorb enough people. The employment of those people who will not find jobs either in the primary or in the transitory labour market will be engaged by the central administration via public work projects (see next point). There will be free access for individuals to each subsystem and in order to</p> | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Making work more attractive (AGS-4) • Getting the unemployed back to work (AGS-6) • Raising the employment rate (EU2020-1) | In progress. Programme to be announced during spring 2011. | Ministry for National Economy | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
|---------|---|---|--|---|--------------------|--------------|
| | ensure that they can make their living from work. | | | | | |
| | <ul style="list-style-type: none"> • New Labour Code <p>In connection with the National Plan for Work, until September 2011 the New Labour Code will be adopted. This is aimed primarily at improving the flexibility of the labour market. Among the planned modifications of labour market regulation the key elements are the revision of the regulation on atypical employment forms as well as the change in the rules on work contracts, paid holidays, working hours, agency workers and probation work.</p> | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Making work more attractive (AGS-4) • Getting the unemployed back to work (AGS-6) • Raising the employment rate (EU2020-1) | In progress. New Labour Code to be adopted by 1 September 2011. | Ministry for National Economy | | |
| | <ul style="list-style-type: none"> • New Public Work Programme <p>In accordance with the Széll Kálmán Plan, the Government will announce still in the spring of 2011 the National Plan for Work outlining the programme in support of the creation of 1 million new jobs until 2020. In context of key interventions planned in the National Plan for Work, the following should be highlighted: review of active labour market policy objectives and instruments; modifying passive services to provide more incentives to work (shortening the maximum length of benefit for job search, change to job search aid and wage replacement benefit); improving efficiency of institutional framework of employment policy; slashing administration related to employment and whitening the labour market. According to the National Plan for Work, the primary objective is to encourage and support people to find a job on the open labour market by active labour market policy instruments, with the engagement of the private sector. It is also necessary to create a so-called transitory labour market in the sector of social work</p> | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Getting the unemployed back to work (AGS-6) • Raising the employment rate (EU2020-1) | In progress. New public work programme to be elaborated by July 2011 and started in January 2012. | Ministry of Internal Affairs Ministry for National Economy | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
|--|--|--|---|---|--------------------|--------------|
| | (e.g. staffing services) parallel to the primary labour market, especially in such fields where it is either not active, inefficient or unable to absorb enough people. The employment of those people who will not find jobs either in the primary or in the transitory labour market will be engaged by the central administration via public work projects (see next point). There will be free access for individuals to each subsystem and in order to ensure that they can make their living from work. | | | | | |
| 5. Measures concerning the pension system and social protection | <ul style="list-style-type: none"> • Structural reform of the pension system Until the end of 2011, the laws on the structural reform of the pension system will be elaborated. In addition to long-term sustainability of the system, the goal of the new pension system is to establish consistent and transparent rules of pension calculation and determination, and the separation of the insurance, solidarity and social elements of the existing system from one another. The new pension system will enter into force as of January 2012. | <ul style="list-style-type: none"> • Reducing public deficit and debt, improving the structure of expenditures (SC-1) • Fiscal consolidation (AGS-1) • Reforming pension systems (AGS-5) | <p>In preparation.</p> <p>Legislation on the new pension system to be adopted by end-2011.</p> <p>New pension system to enter into force in January 2012.</p> | Ministry for National Resource Ministry for National Economy | | |
| | <ul style="list-style-type: none"> • Comprehensive review of early retirement schemes Until July of 2011, a comprehensive review of early retirement schemes will be made. As a general rule, early retirement will be eliminated. For the occupational groups that have so far enjoyed beneficial retirement rules, the Government will design new career models to consider and appreciate the special nature of their work. | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Reforming pension systems (AGS-5) • Raising the employment rate (EU2020-1) | <p>In progress.</p> <p>Early retirement schemes to be reviewed by July 2011.</p> | Ministry for National Resource | | |
| | <ul style="list-style-type: none"> • Review of disability benefits Also, until July of 2011, the rules of disability benefits will be reviewed. There is a part of those receiving benefits based on health damage who are still capable of earning activity, possibly after a temporary period of rehabilitation. Therefore, the Government's goal is to achieve that those of working age with health damage | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Reforming pension | <p>In progress.</p> <p>Disability benefits to be reviewed by July 2011.</p> | Ministry for National Resource | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | but actual working capacity remain in the labour market and thereby a transparent and more rationalistic system is set up with less burden on the public finances. In context of the review, the number of entitlement categories should be brought down; transparency ensured as well as employment considerations made stronger. | <p>systems (AGS-5)</p> <ul style="list-style-type: none"> Raising the employment rate (EU2020-1) | | | | |
| | <ul style="list-style-type: none"> Reform of social benefit system <p>The system of social benefits will be changed so that the principle of incentives to work can be more emphasized. The goal of the new system is in line with the New Public Work Programme to offer working opportunity to those permanently out of work, especially in the disadvantaged regions of the country. A new recording system will be set up to register the available public works and those participating in such projects. Via this new system the relevant authority can also monitor the details of cooperation after the eligibility for social benefits have been defined. The maximum amount of social benefits available for a family will also be calculated; and social benefits will be conditional. The new social benefit system will enter into force as of January 2012.</p> | <ul style="list-style-type: none"> Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) Making work more attractive (AGS-4) Getting the unemployed back to work (AGS-6) Raising the employment rate (EU2020-1) | <p>In progress.</p> <p>New system to be launched in January 2012</p> | <p>Ministry for National Economy</p> <p>Ministry for National Resource</p> | | |
| | <ul style="list-style-type: none"> Review of the sick-pay system <p>Until July of 2011, the existing sick-pay system will be reviewed with the purpose of narrowing the room for sick-pay abuses. In this context, the Hungarian Parliament decided in March of 2011 on lowering the ceiling of sick-pay (from 4 times to 2 times the minimum wage). Further planned measures in relation to sick-pay are aimed at strengthening the insurance principle, channelling those on sick-pay (as justified in terms of health condition) to early rehabilitation as well as at eliminating the so-called "passive" sick-pay due on earning incapacity immediately after the termination of insurance in legal terms. Furthermore, the Government will in the first six months review sanctions of criminal</p> | <ul style="list-style-type: none"> Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) Making work more attractive (AGS-4) Raising the employment rate (EU2020-1) | <p>In progress</p> <p>Lower sick-pay ceiling implemented</p> <p>Review: by July 2011</p> | <p>Ministry for National Resource</p> | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | law over sick-pay abuses. | | | | | |
| 6. Measures concerning public transport | <ul style="list-style-type: none"> • Debt restructuring and reorganisation of MÁV Until the end of 2011, a plan for Hungarian Railways (MÁV) debt restructuring and reorganization will be elaborated to consolidate the company's debt. Debt assumption by the Government is made conditional upon institutional guarantees to be established against the "reproduction" of the debt. | <ul style="list-style-type: none"> • Reducing public deficit and debt, improving the structure of expenditures (SC-1) • Fiscal consolidation (AGS-1) | In preparation. Plan to be prepared by end 2011. | Ministry for National Development Ministry for National Economy | | |
| | <ul style="list-style-type: none"> • National Transport Company To remove unnecessary overlapping operations and to make use of economies of scale, a National Transport Company will be set up as of 1 January of 2012. With the integration of MÁV and VOLÁN (intercity bus service provider), the process of organizational consolidation will commence in the public transport. The purpose is to eliminate overlapping items in the schedules, in addition to increasing organizational efficiency. Based on the Government's plans, the new financing scheme will ensure efficient functioning and quality services of transport companies. | <ul style="list-style-type: none"> • Reducing public deficit and debt, improving the structure of expenditures (SC-1) • Fiscal consolidation (AGS-1) | In preparation. National Transport Company to be established by January 2012. | Ministry for National Development | | |
| | <ul style="list-style-type: none"> • Review of tariff preferences At the same time, the existing preferences will be reviewed, and then, by fully reshaping the scheme, a new, simple and clear preference and tariff structure will be set up in order to limit allowances related to public transport through price subsidy cuts in particular. | <ul style="list-style-type: none"> • Reducing public deficit and debt, improving the structure of expenditures (SC-1) • Fiscal consolidation (AGS-1) | | Ministry for National Development | | |
| | <ul style="list-style-type: none"> • Electronic toll-paying system The electronic toll-paying system will be implemented as of 1 January 2013 making the costs of high-speed road network become proportionate to the load on it | <ul style="list-style-type: none"> • Reducing public deficit and debt, improving the structure of expenditures (SC-1) • Improving energy efficiency (EU2020- | In preparation. Electronic toll-paying system to start operating on January 2013. | Ministry for National Development | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | 3b) <ul style="list-style-type: none"> Reduction of the emission of greenhouse gases (EU2020-3c) | | | | |
| 7. Educational reform | Until September of 2011, new laws to regulate public and higher education will be adopted. Changes will be made in particular for setting up a new dual vocational training system in public education (ensuring that students can acquire theoretical knowledge and practical experience heart their job), and at the same time, lowering the age from 18 years at present for mandatory attendance in education (with the objective that the young and their parents have actual choice of whether to continue studies or begin to work). In higher education, government roles will be reconsidered in size and nature with a view to a smaller share to be undertaken. Taking into account demographic trends (the number of students is continuously lowering) and economic room for manoeuvre, the Government will from 2012 on reduce the number of student posts with public financing while the share of those studying technical and scientific subjects will increase. Organizational and institutional structure of higher education will be rationalized and efficiency improved. The new public education law will enter into force as of September 2012. The new system of higher education will also begin to work at the same time. | <ul style="list-style-type: none"> Improving the contribution of educational system to human capital formation (SC-5) | In progress. Legislation to be adopted by September 2011. New educational system to start in September 2012. | Ministry for National Resource Ministry for National Economy | | |
| 8. Public administration and local governments | <ul style="list-style-type: none"> Magyary Programme <p>The preparation of Magyary Programme aimed at the renewal of public administration goes in parallel to the preparation of Hungary's new Constitution with the purpose of an efficient national public service to be established. Key pillars of the Programme are: renewal of responsibilities of public administration (taking into account government responsibilities, review of their</p> | <ul style="list-style-type: none"> Reducing public deficit and debt, improving the structure of expenditures (SC-1) Fiscal consolidation (AGS-1) Improving business | In progress. | Ministry for Public Administration and Justice | | |

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| | <p>location and delegation, linking responsibilities, powers and resources to one another), establishing efficient organizational run (deliberate planning of resources, review of internal functioning of public administration to make it more efficient, performance measurement and audit system based on indicators), review of public administration in-service procedures (policy design of strategic approach, reduction of loads on customers and clients) as well as increasing skills and commitment of public servants.</p> <p>Key moves made so far:</p> <ul style="list-style-type: none"> - Setting up county (capital) government offices. Due to the system of government offices erected and integration of public administration agencies, the number of regional organizations was significantly lowered thereby fulfilling duties more efficiently and cutting operating costs. - Government-desk: setting up integrated customer services or so-called "government –desks" run by central government. | <p>environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4)</p> | | | | |
| | <ul style="list-style-type: none"> • New career model of public servants <p>As part of the fourth pillar of Magyar Programme (increasing skills and commitment of public servants), a new career model of public servants will be elaborated until July of 2011 to give a predictable and secure future vision to them.</p> | <ul style="list-style-type: none"> • Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) | <p>In progress. New career model to be established by June 2011.</p> | <p>Ministry for Public Administration and Justice</p> | | |
| | <ul style="list-style-type: none"> • Local government reform <p>The most important objective concerning the local governments is the restructuring of services to be implemented through the revision of regulations in relation to central government' and local governments' responsibilities. Public administration responsibilities should be transferred from local governments to central government offices. At district level, central government administration responsibilities are delegated to district offices to be established as</p> | <ul style="list-style-type: none"> • Reducing public deficit and debt, improving the structure of expenditures (SC-1) • Fiscal consolidation (AGS-1) • Improving business environment, | | <p>Ministry of Internal Affairs Ministry for Public Administration and Justice</p> | | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | organizational unit of central government offices. | facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) | | | | |
| 9. The transformation of active labour market policies | <p>The government transforms the system of active labour market policies. Transformation includes the increase of the ratio of employment benefits, the revision of costs deriving from wages and wage support, the reduction of subsidizing trainings and prioritizing the encouragement and support of open labour market employment. The revision of the system of financial supplies can only result in raising the employment rate if the individual is properly assisted in finding placement and improving their opportunities on the labour market.</p> <p>Active labour market policies assist the unemployed in (actively) finding a job, their replacement and employment through services, incentives and support. In this way they assist raising the employment rate and reducing the period of their entitlement to benefits. The National Employment Office responsible for active labour market policies is also the most important professional organization in implementing governmental employment policy after the establishment of the governmental system.</p> | <ul style="list-style-type: none"> • Making work more attractive (AGS-4) • Raising the employment rate (EU2020-1) • Fighting poverty (EU2020-5) | <p>Transformation in preparation.</p> <p>Active labour market policies are continuously in effect from 2011.</p> | Ministry for National Economy | <p>Based on Act CLXIX./2010 of the Budget of 2011.</p> <p>National source is in line with the Budgetary Act, Labour Market Fund (LMF)</p> | <p>Based on the Budgetary Act of 2011 from EU resources of 16.5 billion HUF (Social Renewal Operational Programme 1.1.4. and 1.1.2)</p> |
| 10. Facilitating the reconciliation of work and family life | <p><i>Measures implemented:</i></p> <ul style="list-style-type: none"> • Tax allowances for families <p>On the basis of the tax allowances for families that were introduced from 1 January 2011, parents who raise one or two children can reduce their tax base by 62,500 HUF while those raising three or more children can deduct 206,250 HUF from their tax base. Through this, the monthly net income of working parents raising young children and their living standard will significantly improve and, in this way, they can secure a</p> | <ul style="list-style-type: none"> • Making work more attractive (AGS-4) • Raising the employment rate (EU2020-1) • Fighting poverty (EU2020-5) | <p>Tax allowance for families: continuous from its launch on 1 January 2011.</p> <p>Contribution allowance for employing those returning from maternity leave part-time is continuous</p> | Ministry for National Economy Ministry for National Resource | <p>Tax allowances for families do not require budgetary resources but, at the same time, will result in reduced revenues from personal income tax. The tax allowance for families effective until 2010 resulted a loss of 12 bn</p> | <p><i>Social Renewal Operational Programme 2.4.5. Measures that facilitate the reconciliation of work and family life:</i></p> <p>a) supporting innovative, experimental initiatives</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>better living for their families which will support the principle of "it is worth working". Furthermore, an important aspect of the measure is that it is primarily aimed at providing greater financial assistance than what is currently provided to parents who work in addition to raising children.</p> <ul style="list-style-type: none"> • Contribution allowance for those who return from maternity leave <p>In the case of employees returning from maternity leave to their previous workplace part-time while continuing to employ their replacement during their absence part-time, companies are entitled to a 7-7 % contribution allowance for both employees. The contribution allowance can be applied for a maximum of three years and to the extent of twice the amount of minimum wage.</p> <p><i>Measures envisaged:</i></p> <ul style="list-style-type: none"> • Supporting the development of daytime childcare facilities for young children aged between 0 and 3 years to increase the labour market participation of parents with young children. • Supporting local, innovative programmes to create the harmonized operation of institutions and the availability of employee-friendly services. • Assisting labour market flexibility by supporting the introduction of personnel policies that take flexible employment forms, flexible labour organization methods and individual situations into consideration. | | <p>from 1 January 2011.</p> <p>Developing day-time childcare facilities: projects planned to be announced annually between 2011 and 2013.</p> <p>Developing flexible workplaces, assisting innovative programmes that help reconcile work and family life: projects planned to be announced annually between 2011 and 2013.</p> | | <p>HUF in revenues annually, while the introduction of the new system is expected to result in a loss of approximately 150 bn HUF in personal income tax this year in the budget. The net deficit in revenue amounts to 140 bn HUF relative to 2010. At the same time, the measure will result in an increase in public consumption and a rise in VAT revenues which will have a more favourable net budgetary impact than mentioned previously.</p> | <p>b) supporting corporate (institutional) initiatives</p> <p>This budget is 6 bn HUF in total which is partially funded by a 15% national contribution equaling 900 million HUF.</p> <p>The amount of local level initiatives is 1 bn HUF annually and corporate initiatives are also 1 bn HUF annually.</p> <p><i>Regional operational programmes:</i></p> <p>Within the framework of Regional Operational Programme applications between 2007 and 2010, 21 bn HUF was available for developing daytime childcare facilities of which almost 3,800 were created primarily in bigger cities, county seats and regional centres. In the 2011-2013 Regional Operational Programme action plans resources appear on the constructional level. The new facilities include crèches, basic services and other daytime childcare facilities. The amount that can be spent on</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | | | | regional crèche development will be decided after the project applications are assessed. |
| 11. Adult training programmes aiming at the improvement of skills | <p>The programme to be announced for disadvantaged adults will offer them the opportunity to acquire an elementary education as a prerequisite for participating in a vocational programme and acquiring a qualification that meets labour market demands.</p> <p>The objective of the employee training programme is that those employed would be able to retain their jobs and meet the rapidly changing technical, technological and professional requirements in the long term. Through improving the competitiveness of the labour force, increasing employment and employee skills and competencies, the competitiveness and the adaptability of companies to technological development will improve and encourage employers to continue to improve their employees' knowledge.</p> <p>A programme that supports the development of key competencies (such as foreign languages and informatics) contributes to the improvement of the adaptability of the adult population and the development of their foreign language and informatics skills which are commonly required at work through encouraging lifelong learning.</p> | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Improving the contribution of educational system to human capital formation (SC-5) • Balancing security and flexibility (AGS-7) • Raising the employment rate (EU2020-1) • Fighting poverty (EU2020-5) | Implementation continuously from the second half of 2011 onwards. | Ministry for National Economy | It requires no national resources apart from own funds. | <p>Programmes to be launched between 2011 and 2014 with EU co-financing: training adults with a low level of education or unskilled (Social Renewal Operational Programme 2.1.6): 19.8 bn HUF</p> <p>Training employees: (Social Renewal Operational Programme 2.1.3): 7.8 bn HUF</p> <p>Supporting competence development (Social Renewal Operational Programme 2.1.2.): 9 bn HUF.</p> |
| 12. Facilitation of the employment of disabled people | The objective of measure is to raise employment rate to bring the disabled into the workforce. In order to achieve this, the rationalisation of the support provided to organizations that employ the disabled is necessary together with encouraging the disabled to participate in the labour market through employment rehabilitation. The objective is to encourage disabled individuals to work and the system of employment should assist returning to work actually. Within the framework of this measure individual rehabilitation | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Getting the unemployed back to work (AGS-6) | <p>The revision of the regulations on declaring someone disabled is under preparation.</p> <p>The facilitation of the employment of those with altered working abilities is continuous from 2011 to 2014.</p> | Ministry for National Resource Ministry for National Economy | It requires no national resources apart from own funds. | Social Renewal Operational Programme 5.3.8 Construction "A" |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | plans will be devised for participant retraining which take into account the disabilities and practices at work. | <ul style="list-style-type: none"> Raising the employment rate (EU2020-1) | | | | |
| 13. Developing the vocational training system and strengthening its labour market relevance | <ul style="list-style-type: none"> Contextual development of vocational training The contextual development of vocational training involves: the development of the entire range of materials used for studying, devising improved test tasks for exams, the development of the examination system, the improvement of quality assurance, creating new framework curricula, the revision of the Vocational and Examination Criteria of vocational qualifications, creating new environmental training materials, the tasks associated with dovetailing vocational qualifications with the National Qualification System (NQS) and preparation for ECVET. Structural transformation of the training system The revitalization of vocational training will require a significant extension of the period of practical training and the ability of students to start acquiring their professional competencies of their selected vocational training in the ninth grade at their vocational school. Increasing the quality and efficiency of vocational and adult training and making vocational training more attractive After the legal regulation for the career tracking system is implemented, the careers of graduates, the utilization of their knowledge, their professional attitude and the assessments of the employers could be analyzed based on a nationally standardized system. This information would be available to those considering career paths, institutions and operators of vocational and adult, education and to the local, regional and national representatives of professional bodies. Contextual and methodological development of the system of vocational guidance and the creation of the system of Lifelong Guidance (LLG). | <ul style="list-style-type: none"> Improving the contribution of educational system to human capital formation (SC-5) Balancing security and flexibility (AGS-7) Raising the employment rate (EU2020-1) Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | The measure was introduced during its action plan stage in 2007 and 2008 (Social Renewal Programme 2.2.1. and 2.2.2.). The project plan for the 2009-2010 action plan has been accomplished and is under evaluation. The project for the 2011-2013 action plan period is under preparation and is to be launched from the second half of 2011. The measure financed from national resources (the extension of the scholarship system) is under preparation. The legal background for early vocational training has been created; the Act on Public Education is under preparation. | Ministry for National Economy | 2011-2013: Vocational grants: LMF, approx. 3.5 bn / year | Social Renewal Programme 2.2.1 & 2.2.2 The expenses of the contextual development of vocational training (4.67 bn HUF) and the creation of a national career advisory system (2.8 bn HUF) will be covered by the Social Renewal Programme. |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | The objective of developing the vocational guidance system is to reduce the number of unsatisfactory decisions about future careers or professions. The measure will contribute to the creation of demand-driven vocational training. | | | | | |
| | <ul style="list-style-type: none"> • Early vocational training <p>This measure is aimed at: decreasing the percentage of drop-outs in grades 9 and 10, assisting disadvantaged students in achieving academic success, successful professional studies and entry into the labour market through the introduction of early vocational training. The compulsory expansion of early vocational training is expected beginning in the academic year 2012-2013. This regulation will provide the opportunity for students to participate in vocational training programmes immediately after finishing eighth grade and becoming acquainted with the practical basics of their trade at an age when they are extremely receptive to it, i.e. during 9-11th grades so they would be able to acquire a vocational qualification earlier.</p> | <ul style="list-style-type: none"> • Improving the contribution of educational system to human capital formation (SC-5) • Raising the employment rate (EU2020-1) • Decreasing the ratio of school dropouts (EU2020-4a) • Fighting poverty (EU2020-5) | The legal conditions of early vocational training have been established, the act on public education is under preparation. 2010-2020 | Ministry for National Resource Ministry for National Economy | Budgetary support of practical training during vocational training programmes: 98,000 HUF per capita per year in the academic year 2010/2011. | Social Renewal Operational Programme 3 priority– High standard education and access: Headline project: 7.015 bn HUF (2009-2010 action plan). Project application construction: 6.3 bn HUF (2009-2010 action plan) |
| | <ul style="list-style-type: none"> • Diversifying the range of non-university, tertiary education training offered <p>Our objective for creating a suitable qualification ratio that meets modern, updated labour market needs is to diversify the range of non-university educational training offered and increase the number of those who complete these programmes. This is indispensable for attracting and retaining direct, foreign investment in Hungary.</p> | <ul style="list-style-type: none"> • Improving the contribution of educational system to human capital formation (SC-5) • Raising the employment rate (EU2020-1) • Increasing the ratio of those with higher education degree (EU2020-4b) | It will be active until 2020. (2011-2012 act on tertiary education and connecting decrees, introduction from 2013 gradually FIR data clearance and improvement until 2013, launching development programmes until 2020). Every second half of the year a governmental decision is made on the number of | Ministry for National Resource | The measure requires no additional resources in addition to the ongoing projects as it is carried out through the transformation of the training system. In line with the current budgetary act the annual budget means the resources available. | Source: Social Renewal Operational Programme 4.1.2/A2/10 training development construction that is necessary for scarce professions. |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | people who will be hired next year. | | | |
| 14. Measures encouraging labour force demand | <ul style="list-style-type: none"> • Supporting complex technological development and employment Within the framework of complex technological development, complex investments linked to key industries, such as, healthcare and the green economy, are financed from EU resources (Economic Development OP) that have a significant impact on employment by retaining or creating new jobs. Support can be required for hiring new employees, purchasing equipment and the development of information technology. • Supporting the investments of micro, small and medium-sized enterprises to create jobs The primary objective of this measure is to support the investment of micro, small and medium-sized enterprises in order to create jobs. The secondary objectives are: to support job creation in the regions that are disadvantaged economically, socially, infrastructure-wise and labour market-wise; to assist in employing disadvantaged employees; to help regional balancing processes and diminish regional differences; strengthen the market position of developing enterprises and improve their competitiveness by their technological and technical modernization. | <ul style="list-style-type: none"> • Making work more attractive (AGS-4) • Raising the employment rate (EU2020-1) • Fighting poverty (EU2020-5) | <p>The estimated time necessary to realize complex technological development is 3 years, from 2011 to 2013 (in progress). The measure entitled, "Supporting the Investments of Micro, Small and Medium-Sized Enterprises To Create Jobs," is included in the framework announced in 2011. (in progress)</p> | Ministry for National Development Ministry for National Economy | Supporting micro, small and medium-sized enterprises: 5 billion HUF by 2011 of LMF Employment Part. | Complex technological development:15 billion HUF/year evenly spread within the framework of Economy Development Operational Programme 2.1.3 construction |
| | <ul style="list-style-type: none"> • Increasing labour market participation through the spread of flexible employment forms and encouraging legal employment The revision of regulations in the Labour Code (forms of labour contracts, regulations on holidays and days-off, working hours, rules of manpower hiring, regulations facilitating the planning of the employment of those who return from maternity leave, rules on probation period) From 2010 the regulations on occasional work will be simpler which could create a serious incentive for | <ul style="list-style-type: none"> • Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3) • Making work more attractive (AGS-4) • Getting the unemployed back to work (AGS-6) | <p>The revision of rules incorporated in the Labour Code is under preparation. Simplifying occasional work has already been implemented. The contribution support in the case of those returning</p> | Ministry for National Economy | It has no direct budgetary impact; the abolition of the occasional employee's booklet results in savings while increased registered employment will incur an increase in revenues from taxes and contributions and a decrease in social transfers. | For is financing several Social Renewal Operational Programme constructions are available |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>employers to legalize the employment terms of occasional workers in agriculture, construction and tourism.</p> <p>Starting from 1 January 2011, a 7% contribution allowance is available for employees who are employed part time by their former employer after returning from maternity leave. In addition to the employee returning from maternity leave, their replacement is also a beneficiary.</p> | <ul style="list-style-type: none"> • Raising the employment rate (EU2020-1) • Fighting poverty (EU2020-5) • Gazdaság munkaerő-potenciáljának teljes kihasználása, munkaerő-piaci aktivitás és foglalkoztatási ráta növelése (SK-3) • Munkanélküliek visszaterelése a munkaerőpiacra (AGS-6) | <p>from maternity leave has already been implemented.</p> | | | |
| <p>15. Increasing employment by improving the health condition of the population and facilitating active and healthy ageing</p> | <p>National Public Health Programme (6/2003. 26th April. Parliamentary decree), which can be regarded as the organic continuation of Governmental Decree 1066/2001. (10 July) on the Public Health Programme for a Healthy Nation in 2001-2010.</p> <p>The planned public medical check-up is a professionally-justified, repetitive, public health activity that is embedded in the healthcare system and financed from public money. It focuses on groups of people who are declared to be vulnerable based on their age group and suggests the personal invitation of the target groups to promoting public welfare events. The programme assists organising with more equal chances to accomplish mobile and accessible check-ups, special examinations and transportation.</p> | <ul style="list-style-type: none"> • Raising the employment rate (EU2020-1) • Fighting poverty (EU2020-5) | <p>This program has been implemented since 2003 and is based on the annual action plan.</p> | <p>Ministry for National Resource</p> | <p>Resources are used from the chapter-managed allocation fund of the Public Health Programme. This was 200 million HUF in 2011.</p> | <p>European Union resources:</p> <p>The following programs help the measure within the framework of Social Renewal Operational Programme 6 priority:</p> <p>Social Renewal Operational Programme 6.1.2 – Lifestyle programmes to promote a healthy way of life and a change in attitudes</p> <p>Social Renewal Operational Programme 6.1.3 /B Supporting public health and health</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | | | | development campaigns Social Renewal Operational Programme 6.2.3. – Implementing a regional based national health monitoring system |
| 16. The transformation of the institutional system of the Science, Technology and Innovation Policy | The transformation of the institutional system of the Science, Technology and Innovation Policy (STIP) started in the second half of 2010 which established NIS's effective management system of NIS. The clear separation of tasks and decision-making competencies served as a prerequisite to work out and implement further steps to renew innovation. The transformation of the National Innovation Office, the establishment of S&T Observatory, the transformations in tertiary education and those in connection with state-owned research institutes are still necessary to make the state-owned STI sector and its connection with the other players of NIS more effective and innovation-oriented. | <ul style="list-style-type: none"> Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) Increasing research and development expenditure (EU2020-2) | The transformation of the STI institutional system is expected to take place by the end of 2011. Under preparation | Ministry for National Economy Ministry for National Resource | 50 million HUF/year for performing NRISC secretarial tasks Source: RSIF New tasks designated to the National Innovation Office and the establishment of the S&T Observatory Source: not known yet. The cost of running the S&T Observatory is 150 million HUF. | |
| 17. The transformation of the system of Research, Development and Innovation | In January 2011 the first R&D projects of the New Széchenyi Plan were announced. At the same time, the reduction of administrative burdens and the diversification of the current, almost exclusively project-based RDI system require further measures to be taken. The encouragement of the unexploited RDI opportunities of the SME sector is prioritized by objectives in order to enhance the competitiveness of the national economy. Additionally, the regional unevenness of the RDI support system requires special attention and a balanced growth will be ensured by encouraging regional RDI activity, cooperation and networking activities. | <ul style="list-style-type: none"> Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) Increasing research and development expenditure (EU2020-2) | Building and implementing the standardized RDI support system started in the second half of 2010. The implementation of the standardized RDI system in practice is expected from 2012. Under preparation. The supervision of the RDI support system is necessary | Ministry for National Economy Ministry for National Development | These expenses required for the transformation and planning of the support system in 2011 was 20 million HUF, Source: RSIF (At the expense of Act CLXIX/2010, Appendix 1, Chapter LXIX.) The funds of the concrete RDI support programmes serve to meet the objectives of the RDI strategy until | The expected project funds in 2011-2012: Economic Development and Operational Programme: 40+40 bn HUF Central Hungary Operational Programme: 7+4.8 bn HUF Social Renewal OP, Social Infrastructure OP: 6 bn HUF |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | while preparing and planning the budgetary period of the EU between 2014-2020. | | 2020. The expected funds necessary for projects from the RSIF in 2011-2012 is 30+40 bn HUF. | |
| 18. The renewal and implementation of the Research, Development and Innovation Strategy | <p>The RDI Strategy and Action Plan includes the following principles and measures:</p> <ul style="list-style-type: none"> - establishing a transformed RDI support system that handles the different support forms as a whole and introduces new support forms; - establishing and encouraging and transparent RDI legal environment; - establishing a standardized RDI monitoring and evaluating system and setting up an analytical S&T Observatory to understand RDI processes better and justify professional feedback; - ensuring conformity with national policies; - working out an international RDI sub-strategy, developing research infrastructure and establishing a register that serves as a foundation for rationalizing Hungarian participation in significant international research infrastructure projects; - Working out sectoral RDI strategies such as the National Strategy for Environmental Technology and Innovation, which pays special attention to eco-innovation. | <ul style="list-style-type: none"> • Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) • Increasing research and development expenditure (EU2020-2) | <p>The RDI strategy until 2020 is under preparation and is expected to be accepted by the end of 2011.</p> <p>The implementation, monitoring and evaluation of the RDI strategy will be continuous until 2020.</p> <p>The National Strategy for Environmental Technology and Innovation is expected to be accepted in June 2011 as outlined in the RDM agenda approved by MRI.</p> <p>Its inter-ministerial negotiation will start in April 2011.</p> | Ministry for National Economy Ministry for Rural Development | <p>Devising the strategy will cost 80 million HUF (at the expense of Act CLXIX/2010, Appendix 1, Chapter LXIX.)</p> <p>The volume of the expenses of implementation is not yet known and will be included in the RDI strategy and action plan.</p> | Other sources: Norway Financing Mechanism linked to the National Strategy for Environmental Technology and Innovation |
| 19. General regulatory and comprehensive programme-formulation incentives | <ul style="list-style-type: none"> • Developing the National Strategy and Action Plan for the Energy Performance of Buildings – including the continuous development, consultation and updating of strategic elements <p>The National Strategy and Action Plan for the Energy Performance of Buildings defines the objectives of the</p> | <ul style="list-style-type: none"> • Improving energy efficiency (EU2020-3b) • Raising the employment rate (EU2020-1), | <p>Under preparation.</p> <p>Preparation and adoption from the second half of 2011</p> <p>The program will continue until 2020</p> | Ministry of National Development | 5 million HUF for 2011. MND budget | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | Complex Programme for the Energy Performance of Buildings, and outlines the actions required for achieving these goals (in the fields of support, R&D, quality control, training and education, information and regulation). In compliance with the 2006/32/EC Directive, Hungary has to submit its second National Energy Efficiency Action Plan (NEEAP) by 30 June 2011, which will also be the revision of the first NEEAP, as well. The The National Strategy and Action Plan for the Energy Performance of Buildings will be prepared in line with this document. | <ul style="list-style-type: none"> Increasing research and development expenditure (EU2020-2) Creating cost effective access to energy (AGS-10) | | | | |
| | <ul style="list-style-type: none"> Regulatory incentives for the use of renewable <p>The revision (including simplification and harmonization) of the current authorization system aims at a simpler and shorter standard procedure that ensures predictable timing of funds</p> <p>Content of the measure: adoption of the Act on Sustainable Energy Management in 2011, transformation of mandatory off-take system (MOT). Establishment of off-take and support system for green heat, and building energy regulations (in line with RED Art. 13. par. (4)).</p> | <ul style="list-style-type: none"> Increasing the share of renewable energy (EU2020-3a) Improving energy efficiency (EU2020-3b) Reduction of the emission of greenhouse gases EU2020-3c) Fighting poverty (EU2020-5) Creating cost effective access to energy (AGS-10) | <p>From January 2011 until 2020</p> <p>Transformation of MOT system requires 6 months</p> <p>Defining the requirements for an act on heat production requires approximately 1 year.</p> | Ministry of National Development Ministry for National Economy | <p>The measure does not require budgetary funds since the MOT support of electricity is included in the price of electricity paid by the consumers.</p> <p>Further elements can be performed by the existing state apparatus and system of supporting institutions.</p> | |
| | <ul style="list-style-type: none"> Simplifying the authorization procedure <p>Priority will be given to shortening the processing time and reducing the number of procedures concerning authorization. The goal is the introduction of a one stop shop system, and including the most possible authorizing institutions in the streamlining process. Part of the measures concentrates on training the responsible staff.</p> <p>As a result of the measures, investments will be realized more rapidly and the time required for</p> | <ul style="list-style-type: none"> Increasing the share of renewable energy (EU2020-3a) Improving energy efficiency (EU2020-3b) Reduction of the emission of greenhouse gases EU2020-3c) | <p>Implemented.</p> <p>Inventory of the concerned authorization procedure is in progress.. The objective is the preparation of an itinerary by the beginning of 2011.</p> | Ministry of National Development Ministry for National Economy Ministry of Internal | <p>2011: 20 million HUF (preliminary study, impact assessment, codification)</p> <p>2012: 50 million HUF (working out assessment and examination guidelines per each licensing type, training staff)</p> | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>preparing investments will be shortened.</p> <p>The measures will also take into account special characteristics of renewable energy resources. To accelerate and assist the process examination manuals will be provided, that also inform potential investors about the expected length of authorization process.</p> | <ul style="list-style-type: none"> Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) Creating cost effective access to energy (AGS-10) | <p>Under preparation.</p> <p>By the second half of 2011 the recommendations on the legal amendments must be prepared. The overall monitoring of the licensing framework system is planned to continue until 2012.</p> | Affairs Ministry Rural Development | The resources are ensured from EBRD, EIB co-financing. | |
| 20. Support measures and programmes | <ul style="list-style-type: none"> New Széchenyi Plan: launching a programme for encouraging investment to promote the spread of renewable energy resources as part of the green economy and to develop the associated industries <p>The measures support investors; each segment of the target group is , (e.g., the public, the budgetary institutions municipalities, non-profit sector, firm, and agricultural actors) is covered by a specific financial instrument.</p> <p>The new invitations for tenders will be published in 2011 in the current form of EU co-financed programmes planned until 2014, continuation of the programme is foreseen after 2014,.</p> <p>The elements announced so far for 2011:</p> <ul style="list-style-type: none"> -renewable energy development, -energy efficiency/modernization in buildings and - campaigns to promote a sustainable way of life. | <ul style="list-style-type: none"> Increasing the share of renewable energy (EU2020-3a) Raising the employment rate (EU2020-1) Fighting poverty (EU2020-5) Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) Increasing research and development expenditure (EU2020-2) Improving the contribution of educational system to human capital | <p>In progress.</p> <p>New tenders are being announced from 14 January 2011 within the framework of New Széchenyi Plan (NSZP) and its Green Economy Development chapter until 2020.</p> | Ministry of National Development Ministry for National Economy Ministry for Public Administration and Justice Ministry Rural Development | It does not require domestic resources in addition to the required co-financing. | <p>The funds available and announced so far in 2011 are the following:</p> <p>Renewable energy construction:29.3 bn HUF</p> <p>Building energy development:11 bn HUF</p> <p>Campaigns to promote a sustainable way of life:9.7 bn HUF</p> |

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| | | formation (SC-5) | | | | |
| | <ul style="list-style-type: none"> Developing a data collecting and processing system designed to measure the energy consumption and energy efficiency of buildings owned by the state or municipal authorities <p>The objective is to establish a data disclosure system that serves to measure and monitor the energy consumption and energy efficiency of buildings owned by the state or municipalities. Complex energy-efficiency renovations for the buildings concerned can be properly planned and implemented in line with the priorities and principles obtained through the data.</p> | <ul style="list-style-type: none"> Improving energy efficiency (EU2020-3b) Raising the employment rate (EU2020-1) Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) | <p>In progress.</p> <p>The creation and approval processes are continuous starting from the first half of 2011.</p> <p>This measure will be in effect until 2020.</p> | Ministry of National Development | It does not require national resources in addition to co-financing. | <p>Required funds: 150 M HUF/year</p> <p>The measure is supported by priority axis 4 and 5 of the Environment and Energy Operational Programme from EU funds and by the Energy Operative Programme planned to be launched from 2014.</p> |
| | <ul style="list-style-type: none"> The complex renovation of residential buildings built by industrial technology to increase their energy efficiency and the incentive system for energy-efficient construction <p>The primary objective of this measure is to improve energy efficiency (EU2020-3b) through the modernization of the energy systems in buildings. Within the framework of the measure support programmes encourage energy-efficiency renovations of industrial technology buildings and the construction of new energy efficient ones.</p> <p>In addition, the long term objective is to create sustainable, livable environments and improve the quality of living for the residents.</p> | <ul style="list-style-type: none"> Improving energy efficiency (EU2020-3b) Raising the employment rate (EU2020-1) Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) | <p>Under preparation.</p> <p>Preparation and adoption of programmes is continuous starting from the first half of 2011.</p> <p>Delivery until 2020.</p> | Ministry of National Development | <p>Residential buildings built by industrial technology</p> <p>Required funds: 35 bn HUF/year</p> <p>Available funds: 19.5 bn HUF/2011.</p> <p>ZBR, budgetary resources, CO2 quata trade revenues</p> | <p>For the encouragement of the construction of new, energy-efficient buildings: priority axis 4 and 5 of the Environment and Energy Operative Programme and then the Energy Operative Programme which will be launched in 2014.</p> |
| | <ul style="list-style-type: none"> Supporting the comprehensive energy efficient renovation activities of industrial actors (especially SMEs) and buildings that fulfill public demands but which are not publicly owned. <p>The objectives of this measure are to make industrial energy efficiency more measurable, to standardize the audit and monitoring systems which are aimed at the more efficient use of energy by industrial players, to</p> | <ul style="list-style-type: none"> Improving energy efficiency (EU2020-3b) Raising the employment rate (EU2020-1) Improving business environment, | <p>Under preparation.</p> <p>Preparation and adoption of programmes is continuous starting from the first half of 2011.</p> | Ministry of National Development | It does not require national resources in addition to co-financing. | <p>Required funds: 25 bn HUF/year</p> <p>Available funds: 0.8 bn HUF/ 2011 1.5 bn HUF/ 2012-2013</p> <p>This measure is supported by the</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | enter into contractual relations aimed at long-term, voluntary commitments guided by international examples and to establish a motivating, regulatory environment and a system for acknowledging desired actions. | facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) | Delivery until 2020. | | | Environment and Energy Operational Programme from EU funds and then from the Energy Operative Programme which will be launched in 2014. |
| | <ul style="list-style-type: none"> • Defining further possible ways and means of saving energy in sectors other than buildings <p>The objective of this measure is to reduce energy consumption supplementing measures aimed at reducing heating needs for buildings in the following areas:</p> <ul style="list-style-type: none"> -municipalities, - citizens -services, -industry, -transportation, traffic and -agriculture. | <ul style="list-style-type: none"> • Improving energy efficiency (EU2020-3b) • Raising the employment rate (EU2020-1) • Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4) • Creating cost effective access to energy (AGS-10) | <p>In progress.</p> <p>The creation and approval processes are continuous starting from the first half of 2011.</p> <p>Delivery until 2020.</p> | <p>Ministry of National Development</p> <p>Ministry of Internal Affairs</p> <p>Ministry of Rural Development</p> | It does not require national resources in addition to co-financing. | <p>There are no direct funds dedicated to energy efficiency. Energy savings is indirectly involved in the framework of development and investments of other EU2020 measures and European Union projects and applications. Required funds are 30 bn HUF.</p> <p>The measure is supported by priority axis 4 of the Environment and Energy Operational Programme from EU funds and then the Energy Operative Programme which will be launched in 2014.</p> |
| | <ul style="list-style-type: none"> • Agricultural-energy programme, reducing energy consumption within the agricultural industry, sustainable provisions for biomass <p>The objectives of agricultural energy programme are to promote the efficient, sustainable production and use of renewable energy resources deriving from agriculture and to encourage their use locally. <u>The</u></p> | <ul style="list-style-type: none"> • Increasing the share of renewable energy (EU2020-3a) • Raising the employment rate (EU2020-1) • Increasing research | <p>In progress.</p> <p>This measure is in force from January 2011 until 2020.</p> | <p>Ministry of Rural Development</p> <p>Ministry of National Development</p> | The homestead programme has a fund of 1 bn HUF of which improving the energy supply of cottages takes up almost 40 million HUF (under | <ul style="list-style-type: none"> • European Agricultural Rural Development Fund– New Hungary Rural Development Programme • Economic |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p><u>objective is that by taking food and forage production and environmental considerations into account, rural areas should meet part of their own energy needs from local resources and with lower expenses in an environmentally friendly way.</u></p> <p>The production and development of renewable energy can have a favourable impact on municipalities as local renewable-energy programs can be launched that are based on local, raw materials and a local work force. Concerning renewable energy resources there are opportunities to create and retain a significant number of jobs that require lower qualifications especially in forestry and agriculture and in disadvantaged areas. One of the main areas of the related homestead development programme is the improvement of the energy supply to rural areas.</p> | <p>and development expenditure (EU2020-2)</p> <ul style="list-style-type: none"> Fighting poverty (EU2020-5) | | <p>ment Ministry for National Economy</p> | <p>preparation).</p> | <p>Development Operational Programme 2.1.4 construction and development aimed at environmental protection</p> <ul style="list-style-type: none"> the Environment and Energy Operational Programme 6 priority – sustainable lifestyle and consumption <p>The entitlement agricultural energy use from renewable energy resources (Biomass boiler) will be applicable from the fourth quarter of 2011.</p> |
| <p>21. Sustainable lifestyle and consumption – social awareness raising, expert advice</p> | <ul style="list-style-type: none"> Launching informative, attitude changing and advisory programmes <ul style="list-style-type: none"> programmes to influence consumers' behaviour and shape their attitudes developing vocational trainings and further trainings in areas linked to the establishment of green economy creating a database that contains the technological, financing and supportive industry information of the sector | <ul style="list-style-type: none"> Increasing the share of renewable energy (EU2020-3a) Improving energy efficiency (EU2020-3b) Reduction of the emission of greenhouse gases (EU2020-3c) Raising the employment rate (EU2020-1) Fighting poverty (EU2020-5) Improving the contribution of | <p>In progress. Project applications will be continuously announced from 14 January 2011 within the framework of New Széchenyi Plan (NSZP) and its Green Economy Development chapter until 2020.</p> | <p>Ministry of National Development Ministry for National Economy Ministry for Public Administration and Justice Ministry of Rural Development</p> | <p>It does not require national resources in addition to co-financing.</p> | <p>Social Renewal Operational Programme 88.54 bn HUF in 2011-2013. Environment and Energy Operational Programme 4.89 bn HUF in 2011-2013 (1.63 bn/year). IEE 82 million HUF per member state (consortia).</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | educational system to human capital formation (SC-5) | | | | |
| 22. Reduction of study time extension and drop out | The increase in the rate of young people with a higher education degree is to be achieved reducing the share of students extending their program past the regular training period. The effective and efficient accomplishment of higher education studies is common interest so that the motivation and opportunities of teachers and students must be improved through pedagogical and financial means and available services. | <ul style="list-style-type: none"> • Increasing the ratio of those with higher education degree (EU2020-4b) • Fighting poverty (EU2020-5) | In progress. This measure will be in effect until 2020. (2011-2012 act on higher education and related decrees, introduction from 2013 gradually, FIR data clearance and improvement till 2013, launching development programmes till 2020). | Ministry of National Development | No additional expenditures are planned. In line with the budgetary legislation, the annual budget allocates the resources available. | <p>From 2007 applications worth more than 10 bn HUF for Social Renewal Operational Programme 4.1.1 and more than 4 bn HUF for Social Renewal Operational Programme 4.1.2 were submitted.</p> <p>Within the framework of Social Renewal Operational Programme 4.1.2/A1. a new application took place in February 2011 whose fund limit is approx. 2.9 bn, HUF.</p> <p>Under the framework of Social Renewal Operational Programme 4.2.5, the range of services of EISZ National Programme will also be widened.</p> <p>Within the framework of Social Renewal Operational Programme 4.1.1/C the applications that support regional and sectoral higher education cooperation</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | | | | will be announced in the convergence regions. |
| 23 Increasing the IT/engineering graduate rate. | This measure pcall up for programmes targeting secondary and tertiary level students to become engineers and spark interest in IT and related fields.. These programmes can include open days, road shows and foreign scholarship funds. The programme is targeted to raise the standard of IT and civil engineer training through infrastructure development, expansion, modernizing course books and teacher training. Currently, the target age group is between 20 and 24 and the purpose is to assist in their successful graduation and help accelerating the graduation of those whose length of study exceeds the regular program period. In addition, this measure is also aimed at retraining those with a secondary education and aged between 20 and 24 to become IT specialists. | <ul style="list-style-type: none"> Increasing the ratio of those with higher education degree (EU2020-4b) Raising the employment rate (EU2020-1) Fighting poverty (EU2020-5) Improving the contribution of educational system to human capital formation (SC-5) | In progress. Planned period: 1st quarter of 2011 through the 4th quarter of 2014. | Ministry of National Development | It does not require national expenditures besides co-financing. | Estimated funds required: 1.8 bn. HUF. The priority of Social Renewal Operational Programme 4.1.1, Social Renewal Operational Programme 4.1.2 and Social Renewal Operational Programme 2 will support the measure with EU funds. |
| 24. Improving foreign language skills | The institutional and student requirements of language training in higher education is to be improved in line with promoting teachers' and students' mobility and international cooperation. The measure has two parts: -Supporting the training and testing of those who have already obtained professional requirements and are no longer students, -Improving the foreign language training of students enrolled to higher education. | <ul style="list-style-type: none"> Increasing the ratio of those with higher education degree (EU2020-4b) Fighting poverty (EU2020-5) Improving the contribution of educational system to human capital formation (SC-5) | Under preparation. The cofinanced projects are in process. First phase: planning budgetary support for 2012. Second phase: continuous implementation until 2020 (2011-2012 act on higher education and connected decrees, introduction from 2013 gradually, FIR data clearance and improvement till 2013, launching development programmes till | Ministry of National Development Ministry for National Economy Ministry for Public Administration and Justice | 8.7 bn. HUF to fund foreign language training 55,000 students. (4 lessons a week) Targeted towards students who completed the required coursework, but didn't received their degree due to lack of necessary language exam. Source: task support from budgetary resources | There are 420 million HUF at Social Renewal Operational Programme 4.1.2/A1. |

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| | | | 2020). | | | |
| 25. Improving the rate of success of students with multiple disadvantages | <ul style="list-style-type: none"> Preventing early school dropout taken in kindergarten care <p>Expanding kindergarten capacities and implementing programmes to improve kindergarten care.</p> | <ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | In progress. 2010-2020 | Ministry of National Development Ministry for Public Administration and Justice | <p>Kindergarten support was 0,8 bn. HUF in 2009 from the budget.</p> <p>Kindergarten development programme: 3,75bn HUF from the budget.</p> <p>Financing the bonuses of teachers from the budget: 3,4 bn HUF.</p> <p>Institutional catering of children from the budget: 7,8 bn HUF/year.</p> | <p><u>EU funds:</u></p> <p>Infrastructure development of Regional Operational Programme public institutions and within it increasing kindergarten capacities: 139 bn HUF (2007-13) (support to date: 103 bn HUF, paid sum: 65 bn HUF). In 2011-2013 the application has been announced with a limit of 24.8 bn HUF, from which kindergartens can also be improved.</p> |
| | <ul style="list-style-type: none"> Improvement the school success rate of disadvantaged children and students, using integrated education and training methods for their further integration. (Targeting students considered to have multiple disadvantages or are Roma) <p>The objective of this measure is to prevent students from disadvantaged backgrounds, including Roma, from dropping out of school, to reduce setbacks in school, to promote academic success and to help reduce socio-cultural disadvantages. The government plans to launch programmes cofunded by the European Social Fund including: programmes for institutions of public education related to convergence, support for further education from primary to secondary education and programmes for disadvantaged regions. A complex and target-specific scholarship scheme will be set up funded from the central budget and MPA (Labour Market Fund) resources.</p> | <ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | In progress. 2010-2020 | Ministry of National Development Ministry for Public Administration and Justice | <p>Headline targets:</p> <ul style="list-style-type: none"> Engagement in developing ability, integration preparation or kindergarten development programmes from the budget: 3,750,000,000 HUF in 2011. Teachers who take part in developing ability, integration preparation or kindergarten development programmes are | <p><u>EU funds:</u></p> <p>Social Renewal Operational Programme 3.2.1: 1.1 bn HUF.</p> <p>Social Renewal Operational Programme 3.3: 49.1 bn HUF.</p> <p>In the 2011-13 action plan now in effect, 34.4 bn HUF are available to implement applications aimed at equal opportunities.</p> |

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| | | | | | eligible for extra bonuses: 3,4bn HUF in 2011. - Útravaló Scholarship Programme: 2.9 bn HUF. | |
| | <ul style="list-style-type: none"> Special vocational training courses for those who did not finish elementary school <p>Within the framework of vocational remedial training, 15-year-old students can join the programme even if they lack elementary school qualifications. Parents can request their children to be admitted for remedial training (starting the next academic year instead of elementary school studies) the year when the child turns fifteen.. Remedial training is designed for students to acquire the skills needed for starting vocational training (including the theoretical and practical skills). This measure disseminates and supports good practices and successful programmes, for example, the Dobbantó Programme.</p> | <ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | In progress. 2010-2020 | Ministry of National Development | <p>The budgetary contribution per student taking part in remedial education is 96th HUF per capita annually.</p> <p>Act CLXIX./2010 on the 2011 budget of the Republic of Hungary Appendix 5/11.d) 'Supporting special educational tasks' and according to Section (8) of Par. 27 of Act LXXIX/1993 on public education within it , remedial education organized on the basis of the local curriculum that is created in compliance with the National Core Curriculum.</p> | <p>Social Renewal Operational Programme 3 priority – Quality education and access:</p> <p>Headline project: 7.0 bn HUF (2009-2010 action plan).</p> <p>Project construction: 6.3 bn HUF (2009-2010 action plan).</p> <p>The projects will be implemented in the course of 2011 due to some delays.</p> |
| 26. Improving the rate of academic success of special education students | <ul style="list-style-type: none"> Special care must be ensured within early childhood development and care, as well as special education at school and kindergarten and development- preparatory courses. <p>An individual development plan must be prepared for the development of students who require special education by all the educational and academic institutions. It also concerns institutions of special</p> | <ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | In progress. 2010-2020 | Ministry of National Development | <p>Central budget: (Entitlements: 16.2.1. Therapeutic (conductive pedagogical) education and teaching at kindergartens and schools;</p> | <p><u>EU funds:</u></p> <p>Social Renewal Operational Programme 3.1.6: 3.4 bn HUF during 2007-2013.</p> <p>In April an application with a limit of 1 bn HUF</p> |

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| | education and those performing integrated education and teaching alike. They also have to record the result of development at last once a year. | | | | 16.2.2 Early childhood development and care and 16.2.4 Development preparation) 16.1 bn HUF in 2011. Dobbantó Programme 0.9 bn HUF during 2007-2011. | will be announced and another with 2 bn HUF is expected in 2012. Social Renewal Operational Programme 3.4.2: 3 bn HUF. |
| 27. Complex measures on public education | <ul style="list-style-type: none"> • Grade 0 (preparatory year for school after kindergarten) Children considered not ready to start elementary school can complete the so-called grade 0 which is within primary school but is not considered the first year of elementary education. Here they can be prepared and developed more carefully meeting the elementary schools' standards. | <ul style="list-style-type: none"> • Decreasing the ratio of school dropouts (EU2020-4a) • Fighting poverty (EU2020-5) | In progress. Approval of the law: September 2011, Launching a new public education system: September 2012. | Ministry of National Development | Budgetary resource: 10.5 bn HUF | |
| | <ul style="list-style-type: none"> • The opportunity for repeating Grade 1. In the case of failure or weak academic achievement at the end of the first year, parents may require their children to repeat first grade. | <ul style="list-style-type: none"> • Decreasing the ratio of school dropouts (EU2020-4a) • Fighting poverty (EU2020-5) | In progress. Approval of the law: September 2011, Launching a new public and higher education system: September 2012. | Ministry of National Development | Budgetary resource: 2 bn HUF | |
| | <ul style="list-style-type: none"> • Híd Programme The Híd Programme prepares students who will not be able to reach the minimum compulsory education till the end of their required school period for vocational training. It also assists those who were not admitted to vocational schools or dropped out of secondary education in continuing their education and acquiring a profession. | <ul style="list-style-type: none"> • Decreasing the ratio of school dropouts (EU2020-4a) • Fighting poverty (EU2020-5) | In progress. Expected approval of the legislation: September 2011. Launching a new public and higher education system by September 2012. | Ministry of National Development | Budgetary resource: 15 bn HUF | EU fund: 3 bn HUF |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | | | | |
| | <ul style="list-style-type: none"> Incorporating national professional monitoring Establishing an internal institutional control system, training experts and develop the educational standards by taking the EQUAVET recommendations into account in vocational training. | <ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | In progress. Approval of the law: September 2011, Launching a new public and higher education system: September 2012. | Ministry of National Development | The measure does not need additional expenditures; the implementation at present takes place by reorganizing costs. | |
| | <ul style="list-style-type: none"> The control and management of teachers' performance: National Core Curriculum (governmental decree) 2012 The National Core Curriculum constitutes the standard knowledge to be taught to all children within the public education system of Hungary. It also defines the headline tasks of the Hungarian public education, the key competency areas to be developed designated by the European Union, sets the shared values, compulsory objectives of education within the framework of public education as a cultural area. It also entitles the knowledge, skill and ability requirements of public education that serves as the basis for teaching. The National Core Curriculum thus ensures access to quality education. | <ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | In progress. Approval of the law: September 2011, Launching a new public and higher education system: September 2012. | Ministry of National Development | The measure does not require additional expenditures; the costs of creation and implementation will be deducted from the budget of OFI (Educational Research and Development Institute). | |
| | <ul style="list-style-type: none"> Quality assessment and test-evaluation tasks to improve the quality of public education Guaranteeing that public education institutions provide services that meet social and local needs. Public education institution should perform continuous quality improvement activities based on self-assessments. Based on the test results of the schools determine their professional goals and the development of services. By assessing implementation and using their results, they are expected to continuously develop their operations. | <ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | In progress. 2010-2020 | Ministry of National Development | Required resources: 0.6 bn HUF, starting from 2012 about 0.9 bn HUF annually. Act CLXIX./2010 on the 2011 budget of the Republic of Hungary, XX/20/4/23: 'Test and evaluation to improve the quality of public education' | Social Renewal Operational Programme 3 priority – Quality education and access: Social Renewal Operational Programme 3.1.8: 7.0 bn HUF (2009-2010 action plan). Social Renewal Operational Programme 3.3.3-08/1: 6.3 bn HUF (2009-2010) |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | | | | action plan). |
| 28. Ensuring formal and informal forms of learning and programmes that support the implementation of the objectives of public education provided by cultural institutions with a focus on preventing school dropout | <ul style="list-style-type: none"> • A special emphasis on reducing the disadvantages that the school itself cannot compensate for. <p>Providing programmes that assist in formal and informal learning through cultural institutions such as art institutions, museums, public education institutions promoting the personal development and creative ability of children and students while reducing their disadvantages and assisting with efficient competency development.</p> | <ul style="list-style-type: none"> • Decreasing the ratio of school dropouts (EU2020-4a) | In progress. 2011-2020 | Ministry of National Development | Required resources: 14.9 bn HUF (2011-2020) from which come from national resources annually: 1.5 bn HUF (2014-2020). 20/20/12/7/1 Public collection of professional tasks-the national value saving programme of the public collection 20/20/12/7/2 Supporting professional tasks of public education | Required resources: 14.9 bn HUF (2011-2020) of which are available from EU funds: 4.4 bn HUF (2011-2013) at the expense of Social Renewal Operational Programme 3 priority |
| 29. Measures aimed at the integration of the most disadvantaged social groups, enhancing their opportunities on the labour market and improving their access to public services | <ul style="list-style-type: none"> • National Concept on Social Policy <p>The objectives of this concept are to ensure the balance between social security and employment, to reduce the disincentives to work of social benefits political and establish a system of benefits that encourages the engagement of the working-age population in employment. To increase the effectiveness and efficiency of benefits the National Concept on Social Policy proposes a new structural framework for the system of social protection in order to struck a balance between financial, service based benefits and benefits in kind (including child welfare and protection systems). The same framework is to establish a system that assists in acquiring and retaining housing that includes social services and a mentor system.</p> | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) • Raising the employment rate (EU2020-1) • Decreasing the ratio of school dropouts (EU2020-4a) | In progress. The concept will be ready in the first half of 2011. It will be implemented in 2012. | Ministry of National Development | The measure does not require additional resources. | |
| | <ul style="list-style-type: none"> • Complex programmes aimed at increasing the labour market opportunities of the most | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) | In progress. The implementation | Ministry for Public | The national resources available for financing | Social Renewal Operational |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>disadvantaged groups living in segregated areas and extreme poverty with housing in focus supported by motivational trainings and services to strengthen social cohesion</p> <p>The objective of the programme is that the disadvantages arising from living conditions of those concerned could be reduced and their access to employment, training, health and community services could be improved. The goal is that their standard of living could reach the average of the settlement. The housing component for those living in segregated areas ensures the opportunity for renovation, modernization and infrastructure development in their present homes along with buying and building new or used properties. The other concentrates on mental health services, mentoring activities and training and the remedial programme that assists in labour market integration. The developments that increase labour market opportunities contribute to the reduction of poverty by improving the quality of life for those living in disadvantaged regions, reducing the impacts of poverty and the extent and effects of lagging behind, preventing ethnic and social segregation and improving the access of the most disadvantaged groups to the social supply system and services.</p> | <ul style="list-style-type: none"> Raising the employment rate (EU2020-1) | <p>of the measure has started. The construction linked with the real estate programme is announced on the basis of governmental decree 1315/2010 (27 December) and TÁMOP-5.3.6 project is expected to be launched on 31 March 2011 and will run until 31 December 2014. The implementation of TÁMOP-5.3.8 headline programme will run from the third quarter of 2011 to the end of 2013.</p> | <p>Administration and Justice</p> | <p>the programme elements of living are 500 million HUF from X/15/7/6 of the 2011 budget.</p> | <p>Programme 5.3.6: 4.68 bn HUF; Social Renewal Operational Programme 5.3.8 Component B: 7.4 bn HUF; The inclusion of further ERFA resources is necessary.</p> |
| | <ul style="list-style-type: none"> Regional Training Centres (RTC) regional rehabilitation coordinating centres for adult education <p>Through the networking operation of the centrally coordinated RTCs the situation of disadvantaged social groups who live in poverty in the territory of Hungary will improve, the ability to self support and the activity of the individuals and communities will be strengthened social cohesion will increase and social and regional differences will be reduced. The centres will keep in contact with municipalities, civil organizations, churches, social organizations and training, vocational and higher education institutions in</p> | <ul style="list-style-type: none"> Fighting poverty (EU2020-5) Raising the employment rate (EU2020-1) | <p>In progress. 2011–2015</p> | <p>Ministry for Public Administration and Justice</p> | <p>National budgetary resource: 3,405,600,000 HUF/year; Act CLXIX./2010 on the 2011 budget of the Republic of Hungary, X/12.</p> | <p>Social Renewal Operational Programme 5.3.8. B: 7.4 bn HUF Social Infrastructure Operational Programme 3.2.3. 10.4 bn HUF for 2011-2015</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>their region as well as with employers and employees, governmental bodies and regional chambers of commerce. They will survey and coordinate the activities of social rehabilitation in their area.</p> <p>The development of the infrastructure that supports participation on the labour market and social acceptance is directed at the target that services of a proper standard should be available in all the regions.</p> | | | | | |
| | <ul style="list-style-type: none"> • Social land programme <p>The social land programme is an active socio-political instrument that operates in disadvantaged regions and settlements around the country. Its objectives are: to assist socially disadvantaged families who live in an area suitable for agriculture but do not possess proper or satisfactory conditions for agricultural production or they are not adequately utilized, to improve their standard of living and to increase their chances of an independent existence.</p> <p>Target groups: permanently unemployed, low income households, families with many children, the elderly, those with impaired working abilities and the Roma.</p> <p>Those running the programme on a local level are predominantly regional municipalities or their associations, or social welfare organizations established by the municipalities (foundations, public foundations and public companies).</p> | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) • Raising the employment rate (EU2020-1) | <p>In progress.</p> <p>The implementation period of the currently run projects in the programme is from 1 July 2010 to 31 May 2011. The implementation period of the 2011 projects is June 2011-May 2012.</p> | <p>Ministry for Public Administration and Justice</p> | <p>Resources available in the 2010 budget: 162,080,000 HUF</p> <p>Planned resources in 2011: 400 million HUF</p> <p>Act CLXIX./2010 on the 2011 budget of the Republic of Hungary, X/12/9/1</p> | |
| | <ul style="list-style-type: none"> • Improving day-time childcare facilities <p>This measure is aimed at increasing daytime facility capacities for the age group between 0 and 3. The goal is to ease the difficulties experienced by families with young children return of parents with young children to the labour market. The measure is presented in details in measure 10 entitled "Facilitating the Reconciliation of Work and Family Life."</p> | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) • Raising the employment rate (EU2020-1) | <p>In progress.</p> <p>Creating daytime childcare facilities: projects to be announced annually between 2011 and 2013</p> | <p>Ministry of National Development</p> | <p>see measure 10.</p> | <p>see measure 10.</p> |
| | <ul style="list-style-type: none"> • Devising and maintaining and information communication systems and support services to | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) | <p>Under preparation.</p> <p>2011-2013., 2.5</p> | <p>Ministry of National</p> | <p>It does not require national resources in</p> | <p>Planned resources for 2 years: 600 million HUF.</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>improve the labour market opportunities of disadvantaged groups</p> <p>Within the framework of this measure a modern information communication system, support service and system and advisory network have been implemented that significantly improve the work opportunities of the disadvantaged in 150 settlements in Hungary using competency based assessments, selection and advice.</p> <p>The target group of the measure is the most disadvantaged groups including the elderly, the unemployed over 50, the disabled and those with impaired working abilities.</p> <p>The implementation of the service contains the following tasks:</p> <ul style="list-style-type: none"> - establishing an informatics portal, - establishing and maintaining an advisory system that conducts and provides competency-based assessments, tailor-made services, advice and action plans - inclusion of participating organizations into the measure and - popularizing the measure | <ul style="list-style-type: none"> • Raising the employment rate (EU2020-1) | years. | Development | addition to co-financing. | The measure is part of Social Renewal Operational Programme 5.3.10 construction. |
| | <ul style="list-style-type: none"> • Launching teleworking and digital public employment programmes <p>The objectives of the measure are the implementation of teleworking and digital public employment programmes in sectors and groups where applicable with special regards to social groups in disadvantaged situations such as those returning from childcare leave or working while being on maternity leave and the creation of the necessary economic environment.</p> <p>The measure includes: changes in the law to adapt teleworking and increase trust, creating economic incentives, launching a pilot programme at public institutions, establishing teleworking stations and launching a promotion at e-Hungary points for the</p> | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) • Raising the employment rate (EU2020-1) | In progress. First quarter of 2011 to the first quarter of 2013 | Ministry of National Development | It does not require national resources in addition to co-financing. | <p>Estimated resources: minimum 2 bn HUF for a ten-year period until 2020.</p> <p>Details: In 2011, 300 million HUF planned in State Reform Operational Programme 1 priority, within the framework of which the objectives are harmonizing the legal background, working out</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>digitalized recording of contents connected to culture and traditions.</p> <p>If the pilots justify the hypotheses, project applications and actions will be created and implemented for the SMEs to increase teleworking,</p> | | | | | <p>procedures and prioritizing the organizations wishing to employ the disadvantaged.</p> <p>In 2012, Social Renewal Operational Programme 1.4.3 a the construction entitled, supporting innovative, experimental employment programmes whose supported activity will be channeling back to those who return to work from maternity leave. (No resources are designated for this special measure and also the amount of funds depends on the requirements of the applicant.)</p> |
| <p>30. Measures aimed at reducing the transmission of social disadvantages</p> | <ul style="list-style-type: none"> • The transformation of the unified child benefit to the education support benefit for school-aged children <p>From September 2010 to date, the unified child benefit has been divided into two parts. For the children under school age (under 6 years) the educational provision is provided and for those of school age education benefit is provided. In the case of the latter the benefit is only provided if the child attends school in fact. If a student is absent from more than 50 lessons within one academic year without permission, the notary public of the settlement will order their transfer to childcare protection and suspends the provision of the benefit.</p> | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) • Decreasing the ratio of school dropouts (EU2020-4a) | <p>Implemented.</p> <p>The measure has already been effective since 30 August 2010.</p> | <p>Ministry of National Development</p> | <p><i>The measure does not require additional resources</i> as the amount of the benefit and the number of those entitled to it is unchanged. (Moreover, regarding the suspended benefits of the students who are absent without a permission, the amount can be reduced in the current year although</p> | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | | | its volume cannot be estimated.) Budget: XX. National Resources Ministry chapter 21. Family support 1. Child benefit subtitle (357,26 bn HUF) | |
| | <ul style="list-style-type: none"> Reducing inherited social disadvantages by means of education <p>The objectives of this measure are to promote the academic success of students with multiple disadvantages and renew the support system of students in dire economic situation and uneducated parents. Supporting the children of the uneducated, economically not competitive group who live in disadvantaged, segregated areas through the educational system contributes to the successful social and economic enhancement of these groups.</p> | <ul style="list-style-type: none"> Raising the employment rate (EU2020-1) Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5) | <p>Under preparation.</p> <p>The deadline for the modification of the government decree on the Útravaló scholarship programme is 30 April 2011.</p> <p>The implementation of the educational programme is for the academic year 2011/2012.</p> <p>The implementation of Social Renewal Programme 3.3.5. project runs until 30 November 2011.</p> <p>The announcement of the equal opportunities educational projects of the 2011-13 action plan will start 30 June 2011.</p> | Ministry for Public Administration and Justice Ministry of National Development | <p>The resources available for launching the programme are 2.9096 bn HUF. (Útravaló and Roma scholarship programmes) XX/20/5/4/1 Supporting the mentor programme: 50 m HUF (MND) XX/20/5/15 Útravaló scholarship programme 1284.6 m HUF (MND) X/15/9/7 Roma scholarship programmes 1125.5 LMF funds on the basis of MNE-MND contract: 450 m HUF (MRI)</p> | The measure is supported by Social Renewal Operational Programme 3.3.9 construction from EU funds ("Supporting the Measures To Prevent Dropout of Students With Multiple M disadvantages From School"): 7.67 bn HUF |
| | <ul style="list-style-type: none"> Integrated regional programmes to enhance the assimilation opportunities of children and their families | <ul style="list-style-type: none"> Raising the employment rate (EU2020-1) | <p>In progress.</p> <p>From 2011: the inclusion of 5 areas</p> | Ministry for Public Administration and | It does not require national resources in addition to co- | From 2011 to 2013 the European Social Fund resources used in 5 areas is approximately |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <p>The objective of the measure is to establish and operate integrated, successive services in the most disadvantaged regions which are indispensable to increase the integration opportunities of children. A further objective is to establish and implement harmonized, diverse policies for children living in poverty that respond to local needs in the most disadvantaged micro regions. Another part of the measure is establishing settlement type communal services in segregated areas with programmes like personal and environmental hygiene, lifestyle, household and management knowledge, information that promotes self-sufficient households and information on family planning and childcare, etc.</p> | <ul style="list-style-type: none"> Fighting poverty (EU2020-5) | <p>in the Least Developed Micro-regions Programme, closing on 31 December 2013. Under preparation. From 2012, the inclusion of 18 areas in the Least Developed Micro-regions Programme, closing in 2015.</p> | Justice | financing. | <p>2.5 bn HUF. From 2012 to 2015 the planned European Social Fund resources in about 18 areas will be approximately 12.13 bn HUF. Total: 14.6 bn HUF. Social Renewal Operational Programme 5.2.3 the second and third part of the construction entitled 'Integrated Regional Programmes to Enhance the Assimilation Opportunities of Children and Their Families'</p> |
| | <ul style="list-style-type: none"> Programmes to assist the social integration of children and infants <p>The objective of this measure for increasing social integration is to make personal development, self awareness, socializing, conflict management, self assisting, community building, integration and talent-spotting individual and group programmes (courses, therapies) and events available to children of school age and younger with disadvantages and their families.</p> | <ul style="list-style-type: none"> Raising the employment rate (EU2020-1) Fighting poverty (EU2020-5) | <p>In progress. The projects of the measure were first announced in 2008, which are now closed. In 2011 and 2012 new programmes will be launched in the form of project applications.</p> | Ministry for Public Administration and Justice | It does not require national resources in addition to co-financing. | <p>From 2011 to 2013 the European Social Fund resources used: 1 bn HUF. From 2012 to 2015 the planned European Social Fund resources are 1.91 bn HUF. Total: 2.91 bn HUF. Social Renewal Operational Programme 5.2.5: the construction entitled 'Programmes to Assist the Social Integration of Children and Infants'</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <ul style="list-style-type: none"> The transformation of the regular child protection allowance <p>The objective of the transformation planned from 2013 is to ensure financial aids to the most needy young children in a more regular form (monthly or every second month) instead of the present form (twice a year) by keeping the other allowances linked to regular child protection. The risk of poverty could be reduced in the case of 400,000 children through the reintroduction of regular child protection allowance and its efficient use.</p> | <ul style="list-style-type: none"> Fighting poverty (EU2020-5) | <p>The preparation of the measure in 2012. The new regulation is to be introduced from 1 January 2013.</p> | Ministry of National Development | <p>The necessary resources of the measure depend on the regularity of the allowance and its monthly amount. By counting with 6000 HUF/occasion:</p> <p>12 times/month in a year: 21.8 bn HUF extra resources/year;</p> <p>2 times a month (6 times/year): 7.4 bn HUF extra resources/year;</p> <p>quarterly (4 times/year): 2.6 bn HUF extra resources/year</p> | |
| | <ul style="list-style-type: none"> National infant and child healthcare programme <p>The objectives of this programme are to direct attention to the situation of child healthcare and develop, modernise and make the infant and child healthcare supply system more transparent, effective and raise awareness of its importance.</p> | <ul style="list-style-type: none"> Raising the employment rate (EU2020-1) Fighting poverty (EU2020-5) | <p>It is implemented on the basis of the annual action plan.</p> | Ministry of National Development | <p>Resources are from the chapter managed allocation of the Public Welfare Programme so 50 million HUF are available in 2011.</p> | <p>The following constructions within the framework of the 6th priority of Social Renewal Operational Programme support the measure:</p> <p>Social Renewal Operational Programme 6.1.2: Lifestyle programmes to promote health and change attitudes</p> <p>Social Renewal Operational Programme 6.1.4: Early childhood headline project</p> |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | <ul style="list-style-type: none"> • Developing public education sports facilities programme <p>The programme includes the following levels of public education: kindergartens, elementary and secondary education.</p> <p>The objective of the programme is to supplement the regionally harmonized infrastructure and contextual development of public education institutions and assist the implementation of educational and pedagogical programmes that are centred on sports or other physical activities and routine physical education by modernizing and upgrading sports centres and even creating new centres and premises if justified.</p> | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) • Raising the employment rate (EU2020-1) | <p>Under preparation (ROP Action Plans)</p> <p>The measure is being planned at present. The implementation period depends on the volume of the programme. The implementation of the programme that covers the entire country requires almost 2-2.5 years provided that resources are always accessible, of which preparation takes 6 months, public procurement 3-6 months, implementation 1 year.</p> <p>Programme closing: 6 months</p> | <p>Ministry of National Development</p> | <p>Act CLXIX./2010 on the 2011 budget of the Republic of Hungary</p> <p>Appendix 5: centralized estimates that can be used by local municipalities</p> <p>14. Developments that serve the task management of municipalities</p> <p>1,150 million HUF are available from the estimates on school and rising generation sports infrastructure development and modernization.</p> <p>The maximum support required is 20million HUF.</p> | <p>On the basis of the government decree 1012/2011 (19 January), the approval of the action plans of the Regional Operational Programmes for 2011-2013, the following funds are available for developing public education institutions in the single regional operative programmes:</p> <ul style="list-style-type: none"> ▪ South Transdanubia OP: 3.1.2 (Developing integrated small and micro regional educational networks and their centres): 3.6 bn HUF ▪ South Great Plain OP 4.2.1 (Developing public education infrastructure): 3.47 bn HUF ▪ North Great Plain OP 4.1.1 (Constructing energy-saving and modern public education institutions, modernization) |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | | | | | | <p>extensions and renovations of the existing facilities and making them multifunctional and energy efficient): 6.93 bn HUF</p> <ul style="list-style-type: none"> ▪ North Hungary OP 4.3.1 (Developing public education infrastructure): 7.95 bn HUF <p>Total: 24.79 bn HUF</p> |
| | <ul style="list-style-type: none"> • Study partnerships to improve employment <p>By running the Hungarian Network of Open Learning Centres and ensuring their services motivate the unproductive members of society, developing core competencies, meeting economic and social challenges and raising employment rate the objective of the measure is to create local, civil partnerships with local church organizations to improve social acceptance of the disadvantaged and unproductive people. Creating and implementing the study and motivating programmes tailored to the needs of the unproductive groups are primarily to improve the following core competencies: language, counting, willingness to run enterprises and study, communication in Hungarian and competency development for sustainable living and local employment.</p> | <ul style="list-style-type: none"> • Raising the employment rate (EU2020-1) • Fighting poverty (EU2020-5) | 2011-2013 | Ministry of National Development | | Social Renewal Operational Programme 5.3.9. construction. Planned resources: 2 bn HUF. |
| 31. Providing the safety of living | <ul style="list-style-type: none"> • Surveying and modifying the regulatory system of housing support <p>Housing support ensures a continuous contribution to overheads so can potentially prevent people from going into arrears and financial housing problems from arising. Within the framework of the measure the number of those entitled to this support will increase by modifying the income limit. In addition to</p> | <ul style="list-style-type: none"> • Fighting poverty (EU2020-5) | Under preparation. The new regulation will be effective from September 2011. | Ministry of National Development | Act CLXIX./2010 in the 2011 budget of the Republic of Hungary serves as the cover. Appendix 3: 10. financial social supplies and Appendix 8 II. /1. supplementing single | |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
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| | transforming the conditions of entitlement, priority is also given to targeted supplies promoting contributions-in-kind. A person whose household income per one unit of consumption does not exceed 250% of the old-age pension and whose other members of the household have no assets will be entitled to housing support. | | | | income benefit support 'Contribution to public energy costs' | |
| | <ul style="list-style-type: none"> Summer holiday hot meals for children <p>The objective of this measure is to provide an increasing number of children partaking in regular childcare protection benefits with at least one hot meal per day during the summer holidays.</p> | <ul style="list-style-type: none"> Fighting poverty (EU2020-5) | <p>In progress.</p> <p>In 2011 as follows:</p> <p>March: announcing project applications.</p> <p>April – May: assessment of applications.</p> <p>June: preparation for the implementation of the measure at the local level.</p> <p>July – August: implementation of the measure.</p> <p>September: returning reports.</p> <p>October – November: evaluating experiences.</p> <p>December: closing the measure.</p> | Ministry of National Development | Act CLXIX./2010 on the 2011 budget of the Republic of Hungary Appendix 5: centralized estimates that can be used by local municipalities 12. Providing summer supplies within the framework of the programme against child poverty Estimates: 2400.0 million HUF | Resources required: 10 bn HUF. The measure is supported by Social Renewal Operational Programme 5.2.1 and 5.2.2 programmes from EU funds. |
| | <ul style="list-style-type: none"> School milk programme <p>Within the framework of the programme children in kindergartens and primary and secondary schools can get milk or dairy products (e.g. processed cheese) on a daily basis at the minimum.</p> | <ul style="list-style-type: none"> Fighting poverty (EU2020-5) | <p>In progress.</p> <p>The preparatory work of the programme and the preparation of the regulation are implemented in the</p> | Ministry of Rural Development | Act CLXIX./2010 on the 2011 budget of the Republic of Hungary estimates of XII/20/4/7 'Drink milk programme.' At present 800 million HUF for the | The 657/2008/EC directive of the COMMITTEE on 10 July 2008 ensures the basis of community support by applying detailed rules on the application |

| Measure | Short description | Contribution to the objectives of the National reform Programmes ³ | Status and timing of implementation | Ministry responsible | Domestic financing | EU financing |
|---------|--|---|---|-------------------------------|---|---|
| | | | interval applied during the regular negotiations of public administration each year. | | academic year 2010/2011. Note that this estimate does not make the whole range and extent of support possible. | of 1234/2007/EC council regulation on providing the students of educational institutions with milk and dairy products. The amount of the community support: 18.15 EUR/100 kg (i.e. 10 HUF/2 dl) for the academic year 2010/2011. |
| | <ul style="list-style-type: none"> School fruit programme <p>The objective of the programme is to increase the vegetable and fruit consumption of children in long term and fight against obesity and excess weight by changing their eating habits. Through the programme, vegetable and fruit consumption may rise which can contribute to the stability of fruit and vegetable producers' revenues by increasing demand for vegetables and fruit. As a supplementary measure a programme that popularizes and educates on vegetable and fruit consumption and healthy nutrition will also be implemented.</p> | <ul style="list-style-type: none"> Fighting poverty (EU2020-5) | <p>In progress.</p> <p>2010/2011 academic year – ongoing programme.</p> <p>2011/2012 academic year – planned programme.</p> <p>2012/2013 academic year – planned programme.</p> <p>The MRD regulation on the implementation of the school fruit programme will be completed by the beginning of May of the given year and the programme is to be launched on 1 September.</p> | Ministry of Rural Development | Act CLXIX./2010 on the 2011 budget of the Republic of Hungary XII/20/4/11,511 million HUF - MRD school fruit programme chapter estimate (the compulsory contribution of the member state to the school fruit programme co-financed by the EU is 1,886,622 EUR in the 2010-2011 academic year. The volume of the national co-financing is 31%) | EU support is 4,199,256 EUR/2010-2011 academic year (1,135.6 million HUF/2010-2011. academic year) which is ensured by the 2010.4.29. directive of the council for Hungary. The volume of EU co-financing is 69%. |

Explanations of the abbreviations in the table:**Structural challenges (SC)**

Reducing public deficit and debt, improving the structure of expenditures (SC-1), Ensuring a stable and well-functioning financial sector, reducing the risks from foreign exchange denominated credit (SC-2), Ensuring full utilisation of labour potential, increasing labour market participation and employment (SC-3), Improving business environment, facilitate the competitiveness of SME sector, promote favourable condition for R&D and innovation (SC-4), Improving the contribution of educational system to human capital formation (SC-5)

Annual Growth Survey (AGS) priorities

Fiscal consolidation (AGS-1), Correcting macroeconomic imbalances (AGS-2), Ensuring the stability of the financial sector (AGS-3), Making work more attractive (AGS-4), Reforming pension systems (AGS-5), Getting the unemployed back to work (AGS-6), Balancing security and flexibility (AGS-7), Tapping the potential of the single market (AGS-8), Attracting private capital to finance growth (AGS-9), Creating cost effective access to energy (AGS-10)

Europe 2020 objectives

Raising the employment rate (EU2020-1), Increasing research and development expenditure (EU2020-2), Increasing the share of renewable energy (EU2020-3a), Improving energy efficiency (EU2020-3b), Reduction of the emission of greenhouse gases EU2020-3c), Decreasing the ratio of school dropouts (EU2020-4a), Increasing the ratio of those with higher education degree (EU2020-4b), Fighting poverty (EU2020-5)

ANNEX 2: PUBLIC CONSULTATION DURING THE PREPARATIONS OF THE NATIONAL REFORM PROGRAMME

The nationwide consultation on the programme has been organised parallel to the elaboration of the draft National Reform Programme. As part of the consultation process, the National Council for the Reconciliation of Interests (NCRI) issued its written opinion on the document. In December 2010, the Ministry for National Economy (MNE) informed the Parliamentary Committee on European Community Affairs about the Europe 2020 Strategy and conducted a comprehensive debate on the draft National Reform Programme. During the elaboration of the final version of the National Reform Programme, the MNE took into consideration the conclusions drawn at the debate. On 24 January 2011, the Ministry for National Economy organized a partnership conference where nearly 100 non-governmental organizations were represented. At the conference, the minister of state responsible for parliamentary and strategic affairs provided detailed information on the Europe 2020 Strategy, on the draft National Reform Programme that was sent to the European Commission in November, and on the schedule of the preparation of the final version of the National Reform Programme to be sent to the European Commission in April. The Ministries responsible for the five headline targets of the Europe 2020 Strategy gave a detailed presentation on the measures stipulated in the preliminary National Reform Programme, and their suggestions for the final version of the programme were also presented. Participants of the conference had the opportunity to draft their comments, questions and suggestions.

In February 2011, a thematic workshop was organized on the measures concerning energy issues. The most important non-governmental organizations with interests in energy industry and environmental protection took part in the negotiation.

The elaboration of the final version of the National Reform Programme was accompanied by a written nationwide consultation based on the draft National Reform Programme. The consultation took place from 24 January 2011 to 14 February 2011. During the course of the consultation the representatives of 32 organizations consisting of non-profit organizations, non-governmental organizations, research institutions of the Hungarian Academy of Sciences, governmental institutions, authorities, chambers of commerce and local governments (county municipalities, mayors, regions) sent their opinion and comments on the National Reform Programme using the questionnaire made available on the web page the Ministry for National Economy provided specifically for this reason. Several regions, counties and towns with county rights sent their comments on the draft National Reform Programme as well. The elaborate comments covered all the areas dealt with in the National Reform Programme. The most frequent, general comments emphasized the importance of consulting with non-governmental organizations and criticized the lack of detailed information on certain measures of the preliminary National Reform Programme.

ANNEX 3: THE IMPLEMENTATION OF THE NATIONAL REFORM PROGRAMME

The implementation process of the reform programme can be followed through the implementation of its two basic elements. The implementation of structural reforms fostering growth is of vital importance since they establish framework conditions for the achievement of the national targets of the Europe 2020 Strategy along with further measures regarding the certain targets.

1. For the implementation of the reforms defined in the Széll Kálmán Plan, a high-level, inter-ministerial committee was formed under the leadership of the deputy Prime Minister (Minister of Public Administration and Justice). The members of the committee are the state secretaries of the respective ministries. Under the supervision of the committee, a system of professional working groups responsible for working out detailed comments, proposals and programmes has been established. The task of the committee is to ensure the efficient cooperation between the ministries and the implementation of regulations, resolutions and bills according to the schedule introduced in the Széll Kálmán Plan. The committee, working on a regular weekly basis, keeps track of the work in the working groups and approves and submits the prepared drafts to government.

Overview of the planned implementation of the structural reforms fostering growth:

| | |
|---|---------------------------------------|
| Managing mortgages - comprehensive agreement with the banking sector | Spring 2011 |
| National Asset Management Company | end of 2011 |
| Regulation on freezing overheads | by 1 July 2011 |
| Comprehensive programme on decreasing administrative burdens of enterprises | |
| Handing in the draft | |
| MNE, MPAJ creates the necessary regulations | Spring 2011 by December 31 2011 |
| Part of the Magyar Program dealing with E-public administration | first half of 2011 |
| Entry into force of the New act on public procurement | July 1 2011 |
| Transparent executive and liquidation proceedings | end of 2011 |
| Comprehensive revision of the age limit for old-age pensions | by July 2011 |
| Revision of the rules on declaring disability | by July 2011 |
| Regulations on the new pension system | end of 2011 |
| Restructuring and debt management plan for MÁV | end of 2011 |
| National Transportation Holding | January 1 2012 |
| Career model for civil servants | by July 2011 |
| National Labour Plan | by April 30 2011 |
| Approval of the new Labour Code | by September 2011 |
| Elaboration of the New Public Labour Programme | by July 2011 |
| Launch of the New Public Labour Programme | January 2012 |
| Revision of the sick-pay system | by July 2011 |
| New regulations on public education | by September 2011 |
| New regulations on higher education | by September 2011 |

2. The detailed plan of the timing of the measures of the National Reform Programme presented in the thematic chapters can be found in the summary table of annex 1. The implementation of the measures presented hereby is supervised by the Ministry for National Economy based on regular briefings with the other ministries in charge. The Minister for National Economy reports to the Government twice in 2011 (15 June and 15 December) on the state of play of the implementation process.

ANNEX 4: HUNGARY'S NATIONAL REFORM PROGRAMME AND THE EURO PLUS PACT

Although having opted out of the Euro Plus Pact signed by 23 EU member states, Hungary agrees with the most important principles and objectives of the Pact that are aimed at strengthening the economic pillar of the monetary union, raising economic policy coordination to a higher level, fostering competitiveness and, through them, increasing convergence. The direction of the specific obligations stipulated in the Pact, is identical to the one that Hungary follows in its own economic policy, except for the initiatives on coordinating taxation policies.

The following sections give a briefly overview of how the directions of certain specific obligations stipulated in the Euro Plus Pact appear in the economic policy of Hungary and in its National Reform Programme in particular.

Fostering competitiveness

In order to assess whether wages are evolving in line with productivity, unit labour costs (ULC) will be monitored. Participating Member States undertake all necessary measures to keep wage dynamics in line with productivity and implement further measures that increase productivity.

The objectives stipulated in the Pact fall in line with Hungary's ambitions. The private sector is characterized by an absolutely flexible wage determination system where there is no mandatory central wage bargaining or automatic indexing mechanism except for the regulations concerning minimum wage. The extremely strict wage policy for the public sector (wages were frozen at the nominal level of the year 2008 and the 13th month payment was abolished) also helps wage adjustment within the private sector. The measures stipulated under Section III of the National Reform Programme (measures developing the business environment, in particular decreasing administrative burdens and targeting more transparent and faster foreclosure and liquidation proceedings) are in accordance with the paragraphs of the Pact, and the planned measures of the Europe 2020 Strategy concerning research and development and the education system (points 16-18, 22-28) also contribute to improving competitiveness.

Fostering employment

Participating Member States commit themselves to undertake policy actions to foster employment, in particular: labour market reforms to promote "flexicurity", reduce undeclared work and increase labour participation; life-long learning; and tax reforms, such as lowering tax wedge on labour to make work pay while preserving overall tax revenues.

Based on the fact that the Hungarian employment (and participation) rate is one of the lowest in the European Union, increasing employment is the highest priority of the Hungarian government, therefore the National Reform Programme contains several measures, which directly or indirectly increase employment. From the measures that harmonize with the Euro-Plus Pact the following are worth highlighting: the new Labour Code from point 4 (reforms concerning employment) with one of its principle roles of creating a more flexible employment system; the New Public Work Programme concerning the measures of transforming pension; the social security system (point 5), the restrictions on early retirement (including disability pensions) and the adult training programmes

starting in 2011 aiming at competency development (point 11). While not detailed in the National Reform Programme in detail, it is also important to mention the introduction of the flat rate personal income tax which decreased the tax wedge of people with higher incomes and contributes to increasing the number of people employed legally in certain segments of the labour market.

Enhancing the sustainability of public finances

In order to secure the full implementation of the long term contribution to the sustainability of public finances, the participating Member States will pay close attention to the sustainability of pensions, health care and social benefits. The Member States are committed to translating EU fiscal rules as set out in the Stability and Growth Pact into national legislation.

Hungary's most urgent challenges (as referred to by the Széll Kálmán Plan) are handling the extremely fragile and unsustainable situation of the Hungarian public finances inherited by the current government, permanently reducing budgetary expenses and decreasing public debt to a sustainable level. Measures under point 5 in the National Reform Programme (measures directed at the transformation of the pension and social security system) describes the measures that are directed at improving the longer-term sustainability of the social security system (primarily the pension system and the system of subsidies). Among these we can find the structural transformation of the pension system, the revision of pensions under the statutory retirement-age limit, the reform of the system of social benefits and the revision of the regulations on declaring someone disabled. The long-term sustainability of public finances is ensured by a guarantee contained in the draft of the new constitution that maximizes public debt at 50 percent of the gross domestic product. To this end, it only allows the adoption of an annual budget that results in decreasing public debt. In addition, fiscal discipline will be further improved by the provisions of the draft constitution which makes local municipalities' applications for loans subject to previous governmental approval (see measures under point 1 and also Hungary's Convergence Programme for details).

Reinforcing financial stability

In this context, Member States commit to putting in place national legislation for banking resolutions with full respect for the Community acquis. Strict bank stress tests, coordinated at the EU level, will be undertaken on a regular basis. In addition, the level of private debt for banks, households and non-financial firms will be closely monitored.

Relating to the stability of the financial system in Hungary, the high proportion of foreign currency denominated debts (especially in Swiss francs) can be regarded as a structural challenge. The measures to handle these problems can be found under point 2 of the National Reform Programme. The aim of these measures is to decrease social, property and financial risks deriving from foreign currency denominated debts. In order to achieve this, issuing mortgages based on foreign currency was abolished in the summer of 2010 which resulted in the number of foreign currency denominated loans for households reaching the minimum in the second half of the year and the government is also taking steps to agree on a comprehensive package with the representatives of the national banking sector in the spring of 2011. One of the elements of this agreement is to solve the problems of existing mortgages.