



GOVERNMENT OF HUNGARY

# **NATIONAL REFORM PROGRAMME OF HUNGARY 2022**

*April 2022*

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# 1. Introduction

The Hungarian economy maintained its level of performance after the coronavirus pandemic; owing to the persistent efforts of recent years, its resilience proved to be sufficiently strong. In parallel with achieving growth in 2013, this is to a major extent attributable to the balancing measures characterising the past decade; beyond establishing a balance on the labour market, money market and in the budget, the creation of a predictable and business-friendly tax system, the promotion of the development of businesses with an export capability, and the establishment of a developed transport and digital infrastructure proved to be essential for reducing vulnerability. It has become clear that the appreciation of jobs, the financial manoeuvring room for households, businesses and the government, the diversification of the economy, embeddedness in international value chains and the option for the rapid reallocation of free resources have all been beneficial.

In addition to retaining the above fundamentals, the rapid measures of the government included the protection of health, boosting the financial security of families, proportionate reduction of burdens for businesses and the provision of financial resources enabling immediate post-crisis planning and rebounding. In simple terms, the focus shifted to promoting investments instead of fiscal austerity. Hungary managed to not only retain jobs, but to further improve the already high level of employment. The high rate of development was not only maintained, but the rate of investment in Hungary was the second highest last year in the European Union. Following the temporary downturn after the first wave of the pandemic, last year's growth of 7.1 percent was unprecedented, projecting the realistic possibility of the country regaining its position on the original path of growth without the pandemic within a couple of years.

The war in Ukraine not only triggered unexpected trends, but also carries additional risks. The main tasks of the near future are, therefore, managing the humanitarian and economic effects of the war, continuing efforts aimed at curbing inflation trends, particularly guaranteeing the security of the supply of food and energy.

The National Reform Programme (NRP) 2022 provides a broad view of main policy programmes and key investments supporting both European goals and the long-term future of Hungary: steps supporting competitiveness and growth, improving the business environment and digitalisation, measures aimed at further increasing employment through job creation, education, family policies, and those supporting social inclusion and environmental sustainability. The NRP reflects priorities determined by ministries responsible for specific policy reforms. In the presentation of certain key policy measures, the NRP also aims at showing correlations between various measures with main strategic objectives, and results achieved so far and those expected from new measures. In the past two years the NRP prioritised challenges arising from the coronavirus pandemic, national responses provided to the related crises, and measures bolstering recovery and resilience.

In line with customary practice, the National Reform Programme 2022 was drafted in line with the new Convergence Programme and the Recovery and Resilience Plan (RRP) providing a response to the coronavirus pandemic and the related economic crisis.

## 2. Macroeconomic outlook

### 2.1. Macroeconomic trends

This chapter contains a brief description of the medium-term macroeconomic outlook, which serves as a basis for National Reform Programme of Hungary.

It is important to emphasise that in line with the integrated approach of the European Semester, the National Reform Programme and Convergence programme of Hungary were drafted in close coordination, built on each other, and the two documents were submitted simultaneously to the European Commission. Taking into account that the macroeconomic path for the 2022–2026 period is detailed in the Convergence Programme, the medium-term macroeconomic outlook presented below only summarises the macroeconomic path detailed in the Convergence Programme.

This year's Convergence Programme is based on improving competitiveness, economic growth with a balanced structure and a programme of further convergence to the average level of European development. The Convergence Programme targets the long-term reduction of the deficit and government debt.

**Table 1**

**Key indicators of the medium-term macroeconomic path**

	2021	2022	2023	2024	2025	2026
		<i>percentage, change in volume relative to the previous year</i>				
Gross domestic product	7.1	4.3	4.1	4.2	4.3	4.3
Private consumption expenditure	4.6	5.5	4.4	4.4	4.5	4.5
Gross fixed capital formation	5.9	2.7	4.2	4.4	4.1	4.1
Exports	10.3	5.7	6.3	6.5	7.5	7.5
Imports	8.7	4.9	5.5	5.7	6.5	6.5
		<i>percentage, annual average</i>				
Unemployment rate (15–74)	4.1	3.6	3.3	3.1	2.9	2.8
Employment rate (20–64)	78.8	79.7	80.2	80.6	80.9	81.2
		<i>percentage, proportionate to the gross domestic product</i>				
External financing capacity/requirement	-0.5	-2.6	0.6	0.5	0.9	2.0
		<i>percentage, annual average</i>				
Consumer price index	5.2	9.0	5.2	3.0	3.0	3.0

*Source: HCSO, calculations by the Ministry of Finance*

The year passed since the 2021 Convergence Programme has been characterised by the recovery from the economic crisis caused by the coronavirus pandemic; the key global economic policy task has been to restart the economies. The amounts allocated in Hungary to investments, corporate financing, job creation, families, support of pensioners, and to wage decompression in the public sector significantly contributed to a record 7.1% GDP growth last year. This figure well exceeds the growth forecast (4.3%) for the year 2021 in last year's Convergence Programme, and is ranked the seventh highest rate in the EU. First, this created an opportunity for Hungary to continue pursuing the path of growth after rapid recovery from the crisis caused by the pandemic, and second, Hungary's relative level of development increased to 76% of the EU average, passing that of Portugal.

Owing to fast vaccination in the spring of last year, Hungary was able to open its economy sooner than other European countries. As a result of rising vaccination coverage, the economy was not restrained by disease control measures during the past autumn and winter, either; therefore services significantly supported economic growth. Notwithstanding adverse exogenous factors—e.g. global supply chain disruptions, raw material shortages—both industrial production and output in the construction sector exceeded the already high pre-pandemic levels and substantially contributed to gross domestic product growth.

There was record performance in 2021 in several areas—e.g. investments and employment. The growth in investments was mainly supported by corporate development. As a result, the GDP-proportionate rate of investment in the national economy increased to 27.1% in 2021, which is ranked second among EU countries. The Hungarian labour market also proved to be resilient in the coronavirus crisis; the employment rate surpassed 73% and the rate of unemployment declined to 3.7% by the end of the year. The positive trends were sustained in the first quarter of this year; both production and employment data reflect steady economic momentum. In addition to the high rate of wage growth in the private sector, economic growth is to a major extent supported by consumption as a result of significant budgetary wage increases, the restoration of the 13<sup>th</sup> month pension and government aid provided to households.

Thus, the anti-cyclical economic policy has also been pursued since April 2021, resulting in a temporary rise in the budget deficit. Owing to the successful economic policy measures, outstanding economic growth became obvious toward the end of last year, i.e. certain planned budgetary investments could be delayed. In response to the stabilisation measures taken in December 2021 and the record rate of GDP growth, the GDP-proportionate budget deficit equalled 6.8% in 2021, indicating a 1 percentage point improvement over the previous year. The government debt to gross domestic product ratio also declined relative to 2020, equalling 76.8% at the end of last year. Going forward, further consolidation is expected; the GDP-proportionate budget deficit may decrease to 4.9% in 2022 and 3.5% in 2023.

Hungary's growth rests on several pillars over the forecast horizon. First, positive labour market conditions and the roughly 20% increase of the minimum wage ensure rising real incomes even in a temporarily higher inflationary environment, which is bolstered by the Government's new measures, such as the personal income tax exemption of people under the age of 25, restoration of the 13<sup>th</sup> month pension, and tax refunds of families. As a result, a further increase in consumption is expected, with reserves for growth provided by household credit volumes that are low in EU comparison and a very high saving rate.

Second, the high rate of investment in European comparison—owing to both attractive business environment and government measures—can be maintained. Major capacity increases are expected in the corporate segment, while housing investments are also expected to rise this year as a result of accessible housing market subsidies. The GDP-proportionate investment rate of general government may continue to lead the EU ranking.

Third, as part of a favourable trend, the continuing rise in exports may be ensured by new capacities created through implemented large investments, on the one hand, and the recovery of international freight transport and tourism, on the other.

As a result of these trends, if the baseline scenario materialises, GDP growth of 4.3% is likely this year. Economic growth in excess of 4% may be sustained in the years after 2022 within a balanced structure, i.e. consumption, investments and foreign trade can all positively contribute to growth.

## 2.2. Macroeconomic effects of economic policy measures

*The quantified macroeconomic effects of key economic policy measures adopted by the Government are described in more detail in the Convergence Programme.*

In terms of the economic scale of the measures, the steps announced since April 2021, together with the increased expenditures resulting from previous decisions, amount to around 12% of the GDP. The new measures with the greatest impact relate to tax benefits for families, the minimum wage increase, reduction in employer's taxes and the wage increase programmes in the public sector.

In addition to the above, the impact assessment has also looked at increased expenditures of the Epidemic Containment Fund since April 2021, such as additional disbursements for epidemiological control, purchase of vaccines and medical equipment, and investments in emergency care. On the other hand, the increased expenditures of the Economic Protection Fund since April 2021 to protect and create new jobs, relaunch the economy, protect key sectors and to help companies finance their activities have also been taken into account in the impact analysis.

The above measures support the economic cycle primarily by strengthening investment activity and by dynamically increasing wages, thereby boosting private consumption. Capacity expansions improve the growth potential of the economy in the long run as well, since from their implementation they stimulate GDP growth through additional channels, primarily through exports and labour incomes.

In terms of quantified effects, the government's actions since April 2021 will boost the economy's output by 3.2% this year and by 1.8% next year. The measures will have a lasting positive impact, boosting economic output by 2.2–2.6% beyond 2023.

**Table 2**

<b>Macroeconomic effect of measures</b>						
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>GDP</b>	1.8	3.2	1.8	2.2	2.5	2.6
<b>Private consumption expenditure</b>	4.3	7.2	3.3	3.5	3.9	4.0
<b>Investments</b>	1.6	7.2	6.4	5.2	4.0	4.3
<b>Exports</b>	0.0	0.9	2.3	3.3	4.2	4.4
<b>Imports</b>	2.1	4.2	3.1	3.9	4.3	4.1
<b>Inflation</b>	0.6	1.3	1.7	1.8	1.8	1.7
<b>Employment in the private sector</b>	0.0	0.2	0.4	0.2	0.1	0.1
<b>Gross average salary in the private sector</b>	5.1	5.5	5.8	6.0	6.1	6.0

*Source: Calculation of the Ministry of Finance*

*\* Percentage point difference compared to baseline scenario*

## 2.3 Achieving the medium-term budgetary objective

*The medium-term budgetary objectives of the Government are described in more detail in the Convergence Programme.*

As a result of fiscal consolidation in recent years, the general government deficit was below 3% of the GDP from 2012 to 2019, and, consistently with this, the government debt to GDP ratio has been steadily declining year on year. The debt ratio fell from 80.3% in 2011 to 65.5% at the end of 2019. The budgetary reserves accrued in the years preceding the coronavirus pandemic provided substantial room for manoeuvre to address economic difficulties caused by the coronavirus pandemic and to relaunch the economy.

Fiscal policy has adopted a targeted and sufficiently flexible approach to respond appropriately and deliver necessary anti-cyclical stimulation of demand in the context of crisis response and restarting of the economy. A fiscal policy of State intervention was applied to mitigate the negative effects of the economic crisis in bad times. Under the extraordinary circumstances caused by the pandemic, developed countries and EU Member States took similar steps. In line with the above, significantly higher budget deficits were recorded in 2020 and 2021, although a 1 percentage point improvement was achieved as early as 2021 over the previous year, as the budget deficit decreased from 7.8% to 6.8% of the GDP. The government debt to GDP ratio also declined by the end of 2021 to 76.8%.

Given faster-than-planned recovery, there is less need to stimulate the economy by fiscal means in 2022, so the 4.9% deficit target set by the Government at the end of 2021 is lower than the one set in the Budget Act. Based on the Convergence Programme, the budget deficit may decrease to 3.5% in 2023, 2.5% in 2024, 1.5% in 2025 and 1.0% in 2026. The government debt to GDP ratio is also expected to decline. Based on the forecast of the Convergence Programme, the debt ratio may decrease to 63.1% of the GDP by 2026.

**Table 3**

**The medium-term fiscal path (percentage of GDP)**

	2021	2022	2023	2024	2025	2026
<b>General government balance</b>	-6.8	-4.9	-3.5	-2.5	-1.5	-1.0
<b>Gross government debt</b>	76.8	76.1	73.8	70.4	66.9	63.1

*Source: HCSO, MNB, MoF calculation*

### 3. Growth-enhancing policies

Based on proposals of the National Competitiveness Council put forward in 2018, the Government adopted a **set of actions called “Programme for a More Competitive Hungary”**, which assists competitiveness in a complex manner, combines competitiveness initiatives of the Magyar Nemzeti Bank (Central Bank of Hungary), Hungarian Chamber of Commerce and Industry, Ministry of Finance and Ministry of Innovation and Technology, and contains key points of breakthrough. The set of actions defines a total of 42 proposed measures in six key areas: taxation, employment, public sector, healthcare, education and the business environment. Although the implementation of the Programme is slower and limited compared to the original plan in the changed economic environment, positive macroeconomic effects can already be observed in taxation, employment and public administration. Hungary’s improvement in the Swiss IMD and DUISK competitiveness ranking published in 2021 is also attributable to the Programme.

**Tax policy** is a key area of the Competitiveness Programme; tax cuts contributed to significant progress in employment, business start-ups and the promotion of investments. The other measures partly pursue this direction, but place greater emphasis on simplification of the tax system and reduction of tax administration burdens. When adopting the Programme, groups less present on the labour market were included in the focal point of **employment measures**. The establishment of modern employment classes contributed to record high employment after the political transition and may currently dampen the negative labour market effects of the pandemic. The rationalisation of public sector functions and the digitalisation of State processes significantly reduce administrative burdens for companies, also widening fiscal manoeuvring room as a result of lower maintenance costs. The digitalisation of **public administration** reduced the administrative burdens of businesses and citizens by potentially more than HUF 10 billion. In relation to the pandemic, improvement of the **health system’s** resilience is a key task. Although some pre-pandemic challenges have become advantages in the health management of the pandemic (unused bed capacities, extensive hospital infrastructure), a priority will still be assigned to improving the efficiency of healthcare, strengthening of primary care and development of the financing system, in parallel with strengthening of potential capacities responding to the pandemic. **Educational measures** aim to provide knowledge meeting labour market demand, improve the quality of education and to reduce inequalities; their impact can be measured in the longer term. The pandemic posed major challenges for education; it will be important to utilise experience gained during the implementation of the measures. Major progress has been achieved in relation to the business environment as well; vocational training and adult education have undergone reform, university model shifts have been progressing faster than the Programme schedule.

In the most recent June 2021 issue of the Swiss **IMD, Hungary improved five places over the previous year and is ranked 42<sup>nd</sup> among the 64 countries, which is the best ranking in the past 10 years.** Hungary passed Poland and only Czech Republic was ranked higher among the Visegrád Countries. Hungary achieved progress in all four reviewed areas; Hungary achieved its by far best ranking in the past 10 years in relation to economic performance and government efficiency. The biggest improvement in individual segments was achieved in the competitive tax system, employment, labour market and international investment.



The **annual economic report of the German-Hungarian Chamber of Industry and Commerce (DUIHK)** also reflects improved competitiveness. According to the survey conducted in 2021, the vast majority of polled companies—88 percent—would implement their investments in Hungary today as well; this is the highest rate since the initial survey. This is also attributable to the fact that in this year’s survey investor satisfaction improved in all 21 reviewed factors in relation to the labour market, economic policy environment, and operational environment, and the Government’s work received the best assessment since 2011. After six years of continuous improvement in satisfaction with the economic policy and regulatory environment, after 2020 it reached a new record in 2021. In the 8 reviewed areas the results of Hungary surpass the regional average in 6 cases (taxes, tax system and administration, public administration, legal security, predictability of economic policies, political and social stability). Satisfaction with taxes reached 40 percent this year, which became Hungary’s best indicator relative to itself and other indicators. The rate of respondents considering taxes to be high fell from over 50 percent to 28 percent in a few years. The second most favourable indicator was the tax system and administration, considered to be positive and negative by 38 percent and 23 percent, respectively. In 2010 the rate of negative views was 80 percent. Thus, while the Hungarian tax system was a competitive disadvantage 10 years ago, it is now one of the biggest competitive advantages.

Hungary submitted **6 approved applications in the 2022 tender period of the Technical Support Instrument (TSI)** within the framework of the European Commission’s Structural Reform Support programme for the planning and implementation of its institutional, public administration and growth enhancing reforms.

***TSI applications to support sustainable economic growth and competitiveness***

*The application submitted to **support the implementation of the just transition** aims at managing two main, crucial challenges related to the efficient and successful use of the Just Transition Fund (JTF) in Hungary: a) convergence of Baranya county in Hungary’s progress in the just transition; b) elimination of technical barriers to planned calls for applications of the JTF.*

*As regards the drafting of the **framework supporting financial supervision of natural risks**, the project launched by the Magyar Nemzeti Bank (MNB) aims to assess and analyse risks arising from biodiversity erosion, on the basis of which the MNB can draw up measures and programmes to limit excessive (natural) financial risks and implement the prudent supervision of Hungarian financial institutions.*

*The project **“Development of public financing and increase of capacities of Hungarian local governments”** is aimed at improving the efficiency of services of municipalities. To this end, a benchmark system for services and local finances of local governments will be introduced by adaptation of the Local Financial Benchmark of the European Council.*

*The project **“Support of implementing individual learning accounts (ILA) in Hungary”** is aimed at providing expert assistance for overhauling the adult education system. The project aims to establish a system of learning accounts in Hungary, define the eligibility criteria of adult education providers participating in the system and to execute a pilot programme related to its introduction after becoming aware of international good practices.*

*As regards the **drawing up of the methodology for supervising business conduct and the risk assessment scheme**, the project submitted by the Department of Insurance and Funds Supervision of the MNB aims to draft the methodology of mystery shopping relating to the Hungarian insurance market, on the one hand, and to draw up a risk monitoring system bolstering the work of the consumer protection authorities, on the other.*

*Within the framework of the approved application **“Support of the Renovation Wave”** of the Ministry of Innovation and Technology, a comprehensive study is prepared for laying the professional groundwork for meeting the energy efficiency targets set for public buildings in the EU directive. The other purpose of the project is to provide professional support for the planning and implementation of energy efficiency operational programmes, and to establish an appropriate monitoring system.*

### 3.1 Business development, tourism

The goals defined in the document “**Strategy for Strengthening Hungarian Micro, Small and Medium-sized Enterprises (2019–2030)**” adopted in 2019 and drawn up within the framework of joint work with the OECD (hereinafter referred to as “Strategy”) represent the foundations of the Hungarian Government’s business policy. SMEs account for a major share of the Hungarian economy, with over 2.1 million workers employed by such companies, but their productivity lags behind that of large companies. The Strategy is aimed at strengthening the capability of SMEs to create value, the technological shift, digitalisation and improvement of productivity through innovation, establishment of adequate financing opportunities and support of entry to foreign markets. The implementation of flagship programmes of the Strategy is successfully in progress. Accordingly, **tenders supporting the technological shift**, addressing a broad range of businesses will also be available in the next EU programming period. In line with the Strategy, the State is contributing guarantee programmes, preferential loans and various capital market programmes to a favourable financing environment essential for the operation of companies.

#### Export incentives

As part of the Economy Protection Action Plan, the **National Export Protection Programme** was launched in 2020 with an overall amount of HUF 76 billion. The Foreign Market Access Support and Foreign Market Growth Aid are the two pillars of the programme. Within the framework of the Foreign Market Access Aid, 82 applications were awarded HUF 3 billion in aid; the projects are currently in the implementation phase. The **Foreign Market Growth Support**, with overall amount of HUF 69.5 billion, is aimed at the launch of new economic activities of Hungarian enterprises abroad, and the development, expansion of their investments. A total of 543 companies showed interest in the Foreign Market Growth Support with applications for HUF 629 billion in aid and total project costs in excess of HUF 1,149 billion. 47 subsidy contracts were concluded by the end of 2021.

The main purpose of the **National Export Strategy** is to provide tender funds to foreign missions for the implementation of their export development programmes. The programme has a budget of HUF 30 billion; in 2021, 67 projects of foreign missions received aid.

On 31 October 2019, the Ministry of Foreign Affairs and Trade announced the **Western Balkans Investment Support** aimed at the economic development of the Balkan region, to be achieved by boosting the presence and role of Hungarian companies in the region. The programme has a budget of HUF 7.1 billion. In 2020, 7 beneficiaries received support; project implementation started in 2021.

The **Export Academy** is a series of training programmes aimed at professional preparation of exporting enterprises and those interested in exporting. The training courses of the programme were attended by 1,300 and 2,000 participants in 2020 and 2021, with 2,500 participants targeted in 2022.

## Improvement of productivity

Priority axis 1 of the Economic Development and Innovation Operational Programme (EDIOP Plus) focuses on supporting Hungarian micro, small and medium-sized enterprises (SMEs). The programme supporting development projects assisting adaptation of **SMEs to modern business and production challenges** was launched as part of the rapid restarting of the economy; 1,720 applications received financing in the total value of HUF 212 billion. Additionally, 983 applications have already been awarded HUF 73 billion in the EDIOP Plus tender targeting micro, small and medium-sized enterprises in the most disadvantaged regions.

The **Hungarian Multi Programme** is aimed at the complex development of micro, small and medium-sized enterprises with outstanding performance and major growth potential. So far, 16 applications have been awarded HUF 7.9 billion in financing. The **Green National Champions** programme supports the development of manufacturing enterprises with major growth potential, operating in the green economy and industry, supporting the technological shift. So far, 39 applications have been awarded a total of HUF 13 billion in financing. The **Innovative Capacity Building Programme** is aimed at improving the competitiveness and productivity of micro, small and medium-sized enterprises, and at promoting higher employment by supporting innovative, complex capacity building investments. A total of HUF 7.2 billion is available within the framework of the programme, and HUF 4.5 billion in aid has been paid in 2022.

## Financing

**Programmes of the State-owned Hungarian Development Bank (HDB)** contribute to creating a favourable financing environment. The HDB Economy Recovery Loan Programme provides an overall amount of HUF 200 billion for mitigating the economic impact of the COVID-19 pandemic to enable financial undertakings to finance not only the investment needs of SMEs, but also their operating and wage costs by using refinancing loans. The HDB Competitiveness Loan Programme offers preferential loans to SMEs and large companies with an overall amount of HUF 15 billion.

**Garantiqa Hitelgarancia Zrt.**—in the majority ownership of the Hungarian State—intermediates State aid to Hungarian enterprises with budgetary counter-guarantees related to its guarantees. The value of the portfolio of guarantees undertaken by Garantiqa rose above HUF 2 thousand billion in February of this year.

The **6 capital funds managed by Hiventures**—belonging to the HDB Group—are an important pillar of financing innovative businesses with major growth potential or planning expansion; they operate with an overall amount of HUF 155.4 billion between 2017 and 2030. Innovative, R&D focussed start-ups at the incubator, seed or growth stage can access financing from the funds in the amount of between HUF 15 million and HUF 1 billion. Hiventures also supports SMEs planning to expand their activity with acquisitions of Hungarian and foreign companies and to exploit opportunities offered by scale efficiency. Medium-sized and large companies are eligible to participate in programmes financing mergers, real estate transactions and capacity building. By the end of 2021, outstanding capital exceeded the amount of HUF 24 billion.

One of the key business development instruments of the Government of Hungary, the **Széchenyi Card Programme** (SzCP), is financed from Hungarian budgetary resources. The SzCP is a policy instrument serving economic development, at all times flexibly adapted to market conditions during both a crisis and an economic upswing. Within the framework of the extended SzCP, micro, small and medium-sized enterprises are eligible to access favourable to finance by State interest-rate subsidies, administrative expense subsidies, other cost subsidies and guarantee fee subsidies, depending on the type of transactions, to support job preservation, liquidity and sectors most affected by the Covid-19 pandemic. The programme was operated with funds of HUF 36.6 billion in 2021 and HUF 52.2 billion is available in 2022. In 2021 there were 51 thousand concluded transactions with credit facilities valued at HUF 1,400 billion.

## Tourism

The Government continues to assign a priority to tourism. The **2030 National Tourism Development Strategy** is the comprehensive strategy of Hungarian tourism, which, in the long run, aims to **increase the direct and indirect contribution of Hungarian tourism to the GDP** from 13 percent in 2019 to **16 percent by 2030**. The key short-term objective is to ensure that the sector can be restored to the path of dynamic growth after the crisis caused by the coronavirus pandemic. The sales turnover of catering establishments in 2021 surpassed the figure for 2020 by 23 percent, but is still 10 percent less than the turnover for 2019. The number of overnight stays in 2021 was 18 percent higher than in 2020, but fell short of the figure for 2019.

Several steps were taken to improve the appeal of Hungarian tourist destinations. With the **“HUNGEXPO Revitalisation”** development project, Budapest significantly improved its ranking on the list of Europe’s TOP event venues; with the overhauled and expanded Hungexpo, the Hungarian capital can become a leading conference and trade centre on the continent. In 2021, HUF 33 billion was available for domestic and foreign marketing communications, the promotion of Hungary’s country image in tourism, and Hungary also participated in the Dubai World Expo.

The **Kisfaludy Tourism Development Programme** is a key instrument in developing Hungarian tourism; it contributes a total of HUF 117 billion to attraction development, catering development and tourism infrastructure development projects. In 2021 the Kisfaludy Accommodation Development Programme provided financing for the renovation of 596 boarding houses. The Programme has a total budget of HUF 134.3 billion.

In 2016 the Government decided to appropriate a total of more than HUF 133 billion in national and EU funds for developing the major **touristic bicycle paths**. The programme envisages, *inter alia*, the development of the section of EuroVelo 6 between Rajka and Budapest, the implementation of the Budapest-Balaton bicycle path, and the complex reconstruction of the Balaton Bicycle Ring.

The **Széchenyi Recreation Card** (SZÉP Card) has become an effective instrument in boosting domestic tourism in recent years. With the use of the SZÉP Card, which qualifies as fringe benefits, the employer pays imposition, i.e. the employee is entitled to use the entire amount. In 2021, regarding the pandemic situation, employers were not required to pay social security contribution. There are three sub-accounts related to the SZÉP Card, which can be used for purchasing various types of services (accommodation, catering, recreation). With the aim of supporting tourism, in the first year

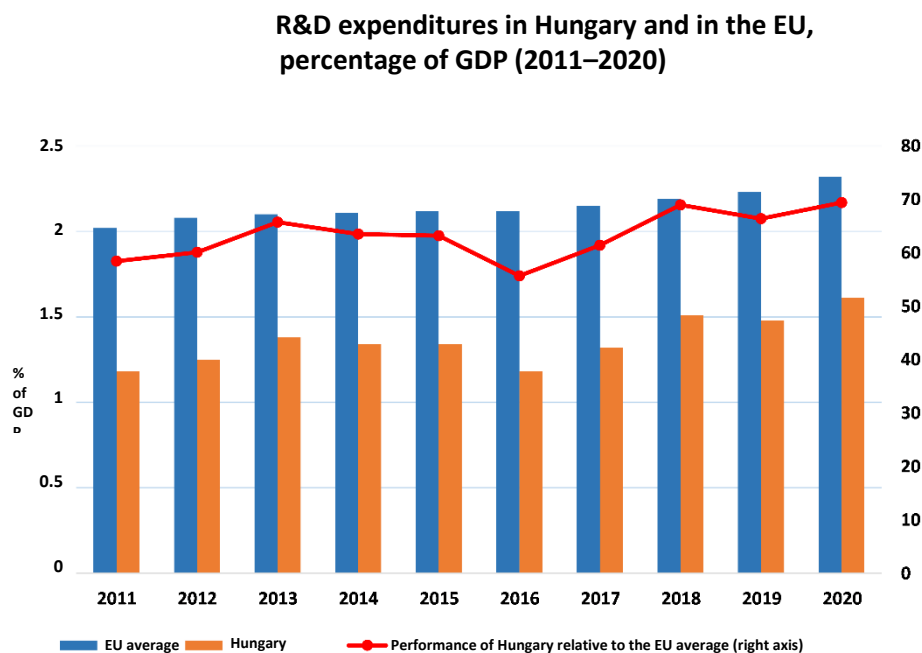
of the pandemic the Government enabled the interoperability of sub-accounts; thus, the pockets may be used to purchase any service. In the autumn of 2021, the Government extended the measure until September 2022. Also owing to the more flexible conditions of use, the value of SZÉP Cards accepted at commercial accommodation establishments between January and December 2021 exceeded HUF 33 billion.

## 3.2 Research, development and innovation

### R&D&I today

During the past decade, the **share of R&D expenditures in the GDP reached a record 1.61 percent** in 2020 in Hungary after a steady rising trend characterised only by minor slumps. (SDG9) In the Research, Development and Innovation Strategy (R&D&I Strategy) adopted in 2021, the government set the goal of raising this value to 3 percent of the GDP by 2030.

**Figure 1**



**Source:** Eurostat online database and own calculations

Despite the coronavirus crisis emerging in 2020, **statistical data show moderate improvement**, as the total number of R&D workers, including the ratio of researchers and developers to all workers increased (in parallel with rising employment)—the former reaching 1.1 percent, the latter equalling 0.8 percent. The share of R&D investments within total investments in the national economy, however, has moderately declined. The increase in R&D expenditures is mainly related to private R&D establishments (+12%), although publicly funded R&D establishments have also increased expenditures (+9%), with no major progress in higher education. At regional level, R&D expenditures increased most in Budapest and Veszprém county, and Baranya county<sup>1</sup>.

<sup>1</sup> <https://www.ksh.hu/tudomany-es-technologia>

Among R&D expenditures in 2020, **half of funds (50%) are still related to the private sector**, but the rise in expenditures in the sector (+4%) fell short of the increase in State budgetary resources (+7%), accounting for around one third (32%) of all funds in 2020. Foreign financing of R&D expenditures increased significantly by almost 40 percent, accounting for almost 17 percent of total funds.<sup>2</sup>

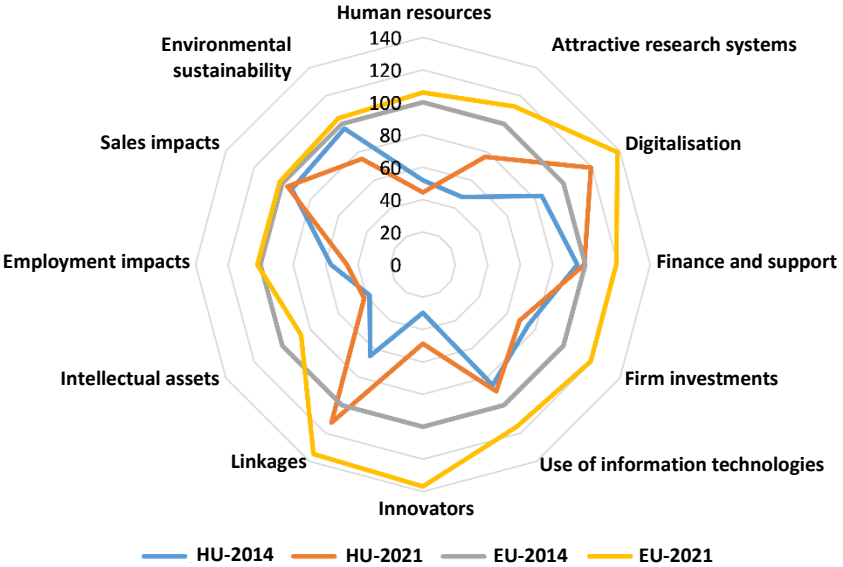
All **actual increases** in the number of R&D establishments, and in line with such rise, **in the total number of R&D workers** was exclusively realised in the **private sector**; the number of workers moderately declined in 2020 at publicly funded and higher education R&D establishments over the previous year.<sup>3</sup> The share of female workers within all R&D workers (33.6%) and researchers (28.5%) also slightly increased between 2018 and 2020. (SDG5)

Notwithstanding that the government had been providing direct funding for the **protection of industrial property rights**, patent-related activity did not increase significantly in 2020. The number of applications submitted nationally increased only minimally in 2020, but the number of valid patents at the end of the year still rose by around 7 percent.

As regards **innovation performance**, notwithstanding improvements made in the past two years, Hungary has not succeeded in substantially moving closer to the European average and moved one place down in the ranking of the European Innovation Scoreboard (EIS) composite indicator over the year 2020.

Figure 2

Relative innovation performance of Hungary and the EU (2014, 2021)



Source: EIS, 2021

Hungary is performing relatively well in the sales impacts of innovation, owing to the high share of exports of high and medium technology at European level. Major progress has been made in digitalisation by virtue of extended broadband penetration, and in innovation linkages, and in the field of finance and support—in the latter case owing to substantial public R&D funds provided to the

<sup>2</sup><https://www.ksh.hu/tudomany-es-technologia>

private sector. Hungary's lag, however, is higher than average in relation to the number of innovators and human resources.

### R&D&I policy measures

In 2021 the Government—consistently with proposals of the EU—adopted a new **R&D&I Strategy for the 2021–2030 period**, as well as the related **National Smart Specialisation Strategy (S3, 2021–2027)**. These documents define the development goals to be achieved by the government in the next decade. The R&D&I Strategy underlines the intention of the government to also achieve progress in the creation, flow and capitalisation of knowledge in the next decade. The key priorities of the S3 strategy focus on supporting cutting-edge technologies, the health industry, digitalisation of the economy, overhaul of the energy sector, service sectors, the circular economy, the agri-foodstuffs industry and the creative industry. The annual action plans define the steps needed for achieving the goals.

The **financing of research and innovation**—in line with the R&D&I Strategy—will continue to be implemented mainly with **funds co-financed by the EU** (primarily under the EDIOP Plus programme) and the tendering scheme of the National Research, Development and Innovation Fund (NRDIF), utilising national funds, managed by the National Research, Development and Innovation Office (NRDIO). The first programmes were already announced in 2021; these support research, development and innovation (R&D&I) activities either indirectly (EDIOP Plus, Priority Axis 1: business development) or as a priority (EDIOP Plus, priority axis 2). In 2021 the overall amount of tenders reached HUF 136.7 billion for priority 2 of the EDIOP Plus programme, which is expected to be increased with HUF 166 billion in 2022. Approximately 2–300 businesses received R&D&I funding last year, while programmes aimed at technological development already assisted more than 2,500 businesses in 2021.

The other major source of financing—**programmes launched within the framework of the NRDIF**—provided an overall amount of HUF 182.3 billion in 2021, which is expected to equal HUF 169.8 billion in 2022. The programmes financed from the NRDIF cover the entire research and innovation chain, from basic research to the marketing of prototypes. The research base part, which mainly supports development of the scientific sector, and the innovation base part operated with an overall amount of around HUF 105.8 billion (plan for 2022: HUF 96.5 billion) and HUF 76.5 billion (plan for 2022: HUF 49.9 billion), respectively (nkfih.gov.hu). Only minor modifications and consolidations were made in the structure of NRDIF tenders this year and last year; the basic financing logic did not change. In 2022, continued financing of the **National Laboratories** is a key area in addition to the support of market-oriented corporate research, development and innovation. So far, 18 laboratories have been established with the purpose of concentrating resources of thematic areas and establishing centres that are competitive also at international level through a boosted knowledge base, which are capable of developing solutions to major social problems. The process has not been completed; the Ministry of Innovation and Technology (MoIT) and the NRDIO are planning establishment of additional laboratories in 2022. **Scientific, technological and innovation parks (STIP)** are established in parallel with the above. The STIPs aim to establish research infrastructures comprising physical elements of the innovation ecosystem, which contribute to utilising scientific advances of the Hungarian higher education sector in the economy. Within the framework of

development projects launched last year, 13 STIPs are being prepared at 10 higher education institutions. 4 of such development projects relate to Budapest and the Central Hungary region, while the rest aim to bolster rural innovation systems. The programme is operated by a budgeted overall amount of HUF 472 billion (2021–2026); applications in the value of HUF 148 billion have been submitted so far by the institutions concerned.

### Programmes supporting corporate research, development and innovation

The government is aiming to **strengthen the ecosystem of Hungarian start-ups, and to promote the establishment of start-ups and innovative small enterprises** with diverse approaches. Achievement of this goal is supported by the SME Start Innovation and Fast Track programmes—funded by the NRDIF (2021–2022: around HUF 4.5 billion)—, the Hungarian Startup University Programme (HUF 1.5 billion), investments of the Hiventures State venture capital fund manager (2021–2022: HUF 45 billion) and the start-up incubation programme of the MVM Smart Future Lab (HUF 200 million/year). The government can use these programmes to reach dozens of start-ups and hundreds of SMEs, and almost 4 thousand students are enrolled in university start-up training courses at 27 institutions in the 2021/2022 academic year.

The **Innovative Capacity Building Programme** introduced last year is aimed at bolstering the human resource base of the private sector with the goal of supporting complex, innovative capacity building investments to improve the competitiveness and productivity of SMEs. While only HUF 300 million was allocated for this purpose last year, the allocation of HUF 6.9 billion is planned in 2022. The **Co-operative PhD Programme** is aimed at supporting the availability of new generations of researchers and human resources through combination of scientific, academic and corporate knowledge in higher education, which can effectively promote research and development activities with benefits for the economy as a whole. Of the HUF 18.6 billion allocated for the 2020–2022 period, last year and this year HUF 4.9 billion was/is used for financing the training of 100 doctoral students in each year. (SDG8)

As a major step in the research sector, in 2021 the NRDIO—with the support of a number of Hungarian professional bodies—accepted the invitation of the European Commission and several international scientific organisations to issue a declaration on acceptance of the principles of “open science”, the dissemination of its practice and its support.<sup>4</sup>

### 3.3 Digitalisation

**Based on the DESI indicator** for the year 2021—calculated by the European Commission to measure the level of digital economic and social development among Member States—**Hungary is ranked 23<sup>rd</sup> among the 27 EU Member States**. Hungary is performing slightly better than the EU average in internet access (12<sup>th</sup>), and within this category it holds a leading position in 1 Gbps broadband system coverage (13 percent of lines have this technology compared to the 1.3 percent EU average). Hungary is ranked 22<sup>nd</sup> in human capital and performs below average in relation to most indicators. Only 49 percent of Hungarians possess at least basic digital skills, which is significantly less than the 56 percent EU average; other indicators also show a relatively low level of digital skills. The most

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<sup>4</sup>nkfih.gov.hu



challenging DESI dimension for Hungary remains the corporate integration of digital technologies (26<sup>th</sup>) and digital public services (25<sup>th</sup>). Only 46 percent of SMEs have at least a basic level of digital intensity, in contrast with the 60 percent EU average, and the penetration of essential digital technologies (big data, artificial intelligence and cloud technology) is also low. In the dimension of the digitalisation of public services, with the exception of e-government users (70 percent), all Hungarian indicators fall short of the EU average.

After completing the implementation of the 2014–2020 National Infocommunication Strategy and the Digital Welfare Programme 2.0 (“DWP 2.0”) launched in 2017, in the autumn of 2021, Hungary adopted a new strategic framework for the next 10 years: the **National Digitalisation Strategy (NDS) for the 2021–2030 period**. The strategy is based on **four main pillars** in line with the DESI dimensions: digital State, digital economy, digital infrastructure and digital competence. The NDS sets the comprehensive goal of identifying and exploiting opportunities offered by digitalisation in the economy, education, research, development and innovation, and in public administration to improve the competitiveness and prosperity of Hungary. Hungary aims to surpass the EU average in digital development by the middle of the decade and to be among the top 10 EU economies in the field of digitalisation by 2030.

### Digital State, digital public services

One of the four new NDS pillars focuses on the **digitalisation of public administration** with the following main priorities:

1. coordinated, user-friendly digital development of central and territorial public administration, and professional systems, and establishment of customer-oriented services;
2. establishment of data-based public administration through further expansion of public records, and of interoperable data links between the back-end systems concerned and electronic public administration *services*;
3. development of smart municipalities and smart regions;
4. enhancing the information security of government electronic services;
5. digital development of public services (e.g. in the area of healthcare, transport, energy, education and culture).

Major progress was achieved to improve the quality and acceptance of digital public services, and extend them to new segments and procedures. By the implementation of the **Specimen Signature-based Document Authentication System** in September 2021, it is the most widespread form of new electronic authentication based on signatures by hand at all government customer service points, initially in 35 case types, to be continuously expanded. The **Construction Industry Monitoring and Reporting System**, i.e. the **Glass Portal system**, was implemented, aimed at improving operation of the construction industry and enhancing transparency.

The Digital Agriculture Strategy<sup>5</sup> (DAS) of Hungary adopted by Government Decision No. 1470/2019 (VIII. 1.) provides for establishment of the **Soil Protection Consulting System and Digital Soil Science Database** as a separate measure. The Agrotechnology **National Laboratory** Project serves this purpose, aimed at the widespread application of environmentally friendly, digitally supported

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<sup>5</sup> <https://nit.hu/joaszabaly/2019-1470-30-22>

agriculture in Hungary. The implemented IT system will enable storage of soil-related information in a central database in Hungary. The planning and preparation of the project with a budget of HUF 2.5 billion is in progress; it is expected to be completed by the end of 2023.

As part of the **Agricultural Administrative Data Policy (AADD)**, indicator databases will be established, further developed, data processing algorithms and simplified digital data services will be implemented within the framework of the **National Agricultural Data Centre** until the end of 2023. By the collection and processing of Hungarian agricultural technology data, the new innovation provides special support for **development of the electronic systems and services of agricultural administration**, thereby enabling the planning and implementation of the CAP and the related EU and Hungarian policies. Operation of the environmental impact monitoring system set up as a result of the project with a total cost of HUF 2.5 billion ensures calls for EU agricultural and rural development funds to the extent possible.

The project “Drawing up of methodology for analysis of **cyber-related threats in the financial sector** and for preparing threat situational pictures” financed by the **Technical Support Instrument** of DG Reform was launched in August 2021; it provides informative, comparable and regular information to the Magyar Nemzeti Bank and supervised institutions on incidents, attacks and risks related to current cyber-related threats. A six-month pilot project is currently in progress, in which financial institutions voluntarily participating in the project share information with the Magyar Nemzeti Bank by using the incident reporting framework developed in the project.

## Digital economy

Within the framework of its digital economy pillar, the National Digitalisation Strategy set the goal of improving the digitalisation of Hungarian businesses and **reaching the EU average in relation to corporate digital indicators**. The strategy focuses on the following: 1) increasing the use of digital technology by SMEs; 2) development of digital start-ups; 3) targeted development of the ICT sector with support programmes; 4) use of State data sets for economic purposes. In addition to other measures, Hungary is planning extension of the Modern Enterprises Programme and launch of a new financing scheme aimed at corporate digitalisation. To eliminate the digital gap between Hungarian SMEs and the EU average, it is necessary to not only increase the amount of support, but also its efficiency.

This goal is served by the renewed support programme for the digitalisation of the economy and enterprises, within the framework of which the government aims to **enhance the digital competence and transition of enterprises, the integration of digital technology**, and promote the development and spread of innovative digital solutions in all sectors. To this end, new corporate IT programmes are launched in 2022, financed by the State and EU in the total value of HUF 73 billion (DROP Plus programme). Over 2,000 enterprises are expected to newly participate in the programme by the end of the year; the corporate IT programmes will be launched in 2022 Q3 at the latest. The ultimate goal is to increase the “Share of enterprises reaching high level of digital intensity” to 25 percent by the end of 2026 (value for 2019: 15.4 percent).

## Development of infrastructure

**Gigabit-capacity fixed-line and next-generation mobile networks** will be developed within the framework of the digital infrastructure pillar of the National Digitalisation Strategy. The Government has set the prioritised goal of ensuring the availability of wired and wireless digital infrastructure of appropriate service capabilities and quality, through access to a 1 gigabit broadband connection in the entire territory of Hungary for 95 percent of households. To this end, the targeted government digital infrastructure development measures (Superfast Internet Programme) launched earlier will be continued in an extended and renewed form, with new elements and schemes, with DROP Plus and CEF2 Digital funding. Preparations will begin in 2022 Q2; launch of new digital network development programmes (their availability, tenders) is expected in 2022 Q3, at the latest. As an outcome of the programme, by the end of 2026, all Hungarian municipalities will have broadband network access of appropriate quality; the share of households capable of establishing a gigabit connection, with broadband network coverage, will reach 75 percent.

Availability of a high-capacity **electronic communications infrastructure** of high service quality is essential for developing the digital economy, providing modern digital services, and the prosperity of citizens enhanced through digital services. This objective is supported by the “DROP PLUS-3.1.1 Sub- and superstructure register supporting development of the gigabit-capacity communications network” project. Professional preparation of the project with a total cost of HUF 6 billion began in September 2021.

## Digital skills

The digital competence pillar of the National Digitalisation Strategy is aimed at the **continuous development of the digital competences and user awareness of citizens, and of the digital literacy of employees**. To this end, the targeted government digital skills development measures launched earlier will be continued in an extended and renewed form, with new elements and schemes, with national own funds of HUF 6 billion and aid provided under the DROP Plus (HUF 74 billion) and Digital Europe Programme (HUF 6 billion). The training programmes will be prepared in all relevant areas by mid-2022; by the end of 2026, hundreds of thousands of citizens will have participated in them to decrease the share of the population lacking digital skills (share of 16–74-year-olds not using the internet) to less than 2 percent by 2030. As a positive social impact of the measure, citizens’ access to education and training will improve. Continuous development of the digital literacy of citizens increases the share of digitally literate workers.

# 4. Business environment, regulation

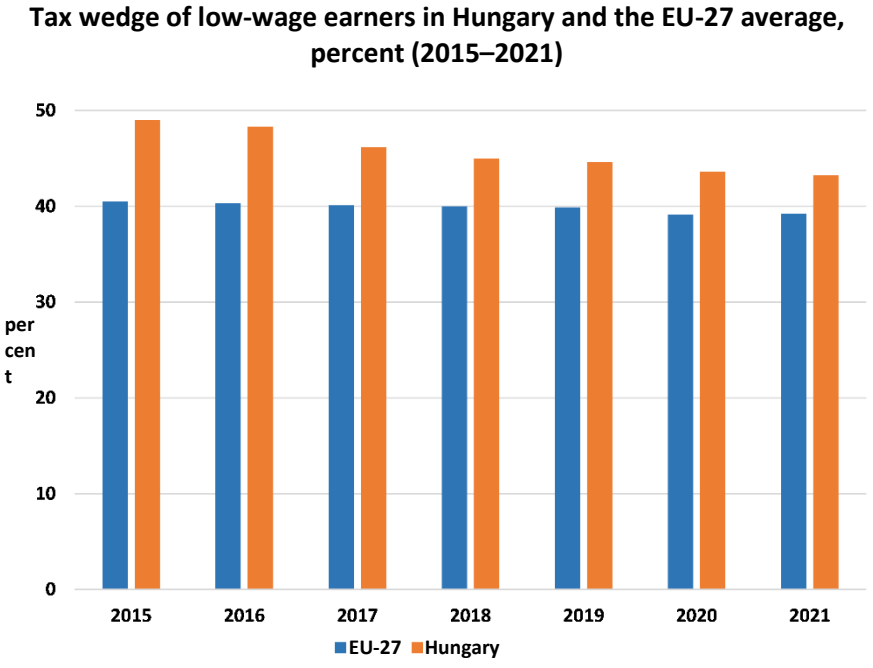
## 4.1 Tax system

### Competitive taxation

The taxation policy objectives of the Government have not been overwritten by the coronavirus pandemic, either; **the principal objective of Hungarian tax policy remains the retention and bolstering of the competitive tax structure in parallel with the increase in employment and reduction of tax burdens.**

Tax policy has played an important role in implementing the economic enhancing efforts of the Government of Hungary; **labour taxation has continued to decrease.** The Hungarian tax wedge was the second highest—49 percent—among EU Member States (tax wedge related to low-wage earners) in 2015; it has steadily decreased since 2016 and has only been 41.2 percent since 1 January 2022. (The calculation ignores the family tax credit and the tax exemption of mothers with four children, hence the actual tax burden of families with several children is much lower than indicated by the tax wedge.)

Figure 3



Source: Eurostat

Employers' taxes declined from January 2022 by 4 percentage points to 13 percent through the 2.5 percentage point cut in the social contribution tax and elimination of the 1.5 percent vocational training contribution. In parallel with the above, the benefits related to the vocational training contribution were integrated with the social contribution tax.

In February of this year, **parents raising a child** received a refund of their personal income tax paid in 2021 for up to the PIT on the average wage.

The Government aims to assist small and medium-sized enterprises with low taxes and simple tax regulations. The **small business tax** (KIVA) is gaining popularity; it generates exceptional tax savings even on a Union level for companies planning growth and expansion. As part of the Government's tax cut policy, as of 1 January 2022 the small business tax rate decreased by 1 percentage point to 10 percent. As an advantage of the small business tax, the profit and wage bill are taxed at the same rate, which encourages employment and wage raises, and it is also a flexible type of tax, as it can be chosen any time during the year. Beyond reduction of the tax rate, the awareness raising campaign of the Ministry of Finance also contributed to the popularity of the small business tax: Only 6.5 thousand and only 29 thousand taxpayers chose this tax in 2016 and in December 2018, but their number reached 68 thousand by the end of November 2021. According to calculations of the Ministry of Finance, around 80 thousand companies should consider switching to the small business tax on the basis of data for the 2020 tax year.

The bank tax obligation of **exchanges, commodities exchanges and venture capital funds** was abolished as of 01.01.2022.

The **carry-forward of losses** became possible in the income tax of **energy suppliers** (similarly to corporate tax). It could be first applied by energy supply companies in the 2021 tax year for losses incurred in 2020.

The **value limits of development tax benefits of small and medium-sized enterprises** further decreased from 2022 (compared to the earlier limit of HUF 200 million and HUF 300 million, as of 2022, investments of HUF 50 million and HUF 100 million are eligible for the benefit). The development reserve available for corporate tax may be used for up to the full amount of profit before tax—after elimination of the earlier 50 percent limit, then the increased HUF 10 billion limit—if a future investment is undertaken.

**To mitigate the economic effects of the pandemic**, municipalities may set a **local business tax rate of maximum 1 percent** for SMEs with turnover or a balance sheet total of less than HUF 4 billion for the tax years ending in 2021 and 2022.

As of 1 February 2022, the upper rate of the **retail special tax** (for retail turnover above HUF 100 billion) was raised from 2.5 percent to 2.7 percent to support balancing the central budget.

The government measure in force as of 1 January 2022, granting a **personal income tax** exemption for up to the PIT of the average wage for **workers under the age of 25**, can contribute to increasing and legalising employment.

As regards the **social contribution tax**, in 2021 H2 the condition of unemployment was reduced from 6 months to 3 months for people entering the labour market.

### Combating tax avoidance

Hungary signed the **Multilateral Convention** adopted to prevent base erosion and profit shifting in 2017. According to the country-specific recommendation for the year 2020, Hungary needs to strengthen the tax system against the risk of aggressive tax planning. The Convention sets out rules against tax avoidance that contribute to fulfilment of this objective. The Convention was **ratified** and

promulgated in Act III of 2021. Provisions of the Convention applicable from 1 January 2022 modify bilateral tax conventions within its scope.

Since 2019, the OECD, i.e. the Organisation for Economic Co-operation and Development, has been working on **reforming international tax regulations, the “two-pillar approach”**, within the framework of further action against **tax avoidance and aggressive tax planning**. Decision-making relating to the proposals of Pillar 1—reforming the taxation of digital large companies—and Pillar 2—introducing a global minimum tax—took place at political level in 2021; detailed arrangements are drawn up in 2021 and in 2022 H1. Based on political commitment within the international community, the new rules will be implemented by 2022 H2, their application is planned from 2023. The 9 percent Hungarian corporate tax rate in force will not change, as based on the solution secured by the Government of Hungary, countries can apply targeted solutions for collecting the global tax. A special tax rate will apply to the 10-year transitional period.

## 4.2 Public administration

In 2021 the operation and directions of development of **Hungarian public administration** were defined by the 2014–2020 Public Administration and Public Services Development Strategy. Its **main directions of development**: (I) establishment of conditions for service-providing public administration, (II) development of human resource management in public administration, (III) improvement of the quality of public services, (IV) development of electronic funding—implementation of the Digital State. (The strategy setting out development goals in public administration for the next, 2021–2027, period has been prepared; finalisation of the document is still in progress.)

As a result of development implemented on the basis of the Strategy, the **administration process has been significantly simplified and accelerated for both citizens and businesses**. Owing to innovations, access to and quality of public administration services has significantly improved, the time and quantity of administration has decreased, and the transparency and efficiency of public administration processes has considerably improved. Challenges related to the coronavirus pandemic significantly affected the operation of public administration as well; their management was supported by online solutions and automated procedures without contacts in person.

The positive trends are also reflected by DESI data for the year 2021; Hungary has a 70 percent share of users using e-government services (in proportion to internet users), which significantly exceeds the 64 percent EU average.

### Measures affecting citizens

Owing to technological development and rationalisation of procedures implemented in public administration, significant progress has been made in improving, simplifying and digitalising access to public services for citizens.

Public administrative infringements are sanctioned in a uniform, more transparent and consistent manner as of 1 January 2021 as a result of the **amended act on sanctions of administrative infringements and related legislation**. According to the new rules, a uniform sanctioning regime is applicable to public administrative infringements determined in administrative procedures. The new,

customer-friendly regulation amounts to a paradigm shift in public administration, because instead of penalisation it encourages citizens and businesses to abide by the law on a voluntary basis, thereby preventing infringements. To this end, a person committing a public administrative infringement for the first time within one year will receive a warning in most cases. In line with the principle of graduality, the public administrative fine is imposed only in a limited amount, if such sanction has not been imposed on the customer by any authority within 3 years. (Exceptions to this rule include infringements endangering human life, physical well-being or the environment, and infringement of legislation aimed at protecting minors; authorities continue to take stricter action in relation to these.)

The **Register of Public Administrative Sanctions** was established to apply the principle of gradual enforcement of public administrative sanctions; it contains perpetrators of administrative offences and the sanctions enforced against them by authorities: The public register contains data on customers, the acting authorities, decisions determining the sanctions and type of sanctions, thereby assisting acting authorities in selecting legal consequences in line with the sanctions of other authorities.

By the establishment of the **Specimen Signature-based Document Authentication System**, as of 6 September 2021, administration of 35 types of cases is possible free of paper with the new electronic authentication procedure based on signature by hand, with the use of signature pads installed at over 3 thousand administrator workstations. In the new procedure, legal declarations are authenticated on the basis of biometric data of traditional signatures provided in electronic form. Introduction of the system will also enable back office types of administration at government customer service points, based purely on electronic documents.

With introduction of the **Data Change Management Service** (e-Reporting), as of February 2022, administration of changes in data of natural persons has become simpler, and utility transfer procedures have also been digitalised and simplified for utility providers joining the new system. Within the new system, the State provides free single window electronic administration of procedures necessary in various life situations of customers (moving, making available for use, rental, death) for transferring utilities.

By the further development of the **Central Time Reservation Application of Government Offices**, the system enabling online time reservation will be expanded with cases falling within the scope of the transport authorities, and relating to health insurance and the land registry from 2022 H2.

In place of the knowledge base currently only used by administrators of government customer services, a new single **Public Administration Knowledge Base** has been developed, which covers—in addition to public administrative cases—judicial, municipal administrative cases, tax matters and cases related to public services, also directly accessible by citizens. In addition to providing case descriptions, the new system also enables customers to complete forms and initiate new cases; it is directly connected to the Integrated Legislative System; therefore, case descriptions are automatically updated in case of legislative changes.

## Measures affecting businesses

Measures aimed at simplifying, accelerating and more dynamically digitalising public administration also significantly facilitated the access of businesses to public services and improved the efficiency of their administration.

By the establishment of the **National Commercial Register**, an electronically accessible, uniform and aggregated national register, replacing records managed in the past in various forms by municipalities, contains data on 10 commercial activities and services. By using the electronic public register, businesses and citizens can conveniently and promptly obtain public data relating to commercial stores and merchants, markets, farmers' markets, fairs, shopping centres, real estate brokers and condominium managers.

## Measures affecting the body and operation of public administration

By the establishment of the **Construction Industry Monitoring and Reporting System**, i.e. *Glass Portal*, in 2021 and its application from January 2022, on-the-ground inspections of authorities are easier to carry out, the administrative burdens of authorities are reduced, and the legality of the stay of employees and other persons on the construction site, and the contractor's compliance with labour regulations can be more efficiently determined.

A **single government office network architecture** will be established; from 2022 H2 all professional systems used by government offices will become accessible at the workstations operating as endpoints of the government office network, and the workstations operating in the virtual networks of professional systems taken over for operation from former regional state administration bodies (then from specialised administrative bodies) by certain metropolitan and county government offices and ministries can be operated in the future as endpoints of the government office network.

A **Single Administrative Support System for Social Benefits** has been established, which will be used from 2022 H2 to manage social, child protection and military personnel benefits administered by government offices within a single IT system.

The implementation of **Automatic Public Administrative Decision-making (APADM)** is in progress; it is an IT service with potential use within a broad scope, serving the digitalisation of the entire administration process, expected to be available from the end of 2022. It is used to perform automatic administrative steps, without human intervention, between launching and closing a case. The system enabling the automatic decision-making process contributes to the government's efforts at maintaining the strategic directions of combating corruption, reducing bureaucracy and staying customer-oriented.

A **Government Office Integrated Management Support System** has been established, within which (I) a fully electronic management system covering all processes related to the management of government offices, enabling internal operation is established within the Management Sub-system, and a single accounting framework policy was drawn up for government offices; (II) a government



office data warehouse has been established within the Business Intelligence and Analytical System, ensuring the processing and analysis of data.

The **complete digitalisation of urban planning and development of the complex spatial data management system** was carried out to support the work of municipalities and notaries; its applications can be broadly used for monitoring projects, development, procurements and other processes requiring decision-making in the municipalities, the registration of status and for the distinct spatial visualisation of correlations. The development modernises the system of urban planning, the lowest level of regional planning, and makes planning more simple, fast and dynamic. A single national spatial data register will also be established within the new system, the use of which will shorten the drafting and modification of urban plans by several months and significantly reduce the cost of planning. Parameters subject to construction laws are accessible to everyone within the online system, resulting in improved legal security and access to public services.

### COVID measures

During the strictest lockdown measures of the pandemic, from the spring of 2020 until the spring of 2021, **certain procedures of notaries public and lawyers were possible to conduct online, without a personal presence**; customers were identified and documents authenticated remotely, by electronic means.

From 11 March 2020, the **validity of personal identification documents and licenses** expiring during the state of emergency announced because of the pandemic (i.e. between 11 March 2020 and 3 July 2020, and between 4 November 2020 and 31 May 2022) were automatically extended until 30 June 2022.

Upon introduction of the new type of procedure called *verified reporting*, from 18 May to 17 June 2020, licensed activities—with the exception of 18 specific types of cases—could be commenced without receipt of a licence, through electronic reporting. In these cases the authority subsequently verified fulfilment of necessary conditions after the start of activities. The scheme of verified reporting remained in effect from 18 June 2020 until 31 December 2022 for a limited scope of licensed activities, under slightly modified procedural conditions; the placing on the market of wine products and operation of markets, for example, is still subject to reporting. 50 percent of the fee of licensing and related administrative procedures is payable for verified reporting; the authority subsequently verifies the conformity of activity with legal requirements within 15 days.

## 4.3 Regulation

In 2021, regulation of the business environment was simultaneously affected by several, mutually opposing circumstances. It was simultaneously necessary to take restrictive measures aimed at managing recurring waves of the COVID pandemic, to mitigate the negative economic impact of the pandemic, avert effects of adverse global market trends (disruptions in production and supply chains, sharp inflation in the price and shortages of energy and raw materials), and to take steps supporting the restarting of the Hungarian economy after the pandemic and between waves of the pandemic. In some cases the unusual conditions necessitated uncommon regulatory responses.

Owing to the necessary and proportionate extraordinary measures limited in time, and their fast and effective response to unexpected circumstances, these do not significantly impact business activity and the stability of the regulatory environment.

Based on trends in the number of businesses in the recent period, entrepreneurship steadily strengthened; this is presumably attributable to a business environment seen as positive by market participants despite a number of negative and uncertain external circumstances. The number of enterprises has continuously increased since June 2020: At the end of October 2021, 1.9 million businesses were registered—2.5 percent more than a year earlier. In the first ten months of 2021, around 120 thousand new businesses were registered, which is 12 percent more than in the same period of the previous year, and 1.5 percent more than from January to October 2019, before the pandemic.

Beyond mail order and internet retail trade, brick-and-mortar retail also realised a solid increase in turnover in the second half of the year: In 2021 Q1–Q3, the overall volume of retail turnover was 2.8 percent higher year-on-year and 3.1 percent higher than for the same period in 2019, before the pandemic.<sup>6</sup>

In a business environment seen as friendly and attractive by investors, the volume of investment continuously rose in 2021; according to HCSO data, it surpassed the figure for the same period last year by 0.2 percent in Q1, by 11 percent in Q2 and by 12 percent in Q3 of 2021.

### Exceptional measures

Transitional regulations were adopted in 2021 in key areas affecting the operation of companies to support businesses struggling as a result of the pandemic. To protect businesses facing the threat of insolvency, **it is more difficult for creditors to launch liquidation procedures** until 31 December 2022, as beyond the deadline set in the letter of formal notice calling for payment of debt, such procedures may be launched after expiry of an additional 75-day deadline, and they may apply for liquidation of the indebted company if it of an amount of at least HUF 400 thousand instead of the standard HUF 200 thousand limit.

After March 2020, in a legal oversight procedure the court of registration was not permitted to periodically decide on registration of terminated companies and was required to suspend procedures already launched for registration of terminated companies. If in the compulsory winding-up procedure, during the period of suspension, the company presented proof to the court of registration that it had restored legality and lawful operation by eliminating the grounds for compulsory winding-up, the court of registration terminated the winding-up procedure.

During the limited availability of procedures requiring a personal presence attributable to the pandemic, transitional rules supported the **online operation of companies**; it became possible to hold the meetings and decision-making procedures of supreme bodies online even if the memorandum of association did not provide for an online procedure and did not set out its detailed arrangements.

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<sup>6</sup> Source: HCSO

The **lease contracts** of businesses operating in the tourism, catering, entertainment, gambling, film, performing arts, event management and sports sectors relating to space rented from the State or local governments could not be terminated by the lessor by notice, and expired lease contracts were extended until the 90<sup>th</sup> day (27 May 2022) from termination of the state of emergency by unilateral declaration of the lessee, without launch of a new tender.

Regulation of the business environment needed a fast response not only to the pandemic, but also to global economic trends. To curb the significant rise in **fuel prices** attributable to global market trends, as of 15 November 2021, the government capped the average retail price of petrol and diesel fuel at HUF 480 per litre initially for three months, then for an additional three months. Fixed wholesale prices and State subsidies provided to filling station operators provided compensation for losses incurred by filling stations.

The transitional provision fixing the **price of six fundamental food products** (food oil, margarine, bread, poultry meat, potato, pig meat) at the level measured on 15 October of the previous year was announced on 14 January 2022 and enacted between 1 February and 1 May to curb the sharp rise in food prices. In 2021 consumer prices increased by an average of 5.1 percent over the previous year, with a 4.1 rise in food prices accounting for 27 percent of products.<sup>7</sup>

The sharp increase in electricity prices most severely affected the smallest businesses. To offset this effect and to provide stronger protection for SMEs, the government decided to allow the purchase of electricity at the discounted household energy rate from 5 December 2021 until 30 June 2022 for micro, small and medium-sized enterprises with a net turnover or balance sheet total of maximum HUF 4 billion in the previous year, and a total number of employees of up to 10 persons.

## General measures

To increase the efficiency of insolvency proceedings, the **Bankruptcy Act** was supplemented with rules on electronic contact, which have made insolvency proceedings faster and simpler: creditors may vote in writing and a simple majority is sufficient for a settlement instead of the 2/3 majority required in the past. The rules of composition have also been simplified and the debtor may now revise the settlement proposal even if it is not supported by creditors, unless the qualified majority of creditors votes against it. As further simplification, a personal presence is not required at the meeting of creditors—attendance by electronic means is also permitted.

The **act transposing the Restructuring Directive of the EU** as enacted on 26 May 2021; the implementing decrees were adopted at the end of 2021 and in 2022 Q1. The restructuring procedure may be requested from 1 July 2022. Upon the debtor's becoming aware of the threat of insolvency, the regulation aims to ensure the debtor's settlement of debts in a judicial procedure supported by experts for the purpose of maintaining liquidity and a settlement with creditors on a restructuring plan serving recovery of the debtor's financial balance. Pursuant to Hungarian rules, only the debtor may request the procedure, as the creditor is unable to assess whether the debtor is likely to become insolvent, and the debtor has the right to decide whether it can undertake the restructuring-related

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<sup>7</sup> <https://www.ksh.hu/docs/hun/xftp/stattukor/foqyar/foqyar2021/index.html>

obligations. If restructuring is unsuccessful, the procedure is not automatically continued as a liquidation procedure to protect the debtor, but the creditor has the right to request such procedure, if the debtor does in fact become insolvent. By the promotion of new financing opportunities supporting the debtor, if the court, for example, orders liquidation of the debtor based on an application filed within 180 days from failure of restructuring, creditors providing temporary and new financing have priority during satisfaction from assets of the debtor.

**Regulated professions** have been fully revised; as a result, professional qualification requirements have been abolished in relation to a number of services as of 1 September 2021 by way of Decree No. 34/2021 (VII. 26.) of the MoIT. As a result, the number of Hungarian regulated professions in the database managed by the European Commission in March 2022 decreased from 505 to 394, which is expected to decline under 350 with continuation of the work. With the significant decrease in the number of activities bound to professional qualifications, conditions for the market entry and operation of businesses have been simplified, related financial and administrative burdens have eased and their employment opportunities have substantially improved. Most commercial and catering activities, for example, no longer require professional qualifications, e.g. store clerk, waiter. Professional qualifications are no longer required for other professions, if the service provider carries out work not as separate activity, but under the supervision of a professional qualified person (such as a mason and carpenter).

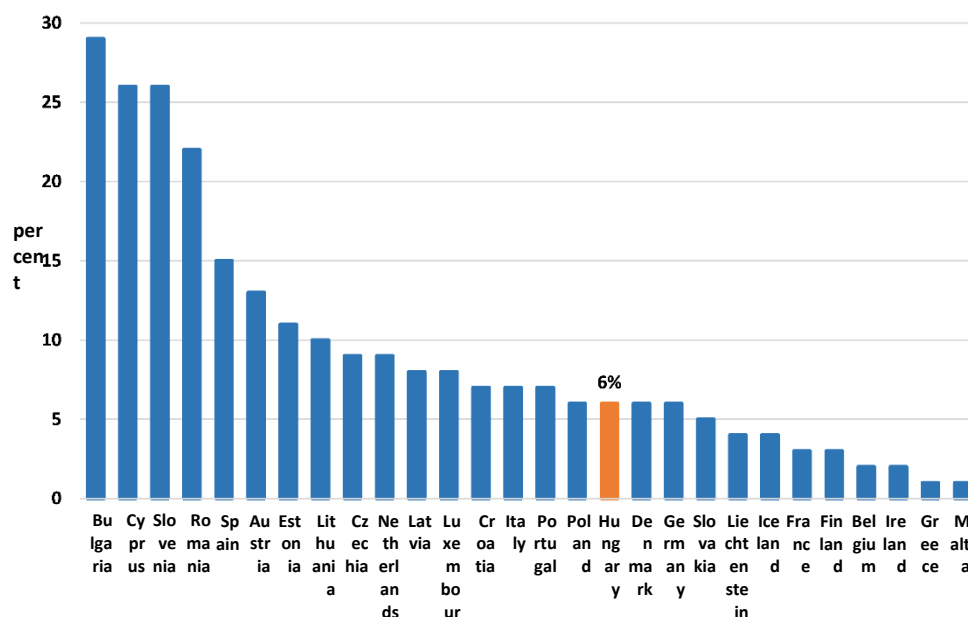
#### 4.4 Public procurement

In 2021, the **volume of public procurements** in Hungary increased significantly over the previous year: last year, 7,676 successful public procurement procedures were conducted in the total value of around HUF 4,200 billion, indicating a 23 percent increase in value over 2020 and well over levels in the pre-coronavirus crisis years.

As indication of the degree of competition in public procurement and the health of the public procurement market, there was a decline in the share of **single-bid public procurement procedures** in both types of procedure: this share fell from 18.4 percent to 14.3 percent for EU procedures and from 9.2 percent to 8.5 percent for national procedures.

Figure 4

Share of non-competitive procurement procedures in EU countries, percent, 2020



Source: Flash report, Hungarian public procurement in numbers, 2021<sup>8</sup>  
 The Internal Market Scoreboard for the year 2020 published by the European Commission<sup>9</sup>

The ratio of the number and value of **negotiated procedures** is another important indicator; it was very low, around 1 percent for national procedures in both cases, and the improving trend observed in recent years continued in relation to EU procedures. Furthermore, there were on average 6.7 bids submitted in 2021, i.e. the best offer was chosen from among around 7 bids.

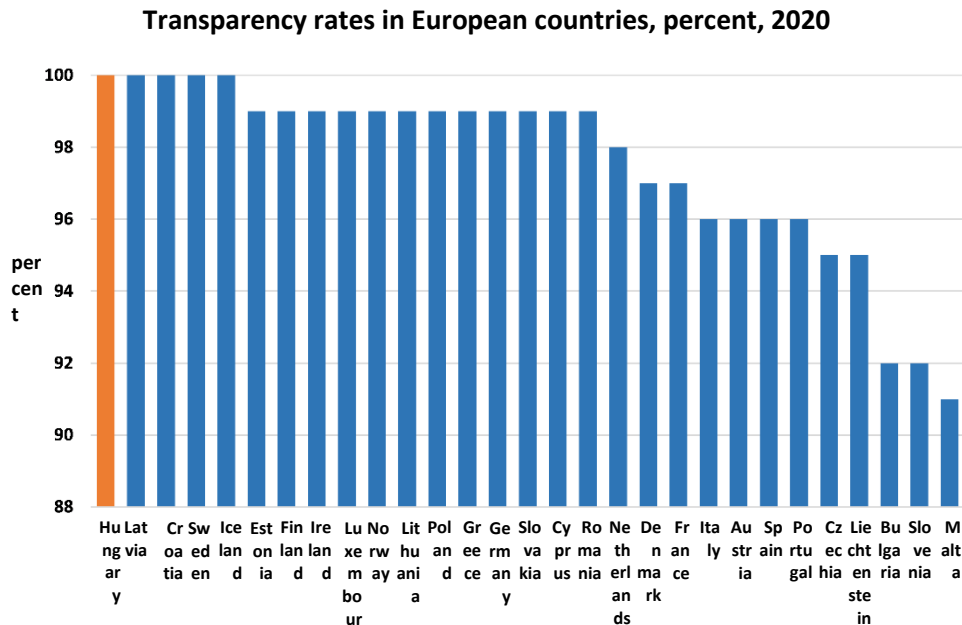
As regards the reduction of corruption risks, last year the **Public Procurement Authority** conducted 107 contract audit procedures, continuing the increase in procedures. Its above activity covers verification of contractual performance and modification, and breaches of contract reported by contracting authorities.

The **Public Procurement Arbitration Board** was also active in ensuring legality and consistency. It launched a total of 557 review procedures up to 13 January 2021, 67 of which are still in progress; 313 procedures were concluded with remedy on the merits. From 2020 to 2021, the number of procedures did not rise, but the value of fines significantly increased (from HUF 703 million to HUF 1,016 million).

<sup>8</sup> [https://kozbeszerzes.hu/media/documents/Gyorsjelent%C3%A9s\\_2021.pdf](https://kozbeszerzes.hu/media/documents/Gyorsjelent%C3%A9s_2021.pdf)

<sup>9</sup> [https://single-market-scoreboard.ec.europa.eu/policy\\_areas/public-procurement\\_en](https://single-market-scoreboard.ec.europa.eu/policy_areas/public-procurement_en)

Figure 5



*Source: Flash report, Hungarian public procurement in numbers, 2021<sup>10</sup>  
The Internal Market Scoreboard for the year 2020 published by the European Commission<sup>11</sup>*

The Hungarian public procurement system continues to enjoy a high transparency ranking in the EU, as the country had a **100 percent transparency rate** on the 2020 Internal Market Scoreboard of the European Commission. We may thus establish that in public procurements conducted in 2020 in Hungary, tenderers provided all necessary information and no data were withheld.

### Measures aimed at development of public procurement procedures

A government decree was enacted in mid-March of this year to apply targeted measures aimed at **further curbing the share of single-bid public procurements**. To this end, the decree stipulates that prior market consultation is necessary in relation to procurement items, where competition is not sufficiently ensured, and at bodies under the control of the Government, where a high share of single-bid procedures were conducted according to the decree. Additionally, the contracting authority is required to publish an action plan on its website in relation to the next calendar year in cases where the share of single-bid public procurements of a contracting authority’s public procurements in a calendar year exceeds 20 percent under the EU rules of procedure. Furthermore, the minister is required to publish methodological guidelines on the EPPS (Electronic Public Procurement System) website, which contain best methods and practices assisting avoidance of single-bid procurements, and he/she continuously monitors the level of competition in public procurement and the number of single-bid procurements based on a predefined methodology, and prepares an analysis each year on the share of single-bid procurements in procedures.

As of 1 January 2022, all construction and related activities with an estimated value of HUF 700 million or more, falling within the scope of the Public Procurement Act, fall within the scope of application of the **Glass Portal** (Construction Industry Monitoring and Reporting System), which aims

<sup>10</sup> [https://kozbeszerzes.hu/media/documents/Gyorsjelent%C3%A9s\\_2021.pdf](https://kozbeszerzes.hu/media/documents/Gyorsjelent%C3%A9s_2021.pdf)

<sup>11</sup> [https://single-market-scoreboard.ec.europa.eu/policy\\_areas/public-procurement\\_en](https://single-market-scoreboard.ec.europa.eu/policy_areas/public-procurement_en)

to curb the shadow economy by real-time registration of data on employees and guests staying at construction sites, and of their entry and exit.

Beyond measures relating to public procurement procedures, the legal amendment prescribing a new cooperation agreement between the Prime Minister's Office and the Hungarian Competition Authority entered into force on 29 June 2021, which expanded existing cooperation between the institutions with special rules relating to data provision to enhance the efficiency of investigating **competition law infringements**, agreements restricting competition, in particular, and of sanctioning them. In addition to the new legal amendment, the data protection rules of the Public Procurement Act (PPA) were also amended to broaden the Hungarian Competition Authority's access to public procurement data.

### Sustainability, digitalisation

With a continued focus on sustainability issues, in April last year the **Public Procurement Authority** launched the **For a Sustainable Hungary Programme**, which aims to enhance the existing role of green, social and innovative criteria in public procurements. As a first step of the programme, the **Environmental Public Procurement Code of Ethics (Green Code)** was drawn up by the Public Procurement Authority with involvement of the Sustainability Working Group, which defines tangible guidelines and methods for economic operators participating in public procurements aimed at maximising enforcement of environmental and economic sustainability criteria in public procurement.

Beyond the development and maintenance of the existing Electronic Public Procurement System, the Public Procurement Authority is making continued efforts to **digitalise public procurement administrative tasks**. To this end, the old, general form completion programmes were phased out last year, for example, and replaced with the upgraded and simplified iForms platform for customers.

The **project of the Prime Minister's Office boosting green public procurement** was launched in the autumn of 2021 with funding from the Commission's **Technical Support Instrument (TSI)** and the expert management of the OECD aimed at developing life-cycle costing methods applicable in Hungarian public procurements.

## 4.5 Fight against corruption

### Comprehensive set of actions for preventing corruption (2020–2022)

In addition to preventing corruption, the 2020–2022 **National Anti-corruption Strategy (NACS)**—in the focus of anti-corruption measures—also sets the goal of interrupting and investigating corruption-related crime and situations, and improving the efficiency of legal instruments aimed at holding perpetrators accountable. Under amendment of 22 December 2021 to the government decision, the measures will be implemented between 1 January 2021 and 30 June 2023.

In connection with implementing the NACS (Clauses 4–16), as early as July 2021, 120 foreign trade attachés participated in the knowledge enhancement workshop related to international bribery. Anti-corruption training is continuing in 2022, including knowledge enhancement in international

bribery for foreign ministry staff, additional training in the latest available information on international bribery for the police, public prosecutors and judges, and anti-corruption training for judges and public prosecutors. The plans also include compliance training for small and medium-sized enterprises, and training presenting the newest advances in fighting corruption for experts in the public sector.

The IT development projects of the Strategy include a pilot project, **development of an automated decision support system** (NACS, Clause 2) by 31 January 2023 for improving the transparency, verifiability of the decision-making process and thereby ensuring corruption-free administrative procedures. The minister of interior is also responsible for drawing up an IT system concept essential for the internal control system, particularly for appropriate operation of the integrated risk management system, supporting uniform management of process models and their sharing between bodies (NACS, Clause 3).

To prevent corruption in an effective and targeted manner, the Strategy sets the goal of assessing jobs and lines of work at state administration bodies particularly exposed to corruption and integrity risks (NACS, Clause 7).

### Criminalisation of informal payments

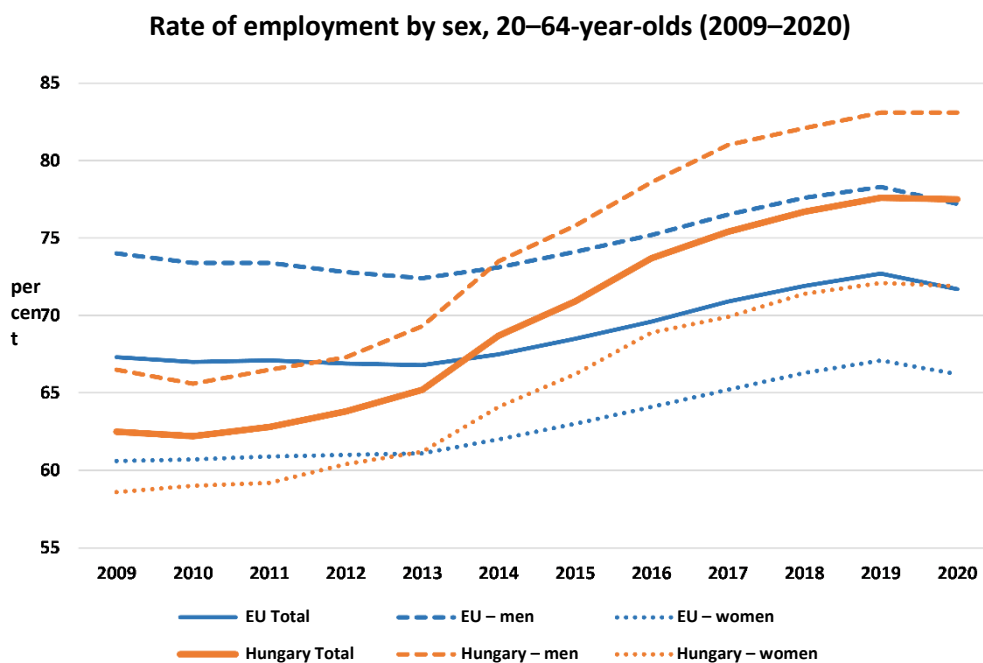
The **phasing out of informal payments hampering the health system for decades** is a major milestone in providing more transparent and predictable wages and reducing potential for abuse. Pursuant to the legal amendment entered into force on 1 January 2021—consistently with provisions of the new act on legal status in healthcare—informal payment provided or promised to health workers, or to someone else on their behalf, in relation to the provision of healthcare services constitutes bribery punishable by imprisonment of up to one year. Not only was the criminal prosecution of providers of informal payment introduced, but the term “gratuity” was also defined, and the cases and limits in which it is deemed to be lawful or unlawful, i.e. a criminal offence. Thus, the actual criminal liability of physicians/health workers accepting informal payment was introduced. In 2022, an awareness raising campaign entitled “Curbing bribery in healthcare” will also be launched with the planned use of funds of the Recovery and Resilience Facility (RRF) to curb the harmful social practice of providing and accepting informal payment, and to promote law-abiding behaviour.



## 5. Employment

In the past decade, Hungary has been a top performer in the EU in increasing employment: based on HCSO data, the employment rate of people aged between 20–64 years grew by 16.6 percentage points between 2010 and 2021. **The employment rate was 78.8 percent for the whole of 2021**, resulting in fulfilment of the 75 percent employment target set in the EU 2020 Strategy. Moreover, the employment rate for both women and men surpasses the EU level. The **crisis only moderately affected employment** in Hungary (the employment rate in the 20–64 age group only decreased by 0.1 percentage points to 77.5 percent in 2020), and the labour market grew again in 2021. In 2021 the number of employed increased (in the 15–74 age group) by 31 thousand people to 4 million 635 thousand. The number of workers in the primary labour market increased by 58 thousand, while the number of public workers fell by 6 thousand and the number of workers working at foreign sites declined by 21 thousand over the year 2020.

Figure 6



Source: Eurostat

The **employment target** of the Government of Hungary is to achieve an employment rate of **85 percent by 2030** among 20–64-year-olds (EU target: 78 percent). The Government plans to achieve this target by reducing the share of young people not in employment, education or training (NEET), bolstering the Youth Guarantee, narrowing the employment gap between the sexes, i.e. by the introduction and spread of flexible forms of employment facilitating the participation of women (particularly women with toddlers and nursing relatives) in the labour market. As part of the training-related target, 60 percent of the total adult population should participate in training each year. The **school system** satisfies the medium- and long-term needs of the labour market, while **adult education** needs to manage short-term expectations related to new investments, capacity building and modernisation. In relation to adult education implemented within the framework of vocational education, according to the training strategy, training courses should be adapted to the labour

market needs of regions with varying levels of economic development, in consideration of jobseekers and inactive persons in disadvantaged regions, who represent reserves on the labour market.

### Development of the employment institution system

Segmentation was a key element of the Labour Market Reform Programme extended nationally from 2020, aimed at increasing familiarity with customers and the provision of tailored services. During the programme approximately 80 thousand jobseekers registered in the employment system were placed in the primary labour market. **Several EU-financed programmes supporting development of the National Employment Service** will continue in 2022 (development of job portal, customer categorisation, services of non-State bodies, prioritised training programmes of public workers). The user-friendly **job portal** provides a single source of information to both jobseekers and employers; the electronic administration platform supporting the portal is expected to be developed from May 2022 until the end of the year. The **fine-tuning of the Customer Categorisation System** is aimed at offering active labour market instruments adjusted to the individual circumstances and characteristics of individual customers. Within the framework of the **“Development of county cooperation in employment and economic development”** programme, the local partnerships (pacts) can implement training employment programmes, which aim to provide appropriate labour that meets local demand, improve the employability of disadvantaged jobseekers; their support training based on employer needs and employment. The tender launched in November 2021 has a budget of HUF 70 billion and improves the labour market position of around 40 thousand jobseekers and inactive persons.

### Active labour market instruments

Programmes co-financed by the EU, which provide comprehensive aid instruments, supporting the integration of disadvantaged workers in the labour market, continue to play an important role among labour market measures. From June 2021, the **“Workforce subsidy for businesses”** programme is expected to provide a 50 percent wage subsidy until June 2022 to all employers employing jobseekers registered for at least one month. The amount of subsidies awarded in the programme exceeds HUF 19 billion, supporting the employment of over 34 thousand people up to the end of February 2022. The **“Work experience acquisition aid”** with a budget of HUF 3 billion supplements the above programme; in its three sub-programmes, companies can receive aid for employing young people, disadvantaged people and people with low education, if they provide professional training to them (3,600 people have already received support). The **“Let’s act immediately!”** programme is continuing; HUF 1.3 billion will be used in 2022 from the budget of HUF 13.5 billion allocated from 2015 for the support of 1,200 people, aimed at using wage subsidies to preserve employment capacities of businesses and avoid collective redundancies. The **“Compensatory allowance for self-employed”** provided an allowance equalling the minimum guaranteed wage between June and November 2021 in certain sectors to small enterprises with no employees. Under the programme, 77 thousand people received funding with HUF 17 billion. Several programmes **support the post-crisis adaptation and capacity building of SMEs**. The **“SME capacity-building subsidy”** is operated in the 2021–2023 with an overall amount of HUF 22 billion, offering subsidisation of costs (wages costs, procurement of equipment) for increasing personnel for SMEs with 3–25 employees.

The “**Workforce Intensity Enhancing Programme**” and “**Innovative Capacity Building Programme**” also support SMEs with funding of technological development (purchase of equipment, real estate investment), potentially leading to higher productivity and workforce qualification levels resulting from technology-related training (the two programmes are operated with a budget of HUF 6.1 billion and HUF 7.2 billion, respectively, in 2021–2022). The **programme supporting the development and training of the workforce** (“Improvement of the adaptive capacity and productivity of employees and companies through development of the workforce”), organised by the Employment Service, supports the training and wages of company employees with involvement of adult instructors. Implementation is expected between 2021 and 2022 with an overall amount of HUF 70 billion.

In parallel with strengthened active instruments and programmes enhancing the efficiency of the institution system, in line with trends of previous years, the weight of **public work scheme** has further **diminished**. In 2021 there were 87,976 people in public work scheme on an annual average, indicating a 4.9 percent decline over the year 2020<sup>12</sup>. Similarly to the minimum wage, the **public work wage significantly increased** from early 2022, equalling a 17 percent rise for an estimated 85 thousand workers; thus, the rate of public work wages to the minimum wage reached 50 percent. In 2021, targeted measures continued to support the transitioning of people from public work and the training of public workers. Within the framework of the “**From Public Work Scheme to the Private Sector**” programme, 1,652 public workers received a placement allowance in 2021. So far, the programme has supported the employment of over 20 thousand public workers in the primary labour market. The allowance will be available to applicants in 2022 as well. The **priority training programme for low-qualified persons and public workers** provides training opportunities until the end of 2022; a total of 106 thousand people have participated in the programme since its launch, with 6.6 thousand people participating last year and the targeted participation of a further 6 thousand people in 2022. Training courses are supplemented with mentoring services. Between 2016 and 2021, 96 thousand people successfully completed training. Within the framework of Phase IV of the **regional economic recovery programme** launched in 2019, the job creation programme may continue at 50 disadvantaged municipalities with high unemployment on the basis of production capacities created in public work scheme and by support of local economic initiatives (accommodation and kitchen upgrades, purchase of equipment for construction and agricultural services, development of small-scale plants in the food industry). The total budget of the programme has been HUF 33 billion so far, and the awarding of HUF 18 billion is expected in 2022. In the projects implemented so far, 351 people have been employed.

In addition to active labour market policies and programmes supporting these, and development of the employment institution system, direct measures also support the improved employability of **groups that are disadvantaged or in a weaker than average labour market position** (mothers, people with children, young people, people receiving rehabilitation benefits). A number of measures were introduced in recent years to bring women and parents raising small children to the labour market. The scholarship programme introduced for facilitating the training of parents with toddlers and programmes reducing the costs of daytime care have a combined budget of HUF 8 billion; 7 thousand people received support up to the beginning of 2022. The increase of nursery capacities is continuing, with 55 thousand places already created out of the planned 70 thousand. Additionally, by

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<sup>12</sup>[https://kozfoglalkoztatás.kormany.hu/download/c/23/e2000/Havi%20jelent%C3%A9s\\_2021\\_december\\_%28port%C3%A1l%29.pdf](https://kozfoglalkoztatás.kormany.hu/download/c/23/e2000/Havi%20jelent%C3%A9s_2021_december_%28port%C3%A1l%29.pdf)

reforming the financing of nursery care, the amount of normative subsidies for places providing care and the wage subsidy based on staff significantly increased in 2021 and 2022.

## 6. Family policy

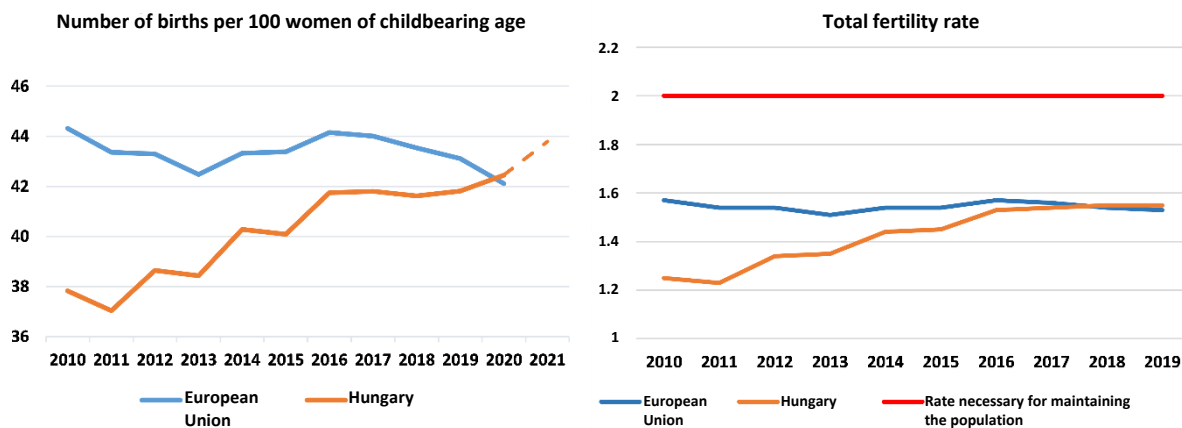
**Hungary has further strengthened the role of families** in light of how the COVID-19 pandemic further aggravated the serious European demographic challenges from the spring of 2020. The Government not only upheld its commitment to providing family benefits, but boosted these with additional instruments.

One of the risks receiving less attention during the pandemic, but carrying a severe long-term risk is the irrecoverable loss of future generations stemming from the declining willingness to have children. The crude birth rate in the European Union only increased in Hungary in 2020 alongside Finland, Greece, Cyprus and Luxembourg. The past decade reveals an even more dramatic picture: the birth rate declined in 24 EU Member States, stagnated in Austria, and increased by a tangible rate only in Hungary and Germany; thus, **the rate of birth per women of childbearing age first surpassed the European average in 2021.**

The **refund of personal income tax paid** for the year 2021—available to **1.9 million parents**—is a new measure aimed at easing growing work- and family-related burdens attributable to the pandemic. All parents with children, eligible for a family tax credit fall within the scope of the refund. They are entitled to the refund of tax based on the consolidated tax base for the year 2021, after deduction of tax benefits, in the form of budgetary support, or they may choose not to pay the tax. The benefit extends to two other types of tax: taxpayers subject to the small business lump-sum tax (KATA) are refunded one fourth of such tax, while taxpayers subject to the simplified public dues contribution (EKHO) receive the full amount deemed to be personal income tax as an EKHO benefit. Based on the national gross average salary in December 2020, the upper limit of refunds is HUF 809 thousand; thus, a family could receive up to HUF 1.6 million if both parents have full eligibility.

Hungary has set the prioritised goal of reaching the number of births necessary for maintaining population size. As an important 35-year milestone, **last year 72 thousand couples chose to marry.** Even more encouraging is the fact that in 2021, the birth rate maintained the trend of recent years and was even higher for six months, despite the slump in January linked to the first wave of the pandemic. 93 thousand children were born in the whole of the year, which is a 12-year-old record, continuing the improving trend since 2010.

Figure 7



Source: HCSO, Eurostat

The positive trend in having families and children is significantly attributable to the Government significantly **expanding options for the daytime supervision of children under the age of 3**: nursery care available in four forms had a capacity of 47 thousand, which increased to 52 thousand in 2021 with a steady rise in the number of children, and over 55 thousand in early 2022. Territorial availability improved to an even greater extent: nursery care was available in around 330 and in 919 municipalities in 2010 and in early 2022, respectively. The quality of care is ensured by increased wage subsidies of nursery workers, in addition to raised normative subsidies. As a result of calls for applications in early 2022, the number of places related to a commitment reached 70 thousand; thus, the goal of the Government undertaken as part of the family protection action plan three years ago by way of a decision is met. Most of the new capacities—in relation to around 3 thousand places—are implemented under the RRF and the call published in the 2<sup>nd</sup> round, which Hungary pre-financed from the National Recovery Fund.

As part of the Action Plan for Restarting the Economy, **as of 1 January 2022, the income of people under the age of 25 is exempt from income tax**. The measure aims to support young people’s successful entry to the labour market and their separate income. This not only facilitates the transition to an independent life, but may also bring forward the establishment of a household and family in time. Thus, young people under the age of 25 are automatically entitled to a personal income tax exemption for up to the amount of the gross average salary measured as a national average in July of the previous year. Eligibility is extended to the extent possible, to the month of reaching the age of 25. Eligibility for the benefit is possible in employment, as a private entrepreneur or primary agricultural producer; within the framework of public consultation the need for its extension to part-time work and student work was put forward. The tax exemption generates a surplus of around HUF 500 thousand annually for a young person. Additionally, people newly entering the labour market (having insurance for up to 92 days in the preceding 275 days) also receive a social contribution tax benefit in the first three years, for up to the amount equalling the minimum wage, and the legal relationship with a school co-operative for full-time education is also granted full exemption.

The **extended Home Creation Programme** introduced last year is continued; as of October 2021, it is supplemented by the **green Family Housing Subsidy (CSOK)** with more strict energy efficiency targets in effect from March. In connection with the Green Home credit programme launched by the Magyar

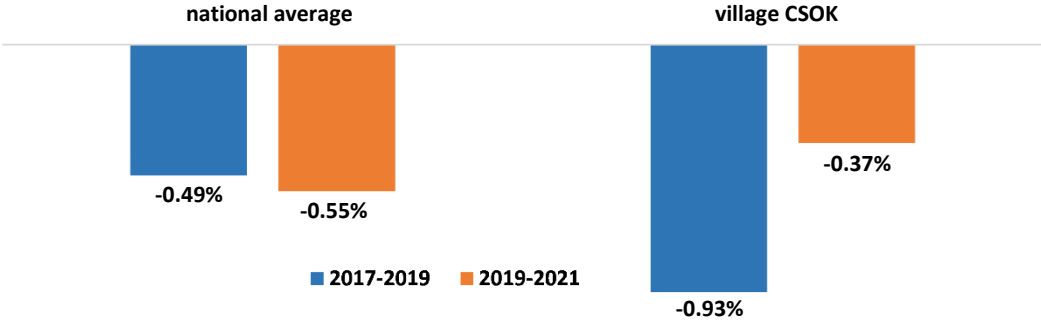
Nemzeti Bank, all families receiving the Family Housing Subsidy and purchasing a new, nearly zero energy property are eligible to receive the CSOK credit interest-free, which is otherwise provided with 3 percent interest. The amount of the latter equalling HUF 10 million and HUF 15 million for 2 and 3 children, respectively, may now be supplemented with a preferential Green Home credit with 2.5 percent interest for up to a combined credit line of HUF 70 million.

As the most popular element of the Home Creation Programme, the **home renovation subsidy—available from the beginning of 2021—is very successful**; over 110 thousand applications have been received, and in addition to renovation and modernisation, it can also be freely used for energy efficiency investments. The subsidy is available in the entire territory of Hungary; the amount of subsidy may be reclaimed immediately after conditions are met. Half of the subsidy may be spent on materials and work fees, respectively, and it is capped at half of the renovation cost, but maximum HUF 3 million. 86 percent of applications received so far, amounting to over HUF 200 billion, have been disbursed.

Establishment of a home is a crucial factor shaping the long-term decisions of families, as evidenced by the first comparative result of the village Family Housing Subsidy Scheme operated as part of the Hungarian Village Programme, presented in the section on rural development.

**Figure 8**

**Population change in municipalities affected by the Family Housing Subsidy (CSOK), percent**



*Source: Ministry of Interior, OTP Ingatlanpont*

As regards family support benefits in cash, the most notable measure is the significant **increase of the infant care allowance**—as announced earlier—to 100 percent of income comprising the contribution base as of 1 July 2021. Eligible mothers may now receive a benefit in excess of their earlier net wage, for which the budget appropriated HUF 93 billion in 2021 and HUF 128 billion in 2022.

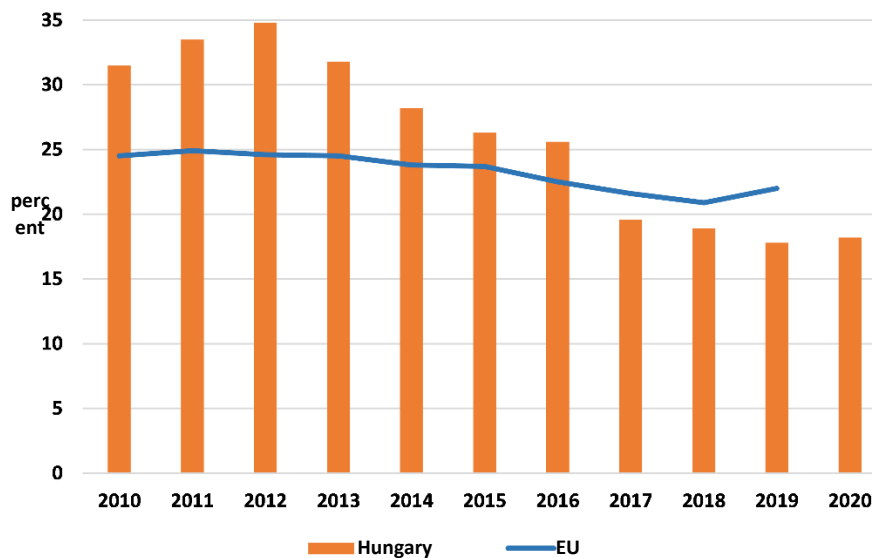
Information on the benefits is provided by the **Family Support Calculator**; the user-friendly internet platform has been available since December 2021.

## 7. Poverty, social inclusion

**Poverty has significantly declined in Hungary in the past decade:** While almost one third of the population was exposed to the risk of poverty or social exclusion in 2010 (people in this category are affected by at least one of the three dimensions measuring poverty: relative income poverty rate, severe material deprivation, very low work intensity), this rate fell to **18.2 percent in 2020**.<sup>13</sup> The poverty rate of families with children improved by an exceptional degree to 17.6 percent by 2020, around one half of the figure for 2013; the family-friendly tax system and other government measures played a major role in this decline. The global economic downturn caused by the pandemic only minimally upended this decade-long improving trend: the share of the population exposed to the risk of exclusion increased by 0.4 percentage points in 2020 over the year 2019. Notwithstanding the pandemic, the number of people simultaneously affected by all three poverty dimensions decreased from 112 thousand to 93 thousand<sup>14</sup>

Figure 9

Share of population at risk of poverty or social exclusion, percent (2010–2020)



Source: Eurostat<sup>15</sup>, HCSO

In relation to income, Hungary belongs to EU countries with average inequality. The value of the Gini coefficient measuring income inequality fell from 28.3 in 2019 to 27.7 in 2020. The value of the S80/S20 indicator measuring the difference between the upper and lower income quintiles decreased to 4.2 from 4.3 in the previous year.

By way of Decision No. 1605/2021, the Government adopted the strategic programme “**2030 Hungarian National Convergence Strategy**”. The adopted programme defines strategic directions relating to the population living in poverty, with a focus on families with children, and the well-being

<sup>13</sup> [https://www.ksh.hu/stadat\\_files/ele/hu/ele0002.htm](https://www.ksh.hu/stadat_files/ele/hu/ele0002.htm)

<sup>14</sup> <https://www.ksh.hu/docs/hun/xftp/idoszaki/hazteletszinv/2020/index.htm>

<sup>15</sup> The years reflect enumeration according to the Hungarian methodology.

and social inclusion of the Roma after the ten-year strategy in effect until 2020. The main goal of the strategy has remained the reduction of poverty, prevention of the recurrence of poverty and improvement of equal access to socioeconomic goods. The key undertaking of the strategy is the 10 percentage point reduction of the financial and social deprivation rate among households with children. Additional goals include, *inter alia*, reduction of the poverty gap to 20 percent, the share of early school leavers among Roma students to 45 percent, and the increase the employment rate of the Roma to 60 percent. The implementation of the strategy commenced with the adoption of the 2021–2024 action plan by the Government.

### Benefit and tax system encouraging employment

The benefit and tax system encouraging employment continues to play a key role in the fight against poverty. Owing to such scheme, between 2010 and 2021 the rate of employment increased by 12 percentage points, while the unemployment rate fell to less than one half of its previous value.<sup>16</sup> The spill over of economic effects of the pandemic only moderately curbed the lasting improving trend, resulting in a 0.8 percentage point rise in unemployment in 2020. **The share of households with very low work intensity within the Roma population has declined to less than one half of the previous figure since 2013** despite the fact that the number of Roma families in this category slightly increased in 2020 due to economic consequences of the coronavirus pandemic.<sup>17</sup> The favourable employment trends significantly improved the focus of the social security system: In 2020, despite the pandemic, the minimum income benefit was received by as many people (79 thousand) as in the previous year.<sup>18</sup> As a result of the **19.5 percent increase of the minimum wage in January 2022**, workers in full-time employment may earn at least a monthly gross wage of HUF 200 thousand.

**Public Work Scheme** offers transitional job opportunities for typically low-qualified people unable to find work on the primary labour market. As a result of the economic downturn caused by the pandemic, the number of public workers increased in 2020, but in 2021 their number again reflected the pre-coronavirus declining trend.<sup>19</sup> From January 2022, the wage of full-time public workers is increasing from gross HUF 85 thousand to HUF 100 thousand, and reaches the gross amount of HUF 130 thousand for positions requiring at least secondary level education and vocational qualification.

### Social security system

Social assistance also significantly contributes to the reduction of income poverty. **Social transfers** reduce the number of people affected by income poverty from 20.6 percent prior to transfers to 12.7 percent, i.e. the social security system reduces the rate of relative poverty by almost 40 percent.

As of 2022, the amount of the children's home care allowance—introduced in 2019 to support the nursing of chronically ill children—increased to the amount of the minimum wage, i.e. HUF 200 thousand.

The Government introduced the loan repayment moratorium in the spring of 2020 to support private individuals and businesses struggling because of the coronavirus. This option was eliminated in the

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<sup>16</sup> [https://www.ksh.hu/stadat\\_files/mun/hu/mun0002.html](https://www.ksh.hu/stadat_files/mun/hu/mun0002.html)

<sup>17</sup> [https://www.ksh.hu/stadat\\_files/ele/hu/ele0007.html](https://www.ksh.hu/stadat_files/ele/hu/ele0007.html)

<sup>18</sup> [https://www.ksh.hu/stadat\\_files/szo/hu/szo0021.html](https://www.ksh.hu/stadat_files/szo/hu/szo0021.html)

<sup>19</sup> [https://www.ksh.hu/stadat\\_files/mun/hu/mun0051.html](https://www.ksh.hu/stadat_files/mun/hu/mun0051.html)



autumn of last year, but deprived groups (pensioners, people expecting a child and foster parents, public workers and private individuals whose income decreased over the previous year, and businesses whose turnover fell by at least 25 percent over the previous year) may request extension of the loan repayment moratorium until 30 June 2022.

### Programmes supporting convergence

A number of programmes are aimed at reducing social and economic differences between regions of Hungary. The **Economic Recovery Programme implemented from Hungarian budgetary resources** of HUF 33 billion provides funding for investments creating marketable jobs sustainable in the long term by building on production capacities established in public employment. In the first three phases of the programme launched in 2019, 93 municipalities received funding and over 300 labour market jobs were created. The fourth phase of the programme is implemented with HUF 8 billion in funds, which are expected to be used for development projects in 28 additional municipalities from the summer of 2022.

Within the framework of the long-term programme for **“Developing Settlements ”** also launched in 2019, implemented with HUF 17 billion in national and EU funds between 2019 and 2022, measures aimed at social inclusion—drawn up in consideration of local needs—were already implemented in 2021 in 118 municipalities, reaching around 20 thousand families between July 2019 and January 2022. The planned further extension of specific elements of the programme (energy, housing, economic development, education, healthcare) from RRF funds, from national pre-financing funds, is already in progress.

The programme **“Elimination of segregation with complex programmes”**—with a total budget of HUF 40 billion—has for years served convergence and integration of disadvantaged people living in a segregated living environment and in extreme poverty. The programme is aimed at improving housing conditions, developing access to infrastructure and services within the environment, and improving the qualifications and labour market prospects of people living in informal settlements. In the 120 segregated settlements involved in the programme so far, over 6 thousand people successfully completed the training courses, 8,200 people participated in health screenings and the housing conditions of over 3 thousand people improved.

Several programmes focus on **assisting disadvantaged children**. The “Integrated Regional Child Programmes” implemented with HUF 15 billion in HRDOP funds, launched in the 31 most disadvantaged districts, are aimed at curbing child poverty and reducing early school leaving. The programme reached 80 thousand people under the age of 25 in 2021; every second child/young person received regular child protection benefit. In 2022, the goal is to additionally ensure regular participation of 10 thousand young people in the programmes. The programme “A Great Place – Support of the Sure Start Children’s Houses and complex children’s programmes in small municipalities” with a total budget of HUF 6.8 billion, implemented from EU and Hungarian budgetary resources, is aimed at providing assistance to disadvantaged toddlers, mainly of Roma origin, with involvement of their mothers, in the development of their skills and capabilities from their early years to laying the groundwork for their kindergarten and school integration, and success. Within the framework of the programme operated since 2016, an average of 2,400 children has visited the children’s houses with their families.

## 8. Education

The **public and higher education strategies** defining the development framework of the education system **propose quality improvements in education as a main goal** in order to help nurture successful and competitive adults. Measures implemented according to the Public Education Development Strategy and the Mid-term Strategy Against School Leaving Without Qualification aim to provide accessible, equitable and enabling education for all students, in addition to encouraging raised levels of qualification. It is important to ensure that the share of early school leavers does not increase further during the pandemic. The model change in higher education that began in 2019 continues; the complex development of several institutions has begun to rationalise the network of higher education institutions.

### Development of public education and higher education infrastructure

**Educational institutions of sufficient number and quality** are an important condition for quality education and for promoting compensation of disadvantages. To this end the Government is allocating substantial funds for the infrastructure development of educational institutions. Within the framework of the **Modern Cities Programme** launched by the Government of Hungary in 2015, between 2020 and 2024 major institution development, capacity building investments in medium-sized rural cities are implemented in total value of around HUF 51.2 billion in relation to their secondary level institutions and their dormitories, and in value of HUF 43.8 billion for the campuses of higher education institutions, with HUF 70.3 billion provided as budgetary resources. In the 2021–2024 period, infrastructure development and expansion projects are implemented in value of HUF 242.9 billion at a total of 17 public education institutions (classrooms, gymnasiums, construction of new schools) in municipalities of Pest county, particularly in disadvantaged territories belonging to the Budapest agglomeration.

According to the plans of the Government, **digital tools aligned to the needs of 21<sup>st</sup> century technology are provided** within the framework of the RRP to ensure conditions of equal access to digital education. In 2022 Q1, the distribution of 120 thousand notebooks began for students and teachers. By the end of 2022, teachers and 9<sup>th</sup> grade students in public education will receive a total of 189 thousand devices. Teachers may also participate in free further training to support the use of devices.

Since 2018, the Government has allocated HUF 983 billion to public education investments and it has launched several programmes serving the development of schools and kindergartens. Under the CLG (classroom, learner pool, gymnasium) programme **87 gymnasium, swimming pool and classroom** development projects were implemented in four years; 37 investments in value of HUF 49 billion were implemented under the Modern Cities Programme. The Hungarian Village Programme provided assistance for kindergarten development projects in 496 small municipalities, 168 municipalities received funding for school building renovation, and gymnasiums, exercise rooms were built in 93 small municipalities.

## 8.1 Public education

**Prevention of school leaving without qualification** is continuing in 2022, as well as a number of measures introduced to support the successful school progress of vulnerable student groups (disadvantaged and multiply disadvantaged students, including Roma students). In 2021, the number of early school leavers in the age group 18–24 fell by 0.1 percentage points to 12.0 percent over the previous year (year of the COVID-19 pandemic outbreak). The 6.29 percent share of students at risk of early school leaving indicates a somewhat bigger improvement in 2021 over the 6.8 percent in the previous year. Schools receive adequate professional support tailored to their needs, for their work related to the prevention of early school leaving from the territorial pedagogical education centres operating within the framework of the Educational Authority and through the early warning and pedagogical support system introduced to support the successful educational progress of pupils at risk of early school leaving, including disadvantaged students.

To boost inclusive education, **anti-segregation working groups** have been operating since 2016 in 60 educational district centres as permanent working groups of the School District Councils. Their activity directly or indirectly affects 2,178 public education institutions operated by school districts. The working groups started activity by building cooperation with local educational actors, including non-governmental operators, child welfare institutions and local civil society organisations. They are responsible for monitoring desegregation processes, operating a warning system, and for proposing necessary measures. The anti-segregation working groups also play a role in modification of district boundaries. In 2021 the working groups received professional support in further developing the school district equal opportunity action plans.

There is continuation of the EU (HRDOP) project supporting the development, quality assurance and accessibility of **methods serving the development of children** participating in integrated forms of education, **with special education needs (SEN)**, and struggling with integration, learning, behavioural difficulties by professionally bolstering special education institutions. A total of 37 institutions were awarded funding within the framework of the project.

A number of targeted measures also aim to improve the prospects of **disadvantaged and multiply disadvantaged students, including Roma children**. Tanoda Study Hall Programmes—financed by the central budget, assisting in the primary education convergence of students—reach 5.5 thousand children annually. Within the framework of the Road to Scholarship Programme, enhancing the success of disadvantaged primary and secondary school students, around 10.3 thousand students received scholarships and mentoring in the 2021/2022 academic year. The Arany János Talent Fostering Programme (AJTP) and Arany János College Programme (AJKP) serve the academic success of this same group and prevention of early school leaving in a comprehensive manner. A total of 3,043 students are enrolled in the Arany János Programmes in the 2021/2022 academic year. In 2022 the programmes are supplemented with an academic scholarship element. Over 60 percent of graduates of the Arany János programmes in the 2020/2021 academic year continue higher level or vocational studies or have successfully entered the labour market. To increase the number of Roma with a higher education degree and to strengthen their role in society, a total of 11 special Roma colleges in higher education assist hundreds of Roma young people in their university and college studies. In the 2021/2022 academic year, 343 students commenced studies in the special colleges, and 55 of these students are expected to earn a degree in 2022.

The “**Let Us Teach for Hungary**” **secondary school mentoring programme** is aimed at reducing the early school leaving of disadvantaged young people from the education system and at supporting their integration in the labour market. Within the framework of the mentoring programme, students in an active legal relationship with a higher education institution mentor (mainly 14–19-year-old) students in secondary education in cooperation with secondary school teachers.

Objectives of the Government include the search for and targeted, long-term support of children, young people capable of outstanding performance to allow their talents to flourish and be optimally utilised. Within the framework of the **National Talent Programme** serving the achievement of these objectives, a total of 27 calls for applications were announced with funds for the year 2021; 1,355 applicants received funding of around HUF 3.8 billion.

The success of educational systems primarily depends on **teachers**; therefore, it is essential to raise the level of their competence and appreciation. The Government resolved a 10 percent average wage raise (around 30 percent for career starters) for teachers from 2022.

The Government of Hungary has taken a number of measures in recent years aimed at **education in sustainable development**. The modified National Curriculum has integrated sustainable development as a horizontal objective. School education integrating sustainable development comprises part of the substantive requirements of teacher training. The Hungarian **Eco-School Network** was established 22 years ago. The Government of Hungary awards the title “eco-school” to public education institutions that declare commitment to and deal with the topic of health and environmental consciousness in their pedagogical programmes at systemic level, in day-to-day education as an integral part of the school’s operation, and pay particular attention to the question of sustainable education. By March 2022, the number of eco-schools increased to 1,300. Beyond the work of the Eco-School Network, competences in sustainable education have been part of teachers’ competence framework since 2018, sustainability subjects have been integrated in the National Core Curriculum and textbooks, and the general curriculum of the optional subject “sustainable development” has also been drawn up. The **Hungarian Green Kindergarten Network** has been operating for 16 years. Hungary is actively participating in international work related to education integrating sustainable development.

## 8.2 Higher education

The Government aims to **create a quality higher education system** capable of responding to global challenges, **in line with longer-term economic and social objectives**, able to provide competitive knowledge to as many students as possible and is also capable of boosting recruitment of future researchers. Additional priorities include improving the competitiveness and educational standard of Hungarian universities, and making Hungary a regional knowledge centre.

In 2020 33.2 percent share of young people aged 30–34 with higher education degrees was around 8 percent lower than the EU average (41 percent). Although the share of Hungarian young people aged 30–34 with higher education degrees has increased at a rate slightly higher than the EU average since 2010, Hungary is still lagging far behind due to the significant gap at the baseline.

The **model change in higher education** has been implemented as part of overhauling higher education, which is expected to create a **more flexible operating environment** for institutions,

removing them from the scope of the framework determining the operation of budgetary institutions. The change also aims to improve the quality, international competitiveness of higher education, and to enable institutions to substantially contribute to the socioeconomic development of their respective regions. An **indicator scheme** will be put in place at universities undergoing a model change, with involvement of the asset management foundations and the management of higher education institutions, **on the basis of which the State can measure and monitor performance to also determine financing of institutions set out in the 3–5-year framework agreements**. In addition to education and research, increasing emphasis is placed on the third mission of universities: the use of their knowledge in contributing to the resolution of social problems, the development of their economic environment and the improvement of innovation. The performance of members of the foundations' board of trustees will be qualified on the basis of the university's progress in achieving its goals. To ensure success, cooperation has been established between institution management, the senate, students and the board of trustees. In the course of the model change, 13 higher education institutions came under operation of public asset management foundations of public interest in 2021; a total of 21 institutions are now operating in this form. As of September 2021, over 180 thousand students commenced studies in such institutions, accounting for 62.7 percent of all students. In 2022 the number of foreign students studying at institutions undergoing a model change reached 40 thousand. There are 11 Hungarian universities listed in the top 5 percent of the world's best universities in this year's ranking of Times Higher Education (THE).

In connection with the model change in higher education, the Government has doubled higher education expenditures, resulting in major **wage increases** at most institutions. The wage increase programme extends to institutions operated by both the State and the church. In September 2021 and January 2022, a minimum 15 percent wage increase was implemented in each of two phases, but raises at several institutions exceeded the above rate. By increasing the financing of universities, heads of institutions have greater manoeuvring room for retaining and providing reasonable salaries to talented, well-performing instructors, possibly employing foreign instructors, and for offering scholarships to students based on performance or need. Within the framework of the model change, several higher education institutions (University of Veterinary Medicine, Hungarian University of Sports Science, Lágymányos South Block of ELTE University, Budapest Business School – Student Centre) have implemented infrastructure development projects.

Church education and higher education has rich historical traditions in Hungary. The number of students at Church higher education institutions has increased significantly in recent years, hence it has become necessary to extend the quality-enhancing practice of the model change in higher education to the expanded range of institutions. The financing of **institutions operated by the Church** is supported with several guarantees from the State.

In 2004, around 54 20-year higher education projects (education-research infrastructure, new student accommodation, dormitory renovation) were launched under the Universitas Programme in public-private partnership (PPP scheme), with participation of 18 higher education institutions. Most financing and operating risks were borne by the State and the institutions, exceeding the burden-sharing capacity of such institutions. Therefore, the State decided to terminate the contracts of several institutions, lifting the burden of major future additional expenditures of higher education institutions. The State provided one-off funds for replacing PPP-related projects to ensure the more

efficient and economical management of institutions. In 2021 a total of **14 PPP contracts were replaced**, thereby reducing the number of PPP scheme contracts to 7.

As regards the structural overhaul of higher education, the **development of digital curricula** began in 2021 in various fields of training, in the following areas of intervention: (i) nationally coordinated expansion of educational content produced in electronic format; (ii) coordinated digitisation of the most valuable textbooks, journals and educational materials. The investment also aims to develop the digital skills and competences of students and staff at higher education institutions. The Government plans to finance the project with RRF funds. The planned investment contributes to the availability of highly qualified Hungarian labour to the Hungarian economy in the event of future crises and to the ability of higher education institutions to provide high-standard digital education to all students.

The **practice-oriented reform of higher education courses** is key to providing higher education training satisfying labour market needs; reform is aimed at the infrastructure development of internal practice establishments, digital infrastructure and competences, competences of students and workers in higher education, and at globalisation. The project has been prepared; the Government plans financing with RRF funds.

The Government is also planning **sectoral modernisation of higher education** within the framework of reforms modernising universities under the RRP. The planned reform simultaneously targets the practice-oriented reform of the training system of higher education, establishing collaboration with vocational training and innovation in training and regulation, and reinforcing the further training, upskilling and reskilling schemes in higher education, aligned to expectations in the labour market.

The **“Quality digital higher education”** project is funded by the EU Technical Support Instrument (TSI). Within the framework of the project, Hungary’s quality assurance system and means of ensuring quality digital higher education will be analysed. The project will support political decision-making in the adoption of new quality standards and put forward recommendations for an external quality assurance framework, and the implementation of new external and internal quality assurance services and support mechanisms, which assist institutions in providing quality digital higher education.

### **8.3 Vocational training**

The **new vocational training system** was launched on 1 September 2020 with a **new legal background**; the overhaul covers the system, content and methodologies of vocational training. The goal of reform is to enhance the appeal of vocational training, widen the scope of participants in dual education, develop the training workshops of vocational training centres, and to strengthen the key competence development capacities of vocational training institutions, thereby contributing to reducing the number of non-qualified school leavers. Introduction is supported by workshops and conferences organised by the competent ministry, activities of persons involved in the vocational training cooperation scheme, the **Innovative Training Support Centre** (hereinafter referred to as **“ITSC”**) established for this purpose, continuation training for managers and instructors, and publication of the manual explaining the vocational training act and its implementing decree in 2021. Other professional bodies also support development of vocational training; the **Vocational Training Innovation Council** (hereinafter referred to as **“VTIC”**) assists operation and processes supporting

development through its thematic working groups. Additionally, in 2018 economic actors set up **sectoral skill councils** coordinated by the economic chamber, which were involved in 2021 in the drafting of new professional materials in vocational training in 19 sectors, and in coordinating labour market demand and training supply. Within the framework of developing the substantive structure of vocational training, the drawing up of digital curriculum started with EU funding.

The reform and enhanced flexibility of the employment framework of instructors in vocational training significantly contributed to improving the quality and efficiency of vocational training; a **major 30 percent average wage raise** was implemented, potentially increasing the share of professionals in the private sector involved in vocational training. The measure affected the wages of 32 thousand professionals working in State vocational training institutions, including 20 thousand full-time instructors, amounting to HUF 35 billion in additional expenditures annually. In addition to the wage raise, performance-based remuneration and an **instructor qualification system** was introduced, the latter providing continuous monitoring and an evaluation every three years. Under the **reform of the institution system of vocational training**, technical schools providing five-year (professional and general knowledge) training provide a secondary school diploma and technician certificate to young people. Additionally, young people can learn marketable, practice-oriented professions in 3 years in the reformed vocational schools. The **establishment of accredited examination centres** operating at vocational training centres is in progress; certification system requirements have been already drawn up in 65 training areas. Until the end of 2025, vocational training institutions with a cooperation agreement may hold professional examinations without accreditation. If examination is not possible at the given centre or in the neighbouring county, **Innovative Training Support Centre**—operating since April 2021—provides centrally organised examinations (for 5 thousand people last year). Development of an **examination system adapted to the KRÉTA** (Core System of Public Education Registration and Academic Study) is in progress; its launch is expected in 2022.

For studies pursued in vocational training institutions, the **first two basic professions and the first professional qualification** (e.g. continuation training of adults) **are still provided free**. As indication of available opportunities, the education and training of around 14 thousand adults was carried out in the 2020/2021 academic year by vocational training centres, within the new structure. In the 2020/2021 academic year, around 257 thousand people pursued studies at vocational training institutions, such as vocational schools and technical schools (including multi-purpose public education institutions providing vocational training), and approximately 209 thousand of them studied full-time. The number of students admitted to vocational training has been increasing since 2018: back then, institutions admitted 50 thousand students; this year, almost 55 thousand students have been admitted, with over 35 thousand admitted to technical schools. The number of students admitted to vocational training increased by a further 7 percent. Additionally, 20 percent more students continued studies in higher education in 2021 than in 2020, after completing vocational training.

The **academic scholarship scheme and career starter allowance** have been generally introduced for students, enhancing the appeal of vocational training. After reform of the vocational training scholarship scheme, in the previous academic year (2020/2021) around HUF 8 billion was allocated to **new student benefits** (around HUF 8 billion for scholarships and the one-off career starter allowance for approximately 69 thousand students). In the current academic year (2021/2022),

around 110 thousand students have so far received scholarships in the value of around HUF 5.1 billion. In dual education, the scholarship is replaced by wages based on a **vocational training employment contract** (participants of dual education can expect 50–80 percent of the minimum wage). **Tax benefits** continue to encourage companies to hire students and conclude employment contracts. The scholarship scheme is supplemented with the **Student Loan scheme** extended to vocational training in May 2021, which is expected to support the studies of 7.8 thousand students in 2022 with loan valued at HUF 3.6 billion.

The **intensive development vocational training infrastructure and equipment** is continuing. Hundreds of minor renovations and equipment purchases have been made in recent years with budgetary support in the total value of around HUF 16.3 billion. Comprehensive, complex development projects have been launched in Győr, Miskolc, Kecskemét, Békéscsaba, Esztergom and Budapest in the value of around HUF 20 billion; it is now possible to develop infrastructure and renovate buildings supporting the high-quality operation of vocational training centres. To enhance the role of companies in dual education and to increase the share of participation of small and medium-sized enterprises (hereinafter jointly referred to as “SMEs”) in dual education, in 2021–2022 the competent body provided HUF 8 billion in additional development funds for infrastructure development and equipment upgrades supporting **establishment of sectoral training centres** and the modernisation of vocational training, and for preparing company and vocational training professionals involved in operating the sectoral training centres. Additionally, knowledge centres and corporate training centres may also be established in cooperation with higher education institutions for sharing training duties. The economic chamber has already registered 6 sectoral training centres as dual education establishments and registration of 15 establishments is in progress. After sectoral basic education, specialised training provides development of skills and competences for students, and their application in practice. The sectoral training centre accepts students in the joint (workshop) infrastructure of founding companies, with the benefit of no administration burdening members (attendance sheet, vocational training employment contract and payroll duties).

The Zrínyi 2026 Defence and Military Development Programme, and existing international agreements relating to industry and arms manufacturing, and similar investments planned for the future increase demand for workers with specialised secondary level and tertiary education. To this end, it is necessary to bolster appropriate teaching skills and competences. For this purpose, the Defence Industry and Training Development Strategy is also targeting strengthened human resources and a training base. Based on investments currently in the preparation or implementation phase, around 7 thousand people are expected to be **employed in the defence industry** in 2030.

A **measurement-evaluation framework operating in a digital environment measures the knowledge and competence** of students in vocational training, aimed at identifying students struggling with competence deficits, and developing skills and competences during and outside of classes (around 2 thousand groups were formed). In September 2020, around 70 thousand students at a total of 422 vocational training institutions participated in a survey of 9<sup>th</sup> grade students. The average early school leaving rate of 9.6 percent measured at the beginning (2016/2017 academic year) for vocational training centres and agricultural institutional consortiums in vocational training participating in the survey dropped to 6 percent by the end of the 2019/2020 academic year.

The **first (pilot) questionnaire survey of vocational training graduate tracking** was carried out in 2021; the data integration module built on data linkage in state administration was launched in



graduate tracking in 2022. The survey helps to assess adequacy of training on the labour market, and efficiency analyses may also be carried out at regional and institution level. The **labour market forecasting system** was developed and launched in December 2021; the uploading of data is in progress, and the system collects job postings of employment agencies on a quarterly basis for identifying training necessary in the labour market.

To reduce school leaving without qualification, several new measures have also been implemented in the new system. The new vocational training system offers several options and programmes to assist students at risk of early school leaving and to prevent early school leaving. These assisted around one thousand students in the 2020/2021 academic year with the **Orientation Year, Dobbantó Programme** and **workshop school**. Owing to input measurements after school enrolment and related individual development, the number of fails also declined last year. In the 2021/2022 academic year, 565 students are participating in the Dobbantó Programme and 569 students in workshop school training. In preparation for sub-vocations, continuous mentoring supports students. As part of the KRÉTA system, the **ESL module supporting prevention of early school leaving** has been operating since 2019 in member institutions of vocational training centres; it enables assessment of academic results of students of vocational training institutions and involvement of experts, where necessary. The **Apáczai Scholarship** supports the talent development of disadvantaged young people studying in vocational training, including mentoring.

The **new vocational training and adult education system provides greater flexibility and interoperability** between the labour market and the school system. Only adult training establishments may provide vocational training, the training establishment only has the right to issue a certificate; examinations may only be performed at accredited examination centres, based on the set of programme requirements. Training time may be reduced in consideration of qualifications earned earlier. Up to January 2022, a total of 463 registered programme requirements in 59 training areas were published. The option of **free professional training** (two professions or one professional qualification) still exists; around 14 thousand people participated in training in the 2020/2021 academic year, with 4 thousand people in shortened training, in a total of 107 professions. Around 19 thousand students and over 11 thousand adults participated in training and adult education, respectively, in the 2021/2022 academic year for people with a secondary school diploma (their number increased by 19 and 23 percent in one year, respectively). **Output regulation** is implemented in vocational training on the basis of training and output requirements. A total of 177 training and output requirements replacing the former National Qualification Register and 177 related programme curricula were adopted up to 1 September 2021.

The necessity of **developing digital curricula** was reaffirmed by the need for digital education in the past two years. The **Vocational Training Teaching Material** established in this period has also boosted the efficiency of training; it currently offers more than 4,600 teaching materials developed by instructors to around 16 thousand users, and is continuously expanded. Additionally, development of the curricula of around 90 professions is planned by the end of 2022 at the total cost of HUF 15 billion. Within the framework of the call “Comprehensive development of the institution system of vocational training”, a **Digital Community Workshop** (hereinafter referred to as “DCW”) has been established in each vocational training centre with a total of 63 DCW classrooms so far; this special educational space provides project based education and experimentation.

**Institution-building and capacity-building investments** relating to vocational training are implemented in 14 cities in the total value of HUF 76 billion in the 2020–2024 period, within the framework of development programmes implemented with national funds (some of them under the Modern Cities Programme, in 9 municipalities). Capacities of school workshops and dormitories may be increased and institutions renovated as part of these investments.

## 9. Healthcare

### Main healthcare indicators of Hungary

Between 2000 and 2019, life expectancy at birth in Hungary increased from 71.9 years to 76.5 years, at a rate exceeding the EU average<sup>20</sup>. The 4.6-year increase achieved up to the year of the coronavirus outbreak is attributable to modernised medical care, growing State investment in healthcare, a more health conscious lifestyle of citizens and steadily declining infant mortality. Hungary is performing below the EU average in the years in relation to the number of years lived in health and is ranked 13<sup>th</sup> among the 27 Member States.

In consequence of the coronavirus pandemic, in 2020 and 2021 the rate of the natural population decrease increased; the Office of the Chief Medical Officer registered excess mortality of around 40 thousand.<sup>21</sup> Life expectancy at the age of 60 also decline as a result of the COVID-19 pandemic by 0.65 years for women and 0.71 years for men, which is not exceptionally high at EU level (the decrease was 1 year or more over the year 2019 for 6 Member States)<sup>22</sup>.

### Healthcare expenditures

Healthcare expenditures of the Government steadily increased in the past decade, equalling HUF 1,373.2 billion in 2010 and HUF 2,061.9 billion in 2019. The value of State healthcare investments increased at a much higher rate, more than tripling from HUF 32.4 billion to HUF 105.3 billion between 2010 and 2019.

Table 4

#### Government healthcare expenditures

Item	2010	2014	2018	2019
Total government healthcare expenditures (HUF bn)	1,373.2	1,550.5	1,983.3	2,061.9
Per capita State healthcare expenditures (tHUF)	137.3	157.1	202.9	211.0
State healthcare investments (HUF bn)	32.4	74.8	56.5	105.3

Source: HCSO

### Areas of priority action in healthcare

#### Management of human resources in healthcare

<sup>20</sup> <https://ec.europa.eu/eurostat/databrowser/view/tps00205/default/table?lang=en>

<sup>21</sup> [https://www.ksh.hu/docs/hun/xftp/gyor/nep/nep2202.html?utm\\_source=kshhu&utm\\_medium=banner&utm\\_campaign=theme-nepesseg-es-nepmozgalom](https://www.ksh.hu/docs/hun/xftp/gyor/nep/nep2202.html?utm_source=kshhu&utm_medium=banner&utm_campaign=theme-nepesseg-es-nepmozgalom)

<sup>22</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Mortality\\_and\\_life\\_expectancy\\_statistics#Eurostat%20#StatisticsExplained](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Mortality_and_life_expectancy_statistics#Eurostat%20#StatisticsExplained)

Hungarian healthcare is struggling with enormous challenges relating to human resources; the profession is ageing at a rapid rate, and there is significant outward migration of young and middle-aged physicians. The Government is attempting to reverse the negative trend with wage raises, surplus financing of the healthcare system, and by improving the working and living conditions of rural general practitioners.

**Act C of 2020 on health service status** (hereinafter referred to as “**Health Service Status Act**”) entered into force on 1 March 2021; it provides more transparent employment conditions for physicians entering into a contractual relationship, and an **unprecedented wage raise implemented in three phases**. The Government spent HUF 300 billion in 2021 alone for implementing the phased wage raise programme.

The wages of **healthcare professionals** increased by 30 percent in January 2022 and will increase by a total of 72 percent between 2019 and 2022 in several phases.<sup>23</sup>

In a separate decision the Government provided HUF 96.1 billion in additional funds in 2021 to **staff working in general medical practitioners**, affecting around 18.4 thousand physicians, dentists and healthcare professionals in primary care.

**As of 1 January 2022**, there are also major changes affecting fees and benefits—particularly the on-call duty fee—beyond the salary. The **on-call duty** is determined depending on the load on the given institution and specialist medical profession; its regulation has thus become **transparent and uniform at national level**.

To ensure the ability of the Hungarian healthcare system to retain professionals and the adequate quality of healthcare, in 2021 the Government provided 554 modernised or newly built staff flats for healthcare professionals, and completion of 435 additional flats is planned in 2022.

### Measures supporting access to healthcare

The general health of the Hungarian population is not in a good state; despite an increase in both life expectancy at birth and in the number of years lived in health in recent years, the figures are still below the EU average. The Government aims to promote a healthy lifestyle, ensure the availability of screening to the extent possible, and improve the accessibility and quality of primary care. **The bolstering of the primary care system—with a focus on public health—is a central element of the new sectoral strategy.**

In 2021 and 2022 the Government implemented several professional, methodological development projects aimed at mitigating effects of epidemics on the healthcare system and at enhancing patient safety. The **National Health Information Centre** was established to provide a nationwide information service available 24/7 every day of the year by phone and on various online platforms, and improve the equal opportunity of patients. The project was launched in 2021 as part of the National Health IT Strategy; additional RRF funds are necessary for its operation.

Long wait lists had been a serious problem in Hungary for years, which was further aggravated by delayed operations during the coronavirus pandemic. The Government’s **priority programme**

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<sup>23</sup><https://www.hrportal.hu/hr/egeszseguqi-bertabla-20201230.html>

**reducing wait lists** is aimed at resolving this problem by reducing the number of patients awaiting surgery and waiting times. Between September and December 2021, HUF 12.2 billion was available for implementing and financing the programme; results are expected from 2022.

Among the five national healthcare programmes covering the 2019–2030 period, aimed at the comprehensive overhaul of healthcare and at reducing the main sources of health deterioration, successful **public health screenings** are carried out under the National Cancer Control Programme. The programme aims to reduce the main sources of health deterioration. Currently there are two key national screening programmes: the **colon screening and the “Mobile Screening Examinations”** screening bus programmes. Due to the COVID-19 pandemic, the screening buses performed rapid virus testing and PCR screening in the past two years, but this year they are performing their original functions.

The Government has set the objective of **strengthening and further developing the National Public Health Centre (NPHC)** between May 2022 and the end of 2025 in the gross value of HUF 20 billion, financed mainly from RRF funds. A key objective of development is development of primary care, prevention, registration of the health status of people, and bolstering and further development of the capabilities of official functions and the epidemiological system, and of own healthcare services.

#### Development relating to infrastructure and financing

The government’s health measures have been focusing on reforming health financing and equipment for years, as the unsustainable financing of hospitals, and the aged condition of buildings and used medical equipment has been a systemic problem. To resolve these problems, the **Government** has been spending substantial amounts on **infrastructure development** in recent years, **equalling HUF 102 billion in 2021, accounting for 13 percent of total health expenditure.**

The Human Resources Development Operational Programme (HRDOP) set up for **developing the system of one-day operations** is aimed at reallocating capacities available in active care and improving the efficiency of healthcare by replacing active inpatient care. The newly established or **renovated one-day operation units** were implemented at **11 hospital locations**: Nyíregyháza, Mátészalka, Győr, Salgótarján, Székesfehérvár, Baja, Szolnok, Tatabánya, Sopron, Szombathely and Zalaegerszeg. Development is expected to be completed by July 2022 at other construction sites (Kecskemét, Veszprém, Miskolc, Kaposvár). In the course of **overhauling medical equipment**, operating equipment, instruments and devices have been purchased in the total value of around HUF 5 billion so far. The completed reconstruction projects substantially contribute to improving the quality of patient care and thereby the condition of patients.

Hungary is ranked high in deaths from tumorous diseases; therefore, State investments supporting targeted **oncological and cardiological equipment purchases, and infrastructure development** have been launched in several county hospitals. The investment is expected to result in 100 places by the end of December 2023.

**Development of rural hospitals has been ongoing for years:** the complex development of the Szent Lázár County Hospital in 2021 in Salgótarján, together with the implementation of a new Oncological Centre, the construction of a new internal medicine unit for the Szent György University Hospital in

Székesfehérvár, the development of the Szent Borbála Hospital in Tatabánya. These development projects significantly improve healthcare access and equal opportunity in various regions of Hungary.

A call for tender, government decision and grant award document have been prepared for **construction of the new national centre of the Hungarian National Blood Transfusion Service**. Development of the blood transfusion and transplant service is expected to significantly improve the quality of life and life expectancy of the population (after 2023 it can potentially save 1,848 lives annually based on the planned number of cases). The project is also in conformity with green transition criteria, as the climate coefficient of the newly built headquarters will be 40 percent, the purchased vehicles will have the best EURO classification, and the blood donation points can contribute to reducing air pollution by reducing transport emissions.

## Healthcare in the 21<sup>st</sup> century: digital and innovative development

As an innovative technological development, the **publicly funded robotic surgery system of Hungary** was launched in **January 2022**.<sup>24</sup> By the introduction of robotic surgery, it is now possible to perform minimally invasive, state-of-the-art surgery in Hungary, with a beneficial effect on the quality indicators of surgical care. Robotic surgery procedures significantly improve recovery prospects of patients and reduce hospital inpatient times, and in turn potentially shorten surgery wait lists.

The main objective of the **programme supporting digital transition in healthcare**, tenders of the National Healthcare Service Centre (OKFŐ) to be implemented within the framework of the RRP is the use of information and communication technologies (ICT) adapted to the digital ecosystem of the 21<sup>st</sup> century to improve prevention, diagnostics, treatment and patient pathway monitoring.

The National Healthcare Service Centre implements development projects in **six priority intervention areas**. These are: (i) development of telemedicine and (ii) the e-Health conscious society, (iii) further development of the core systems of the National eHealth Infrastructure (EESZT) and related systems, (iv) development and exploitation of health data assets, (v) development of healthcare infrastructure security, and (vi) development of professional data collection and central records, and support of professional processes.

## Measures promoting a healthy lifestyle

The encouragement of Hungarians to lead healthy lifestyles is a prioritised government objective aimed at preventing civilisation diseases caused by a lifestyle involving little exercise and at reducing the rate of existing diseases, including childhood obesity. The Government has been building new school gymnasiums, pools and sport parks as part of prioritised investments in recent years to provide access to **sporting opportunities in any municipality of Hungary, for all ages**.

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<sup>24</sup> Introduction of robotic surgery was enabled by Decree No. 59/2021 (XII. 28.) of the Ministry of Human Capacities amending certain health and health insurance related ministerial decrees in relation to robotic surgery procedures, which allowed settlement of robotic surgery procedures in January 2022.

The Government is funding **25 sport investments in 2022** in the value of HUF 54 billion in Hungarian municipalities of all sizes (Csongrád, Hévíz, Demecser, Makó, Túrkeve, Nagyhalász, Budapest, Hőgyész, Debrecen, Vecsés, Berettyóújfalu, Kecskemét, Kisvárda, Zalaegerszeg, Sáropatak). Within the framework of the investments, handball and multifunctional halls, and sport parks are built for the public. Local sports and recreation facilities support promotion of a healthy lifestyle for Hungarians, and are also expected to reduce outward migration by enhancing the rural way of life.

## 10. Sustainable economy

### 10.1 Environmental protection

Mitigation of the effects of climate change remains one of the top priorities of protection and development in the EU. To this end, Hungary has also made and is undertaking further progress to phase out fossil fuels in the future, improve the energy efficiency of buildings, prepare the transition to the circular economy, and to preserve and further increase nature conservation and green urban areas. The first Hungarian green mortgage bond announced in 2021 as continuation of the issued Hungarian green bonds is a major social innovation; other means of funding effective in the long term also became available to promote energy efficient construction.

#### On the path to sustainability, transition to a circular economy

The **5<sup>th</sup> National Environmental Programme (NEP5)** was drawn up in 2021 for the 2021–2026 period in accordance with the 8<sup>th</sup> Environmental Action Programme of the EU. It sets the key objective of improving both the environmental conditions of human health and quality of life, and the protection and sustainable use of natural assets and resources. Beyond the environmentally conscious reform of climate, energy and transport policies, the Government of Hungary also places major emphasis on investment in water and waste infrastructure, biodiversity and nature.

For facilitating the transition to the **circular economy** (“G” component of the RRP), Hungarian waste management is overhauled by enactment of a number of pieces of legislation and amendment of existing ones. Certain single-use plastic products have been being phased out since 1 July 2021, followed by the introduction of mandatory awareness raising marking requirements from 3 July. As of 1 January 2023, food containers may no longer be provided free of charge and single-use plastic beverage cups will be abolished. As of 3 July 2024, caps must be fixed to plastic beverage containers, and from 2025 and 2030, requirements will tighten for the secondary raw material content of PET bottles, and for separate collection from 2025 and 2029. From 1 July 2021, the product fee of carrier bags will significantly increase by amendment of the act on the environmental product fee. In the long term this will significantly contribute to reducing the quantity of landfill waste, extending recycling and in parallel to curbing manufactured products, particularly single-use plastic products.

The **Sustainability Tender Programme** was announced on 26 May 2021, which has reached the settlement phase. A budget of HUF 200 million was used to offer non-refundable support to Hungarian businesses, educational institutions and professional organisations aiming to place products or services contributing to sustainable development on the market. Enterprises moving in this direction also had the opportunity to introduce themselves at the Planet Budapest 2021 Sustainability Expo and Summit. The international trade fair provided a full week for promoting sustainability and negotiations between participants at the end of October 2021, with a budget of HUF 10 billion in national funds, significantly enhancing the competitiveness of members of the Hungarian environmental industry.



## Development planned in waste management

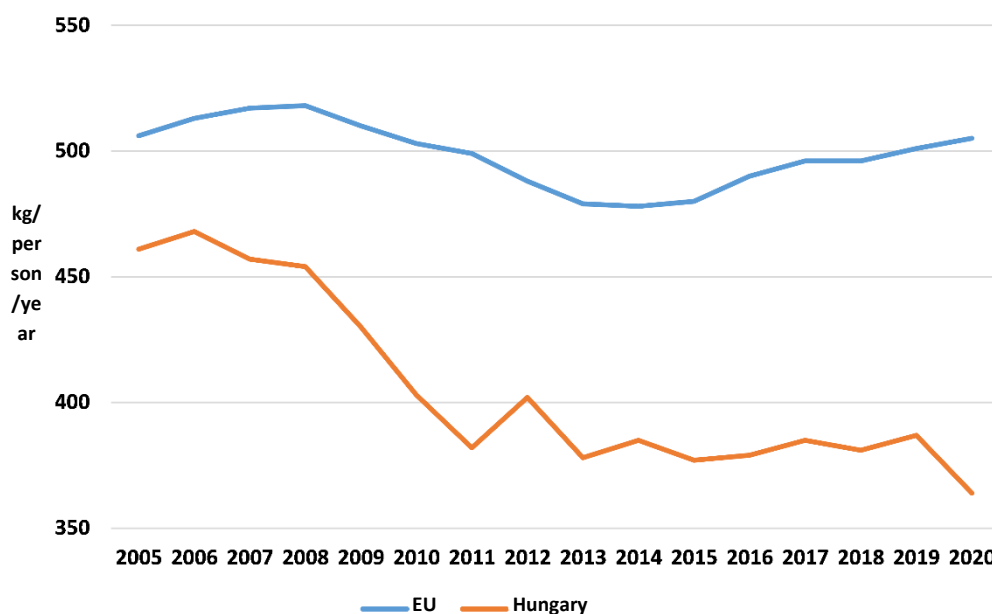
A key element of the **Climate and Nature Conservation Action Plan (CNCAP)** announced in February 2020 is the elimination of illegal landfills and the creation of “value from waste” through, *inter alia*, recovery of non-recoverable plastic waste with innovative treatment methods. The quantity of plastic waste processed annually may increase to 40 thousand tonnes. The measures currently under preparation can assist the industrial sector’s transition to a circular economy from 2021 to 2026 with HUF 206 billion to be financed from national and RRF funds at a 50%-50% ratio.

The Government is planning a total of HUF 416 billion in national and RRP budget funds for development necessary for a gradual transition. As regards the 2021–2027 period of the **National Waste Management Plan (NWMP)**, additional cohesion funds of HUF 82.7 billion have been appropriated for recycling and improvement of the efficiency of the return system. For performance of State public functions in waste management, from 1 July 2023 the concessionaire—responsible for performance of duties under the new model—is required to implement investment of at least HUF 100 billion in ten years.

Per capita **communal waste generation** in Hungary is showing a more favourable trend compared to the stagnating EU average: municipal waste of 364 kg/person in 2020 (third lowest value in the EU) indicates a decline of over 20 percent compared to 461 kg/person two decades earlier.

**Figure 10**

**Change in per capita quantity of municipal waste in Hungary compared to the EU average value between 2005 and 2020 (kg/person/year)**



*Source: Eurostat*

As the next step in **developing waste separation**, the largest automatic waste separation plant in Hungary with an area of 5,300 m<sup>2</sup> and a cost of HUF 6 billion was inaugurated in Szeged. As a result of the selective processing of 70 thousand tonnes of mixed waste produced in the region annually, the quantity of waste ending up in the landfill decreased by one third, and the investment may increase

the current recycling rate of 13 percent to 50 percent. A new processing plant was built in early 2022 on the outskirts of Makó for the modern processing of metal waste. The HUF 179 million investment supporting innovative recycling will also be complemented with a 50 kW capacity photovoltaic system supplying electricity to the plant.

### Water utility development

The household and industrial **water utility development** projects are implemented with total national funds of HUF 296.1 billion until 2024. In the industrial innovation development area of Iváncsa and the Tata Basin, the outcome will not be limited to the utility development project; the launched infrastructure investment may lay the groundwork for additional investments in the long term, and thereby for new jobs and extensive technological development. Among public developments, HUF 700 million in national funds of the HUF 1.3 billion budget appropriated for developing the water utility network in Dunaújváros will be invested to increase capacities. In addition to major road and utility development in Érd and Salgótarján, the environmentally friendly restructuring of the waste management system will also be prioritised in 2022 with a planned budget of HUF 100 million each. Road and utility development in Szeged has been declared a national economic priority; development is implemented this year in the city at a cost of HUF 3.1 billion. These long-term investments contribute to protection against extreme weather and climate change; they reduce the threat of damage and inland flooding, and improve the drinking water supply, sewage and rainwater drainage in neighbouring municipalities. They indirectly also create favourable conditions in people's everyday lives, for business development, and as such, for the creation of new jobs.

The multi-phase **water supply development project** of Duna Menti Regionális Vízmű (DMRV) Zrt. increases water production and supply capacities. The sum of HUF 15.9 billion is allocated for developing the regional systems on the left and right banks of the Danube, with a focus on the water production and supply of Dömös. The industrial region of Göd, Komárom and Tata has a total of HUF 84.7 billion in national funds available. Municipalities in the area of Szikszó and in Borsod county, and along the Eastern Main Channel can build additional pipeline sections for extending water supply to the population until the end of 2024 and 2023, respectively, with a total budget of HUF 67.3 billion (EEEOP). In 2021 and 2022, a 22 km pipeline was built between Tata and Komárom, and a 16 km one in the region of Tatabánya. The length of new or reconstructed sections of the water supply network will exceed 70 thousand linear metres by the end of 2024.

A major phase of **sewage disposal** and treatment development was completed in 2021 at a total investment cost of HUF 40.3 billion, with HUF 30.8 billion financed from cohesion funds (EEEOP). The development projects launched at the end of 2017 improved treatment capacities mainly at six plants in North and Central Transdanubia, North-East Hungary and in the agglomeration of Szentendre, creating a more sustainable and healthier environment.

The percentage ratio of people connected to the **municipal sewage disposal network** is continuing to rise in Hungary. Although it does not meet EU requirements, it is much higher than the European average (75.5 percent): over 80 percent since 2016 (HCSO). In parallel with city sewer networks expanded because of the 2015 EU deadline, utilities of Hungarian municipalities and industrial parks are undergoing continuous development. The total quantity of sewage collected in the public sewer

network equalled 545 million m<sup>3</sup> in 2020; the untreated quantity amounted to 2.12 percent of such quantity.

As a result of the infrastructure development projects related to the water utility network in Szikszó, until the end of 2024 two 250 m<sup>3</sup> drinking water reservoirs, 5,386 linear metres of supply pipelines, 3,723 linear metres of consumer pipelines and 1,854 linear metres of new industrial and residential park backbone pipelines will be built, 12,500 linear metres of pipeline will be replaced, drinking water pipelines in urban areas will undergo reconstruction (in different dimensions) and a combined sewage treatment plant will be implemented.

### Nature conservation, natural living waters

In the package of development projects (2014–2023) aimed at preservation of the natural biota of Hungary, **protected natural areas and values**, survival of species and habitats of Community importance, and the creation of conditions necessary for improving their condition, around 60 projects with a combined budget of HUF 30.2 billion will be concluded in 2022. As a result of the completed development projects, the condition of natural assets and conditions for managing nature conservation will improve in 78,000 hectares of protected natural and Natura 2000 sites. Funds of HUF 2.7 billion are additionally available for the entire investment implemented until April 2026 for improving ecological water resources management at the Hanság Natura 2000 site. Development of surface and sub-surface water retention capacity in the region affects an area of at least 6,361 hectares during establishment of the necessary technical conditions; it will improve the natural properties of water habitats and thereby resilience against effects of climate change, and the long-term preservation of natural assets. The draft National Biodiversity Strategy up to 2030 was presented for public consultation in October 2021; its adoption is expected in 2022.

In the 2017–2022 period, HUF 400 million has been appropriated since 2011 for the continuous implementation of the action plan of the EU **Strategy for the Danube Region** (INTERREG DTP). The plan—renewed in 2020 with involvement of a number of organisations—connects to the international network consisting of 13 countries with macro-regional coordination tasks, in consideration of the criteria of water quality, environmental risks and sustainable energy.

## 10.2 Energy policy

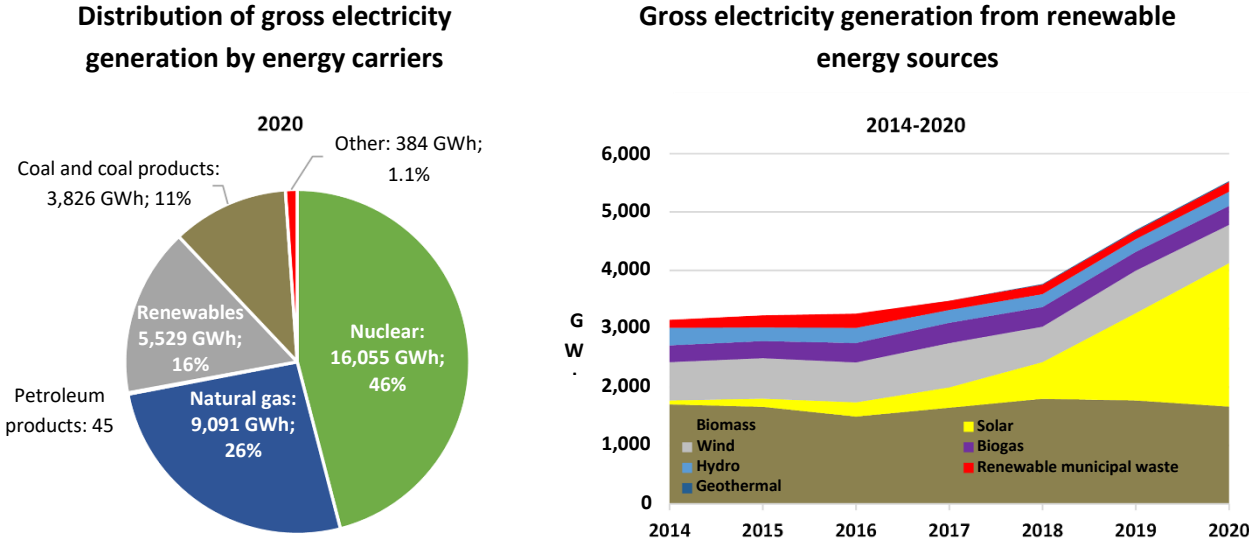
The energy policy of Hungary is determined by the National Energy Strategy 2030, National Energy and Climate Plan and the National Clean Development Strategy 2020–2050. The objective of the National Energy Strategy and National Energy and Climate Plan is reduction of energy dependence, increased security of supply, decarbonisation of the sector and supply of affordable energy. The National Clean Development Strategy outlines the long-term pathway to fulfilment of the 2050 climate-neutrality target set out in Act XLIV of 2020 on climate protection. Specific measures of the Climate and Nature Conservation Action Plan support fulfilment of targets set in the strategies.

### Energy production and consumption

In 2020, 451,673 TJ of **primary energy was produced** in Hungary, indicating a 2.0 percent decline over 2019. Production of primary fossil fuels decreased by 5.7 percent, nuclear energy production fell

by 1.5 percent, while production of primary **renewable energy sources** increased by 1.4 percent. Solar energy accounted for 7 percent of gross electricity generated, amounting to 2,459 GWh in produced electricity. This figure was only 1,497 GWh in 2019 and 629 GWh in 2018. In 2020 the quantity of heat generated for supplying heat exceeded the quantity produced in the previous year by 0.4 percent; 69.4 percent of such heat (33,706 TJ) was sourced from natural gas.

**Figure 11**



Source: HEA

Primary **domestic consumption** decreased by 1.5 percent and the quantity of energy consumed by end-users declined by 1.2 percent over the previous year. Within final consumption, households account for the largest share at around 30.0 percent, followed by transport and industry at 22.3 percent. The final energy consumption of households not including fuel consumption for transport increased by 5.1 percent over the previous year.

The energy productivity of Hungary slightly decreased over the previous year; in 2020 it was 4.73 EUR per kgoe. The greenhouse gas emissions intensity of energy consumption moderately declined in 2019 to 77.3 percent of the level in 2000. The consumption of renewable electricity increased to a share of 13.9 percent within gross final energy consumption; thus, Hungary reached the 2020 target set under Directive 2009/28/EC.

**Policy measures aimed at the green transition**

In 2020, carbon neutral nuclear energy accounted for 46 percent of power generation in Hungary. The two new planned units of **Paks Nuclear Power Plant**, with a rated capacity of 1200 MW, serve the long-term sustainability of such energy. The documentation necessary for the permit of the Hungarian Atomic Energy Authority and development of the Paks Integrated Centre are under preparation.

For the implementation of phasing out industrial lignite in North-East Hungary, a government decision was adopted on providing own national contribution in the HUF equivalent of 7 million EUR in the years 2022–2029 for the co-financed project “Secure and start implement an effective

roadmap for the low-carbon transition of the single largest coal-region in Hungary (LIFE-IP North-HU-Trans)” on ensuring a just transition for the region of the **Mátra Power Plant** (950 MW). The power plant currently accounts for around 10 percent of total Hungarian CO<sub>2</sub> emissions. Within the framework of the project, the mentoring of over 100 businesses will begin in 2022 and individual competence maps will be prepared on hundreds of power plant workers.

**Preparation of the Tisza CCGT project** began this year, which will increase available regulation capacities by around 400 MW from the beginning of 2026 with a highly efficient natural gas-fired combined cycle gas turbine power plant with a large regulating range with an appropriate support environment at the site of the MVM Tisza Power Plant.

The first phase of the **MVM Renewable Programme** ended in 2020. Establishment of 2 installed photovoltaic (PV) power plants with a total capacity of 34 MW and 108 PV power plants with 0.5 MW capacity is completed. The next phase of the Renewable Programme began in 2021 with projects aimed at implementing additional major PV power plant capacities.

Within the framework of the third **METÁR (Renewable Energy Support Scheme) tender** published in April 2021 with an overall amount of HUF 450 million annually, it was possible to apply with any means of power generation with renewable energy sources. The call supports a total of 300 GWh of generated power annually.

The tender “**Support of household PV panel systems** and electrification of heating systems combined with PV panel systems” was launched at the end of 2021; households with earning less than the average income could apply for 100 percent non-refundable support in the overall amount of HUF 202 billion.

The tender “**Support of activities of geothermal heat production projects**” was launched in June 2021 with an overall amount of HUF 6 billion, providing non-refundable support for the high-cost phase of activities aimed at the recovery of geothermal energy, and for the implementation of the production and re-injection well system.

To integrate weather-dependent renewable energy producers, additional projects were launched **for development of the electricity grid and increase of storage capacities**. Within the framework of the RRP, the classic and intelligent grid development projects of the transmission system operator and distributors will be implemented by ensuring grid access and necessary grid capacities, preparation of the transmission network and distribution grid, and development aiming for flexibility of the electricity system. The support intensity is 50 percent; the target group is companies holding an electricity distributor licence and Mavir. Two innovative tenders supporting energy storage have been launched: “Implementation of development facilitating the innovative electrochemical storage of carbon-free, surplus electricity” and “Implementation of development aimed at the recovery, storage and market-based use of waste heat with innovative heat storage or conversion technology”. The implementation of the 100 MW output and 200 MWh capacity strategic energy storage facility will begin this year, including the 5 MW output and 10 MWh capacity electricity storage facility (Hórusz project) and the electricity storage facility based on NaS technology (Tesseract project) of MVM. The measure “Classic and intelligent grid development aimed at the greater grid flexibility and stability of distributors to facilitate the system integration of weather-dependent, renewable energy

based energy producers, and electrification” will be implemented within the framework of the EEEOP Plus programme.

The **MNB Green Home Programme** launched in October 2021 with an overall amount of HUF 200 billion contributes to improving the energy performance of buildings; low-interest credit is available for purchasing or building new real estate with a maximum primary energy demand of 90 kWh/m<sup>2</sup>/year and a BB (i.e. meeting nearly zero energy requirements) or better energy rating. This is supplemented by the Green CSOK loan scheme; the programme offers interest-free loans.

Additional measures were implemented in 2021 to improve energy efficiency, most notably the **energy upgrading of certain public institutions** (hospitals and schools). To reduce agricultural emissions, energy upgrading and installation of technologies recovering renewable energy was included in tenders supporting agricultural activities. **Development of district heat supply** and energy upgrading in the district heating sector also contributed to achieving this goal. The development project covered the upgrading of district heating pipelines, the connection of new consumers to the network, the construction of pipelines, the implementation of a biomass-fired heating plant and the development of a biomass-fired heating plant.

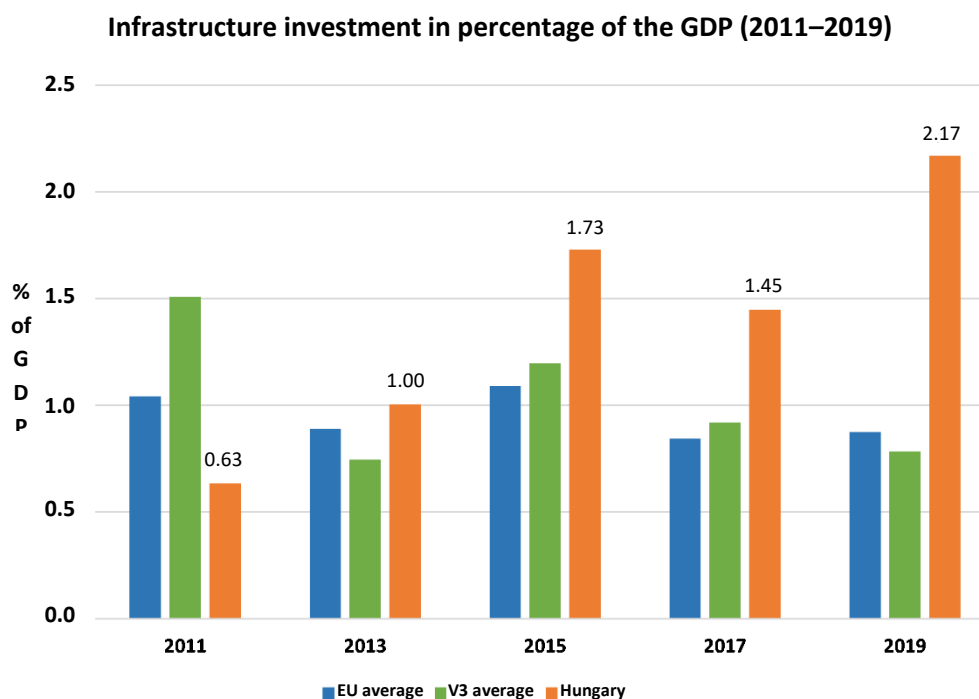
The projects implemented last year for **international connection of Hungary’s energy network** support diversification of Hungarian energy imports and improvement of energy security. The Hungarian-Slovakian cross-border transmission line significantly improves the security of supply for Hungary and the entire region, reduces the load on the Slovakian network and contributes to reducing the load on the European system. The project covers three lines of 400 kV each; the new connections were completed in April 2021. The Hungarian-Slovenian cross-border line project covers two lines of 400 kV each, which, once completed, will ensure that Hungary is connected to the grids of all neighbouring countries. The Serbian-Hungarian gas interconnector was also completed in the summer of 2021; it starts in Turkey and delivers gas through Bulgaria and Serbia.

### 10.3 Transport

The transport policy objectives of the Government of Hungary reflect efforts of the European Green Deal aimed at sustainable and intelligent mobility. The measures focus on improving transport efficiency and reducing emissions, to be mainly achieved by development of the road network, railway infrastructure and public transportation, and the spread of alternative propulsion methods and digital technologies.

**The value of transport development investments in Hungary reached 2.17 percent of the GDP in 2019**, which is significantly higher than the rate of the EU and the Visegrád Countries. This is clear indication of the Government’s awareness of the fact that the adequate level of development of transport infrastructure is essential for the competitiveness, regionally balanced development of Hungary, and its integration in European economic circulation as deep as possible.

Figure 12



Source: OECD

### Development of waterway and air transport

Access to Hungary and its immediate region, including appropriate access by air is important for stronger integration of the region in the global economy, particularly for territories at a greater distance from the capital. In awareness of this need, the Government has begun exploring airport development options in the country and **laying the groundwork for a comprehensive airport development programme**. In the above process detailed feasibility studies will be prepared on the development options of airports in Hungary. Preparation works have already begun in several projects of the Modern Cities Programme: the development of airports in Börgönd, Szeged and Békéscsaba, the technical upgrading of Debrecen International Airport and the implementation of development plans aimed at the combined (military-civilian) use of the Kecskemét airport (cargo base).

Waterway transport also plays a major role in improving the efficiency and decarbonisation of the Hungarian economy, including logistics and the international flow of goods. To improve the competitiveness of waterway transport in relation to other means of transporting goods, however, it is necessary to establish an appropriate legal framework and infrastructure. To establish an appropriate infrastructure, the owner of the largest inland port—Csepel Free Port—in Hungary, Mahart-Szabadkikötő Zrt., has **launched a comprehensive port development programme** supported by the Government for the overhaul and reconstruction of the complete port infrastructure by 2025. The upgrading of the Csepel Free Port will begin in 2022 with various civil engineering works.

## Road infrastructure development

A developed road transport infrastructure contributes to regional cohesion, improvement of traffic safety and to reducing road transport emissions through shorter travel times. To this end, the Government is providing HUF 3,712 billion in national and cohesion funds over the entire time horizon for the expansion of the national road network through projects aimed at the implementation of **road development based on the Road Programme** launched in 2016, supporting Hungarian road development objectives in a comprehensive manner, **and on prioritised social needs**. The Road Programme is based on the National Transport Infrastructure Development Strategy drawn up in 2014 after broad public consultation. The list of road development projects based on prioritised social needs was drawn up on the basis of the list put forward by members of Parliament consistently with regional needs. Projects implemented within the framework of the two programmes contribute to ensuring access to all cities with county rank in a high-quality road network, extension of expressways up to the national borders, and access to the 2x2 lane (expressways and main roads) road network within 30 minutes from any municipality in Hungary. Improved regional accessibility and construction of bypass roads ensures minimisation of expected transport emissions for inhabitants. As a result of road developments, the number of expressway connections reaching the national border increased from 7 to 9 in 2021.

The **Modern Cities Programme (MCP)** is the large-scale development programme of Hungarian cities with county rank, covering a broad range of needs and conditions for development. The MCP covers 270 projects across the country with an overall amount of HUF 2,445 billion, including **28 national road development projects** and 4 rail development projects. Construction of the 56.8 km section of the M30 expressway between Miskolc and Tornyosnémeti, for example, was one such national road development project implemented in 2021 at a cost of HUF 260.6 billion financed mainly from EU funds. The new section is all the more relevant, as it completes the **entire 221 km Hungarian section of the Via Carpatia connecting the Baltic Sea with the Aegean Sea**, shortening travel time between Budapest and Košice to two hours. The section of the M4 (northern bypass road of Szolnok) between Abony (East) and Törökszentmiklós (West) was completed at the beginning of 2022 with construction of the new Tisza Bridge, successfully closing the HUF 309.4 billion project mainly financed from national funds, aimed at **connecting Szolnok to the expressway network**. The section of the M44 road between Lakitelek and Tiszakürt was completed in December 2021 together with the Tisza Bridge, and connection of Békéscsaba to the national expressway network is also approaching full completion. With total CEF and ITDOP (Integrated Transport Development Operational Programme) funds of HUF 22.8 billion, the **M70 road was also upgraded to an expressway**.

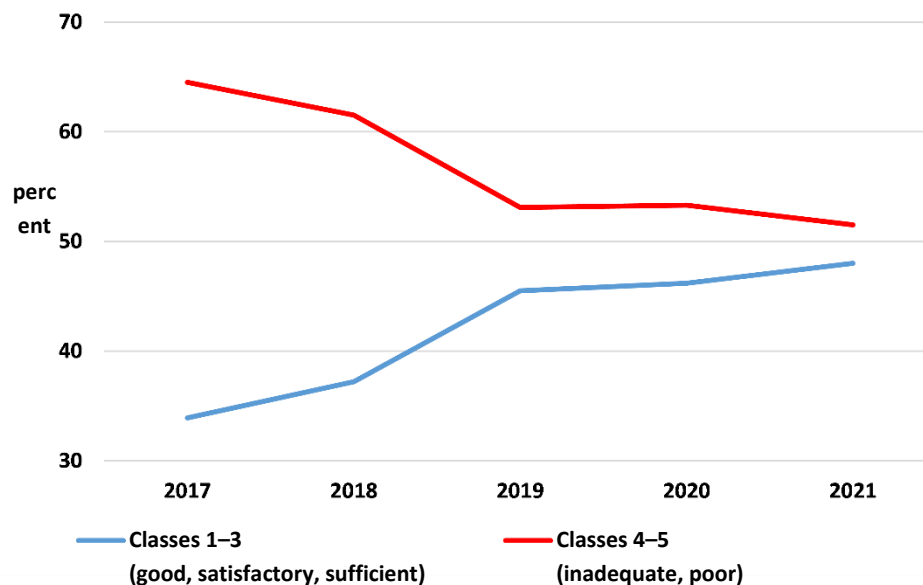
To reduce travel times by road and improve transport safety, Hungary is also allocating substantial resources for the **maintenance of the existing network** in addition to expansion of the road network. As a result, the share of roads with poor or inadequate pavement decreased from 64.5 percent to 51.5 percent between 2017 and 2021, and the share of roads in fair, satisfactory or good condition increased from 33.9 percent to 48.0 percent. Within the framework of **programmes aimed at improving the road infrastructure**, in 2021 national funds were used for completing bridge and road reconstruction works along 98 km; an additional 892 km of roads are expected to undergo reconstruction, and preparation works will be completed along 205 km in 2022. Within the framework of the **Hungarian Village Programme**, final pavement reconstruction plans covering the minor road network of small municipalities will also be completed this year from national funds for



429 km. Based on the call TOP-1.3.1 “**Transport development serving economic development and labour mobility incentives**”, cohesion funds are used in 2022 by Magyar Közút Nkft. for pavement reconstruction and roundabout construction in 18 counties, on 89 road sections, along a total of 159 km.

**Figure 13**

**Pavement condition of national roads in proportion to the total road network (2017–2021)**



Source: Magyar Közút

### Development of rail

With the help of the MCP, the implementation of the **Tram Train** system between Szeged and Hódmezővásárhely is a unique transport development project in the total value of HUF 75 billion in both Hungarian and EU funds, enabling the connection of the railway between the two cities with a tram line, and a fast and transfer-free connection between the two city centres. The utility and major rail works were completed in 2021; test passenger transportation was launched in November. The 12 hybrid (rail and tram) vehicles ordered in the total value of HUF 26.7 billion—HUF 17.6 billion financed by the ITDOP—are expected to be available in 2022; 8 vehicles have been delivered so far. CO<sub>2</sub> emissions and road traffic can be reduced by transitioning to railway transport and implementing the Tram Train system between Szeged and Hódmezővásárhely.

The Government prioritises the modernisation and development of Hungarian railway infrastructure in line with EU priorities supporting the **green transition**. Accordingly, **electrification and upgrading of the line section between Püspökladány and Biharkeresztes** and **upgrading of the Southern interconnecting Danube railway bridge** is expected to be completed this year. **Construction of the ETCS system along the Sopron – Szombathely – Szentgotthárd line**—upgraded earlier—will also be completed, enabling the switch to surveillance of trains by continuous radio data transmission, guaranteeing their safety in all traffic and operational situations. According to the plans, the railway track along the **Szeged – Rösztke – national border section, upgrading of interlocking and electrification of the section** will be completed this year. The development project implemented

with HUF 40.9 billion in national funds will bypass transit cargo traffic during the future development works along the Budapest – Kelebia – Oh (Belgrade) railway line. Fulfilment of the project target will also significantly facilitate interregional connections between the large cities of Szeged and Subotica, and their catchment areas, and improve rail passenger services for municipalities in the North Bačka District.

To enhance punctuality and rail safety, within the framework of the “**Competitive railway infrastructure programme**”, phased and scheduled measures are planned for implementation between 2021 and 2025 in the value of HUF 160 billion in national funds, in the length of around 500 km, mainly in sections excluded from EU development funding until 2030. The programme—in line with owners’ expectations and planned EU development—aims to ensure authorised track parameters (speed, axle load) on international and core network lines, reduce travel times and fault-error incidents ensuring punctual and safer rail transport, and to ensure the homogeneity of the network. As a result of works carried out in 2022, upgrading works are planned on three lines departing from Budapest. Beyond elimination of regular delays, these will also shorten travel times by 5 minutes on several routes.

To improve the competitiveness of rail passenger service over other means of passenger transport, beyond shortening travel times it is also necessary to **upgrade ticket sales** and adapt state-of-the-art sales methods. For this purpose it is necessary to focus on **forms of digital and online ticket sales**. To this end, MÁV-START Zrt. is purchasing new ticket dispensing machines satisfying current needs in the value of HUF 5.2 billion, which will be fully installed and put into operation in 2022.

Beyond the development of railway tracks, the upgrading of rolling stock is also necessary; therefore, Hungarian policies place major emphasis on promoting rail passenger services in Hungary. MÁV-START Zrt. is **purchasing 40 high-capacity (KISS) multiple units** with cohesion funds in the value of HUF 228.7 billion and 39 vehicles are expected to be entered into service by the end of 2022. The purchase is aimed at improving the quality of public transportation in the Budapest suburban transport segment. As a result of declining individual car use attributable to rail transport of improved quality and competitiveness, environmental pressure may decline, facilitating urban sustainable development. Beyond the high-capacity multiple units, the company is also planning to **purchase 115 electric locomotives** with market credit and a HUF 150 billion credit provided by EUROFIMA. To ensure availability of passenger coaches in sufficient quantity and quality, MÁV-START Zrt. has **drawn up a development programme relating to 500 IC+ railway passenger coaches**. Under the programme, the fleet consisting of 70 proprietary IC+ Premium and Multi-purpose passenger coaches will be fully completed by the end of 2022 in the vehicle repair plant in Szolnok. As the next step in vehicle development planned in the programme, the company is planning the purchase of 40 2<sup>nd</sup> class IC+ coaches, then 66 IC+ control carriages by the end of 2024.

Beyond passenger transport, rail also plays an important role in the carriage of goods. Around one fifth of goods transported by rail in Hungary are carried out in the form of single-wagon rail freight transport. Sustainable and clean single-wagon rail freight transport corresponds to the road transport of a hundred thousand lorries annually, thereby reducing greenhouse gas emissions and traffic safety risks. The service offered by railway undertakings allow over 700 companies (including many SMEs) to dispatch and/or receive deliveries in wagon load quantities. (For a number of exporting Hungarian companies, single-wagon freight transport is the only solution, as authorities in

several European countries prohibit the transport of certain materials and products by road.) Railway undertakings operating in this segment face not only intensive competition from road transport, but also high costs. The current system and regulatory framework does not ensure the sustainability of the segment in the long term; therefore, the Government has resolved **establishment of a single-wagon rail freight transport support scheme** and development of the related freight transport sector. The measure aims to exempt businesses carrying out single-wagon rail freight transport from (some) costs incurred in connection with such transport, and to thereby ensure the competitiveness of the sector. The support scheme is planned for five years, from 1 June 2021 until 31 December 2025.

### Development of sustainable urban transport

A condition for sustainable transport is the increase of the share of public transportation with lower specific energy consumption and lower emissions in transport between and within cities; to this end, availability of intermodal hubs ensuring fast and convenient transfer between modes of transport is essential. For this purpose, the Government—in accordance with cooperation agreements concluded with cities with county rank under the MCP—is allocating funds for establishment of **intermodal hubs** in Debrecen, Bicske, Dunaújváros, Kecskemét, Szombathely, Eger, Nyíregyháza, Székesfehérvár, Kőszeg, Győr and Szeged, and for preparing reconstruction of the **railway and bus stations** in Zalaegerszeg and the railway station in Tatabánya. Funds are also available for construction in Bicske. The projects are prepared by NIF Zrt., and by MÁV Zrt. for Tatabánya and the Municipality for Győr. The development projects give effect to the benefits and priority of the railway network, providing the backbone of public transportation; bus services will primarily perform a feeder function.

A sharp reduction in transport sector emissions is essential for achieving the 2050 climate goals set by the European Union and undertaken by Hungary. This sector accounts for around one fifth of Hungary's total emissions, with road transport responsible for 98 percent of such emissions. The use of electric vehicles, including buses by replacement of old, polluting buses contributes to achievement of the climate goals. To this end, in September 2019 the Government adopted a national bus strategy concept—the **Green Bus Programme**—for replacing the bus fleet used in public transportation. Within the framework of the programme, between 2020 and 2029 a total of HUF 35.9 billion is available to cities with over 25 thousand inhabitants and public transportation providers for supporting purchases of electric buses and autonomous trolleybuses. Within the framework of the Green Bus Programme, the Green Bus Development Consortium (consortium of VOLÁNBUSZ Zrt. and Mobiliti VOLÁNBUSZ Kft.) is purchasing and installing 100 electric buses and the related charging infrastructure in 2021 and 2022 by way of 7 tenders, in relation to 7 locations and in the value of HUF 19.1 billion. 40 electric buses were purchased in 2021 and the purchase of 60 additional electric buses is expected in 2022; the related charging infrastructure will be installed in the same year.

In addition to the Green Bus Programme, the **MCP** also contributes to upgrading and laying more sustainable foundations for the **bus transport infrastructure of Hungarian cities**. Dunaújváros is planning to replace its obsolete bus fleet with the purchase of 28 modern diesel-fuelled (EURO-6) and electric buses. The city of Érd will purchase 15 new city buses. A new bus depot was established in Kaposvár with ITDOP funds of HUF 5.2 billion, also enabling the fuelling of buses with different

types of fuel. Electric buses were also purchased. The development of public transportation in Nyíregyháza is also implemented with ITDOP funds, involving the purchase of new low-emissions buses (41 CNG-fuelled and 6 electric buses) and the implementation of the related infrastructure.

Among the comprehensive public transportation development projects of Budapest and the agglomeration, prepared by the Budapest Development Centre, in accordance with the Budapest Agglomeration Railway Strategy in relation to rail transport development, several projects have progressed in the past year. The design and tender documentation has been completed for the tram line on Műgyetem quay in relation to phase II of developing the **Buda interconnected tram network**, and the design documentation for developing **access to the South Buda Central Hospital** is also available. A design contest was also launched for the **reconstruction of the H8–H9 suburban railway lines and their connection to the M2 metro line**.

### Support of alternative modes of transport

Bicycling is a sustainable and environmentally friendly mode of transport, which is an important alternative over polluting modes of transport and is also a popular form of active recreation. Therefore, in 2016 the Government decided to appropriate national and EU funds for developing the major touristic bicycle paths. As a result of scheduled preparation and construction works carried out since 2017, in 2021 around 50 km of new bicycle paths were completed and a further 120 km will be completed in 2022. Within the framework of the MCP, the 17.4 km **bicycle path between Győr and the Pannonhalma World Heritage site**, along road No. 82, and the Nagykanizsa-Szepetnek-Semjénháza-Murakeresztúr section of the bicycle path development programme of the **Mura Programme** was also completed this year. The bicycle infrastructure of the capital is developed with an innovative solution: the “repurposing” of a bridge condemned for dismantling in Óbuda. The **Óbuda pedestrian-bicycle Danube bridge** to be completed by 2025 aims to repurpose long-span, high (railway) load capacity elements of the Southern interconnecting railway bridge for lighter loads (pedestrians-bikers, possibly limited road traffic).

Based on the National Energy and Climate Plan, promotion of electromobility is a key means of reducing GHG emissions of the transport sector; therefore, the Government launched four vehicle procurement subsidy tenders in 2021 with an overall amount of HUF 7.4 billion in national funds. The subsidies mainly aim to promote electromobility and to make road traffic cleaner in Hungary. Subsidisation of the purchase of 1,236 and 406 pure electric cars by the public, civil society organisations, associations and higher education institutions, and by persons providing passenger taxi services or passenger transport services by car, respectively, was implemented through the **electric vehicle procurement subsidy tender**. Companies and private entrepreneurs may additionally purchase 378 pure electric cars and 127 electric scooters under a subsidised scheme. The Government is also supporting the spread of e-cargo bicycles in urban logistics with a call for grant applications, offering an alternative to motor vehicle use. The rate of subsidy is 50 percent of the full purchase price (based on the net purchase price), but maximum HUF 450 thousand. The application submission stage is still open.

Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources prescribes increased use of renewable energy for transport; the directive is transposed by Act CXVII of 2010 and Government Decree No.

821/2021. To ensure the sustainability of transport, Act CXVII of 2010 prescribes the **increase of the share of renewable electricity** in transport from 10 percent prescribed for 2020 to 14 percent by 2030, while Government Decree No. 821/2021 **increases the share of biofuel from 8.2 percent to 8.4 percent** between 1 January and 31 December 2022.

The State-owned **MVM Group** is investing HUF 3.1 billion in 2021 and 2022 to implement decarbonisation of the Hungarian transport sector and transit traffic, and to facilitate the spread of alternative propulsions. Currently the Group is planning installation of ultrafast charging points along the CEF II – TENT road network (at 10 motorway rest locations) and preparing rapid charging stations at 90 locations in cooperation with McDonald's. As a result of development implemented so far, MVM is currently operating 1,480 charging points at a total of 711 charging devices.

## 11. Rural development

The 2021–2027 **Rural Development Programme** can significantly contribute to rural development in the coming years; it is expected to provide HUF 4,265 billion in funds for developing agriculture and the food industry, and for strengthening rural economies. The overall amount triples the funds for the previous 2014–2020 period; tenders offering HUF 1,100 billion in funds were already launched in 2021. The significantly raised overall amount is the outcome of the Government’s decision to supplement relevant EU funding with an 80 percent own contribution from the national budget.

As regards agriculture, by facilitation of the **restructuring and modernisation of agricultural holdings**, the tender **“Supported development of grain storage facilities, dryers and cleaners”** announced with a budget of HUF 150 billion last summer offers an opportunity for substantial progress in creating added value in Hungary; HUF 50 billion is additionally available under the title **“Supported development of fodder production plants”**. Considerable funds are available for modernising livestock farming, and for improving the productivity and profitability of the sector: an overall amount of HUF 460 billion and HUF 45 billion is available for developing and for overhauling livestock holdings, respectively. Over 2 thousand holdings were awarded support in tenders aimed at developing **livestock holdings**. Tendering opportunities in 2021 also included the tender with an overall amount of HUF 320 billion, aimed at supporting complex investments promoting value-added agricultural products and market penetration, technological development, and environmental resource efficiency; 102 holdings received support. In relation to all projects it is possible to perform energy upgrades of buildings and to install technologies recovering renewable energy sources. The programme launched by the Ministry of Agriculture with an overall amount of HUF 17 billion supports **preservation of biodiversity**, particularly of the **genetic material of rare Hungarian agricultural animal species**. The programme was drawn up in 2021; it will be substantially implemented in the years 2022–2023.

The **Food Industry Development Strategy** adopted in 2015 for the year 2021 was concluded; the originally planned overall amount of HUF 300 billion was increased to HUF 460 billion in the 2014–2020 period. The strategy focussed on improving the competitiveness and profitability of the sector; 5+1 working groups decided on steps facilitating regulation, tax changes, food safety, information systems, innovation and integration. This was carried out with substantial involvement of professional bodies.

Providing and extending options for **irrigation** is an important goal for improving the productivity of agriculture in Hungary; this goal is served by the tender **“Support of cooperation between irrigation communities”**. Greater emphasis of sustainability and environmental protection justifies spending the overall amount of around HUF 40 billion as efficiently as possible in relation to the tender **“Transition to and maintenance of ecological farming”**. The topic of environmental protection, sustainability and innovation is in line with the HUF 180 billion in tender funds for the year 2021 (**“Support of precision development projects related to the digital transition of agriculture”**); competent policy makers expect successful bids to improve the water-retention capacity of soil, which is crucial for Hungarian agriculture, and to potentially also improve the earning power of successfully tendering agricultural holdings. Horticulture and mushroom-growing farms were awarded HUF 30 billion and HUF 20 billion in tender funds, respectively, in 2021 H2.

**Awareness raising related to water management** is part of the Hungarian RRP “D” component. The goal is to broaden the scope of information provided to the extent possible in relation to sustainable water management and to provide modern solutions to water consumers necessary for this purpose. Information is to be provided in various forms, including publications, film distribution, organisation of conferences and training programmes. As many farmers as possible are to be reached with involvement of the Hungarian Chamber of Agriculture maintaining direct contact with farmers, the Hungarian University of Agricultural Sciences most competent for organising and executing training, and the demonstration centre in Szarvas. Establishment of one hundred agricultural production associations is planned by 2024 Q3, which can facilitate and monitor efficient water consumption. The goal to be achieved until 2026 Q1 is to practice water-efficient farming in a total area of 50 thousand hectares.

Water retention and water reservoirs are used in the long term in Hungary to provide water in areas with water scarcity mainly in the Homokhátság area of the Danube–Tisza köze, in Rábaköz–Tóköz, and in the region of the Eastern Main Channel and its belt channels. **Balancing the uneven distribution of water resources in space and time** is a priority for both agricultural production, preservation of natural assets and prevention of the vulnerability of sub-surface waters, and thereby of the supply of drinking water. Between 2022 and 2030, HUF 1.6 billion will be appropriated in EU funds (EEEOP) within total costs of HUF 54.4 billion; the rest is to be financed within the framework of the RRP.

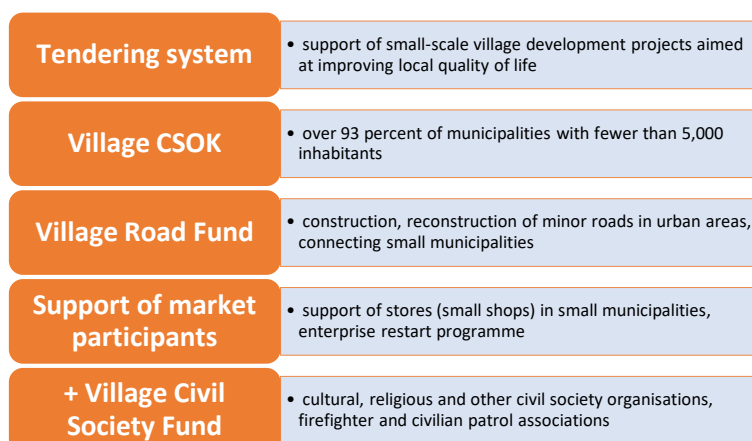
From June 2022 until the end of 2025, the 2016–2030 programme of the **National Forest Strategy** provides for the forestation of areas losing their original function, withdrawn from cultivation and in need of remediation. The Hungarian forest ratio is currently 20.8 percent, which could be increased to 27 percent by inclusion of suitable areas gained with remediation.<sup>25</sup> This would provide a combined solution for protection against and adaptation to climate change, health protection (*inter alia*, by reduction of fine particulate matter concentration), protection of natural resources and the increase of recreational opportunities. The afforestation potential, however, competes with food and feed production needs on arable lands. In addition to areas used for agriculture, Hungary also has tens of thousands of hectares of land that has lost its original function (military, tailing pond, mining, industrial areas, etc.), and areas withdrawn from production. Afforestation of such land, however, is hindered by lacking remediation (ammunition, chemical substances, etc.). **Remediation** in itself is not funded by either EU fund, but EU (EAFRD) funds are available for afforestation of areas made suitable for such purpose. The precise survey of remediation needs began this year on around 50 thousand hectares. One fifth of the cost of HUF 25 billion necessary for remediation of a total of 10 thousand hectares land through the survey of an area of 850 thousand hectares is financed by the budget; financing of the rest is planned from RRF funds.

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<sup>25</sup> National Climate Change Strategy, Clause V.9.3. 3/a)

Figure 14

#### 4 pillars of the Hungarian Village Programme

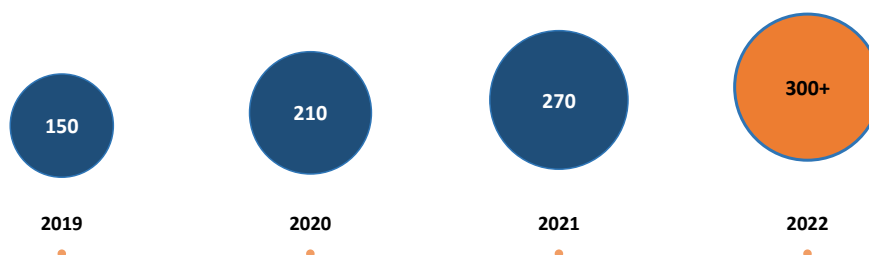


*Source: Presentation of Gergely Gaal, ministerial commissioner (Prime Minister’s Office), held on 10.03.2022 at the “Rural Development and Demography” conference of the Hungarian Economic Association*

In 2018 the Government set up the large-scale **Hungarian Village Programme** with the goal of **enhancing the population-retention capability of municipalities** with fewer than 5 thousand inhabitants and reversing the outward migration trend with national financing. The programme was launched in 2019; **it rests on 4 pillars** and a 5<sup>th</sup> programme segment was added in 2020. Approved applications were submitted by 2,856 municipalities—99 percent of municipalities concerned—in the Hungarian Village Programme. The programme is operated with 100 percent national funding, with 100 percent advance payment, based on local initiatives and needs, providing non-refundable support for small-scale development projects. In the Programme, overall amounts of HUF 150 billion, HUF 210 billion, HUF 270 billion were available in 2019, 2020 and 2021, respectively, and inhabitants of the villages concerned can expect HUF 300 billion in 2022.

Figure 15

#### The tendering system is expected to provide more than HUF 300 billion in 2022



*Source: Presentation of Gergely Gaal, ministerial commissioner (Prime Minister’s Office), held on 10.03.2022 at the “Rural Development and Demography” conference of the Hungarian Economic Association*

The first component of the Programme is a **tendering system** in which applications may also be submitted for community-building goals alongside purchases of municipal real property, playgrounds, communal and medical equipment.



The second programme component, the **village CSOK** (Family Housing Subsidy Scheme), aims to improve the housing conditions of inhabitants of small municipalities. From 1 July 2019 until mid-2022, inhabitants of currently 2,678 municipalities may apply for the purchase or renovation of used dwellings (in the value of HUF 600 thousand for 1 child, HUF 2.6 million for 2 children and HUF 10 million for at least 3 children). Half of the received amount may be spent on a purchase, while the other half must be spent on upgrading and/or expansion. Half of the indicated amounts may be used for upgrading existing dwellings. Interest-subsidised loans are also offered in the amount of HUF 10 million and HUF 15 million. Up to the end of 2021, around 29 thousand approved applications were received in the value of HUF 156.5 billion.

Taking into account that inhabitants of rural Hungary have long identified the condition of solid road pavements in municipalities to be a serious problem, the **Village Road Fund** is the third component of the programme, which supports construction and reconstruction of minor roads connecting urban areas and small municipalities. Around 3 thousand kilometres of minor roads underwent reconstruction up to the end of 2021 by way of this tender.

The fourth component is aimed at **supporting market participants in villages**, improving public supply and mitigation of disadvantages arising from living in small municipalities. Tenderers include municipalities with less than 2 thousand inhabitants (2,400 municipalities); so far shops have been renovated and expanded in 1,415 municipalities, small shops have again been opened in 121 municipalities, 400 shops will also supply medicinal products in the future, and there are 943 community space development projects. As part of the fourth programme component, within the framework of the EU EDIOP programme, HUF 2–10 million is awarded with 70 percent aid intensity to micro-enterprises in small municipalities for the purchase of machinery, equipment, manufacturing licences, know-how, real estate development, and partially for project management and project preparation and wage costs.

The fifth component launched in 2020 is the **Village Civil Society Fund**, which offers tendering opportunities to civil society organisations, civilian patrol and firefighting associations, and cultural and religious community bodies. In 2020 and 2021, 4,545 applications were awarded HUF 15 billion in aid, with HUF 7 million provided for real estate investment or renovation, and vehicle purchases, and HUF 2 million for other equipment purchases and programme organisation.

As part of the Programme, in parallel with infrastructure development, equipment purchase and wage subsidy opportunities, within the framework of the Action Plan for Restarting the Economy, a government decree was adopted for **supporting small shops in small municipalities**. Additionally, by way of Government Decision No. 1957/2021 (XII.23.), State-owned properties in 1,630 small municipalities were transferred to municipal ownership at the end of 2021.

The EU **Top Plus Programme** supports improvement of employment in rural municipalities, strengthening of local economies and development of municipal public services; of the total of HUF 1,800 billion in funds, HUF 230 billion in tender funds was already made available at the end of 2021 for less developed municipalities. In the 2021–2027 EU programming period 40 percent more development funds will be available for rural municipalities compared to the 2014–2020 period.

The implementation of investments under the **Modern Cities Programme aimed at the development of cities with county rank** continued in 2021; infrastructure, public transportation, healthcare,

industrial park and sport facility development projects were implemented, *inter alia*, in several rural cities. The programme covers a total of 270 projects with a financing requirement of HUF 4 thousand billion; half of such amount was disbursed by the end of 2020, and the vast majority of projects are expected to be completed by 2025. By way of motorway and road development, achievement of the goal of ensuring access to all cities with county rank by four-lane expressways and a connection in the direction of national borders within a few years is within reach.

The **thematic business development equity fund** established by **MFB Invest Zrt.** of the Hungarian Development Bank supports regional convergence in larger Hungarian cities. The Urban Funds are already providing capital financing and intercompany loans for businesses in six rural cities (Debrecen, Székesfehérvár, Kaposvár, Nyíregyháza, Veszprém and Pécs) and their regions. The Funds launched in the autumn of 2019 support businesses in implementing development and investment projects with capital in the total amount of HUF 29 billion. These funds operate differently from traditional forms of financing, as they are capable of simultaneously supporting city businesses and regional objectives. The funds are established and operated in close cooperation with the leadership of municipalities of large cities acting as regional centres.

## 12. Sustainable development goals

**Hungary** is progressing well in meeting the UN Sustainable Development Goals (SDGs); it has a score of 78.8,<sup>26</sup> which is **higher than the regional average (77.2) and corresponds to 25<sup>th</sup> place among 165 countries**. Hungary is performing well and improving in relation to a number of indicators. Hungary is **performing best** in relation to clean water and sanitation (SDG 6), decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11) and life on land (SDG 15), and except for the latter, it has improved all indicators. **Challenges remain** in relation to the following goals: no poverty (SDG 1), good health and well-being (SDG 3), quality education (SDG 4), gender equality (SDG 5), affordable and clean energy (SDG 7), reduced inequalities (SDG 10) and responsible consumption and production (SDG 12). There is improvement in five of the above areas: no poverty (SDG 1), good health and well-being (SDG 3), gender equality (SDG 5), affordable and clean energy (SDG 7). Hungary is performing worst in relation to sub-indicators (obesity, nutrition level, etc.) of the zero hunger (SDG 2) goal, climate action (SDG 13), industry, innovation and infrastructure (SDG 9), although there has been improvement of the latter.

**Key measures related to individual indicators** are noted below; these are detailed in the policy chapters and the Table 3 on measures. The Hungarian National Social Inclusion Strategy 2030 and the government action plan for 2021–2024 serving its implementation, the long-term programme for “Developing Settlements”, Elimination of Segregation With Complex Programmes and “Integrated Regional Child Programmes” are the key measures aimed at eradication of poverty (SDG 1) (chapter on Poverty). Ecological farming incentives and campaigns promoting consumption of fish contribute to achieving the goal related to zero hunger (SDG 2), including in particular correct nutrition and a healthy lifestyle. The goal of the good health and well-being indicator (SDG 3) is supported by providing reasonable income to physicians, phasing out informal payments, development of the health infrastructure and care, and of digital healthcare services in the sector, and establishment of sports facilities (chapter on Health). The Public Education Development Strategy, Mid-term Strategy Against School Leaving Without Formal Qualification, National Talent Programme, increase of teacher wages and the 2021 model change in higher education are aimed at providing quality education (SDG 4) (chapter on Education). Supporting parents with toddlers in returning to the labour market and increasing capacities of nurseries aim to bolster gender equality (SDG 5).

Utility development projects (supply of drinking water, infrastructure development, sewage disposal and treatment) were implemented to ensure clean water and sanitation (SDG 6). Access to affordable and clean energy (SDG 7) is served by support for household PV panel use and heating upgrades, classic and smart grid development projects of the transmission system operator and distributors, establishment of energy storage facilities and the Green Home Programme (chapter on Energy). Decent work and economic growth (SDG 8) is promoted by increases in the mandatory minimum wage, the minimum guaranteed wage and the public work wage; the PIT exemption of people aged under 25; labour force subsidies of businesses; and economic stimulus programmes (chapter on Employment). Beyond the above infrastructure development programmes, development of industry, innovation and infrastructure (SDG 9) is boosted by support of market-oriented corporate R&D&I, development of the innovation

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<sup>26</sup> <https://dashboards.sdqindex.org/static/profiles/pdfs/SDR-2021-hungary.pdf>

ecosystem and of the network of Scientific and Innovation Parks (chapter on [Innovation](#)). Additional important measures include the MFB Economic Recovery Loan Programme, start-up, SME and large company financing, renewed support of digitalising the economy and businesses, and support of development assisting micro, small and medium-sized enterprises in adapting to modern business and production challenges (chapter on [Business development](#)). Development of digital skills, the Provisions Scholarship Programme and the Specialised, Needs-Based Learning Establishment Programme contribute to reducing inequalities (SDG 10).

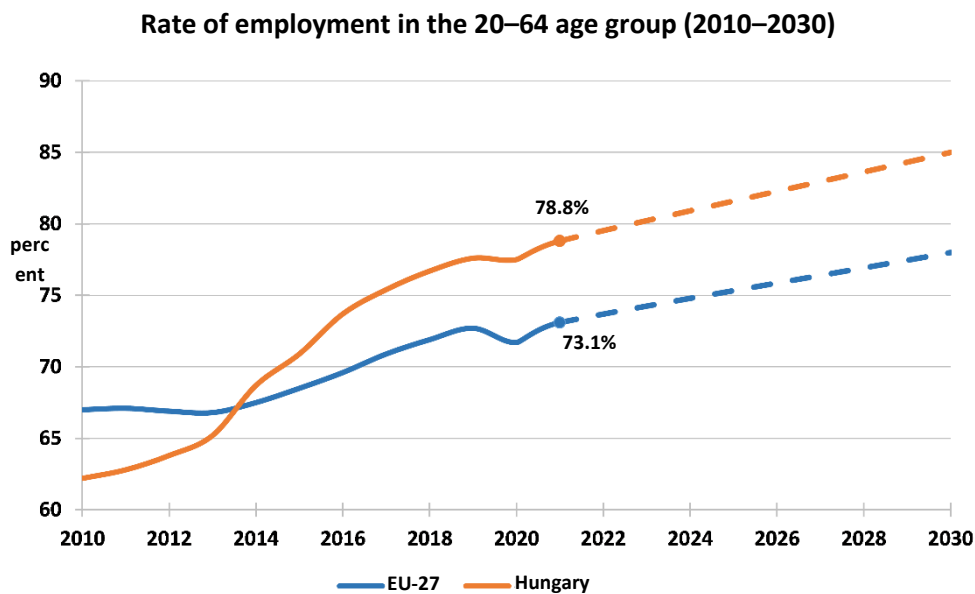
Sustainable cities and communities (SDG 11) are bolstered by the National Air Pollution Reduction Programme, development of roads, railways and transport, bicycle infrastructure, and support of electric vehicle purchases (chapter on [Transport](#)). Responsible consumption and production (SDG 12) is facilitated by the 5<sup>th</sup> National Environmental Programme (NEP5), and development projects related to agriculture and ecological farming. Climate action (SDG 13) is supported by the Awareness Raising in Water Management reform programme and other measures related to sustainability and the sustainable economy, and green financing incentives (EXIM Green Financing Programme, programme of preferential capital adequacy requirement). Ecological investments and water management measures (biodiversity, habitat protection, habitat restoration, species conservation measures) boost protection of life on land (SDG 15) (chapter on [Environmental protection](#)). Development of the automated decision support system, establishment of the National Commercial Register and launch of the data change management service (e-Reporting) contribute to peace, justice and strong institutions (SDG 16) (chapter on [Public administration](#)). The programmes for international cooperation in development implemented under Hungary's Strategy for International Cooperation in Development for the 2020–2025 (NSICD2025) period were set up for supporting partnerships for the goals (SDG 17).

### 13. European Pillar of Social Rights

Hungary essentially supports the European action plan of March 2021 aimed at the implementation of the European Pillar of Social Rights; therefore, it did not consider it necessary to supplement it with a separate national action plan. Beyond the fact that both the European targets to be achieved by 2030 and the Porto declaration on adoption of the action plan are consistent with Hungarian concepts, the **Government reviewed national commitments in all three areas and adopted at national level key targets better encouraging national implementation.**

The average EU **employment rate** for 20–64-year-olds was already reached in Hungary in 2021: as a Member State with the 8<sup>th</sup> highest rate of employment, **Hungary had already exceeded the 78 percent target from the spring of 2021** in relation to the first key target. The rate was 79.6 percent at the end of last year, and is expected to be similar in the first quarter of this year, which is an outstanding result in light of the fact that the currently highest European rates are around 82 percent in Switzerland, Iceland and the Netherlands. By building on rapid growth achieved earlier and continuing the measures presented in the chapter on employment, Hungary **still has a realistic chance of reaching the target of 85 percent by 2030, which is significantly more ambitious than the EU one.**

Figure 16



Source: Eurostat

Hungary plans to contribute to the employment sub-targets adopted at EU level mainly by bolstering the Youth Guarantee scheme, further supporting women’s presence on the labour market significantly above the EU average in parallel with the unprecedented increase of nursery capacities, and by promoting flexible forms of employment (HU: 73.5%, EU: 67.7%).

In relation to **training targets**, Hungary’s key targets include management of challenges arising with the spread of digitalisation and automation, preparation of workers for the new labour market (skills) environment and boosting of their adaptation capacity. Adult education was, therefore, overhauled with involvement of regionally competent economic chambers and in consideration of labour market needs in regions with varying levels of economic development, as noted in the subheading on

vocational training. As regards EU targets, **Hungary undertakes to ensure 60 percent of the total adult population participates in training each year.** To this end, the Government aims to enhance the appeal of vocational training for students and companies by supporting the substantive and infrastructural overhaul of dual education, and the simultaneous development of digital curricula and key competences. The vocational training reform launched in 2020 extends to vocational training institutions, training syllabuses, examination systems, scholarships, teacher wages, and rating and career tracking systems. The new adult education system provides greater flexibility and interoperability between the labour market and the school system, so it can provide a faster response to changing needs of the market. To reduce school leaving without formal qualification, the Government has also adopted several direct measures, including introduction of the orientation year, establishment of the system of workshop schools, the Dobbantó Programme and the new student scholarship scheme.

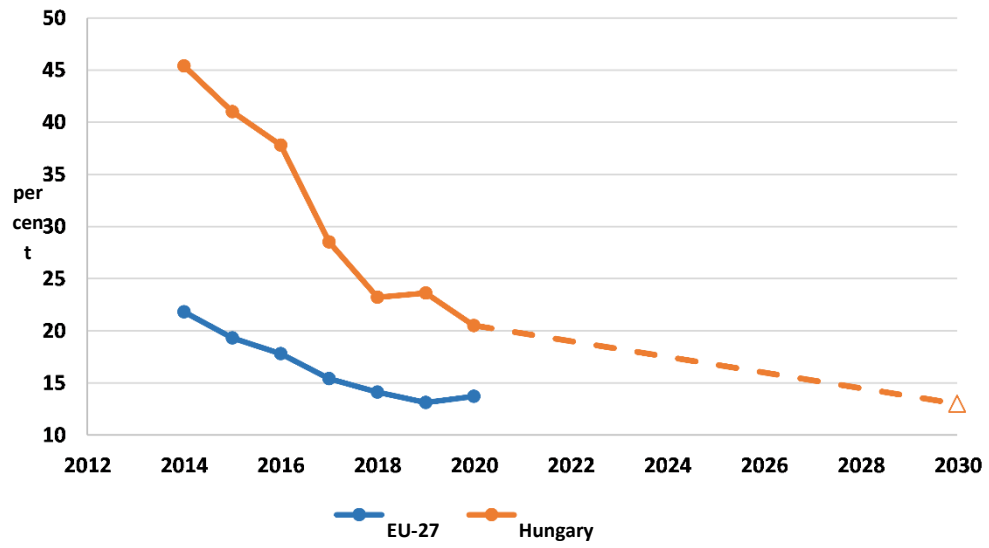
Hungarian policies proved to be some of the most successful in the past decade in **reducing poverty**; therefore, Hungary is again expected to contribute to the EU headline target set for 2030 at a higher than proportionate rate. The government plans aim to reduce the share of families with children with financial and social deprivation<sup>27</sup>, as provided for in the National Action Plan adopted as early as 2010, which assessed families with children, consistently with EU efforts, but better expressing the national approach. **According to calculations of the Hungarian Central Statistical Office, the planned 13 percent target would lift at least 350 thousand people out of poverty by 2030 based on the EU indicator.** Among the potential metrics, this one has the advantage of being capable of providing realistic feedback on poverty trends, particularly in view of the fact that the value of the other two indicators—i.e. share of people living in relative income poverty and in a quasi-unemployed family—has significantly improved in the past decade. The earlier indicator—share of people at risk of poverty—has decreased by over 1 million people since 2010 as a result of better living conditions, broad employment opportunities and a family-friendly tax system supporting jobs.

*Figure 17*

**Share of families with children with financial and social deprivation, percent**

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<sup>27</sup>The indicator covers a member of a household, if he/she or his/her family cannot afford at least 5 items of 13 specified items. In the “severe” version of the indicator, 7 and not 5 conditions must be met. Beyond the adopted 2030 Hungarian National Social Inclusion Strategy, the more robust 5-item basic indicator is also favoured by EU professional forums.



Source: Eurostat

## 14. Social partnership

In line with practice of previous years, public consultations relating to measures of the 2021 National Reform Programme were carried out in cooperation with ministries responsible for such measures. Practices established in the given professional fields may change according to the parameters of measures. The relevant ministries conducted necessary consultations in accordance with laws applicable to the preparation and planning of laws, programmes and other measures. Consultation concerning legislation (and government decisions concerning strategies and programmes) was typically carried out based on provisions of Act CXXXI of 2010 on social participation in the drafting of legislation. Public consultation takes the form of sharing opinions through the contact channel provided on the website (general consultation) and direct consultation with the persons, institutions and organisations invited by the minister responsible for the preparation of legislation (direct consultation). General consultation is mandatory in every case.

In relation to measures financed from **EU programmes** in the 2014–2020 programming period, the public consultation process was conducted in accordance with provisions of Government Decision No. 272/2014 (XI.5.) on the rules of using aids provided from certain European Union funds. Consultation applies both to planning and the selection process. For the purpose of public consultation of European Union projects and tenders, management authorities request the opinion of stakeholder social and professional bodies based on the subject-matter of the call. In relation to EU programmes, in addition to disclosure, Monitoring Committees of certain operational programmes review and approve in advance annual development budgets. Social partners, civil society organisations and non-governmental organisations also nominate members of monitoring committees of operational programmes. Thus, social partners and civil society organisations monitor the entire selection and evaluation process of projects. The draft RRP of Hungary was published in the spring of 2021 on the [palyazat.gov.hu](http://palyazat.gov.hu) site for public comment. The calls of individual projects—some of which are already under preparation—are coordinated similarly to the tenders of structural funds. The RRF Monitoring Committee was also set up for reviewing calls in parallel with public consultation. The draft RRP of Hungary was submitted on 11 May 2021 to the European Commission.

The **following social dialogue forums** operate in relation to the labour market and wage negotiations:

By operating the **National Public Service Conciliation Council (NPSCC)**, the Government provides an institutional framework for operating national social dialogue and concluding agreements relating to incomes policies, wage policies, labour and employment matters concerning all public service employees. It supports enforcement of the right of review of interest representation organisations set out in the act on legislation. In 2021, the plenary meeting of the NPSCC was held on two occasions, at which the Government consulted with municipal and employee representatives relating to, *inter alia*, the following topics: budget for the year 2022, amendment of tax legislation in 2022. The **National Labour Council of Public Servants (NLCPS)** is the national, intersectoral forum of the Government and of delegated representatives of trades unions representing public servants, municipalities operating institutions that employ public servants concerning labour, employment, wage and incomes policy issues. It provides an institutional framework for operating social dialogue at national level concerning labour matters affecting all public servants. By way of the **Standing**



**Consultation Forum of the Private Sector and the Government (PGF)**, the Government provides an organisational framework for Hungarian employers and employees in the private sector for holding regular consultations on the mandatory minimum wage, minimum guaranteed wage, and the annual amount and rate of the recommended wage in the following year. As a result of negotiations, both the minimum wage and minimum guaranteed wage increased by 4 percent in 2021. From the beginning of January 2022, the minimum wage and minimum guaranteed wage increased by 19.5 percent and 18.7 percent, respectively.

The following best practices in public consultation are applied in other areas:

- **Reform of the legal and regulatory system of rail transport:** Several conferences attended by municipalities and experts concerned were held in relation to the feasibility study on the high-speed railway connecting capitals of the Visegrád Group.
- **Subsidisation of household PV panel use and heating upgrades:** the draft call for applications was published on the [napelem.palyazat.gov.hu](http://napelem.palyazat.gov.hu) site for comment. The views of industrial operators and associations will also be obtained in relation to the call.
- **National Clean Development Strategy (NCDS):** The NCDS was drafted after in-depth consultations with stakeholders. Drafting of the strategy was supported by “climate breakfasts” attended by Hungarian stakeholders.
- **Ban on the placing on the market of single-use plastic products:** in the course of drafting the measure, in the phase of drafting and enacting legislation, the responsible ministry involved the professional interest representation organisations concerned. Consultative forums were held with their participation, at which the planned measure was presented in detail, and comments and opinions could be made. Comments were in each case assessed and taken into consideration to the extent possible. The measure is presented at most conferences and presentations to facilitate uniform legal enforcement.
- **National Waste Management Plan 2021–2027:** The open public consultation of the NWMP and the related draft Environmental Assessment was conducted from 30 July 2021 with direct involvement of bodies responsible for environmental protection and the Hungarian National Council on the Environment.
- **Adoption of the 2021–2030 National R&D&I Strategy:** During drafting of the strategy, consultations were held with actors of the Hungarian research and development system, researchers, representatives of companies and innovative enterprises, higher education institutions, heads of academic research institutes, experts and policy makers of professional-sectoral associations, chambers, municipalities and other bodies. The draft R&D&I strategy was reviewed by the National Science Policy Council and approved at its meeting.
- **Model change in higher education – 2021:** a model change in higher education was in each case implemented on the basis of relevant decisions of the university senate. Consultations were also held with university management as to the means, development, provision of assets necessary for efficient operation.
- **The long-term programme for “Developing Settlements”:** planned activities are defined in relation to specific within the framework of so-called diagnoses, which are prepared with involvement of local civil society organisations, public service providers, policy makers, and local populations also participate in a questionnaire survey. Action plans are drawn up on the

basis of the above; civil society organisations implementing these regularly consult each other, local stakeholders, representatives of public bodies and the local population.

- **The Hungarian National Social Inclusion Strategy 2030 and the government action plan for 2021–2024 serving its implementation:** two-round public consultations were held. First the Deputy State Secretariat for Social Inclusion (TFFHÁT) of the Ministry of Interior consulted bodies participating in the partnership forums in August-September 2020, then held public consultations from December 2020 to January 2021.
- **2021–2026 5<sup>th</sup> National Environmental Programme:** the draft Programme was discussed by the National Council for Sustainable Development and the Hungarian National Council on the Environment at their meetings of 4 November 2021 and 11 March 2021, respectively. The bodies welcomed the Programme. Additionally, as part of the Programme's strategic environmental assessment, its draft was uploaded to the website of the Herman Ottó Institute to enable commenting for a 30-day period. When finalising the draft, the ministry took into account comments voiced at the meetings and sent in writing.
- **Review of benefits in healthcare in addition to wages (mainly in relation to physicians):** principles of the newly established system were consulted with professional bodies (Hungarian Medical Chamber, Association of Residents).
- **Availability of telemedicine services in Hungarian healthcare:** after the state of emergency, a survey was conducted to assess the degree in which telemedicine was used in individual professions and the types of processes in which the provision of telemedicine services is considered to be justified. Several professions have indicated their commitment. Representatives of individual professions are included in drafting telemedicine legislation according to schedule.
- **Deinstitutionalisation of people with disabilities from care/nursing homes:** On 21 November 2018, a partnership agreement was signed with six national organisations representing interests of people with disabilities. The revised concept takes into account opinions of these organisations and experiences gained from deinstitutionalisation. During public consultations relating to the calls, all stakeholders had the opportunity to express their views. In addition, as the consultation body of the highest level, the National Disability Council continuously discussed current issues concerning deinstitutionalisation. The National Committee for the Coordination of the Replacement of Institutions, with State and civil society members, has been following the process since 2011.
- **Development projects supporting electronic administration options of citizens:** In the course of preparing the measure, broad public consultations were held with relevant utility and telecommunication providers, six working groups were set up with them, and the working groups monitored the planning, preparation, regulation and introduction of the service.
- **Full digitalisation of urban planning:** the new type of urban planning regulation was consulted with professional and interest representation organisations, the Chamber of Hungarian Architects and Hungarian Chamber of Engineers, municipal blocs, professional actors and designers, partner ministries, Government Offices and State Chief Architects. The ministry considered all of the received opinions.