



GOVERNMENT OF HUNGARY

**NATIONAL REFORM PROGRAMME 2014
OF HUNGARY**

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I. INTRODUCTION

The European Semester is a key element of enhanced economic governance aiming at the stronger economic policy coordination in the EU. Within this framework, all Member States submit (along with their respective stability or convergence programme) a National Reform Programme in the middle of April. In this programme the Member States present their measures taken in accordance with the country-specific recommendations of the European Council and the actions defined to implement the top priorities set out in the Europe 2020 Strategy in several fields (employment, education, research and development, climate and energy policy, social inclusion), report on the progress made during the past year; and determine further measures in response to the priorities of the European Commission's Annual Growth Survey.

During the compilation of the National Reform Programme 2014, Hungary sought to present the structural reforms made in order to boost economic growth, enhance employment, and ensure a sustainable level of public debt to be in line with the European Commission's structural and content guidelines. Besides demonstrating the progress achieved, the 2014 National Reform Programme also provides information on the continuation and fine-tuning of the on-going reform measures and further new measures. The Government is committed to continue growth-friendly reforms, which improve the growth potential and enhance labour market participation, as well as the fiscal consolidation that consistently reduces public debt.

The format and the structure of the National Reform Programme 2014 slightly differ from the ones of the previous years. In line with the Commission's guidelines, the National Reform Programme 2014 of Hungary presents measures which are new, on-going or have already been implemented since 2013. Some of them were initiated to implement the country-specific recommendations of 2013, others are planned for 2014-2015 while some of them are directly attached to the national targets of the Europe 2020 Strategy. Two annexes with tables similarly structured are attached to the National Reform Programme. In the main text of the Programme the implemented or intended measures are concisely presented while the annexes with the background information contain further related measures. In the main text, following the description of each measure, we have indicated the relevant lines in the table using bold numbers in round brackets or letters in case of sub points. With regard to the country-specific recommendations we also note the ones we do not agree with - as we have already raised them to the European Commission on several forums.

Besides that the Europe 2020 Strategy is closing its first half of its timeframe, cohesion and rural development policies were concurrently planned with the compilation of the National Reform Programme 2014, therefore, its elaboration was strictly harmonised with the Partnership Agreement, and indicated if related to Operational Programmes. Moreover, it is presented in a separate section how the Partnership Agreement strengthens the implementation of the National Reform Programme's measures.

The National Reform Programme 2014 was adopted by the Government after a discussion about its contents with the members of the Hungarian Economic and Social Council (ESC), such as representatives of trade unions, entrepreneurial organisations, trade and industrial chambers, Hungarian Academy of Sciences higher education institutions, and NGOs.

The Programme was elaborated in line with the Convergence Programme, the related chapters contain cross-references.

II. MEDIUM-TERM MACROECONOMIC OUTLOOK

II.1. The development of macroeconomic environment

The Hungarian National Reform Programme is built on the medium-term macroeconomic outlook, which is briefly introduced in this chapter.

It is important to emphasise that, in line with the integrated approach of the European Semester, the Hungarian National Reform Programme has been prepared in strict accordance with the Convergence Programme, which are built on each other; the two documents are going to be submitted to the European Commission at the same time. With regard to the fact that the macroeconomic path of 2013-2017 is elaborated in the Convergence Programme in details, the medium-term macroeconomic outlook introduced below only aims at summarising the macroeconomic path detailed in the Convergence Programme.

Since the second quarter of 2013 there has been a gradual increase in the Hungarian economy and the structure of the increase has become more balanced, as not only the net export but the domestic demand have expanded as well, the latter contributing to GDP growth to a greater extent. According to the Convergence Programme's calculations acceleration in the economic increase can be expected, which affects the labour market in a positive way, and increases the level of consumption through wage increases. Parallel with the acceleration of the GDP increase the structure of the growth may become healthier. On the one hand, a further gradual boost in the external demand can be projected which foresees the dynamic expansion of export. On the other hand, the gradual increase of the domestic demand is provided by the increase in disposable incomes, the slow-down of the balance sheet adjustments, and the easing of the precautionary motives. The increase is also promoted by the EU funds, and the financing tools available in the EXIM programmes and in the second phase of the MNB's (Central Bank of Hungary) Funding for Growth Schemes. In accordance with the increase of the external and internal demands the investment of the corporate sector is expected to increase dynamically even on the forecast horizon period until 2017. Although the companies face slowly lowering credit limits, the credit costs being reduced as a result of the low yield environment encourage investment activity. The GDP growth may exceed 3% at the end of the programme period.

Development of major macroeconomic indexes (2013-2017)

	2013	2014	2015	2016	2017
<i>percentage, volume change compared to the previous year</i>					
Gross national product	1.1	2.3	2.5	2.1	3.1
Household consumption expenses	0.2	1.8	2.0	2.0	2.1
Gross fixed capital formation	5.9	6.2	4.1	-0.9	8.5
Export	5.3	5.8	6.8	6.7	6.6
Import	5.3	6.2	6.5	5.8	7.2
<i>percentage, annual average</i>					
Unemployment rate (15-74)	10.2	9.1	8.8	8.5	8.2
Employment rate (15-74)	51.6	52.4	53.0	53.6	54.3
<i>percentage, at the rate of gross national product</i>					
External financing capacity	6.5	7.2	6.0	6.1	7.5
<i>percentage, annual average</i>					
Consumer price index	1.7	0.8	2.9	3.0	3.0

II.2. The macroeconomic effects of economic policy measures

The quantification of the macroeconomic effects of the economic policy measures taken by the Government is included in the Convergence Programme.

The government measures have increased the disposable income of households, due to which a significant increase of consumption can be expected on the forecast horizon. The growth effect of this is balanced by the additional import demand originating from the consumption growth and the fall of investments as a consequence of partly the additional burdens of the corporate sector, and partly the blocking of public funds. These additional burdens, in the short term, act slightly as a drag on the employment but, in the medium term, the labour demand increases with the growth of the economy.

Macroeconomic effects of the measures

	2013	2014	2015	2016	2017
<i>% deviations from the baseline level</i>					
GDP	0.06	0.24	0.33	0.43	0.51
Household consumption expenses	0.23	1.14	1.29	1.48	1.65
Investments	-0.23	-0.75	-0.46	-0.25	-0.19
Export	0.00	0.00	0.00	-0.01	-0.01
Import	0.07	0.27	0.33	0.39	0.45
Inflation	0.00	0.01	0.06	0.09	0.11
Private sector employment	-0.01	0.04	0.13	0.20	0.27
Private sector gross average earnings	-0.01	-0.01	0.03	0.06	0.07
Public debt in GDP %	0.32	-0.04	-0.19	-0.29	-0.38

III. THE IMPLEMENTATION OF THE 2013 COUNTRY-SPECIFIC RECOMMENDATIONS

III.1. Financial stability

[Hungary is recommended to] implement a credible and growth-friendly fiscal strategy by specifying the necessary measures focusing on expenditure savings and preserve a sound fiscal position in compliance with the MTO over the Convergence Programme horizon. Building on the above steps, put the general government debt ratio on a firm downward path, also with a view to mitigating the accumulated macroeconomic imbalances. Enhance the medium-term budgetary framework by making it more binding and by closely linking it to numerical fiscal rules. Broaden the mandatory remit and enhance the transparency of the Fiscal Council, including through systematic ex post monitoring of compliance with numerical fiscal rules as well as the preparation of regular macro-fiscal forecasts and budgetary impact assessments of major policy proposals.

The general government deficit, according to the EDP methodology, was 2.1% of GDP in 2012. Besides the 2012 deficit level, the structural deficit was much lower than the 1.7% medium-term objective, therefore, the **MTO was achieved**. The ECOFIN Council approved the **abrogation of the excessive deficit procedure** for Hungary on 21st June 2013. A 2.2% of GDP deficit was indicated in the EDP report for 2013 sent by KSH on 31st March, moreover the structural deficit was much lower than the MTO last year as well. The budget deficit is planned to be in line with the MTO for 2014 and onwards by this year's budget.

Due to the low deficit, **public debt has been on a downward path since 2010**. (2010: 82.2%, 2011: 82.1%, 2012: 79.8%, 2013: 79.2%). However, we need to note that the development of public debt is also affected by other factors than the budget (e.g. exchange rates). Declining public debt-to-GDP ratio leads to declining interest burden, therefore, contributes to lower deficit to GDP ratio.

A fiscal balance in line with the MTO and declining public debt are conditions of sustainable growth, moreover they decrease macroeconomic imbalances and boost confidence in the country. **(1)**

The Council Directive 2011/85/EU on the requirements for budgetary frameworks of the Member States prescribes **to strengthen the budgetary framework** by making it more binding and closely linking it to numerical fiscal rules. The directive was transposed by the amendment of Act CXCV of 2011 on Public Finances and Government Decree 368/2011 (XII.31) on the Implementation of the Act on Public Finances. The amending provisions came into effect in December 2013. Medium-term budget planning has been strengthened according to our EU obligations by transposing the directive, thus compiling an authentic medium-term budgetary framework, in order to ensure a sustainable, regulated fiscal policy.

(2)

Top priorities of the fiscal policy are to reduce public debt inherited from the previous era, to maintain budgetary discipline and to ensure the sustainability of fiscal consolidation. The Fundamental Law of Hungary also includes provisions regarding fiscal discipline: Article 44 provides for the **Fiscal Council** (hereinafter referred to as FC). Detailed regulations concerning the FC are included in Act CXCIV of 2011 on Economic Stability of Hungary, which provides the FC with a special power, the power to veto. Provisions of the Stability Act regarding the FC were revised in the summer of 2012 with regard to the recommendations made by the Council of the European Union on 13th March 2012 under the excessive deficit procedure (EDP). As a result, **the competence and sources for analysis of the FC were broadened**: the State Audit Office of Hungary (SAO) and the Hungarian Central Bank (MNB) helps the work of the FC with providing analyses and statements. In addition, a secretary of 5 members was also set up. In line with the provisions of the Stability Act, the FC might give an opinion about any questions regarding central budget planning, implementation, or allocating public money in any other way (Stability Act article 23. point 1. E;), therefore, broadening and amending the legal competence of the FC are not necessary to incorporate the recommendations for the systematic supervision of the compliance with the numerical fiscal rules, or for the preparation of regular macro-fiscal forecasts and fiscal impact assessments of significant policy recommendations. The recommendation has been fully incorporated, no further provisions are necessary. **(3)**

Measures supporting the implementation of the recommendation are to be found in a table in Annex 1.

III.2. Financial sector

[Hungary is recommended to] help restore normal lending to the economy primarily by improving the capacity for capital accumulation in the financial sector, inter alia by lowering the extra burden currently imposed on it. Improve portfolio quality by removing bad assets from banks' balance sheets, closely consult stakeholders on new policy initiatives and make sure that new policy measures do not increase moral hazard among borrowers. Enhance financial regulation and supervision, in particular by giving more effective emergency powers to the Hungarian Financial Supervisory Authority and by establishing a bank resolution regime.

Lending activity, providing the corporate sector with financial resources is supported by several factors. SMEs can take up preferential investment, current asset and pre-grant loans with the **Széchenyi Card**. The MNB's **Funding for Growth Scheme** (FGS) also offers low interest rate funding for corporations. In the framework of the programme MNB provides free (0% interest rate) loans to the banking sector, which then forwards loans to SME partners at a still low, maximum of 2.5% interest rate. In the first stage of the FGS the ratio of new loans was 41% from the total allocation of HUF 701 billion. Initially HUF 500 billion is available in the second stage of the FGS, which could increase to HUF 2000 billion by the end of 2014. **(4)**

Eximbank provides significant amount of credits to finance the export of enterprises: according to EXIM's Business Plan 2014, the credit portfolio is going to increase to HUF 500 billion. Lending for export significantly contributes to retain and increase employment. **(4)** Improving **access to agricultural funding** continues in the future. Preferential loan programmes for the agricultural sector are expected to be re-launched with the necessary modifications pursuant to the new regulations of state subsidies coming into effect from 2014-2015. Furthermore, loan schemes will be revised and recommendations will be made for their modification by taking into consideration the decreasing difference between the interest rate levels of HUF and FX. **(5)**

In the new rural development programme, as an experiment, **financial instruments** are planned to be applied as refundable subsidies for agricultural raw material production and food enterprises, when the risk of lending is taken by the fund established from purely community (EU and national) resources. The common feature of preferential lending programmes operating so far is that the risk of the borrowing enterprises is taken by the commercial credit institutions. According to experience, however, credit institutions consider the risk of small-scale agricultural enterprises, such as family farms, licensed traditional small-scale producers and farmers too high, due to their size, the lack of information for ensuring transparency for activity and financial reports, high fixed costs of lending and the lack of suitable collateral. As a result, financing and thus preferential financing are not available for these enterprises, which provides a justification for the introduction of the new measures. **(6)**

Due to the activity of the **National Asset Management Agency (NAMA)**, debtors are exempt from a significant amount of mortgage burden claimed by credit institutions, and, at the same time, **credit institutions can clear their portfolio**. The National Asset Management Agency (NAMA) accepted 15,000 real estate properties until 31st December 2013, and is expecting altogether 25,000 until the end of 2014, as a result, the housing of approximately 100-120,000 people is provided. HUF 37 billion is available for NAMA to purchase real estate in 2014. **(7)**

Having taken international practice into consideration, the **Hungarian Financial Supervisory Authority (HFSA)** became an integral part of the Hungarian Central Bank as of 1st October 2013. Consequently, the MNB is responsible for the micro-supervision and it has a strengthened macro-prudential competence since 1st October 2013. As a result, financial supervision has become more efficient. **(8)**

The Hungarian legislation on **bank resolution** will be modified to be in line with the accepted EU legislation. Detailed regulations of the framework of the national bank resolution are being developed, these are going to be submitted to Parliament in 2014; and then the directive on bank resolution will be implemented by 1st January 2015. Both the integration

of the HFSZ into the MNB and this year's legislation on bank resolution will strengthen the stability of the Hungarian financial sector. **(8)**

The implementation of the recommendation and the priorities defined in the Annual Growth Survey are supported by several measures and detailed in the table in Annex 1.

III.3. Taxation

[Hungary is recommended to] Ensure a stable, more balanced and predictable corporate tax system. Streamline corporate taxation and minimise distortions of resource allocation created by sector-specific taxes, so as to foster growth and employment. Continue making taxation of labour more employment-friendly by alleviating the tax burden on low wage earners, inter alia by refining the eligibility criteria for the Job Protection Act, and by shifting taxation away to environmental taxes. Fully implement and step up the already announced measures to improve tax compliance and reduce the cost of tax compliance.

Hungary considers maintaining national jurisdiction in taxation important, therefore welcomes the resolution of the Council of European Union on this matter. However, as declared in its statement at the same time of the approval of 2013 country-specific recommendations, rejects particular recommendations of the Commission regarding taxation, which either reduce or raise existing taxes.

From 2011 Hungary has commenced the transformation of the tax system substantively by **reducing the tax burden on labour and increasing the role of turnover taxes**. The tax level on labour decreased further in 2013 as the consequence of the transformation of the tax system, which thus has become more "employment-friendly" and strengthens incentives for employment. The tax system now reflects the consideration of environmental and health aspects to a larger extent (e.g. by increasing the amount of excise duty and environmental product fees). From 2013 a completely **proportionate, flat-rate personal income taxation** was introduced in Hungary after phasing out the tax base supplement and terminating the upper limit of pension contributions.

In order to retain jobs and increase employment and to continue to make labour taxation more employment-friendly allowances introduced by the **Job Protection Act (9/a)** entered into effect on 1st January 2013. Within this framework, employers are entitled to a social contribution tax allowance and a relief on vocational training levy after disadvantaged jobseekers (under the age of 25, above the age of 55, those returning from child care, those without qualification, permanent jobseekers). By **extending** the Job Protection Act **(9/c)** from 1st January 2014 for employees with 3 or more children returning from the payment period of childcare fee (GYED), childcare benefit (GYES) and child-raising allowance (GYET), the tax allowance on the social contribution available to the employer will be 28.5% in the first three years and 14.5% in the fourth and fifth years of employment. Around 100,000 employers benefited HUF 115 billion from the tax allowance on social contributions thanks

to this measure, which contributed to the employment of 750,000 individuals and another 50,000 by January 2014.

Social contribution allowance for families was introduced as of 1st January 2014. If one cannot fully benefit from the allowance because of an insufficient personal income tax base then the rest of the allowance can be extended to social security contributions (health care contribution, pension contribution). This regulation primarily concerns low-income parents who do not work throughout the entire year or single parent with two children or two-earner families with three or more children. Furthermore, childcare benefits have become more flexible in order to alleviate return to the labour market for parents, as well as enhance willingness to have children for fresh graduates. **(10)**

The **small business tax** as a measure of the Job Protection Act targeted mainly developing small companies and small companies playing a role in employment. Enterprises under this form of taxation can hire new employees or increase wages without increasing employer burdens as long as they can provide the resources from their profits. Due to an cash tax base, the revenue spent on the development of the enterprise – for example on investment – the value of investments can be deducted from the tax base, which gives an advantage to companies with growth and development prospects. **(9/d)**

Micro enterprises as **small taxpayers** (sole proprietors, single-member companies, general partnerships operating with only natural persons, limited partnerships) can replace public burdens (altogether 7 different forms of tax) on the enterprise and entrepreneur with a **simplified, itemized form of taxation** from 1st January 2013. Since 2014 small taxpayers have the opportunity to pay higher lump-sum tax to be entitled to higher amount of benefits. **(9/e)**

The Government has published its own calculators on its website to introduce the new forms of taxation and to simplify choice, as well as it collected the most frequently asked questions and their answers about taxes. Furthermore, several publications and articles for accountants and tax advisors introduced the advantages of choosing the new taxes by setting examples of the change of tax burden in case of different companies and activities.

The corporate tax system became more stable, well-balanced and predictable due to the **amendments taking effect as of 1st January 2014, which mostly aim to simplify the interpretation of corporate tax and help application**, as well as they introduce further allowances (e.g. R&D performed by linked enterprises as a tax base reducing item, the increase of the extent of tax allowance based on allocated investment loans for SMEs). No other significant change has occurred in the corporate tax system from 2014. **(11)**

As of 1st January 2013 the **surtaxes of retail, energy and telecommunication sectors** (introduced due to the economic crisis in 2010-2012) **were abolished** in order to promote growth and employment, besides, **insurances companies became exempt from the effect of**

the bank levy. Accordingly, to ensure fiscal balance, the income tax of energy service providers rose from 8% to 31%; **telecommunication tax, financial transaction tax and the insurance tax** were introduced, the latter also substituting the fire protection contribution. These are turnover taxes which have less distorting impact on growth. On the one hand, they do not charge the profit of companies but the services provided by them; on the other hand; they were introduced to burden a broad tax base by a low tax rate; and with regulations reducing market distortions (e.g. exemptions for items with bigger flexibility, capping tax payable). This way investments and potential economic growth are less hindered.

In line with the restructuring of the tax system, the role of **property taxes** has increased. On 1st January 2013 a **tax on wires and pipelines** was introduced. **The tax on wires and pipelines** contains a ranged, degressive **tax allowance** for tax payers with communication network lines; its extent was **increased** from 1st January 2014, and at the same time the structure of the allowance was simplified. **(12)**

From 1st January 2013, development **tax allowance in corporate taxation was extended by a new item in free- enterprise zones** in (typically economically disadvantaged regions, where investments from tax allowances may create new workplaces). Furthermore, social tax and vocational training levy allowances can also be applied. **(13)**

The Government has taken several measures to fight tax evasion. **Cash registers are linked to the tax authority online by a telecommunication system** to reduce fraud; moreover, the technical details of the regulation on cash registers were defined according to the most cutting-edge technology requirements to eliminate fraud. The exchange of old type to new type of cash registers is in progress, by the beginning of April 65,000 new registers had been put into operation. **(15/a)**

From 2013 a particular circle of tax payers (companies, sole proprietors) are not allowed to settle their liabilities over HUF 1.5 million in cash. Besides, taxpayers are obliged to report detailed data about the issued and received invoices if VAT transferred in the invoices is HUF 2 million or above. **(15/b)**

In order to reduce VAT fraud in the agricultural sector, reverse charge VAT rules were introduced in the grain and oilseed sectors in July 2012, from 1 January 2014 **live pork and half-pork are charged with 5% VAT** to make live pork trade and pork processing more transparent, and improve the situation of the breeders operating lawfully (thus preserving jobs). **(16)**

The implementation of the recommendation and the priorities defined in the Annual Growth Survey are supported by several measures and detailed in a table in Annex 1.

III.4. Employment

[Hungary is recommended to] address youth unemployment for example through a Youth Guarantee. Strengthen active labour market policy measures and enhance the client profiling system of the Public Employment Service. Reduce the dominance of the public work scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong-learning. Continue to expand childcare facilities to encourage women's participation. Ensure that the objectives of the National Social Inclusion Strategy are mainstreamed in all policy fields to reduce poverty particularly among children and Roma.

In this Subsection measures responding to recommendations on the labour market are outlined. Further measures (excluding expansion of facilities) to reduce poverty are included in the section about achieving the Europe 2020 objectives.

In the past years the Hungarian Government have adopted several measures to mobilize labour force and boost employment: as a result of long-term reforms of the supply side of the labour market, the social service system has been reformed in a way that it now promotes work; active labour market instruments have been strengthened; a new Public Work Programme has been launched; the new Labour Code has been adopted; and the system of labour income taxation has been transformed. All these measures have been complemented on the demand side by the reform of the Hungarian tax system and the implementation of a new employer benefit system which affects hundreds of thousands of people and which directly reduces employment costs. By restructuring vocational and adult training and introducing dual elements of vocational training, the Government has taken significant steps to bridge the gap between labour supply and demand.

Adverse labour market situation fuelled by the crisis has had an especially detrimental effect on the chances of young people under 25 intending to enter the labour market. Low employment and high unemployment of youth show a less positive image in Hungary compared to the EU average, especially in case of those with low skills, those without qualification, and long-term job seekers. However, due to the employment policy of the Government, the annual unemployment rate of this age group declined (by 0.9% to 27.2%) in 2013. In the same period youth unemployment rose further in the average of the 28 EU member states.

	2010	2011	2012	2013
Youth unemployment rate (aged 15-24) HU	26.6	26.1	27.1	27.1
Youth unemployment rate (aged 15-24) EU28	20.9	21.4	22.9	23.5
Low skilled youth unemployment rate (aged 15-24) HU	41.4	42.0	44.7	47.9*
Low skilled youth unemployment rate (aged 15-24) EU 28	27.5	28.3	30.5	31.1*
The share of young permanent job seekers among total young job seekers, % (aged 15-24) HU	39.2	35.9	31.2	31.4*
The share of young permanent job seekers among total young job seekers, % (aged 15-24) EU28	28.7	30.4	32.6	33.8*

**average of quarters I-III 2013*

Hungary still considers **tackling youth unemployment** as a top priority and an important challenge. **"First Job Guarantee"** launched in 2012 went on in 2013, since the beginning of 2013 targeted allowances of **Job Protection Act** also help young job seekers find their first job. Several **EU co-financed programmes** aim to help youth employment, such as **apprentice programmes** for gaining experience; **active labour market measures** for improving employability and focusing on the youth; **programmes supporting the youth in becoming entrepreneurs**; as well as **measures aiming at strengthening skills and developing career guidance** . (18)

The **Youth Guarantee scheme** will be introduced with a variety of tools in multiple stages from 2014 (wage subsidies, labour market training courses, labour market services, social contribution allowances, trainee programmes, mobility support, support for becoming an entrepreneur, vocational training possibilities, transit employment, inclusive education, "second chance" schools etc.) The long-term goal is to help the youth receive a job offer or participate in education or training within 4 months of entering the scheme. (19)

In line with the 2013 country-specific recommendations, Hungary has strengthened the active labour market measures promoting employment for the unemployed and the inactive. The aim of **active labour market programmes** co-financed from ESF (European Social Fund) sources is to help disadvantaged job seekers enter the labour market; improve their employability with complex services and subsidies tailored to the possibilities and demands of the local labour market. (20)

As a result, more than 205,000 people participated on average in the active measures per month in 2013, which is a 37% increase compared to the figure of the previous year (almost 150,000 people).

Average number of participants in active labour market measures on closing date (person)				
	2010	2011	2012	2013
Average (monthly) number of participants in active measures, person	45,065	120,297	149,760	205,471

As declared in its statement at the same time of the approval of 2013 country-specific recommendations, Hungary disagrees with the recommendation on the reduction of the dominance of public work scheme, as the Government considers it to be implemented only in the long run, in parallel with the long-lasting increase of the labour market demand. The programme plays a key role in improving employability of long-term job seekers and activating the inactive population (see Subsection IV/2). Hungary **strengthens the activating elements of public works in several steps**, and supplementing employment with training programmes thus providing trainings for 100,000 people by putting emphasis on acquiring

inevitable competences for entering the labour market from December 2013 to the end of March 2014. Moreover, the people concerned can participate in training programmes that conclude with OKJ vocational qualification, professional knowledge necessary for doing particular work with a certification. **(21)**

In order to support the transition from public work to the labour market, in 2013, a call for application scheme aimed at **promoting the development of the social co-operative** was launched with ESF co-financing to aim - at least in the long run – at encouraging self-sustaining operation of economic/employment models.*(See more detailed in Subsection IV.2)*

Within the framework of the Job Protection Act, from 2013 the employer of **long-term job seekers** returning to the labour market is entitled to allowance from social contribution tax and vocational training contribution, this way the Government promotes the growth of activity and reintegration of permanent job seekers to the labour market.**(9/a)**

Due to the measures aiming to develop the Public Employment Service (PES), a more accurate client profiling, tailor-made support service, the development of the system of subsidies and services for employers are introduced. Complementing these steps the development of the internal operations and human resources of the Public Employment Service takes place in the next phase. The aim of the development and introduction of the **client profiling system** is to provide tailor made services and subsidies for clients based on different criteria. The preparation of the profiling system within the EU project for the development of PES is in progress; its introduction is expected in 2016. From this date each job seeker in job centres is subject to the profiling system so that they receive tailor made services and allowances. The aim of the development of the **career guidance system** is to increase self-knowledge and professional awareness which are supported by a set of tools for career consultancy, development of a knowledge base, on-line developments, as well as training courses for the improvement of professionals.

The Government considers the **increase of participation in lifelong learning** important since it might improve employability of the domestic workforce, hence the competitiveness of Hungary.

The Government adopted the framework strategy of the policy of lifelong learning for the new planning period at the beginning of 2014. The Parliament adopted the new Adult Education Act, which primarily regulates fields regarding vocational training and language courses where the qualification acquired is either acknowledged or financed by the State. Guarantees are included in the act and their implementing decrees in order to provide quality knowledge to the participants of adult learning. The **new Vocational Training Act** adopted in 2011 aimed at strengthening dual education, therefore, from September 2013 education started according to the new system providing more interoperability among the forms and levels of education than previously. The system of vocational trainings

acknowledged by the State has become more transparent; the number of vocational trainings with deeper content supporting the increase of employability has risen. The above-mentioned training programmes (education of public workers, active labour market measures) also encourage participation in lifelong learning. Besides, the Government integrate more than 100,000 people into trainings to **improve language and IT competencies** on the one hand from co-financed ESF sources, on the other hand by supporting the **professional, language and IT training of employees.** (23, 24)

The level of women’s labour market participation has been rising in line with favourable labour market trends constantly in the last 3 years reaching 57% in the age group 20-64 by 2013 (source: KSH-MEF), which is 0.6 percentage point increase compared to 2012 (2012: 56,4%, 2010-2012: +1,4 percentage points), the highest level for decades. For comparison: the index rose more slightly in the average of the 28 EU member states until the end of 2012 (2012: 62.3%; 2010-2012: +0.3 percentage point). **Women with small children** are a special target group for labour market measures since their return to the labour market often causes a problem, either due to the scarce capacity of childcare facilities, or the limited access to part-time employment, or the out-dated work experience. Statistics show that this problem also severely affects Hungary as the employment rate of women with small children is much lower than of those without children, the indices have slightly improved lately, though. The Government is also determined on this field, and planning to support introduction of flexible organisation of work and family-friendly work environment. (25)

The difference in employment rate of women aged 20-49 with and without small children aged 0-6 (the negative number means how much employment rate is lower among women with small children)		
	2007	2012
HU	-35.1	-32.6

For **promoting women’s labour market participation** the Government introduced GYED extra (childcare fee extra) from 1st January 2014, in line with this benefit if the mother returns to work after the first birthday of the child, she does not lose her entitlement to childcare fee. Furthermore, she does not have to give up the benefit of the older child (childcare fee or childcare allowance) upon the arrival of a new baby during disbursement. Besides childcare fee extra, within the framework of the Job Protection Act, the Government granted tax allowance to employers in order to enhance and increase employment of women with children. From 2014, in case of employment of parents with three children, employers are exempt from social contribution tax in the first three years of the employment, and in the 4th and 5th year – the same amount of contribution as in case of other parents with children – only half of the amount of tax (14.5%) has to be paid. From 2014 these employment allowances will apply to the employees who enter the labour market during the disbursement of childcare benefits or after their termination. According to the preliminary calculations of the Government, due to the new allowances, employment of

women might grow by about 20,000 people. *(The latter and the family tax allowance will be outlined in details at the measures in Subsection III/3.)*

The Government is devoted to **develop childcare facilities and services** further. The number of new crèche places facilitated between 2010 and 2013 is 3,613, which means 299 new crèche groups and almost 600 new workplaces for childcare professionals. 2,570 places have been renovated and modernised due to subsidies. In 2014 about 2,391 new places are expected to be delivered, which means 199 new crèche groups and 400 new workplaces for childcare professionals. The number of places affected by renovation will be about 2,246. 2000 new day-care places will be created for children within the framework of establishment of flexible day-care facilities programme. **(26)**

The implementation of the recommendation and objectives defined in Europe 2020 strategy are supported by several measures and detailed in a table in Annex 1.

III.5. Business Environment

[Hungary is recommended to] "create a supportive business environment, in particular restore an attractive environment for foreign direct investors, by making the regulatory framework more stable and by fostering market competition. Ensure the full implementation of measures envisaged to reduce the administrative burden, improve competition in public procurement and take further adequate measures to tackle corruption. Strengthen further the judiciary. Remove recently introduced barriers in the service sector, including in retail services. Provide targeted incentives to support innovative enterprises."

The pace and structure of the growth of the Hungarian economy, as well as the recent recovery of private investments, inevitably underpin the improvement of business confidence. Besides this, FDI data also prove that Hungary remains to be attractive for investments. **In line with all these**, none of the non-survey based indicators show a significant deterioration of the regulatory environment or a big discrepancy from regional competitors. Certain chambers consider the increase in the flexibility of the labour market as a positive change in the business environment. The OECD product market regulation indicator also shows improvement. Compared to 2008, the total PMR score of Hungary has slightly decreased which indicates that product market regulation is less restrictive than in previous years, and on a regional level is the least restrictive of all.

The medium-term government programme ("Cutting Red Tape") adopted by the Government in November 2011 in order to reduce the administrative burden of enterprises has been implemented. The programme contained 114 measures altogether in ten intervention areas. Though the original timeframe of the programme goes until 2014, most measures have been implemented during 2012-13, therefore, all measures with few exceptions have been completed. One of the achievements of 2013 is, for example, the settling of the taxation of a caring family member in the framework of a directive issued by the National Tax and Customs Administration of Hungary (NTCA) instead of defining its term in legislation. Based on the directive, illegal employment is more simply distinguished from temporary work by a caring family member. Altogether the implementation of 6 measures is still in progress, which primarily aims at the development of electronic administration and contact, as well as the systematic restructuring of legislation and law application. **(27/a)**

Based on the experience gained from the implementation of the Cutting Red Tape Programme, as well as based on the suggestions from the business sector and from governmental bodies, **the Government has started to elaborate the next set of administrative burden reduction measures in order to** – in line with the international practice – build upon the simplifications already initiated, as well as avoid recurrence of them. The focus of the measures - currently still under inter-ministerial discussions- , is the simplification of administration related to the different life-cycles of companies – company formation, change of company form, dissolution of company –; the substantive reduction of obligations of the smallest enterprises towards the state – typically operating in the field of

agriculture, environmental protection and catering –; as well as the desire to continue the reform of authorities' operation commenced in the Cutting Red Tape Programme. In connection with the latter one, a set of measures which aim to modernise public administration extensively are currently under preparation, these measures are outlined in details in section V. **(27/c)**

The simplification of access to professions, primarily with the help of a more flexible and transparent regulatory environment is essential to create a well-functioning internal service market. Therefore, during 2013 Hungary executed the assessment of the whole Hungarian **secondary vocational qualification** system in order to eliminate or to restructure those requirements that proved to be too strict or irrelevant in the current market situation, thus widening the labour market for low-qualified employees. As a result of the Action Plan approved in December 2013, 43 qualification requirements will have been eliminated and 90 more simplified by August 2014. Furthermore, in order to increase transparency of the legal environment, the regulations on qualification requirements will be collected, and will be made available to the public in government windows (one-stop shops). A safeguard clause is included in the Action Plan aiming for future qualification requirements to be underpinned adequately. **(27/b)**

The Government implements objectives - included **in the SME Strategy adopted in January 2014** - for the 2014-2020 period in the form of two-year action plans. The implementation of the strategy aims to promote a 2% rise of gross value added produced by the SME sector; minimum 50% of revenues of SMEs employing more than 50 people should come from exports; and to increase the ratio of SMEs exporting outside the EU from the current 1% to 3%. Besides this, it has also been prioritised to increase the ratio of innovative SMEs from 20% to 30%; a minimum 50% of SMEs employing more than 10 people should participate in networking co-operations; to improve activity of different entrepreneurial groups by the programmes elaborated for them. **(28)**

The Act on Public Procurement has been amended on several points to boost market competition and ensure greater transparency. Thus, for example documentation shall be provided for the applicant for free of charge as of 1st July 2013, this way the costs of participation decrease. Furthermore, the possibility of error correction and providing supplementary files has been broadened, this way more offers may compete. A condition has been eliminated from the regulation, according to which only SMEs have to be called in case of negotiated procurement procedures without call as well as procedures without negotiation for low value procurement. The Public Procurement Authority has been operating a Public Procurement Database since 1st July 2013. Tenderers are obliged to publish data in the Public Procurement Database which needed to be uploaded to their own or their maintaining institution's website previously. The Public Procurement Database also enables better supervision of publishing obligation. The database is available to anyone without any restrictions: free and accessible without registration. **(29)**

In the second half of 2014, **an informative campaign based on target groups is being launched** for the public to reduce prejudice towards the fight against corruption; to establish a public sector recognising and eliminating malfunctions; to raise awareness and the support towards anti-corruption measures; to encourage actions against corruption; and to create a broad anti-corruption social alliance. Moreover, **the obligatory ex-ante impact assessment of governmental proposals is amended by the examination of corruption risks**. The renewed impact assessment survey is expected to be introduced in the second half of 2014, after having conducted trainings supporting background calculations related to impact assessment. The legal framework of public service announcements was defined in order to manage public service announcements more efficiently; to strengthen protection of public service announcers, thus confining acts breaching public confidence; to assist the disclosure of such cases both in the public and private sector. The act entering into force as of 1st January 2014 was amended by guarantee regulations on the operation of employer-abuse reporting system. An **IT system** was also set up to receive announcements, track them and supervise their investigation, as well as to **provide anonymity for informants**. **An informant protection act** is under preparation, which defines support and its means available for endangered public service informants. The act is expected to enter into force in the summer of 2014. **(30/a)**

In order to become familiar with the regulations of the Codes of Professional Ethics entering into force as of 1st September 2013, the training of government officials took two forms – a one-day, six-lesson long certified further training and an e-learning one. **An integrity management system was introduced** which makes authorities face risks, define particular steps against them, and assess their efficiency, which substantially improves the immunity of the organisation to corruption. Moreover, parallel with the Integrity advisor training launched in December 2012, **so-called ethics and integrity in the public sector “mini-trainings” were organised**. Their aim was to make participants familiar with the basic concepts of integrity as well as its ethical approaches. In order to strengthen integrity awareness of the public sphere, to boost the operational efficiency of the integrity management system, as well as to support knowledge-sharing, the construction of a network - consisting of a database of university students, e-mail lists and conferences - is in progress, which simplifies communication and exchanging experience between appointed integrity advisors and those before appointment and professionals with integrity advisor certificate. The Government takes supportive steps so that **most state organisations take part in the Integrity Survey of the State Audit Office of Hungary**, this way the number of budgetary organisations concerned increased by 40% in 2013, therefore, exceeding 1400. **(30/b)**

In order to inform citizens about public finances more efficiently, within the framework of a service being introduced, **the central budget and its amendment proposals, the figures of the budget implemented are presented in both a numerical and a graphic way**, in line with the classification of level 2 of COFOD (Classification of the Functions of Government) outlined by the United Nations. **(30/c)**

The measure which declares the National Judicial Council (NJC) in the Fundamental Law further **strengthens the justice system**. This way the supervisory power of NJC - which is composed of the president of the Curia and the members elected by the judges, over the president of the National Office for the Judiciary (hereinafter: NOJ) elected by two-thirds majority of MPs - is declared in the most fundamental law. **(31)**

The power of the president of the NOJ to appoint the ruling court was repealed, which also has the above-mentioned effect. It is important to highlight that the right to a lawful judge was also exercised under the power of the president of the NOJ to appoint the ruling court, which became more transparent by abolishing the possibility of transferring court cases. It can be concluded, that Hungary has ensured and will ensure in the future the efficient operation of the basic right to justice by several guarantee provisions. **(32)**

Besides the necessary number of judges, the necessary number of judicial staff concerning each court is also determined by the president of the NOJ. The aim of enshrining this amending provision in act is the proportionate distribution of workload, which affects the increase in efficiency of the justice system. **(33)**

In the first half of 2014 **the supervision of decrees regulating the requirements of jobs and career aptitude assessments of judicial staff** is completed in order to employ the most suitable well-qualified people with high working standards in the position of judges, clerks and any other judicial staff. **(34)**

The implementation of the recommendation and domestic objectives defined in Europe 2020 strategy are supported by several measures and detailed in a table in Annex 1.

We report on the measures on the support of innovative companies among the objectives of Subsection IV.3.

III.6. Education and social inclusion

[Hungary is recommended to] implement a national strategy on early school leaving and ensure that the education system provides all young people with labour-market-relevant skills, competences and qualifications. Improve access to inclusive mainstream education for those with disadvantage sin particular Roma. Support the transition between different stages of education and towards the labour market. Implement a higher education reform that enables greater tertiary attainment, in particular by disadvantaged students.

The recommendations regarding education are completely **in line with the objectives of the Hungarian education policy**. *The measures to incorporate the recommendations aim at achieving the objectives of education defined in Europe 2020 strategy, they also include a significant number of steps taken to **overcome poverty**, therefore, all measures regarding education are presented in this section.*

Hungary initiated large-scale reforms on education from 2010 by adopting the Public Education Act, the new Higher Education Act and the new Vocational Training Act. The main objectives of these reforms are to decrease early school-leaving, to improve the level of skills, to increase practice-oriented training by introducing dual vocational training, and to increase the share of people with higher education, and the introduction of the new teacher career system, which improves the standard of the public education system. Several comprehensive Hungarian and EU programmes have helped the inclusive education of disadvantaged students and students with multiple disadvantages for years. These students are supported by scholarships and other programmes, extra scores to enter the higher education system.

The **rate of early school-leavers** is still lower in Hungary than the average in the EU: **11.8% in 2013** (within the age group of 18-24), which is a slight increase (0.3 percentage point) compared to 2012. The economic crisis plays a significant role in early school-leaving, as it still affects families with small children, especially in disadvantaged rural regions. The most important aims to reduce the rate of early school-leavers are to prevent drop-out; to promote progress at school of groups endangered by drop-out; and to support obtaining qualification for early school leavers.

The national strategy to reduce early school leaving was prepared in line with the Public Education Act and the public education development strategy, which already includes the remarks of the public consultation of January. The aim of the strategy to reducing early school leavings – the adoption process of which is going on even at the time of the preparation of the National Reform Programme - is to identify directions of intervention and measures in the field of prevention, compensation and correction, which help improve the domestic level of skills and qualification, as a result the risk of unemployment, poverty and social exclusion could be reduced. The strategy outlines directions of intervention from early childcare facilities to upper secondary education. The achievements of its objectives are supported by measures such as the expansion of quality education in early childhood, strengthening of basic competencies, organisation of education promoting school success (support measures for student groups that require special attention, modern teaching methods, extra-curricular activities promoting school success, see Tanoda programmes), and correction measure (Bridge [Híd]) programmes and Second Chance (Második Esély) programmes. **(35)**

One of the fundamental measures to prevent early school-leaving is the expansion of education in early childhood. Pursuant to the Public Education Act in force as of September 2012, **kindergarten attendance will be compulsory from the age of 3**, rather than 5, as of September 2015. The aim of the measure is to facilitate children's subsequent successful performance at school, to make learning difficulties detectable in time, and thus enable early intervention. Through early childhood intervention the social integration is becoming stronger by the promotion of the adjustment to kindergarten and school, and the integration

into the labour market and local society. *(These programmes are included in Subsection IV.6)*
In order to extend kindergarten participation, further kindergarten capacity will be created from the central budget and EU funds in 2014-2015. **(36/a)**
(Further developments of institutions for small children will be presented in details in Subsection III.4)

The **early childhood project** aims at the complex support of the optimal development of the age group between 0 and 7, with the support of the start of healthy life and successful start of school for every – but especially those with special support demand – child between the ages of 0 and 7, keeping track of the child’s development by helping develop their skills, revealing the risk factors of development, and in basic healthcare filtering the children showing deviations in development. **(36/b)**

A comprehensive set of measures financed domestically and by the EU is designed to promote the successful advancement of disadvantaged children and children with multiple disadvantages – including Roma – in school and to serve inclusive education, thereby improving the chances of the continuation of their studies and reducing the danger of early dropout. The attainment of this goal is served by the following measures, targeted programmes.

The Pedagogical System for Integration plays an important role in 2014, which is a pedagogical programme with methodological focus, promoting the successful advancement of disadvantaged children and children with multiple disadvantages; and balancing differences of opportunities. The public education institutions (kindergartens, elementary schools, secondary schools) in the programme are entitled to subsidies to implement programmes aiming for skills development, integration preparation and kindergarten development. Three main pillars of the pedagogical programme are the methodological renewal, the introduction of financial incentives, and the legislative anti-discriminatory elements. **(36/c)**

The objectives of the sub-programmes of **Útravaló Scholarship Programme** creating opportunities are to promote the access of disadvantaged students to secondary education, success in secondary education studies, and acquirement of vocational qualification. **(36/d)**

The Arany János Talent Fostering Programme, Arany János Dormitory Programme and Arany János Dormitory Vocational School Programme, which include more than 4,000 secondary and secondary vocational school students, continue in the academic year 2013/2014. They promote secondary school advancement of disadvantaged students and students with multiple disadvantages in a comprehensive way – on the field of pedagogy, culture and healthcare. The aim of the programmes is to promote special groups proceeding to institutes of higher education, or entering the labour market successfully. **(36/e)**

In the framework of **“Tanoda” programmes** the activities are aimed at supporting the inclusion of pupils living in material deprivation or in adverse social conditions, while in the “second chance” type programmes youths with multiple disadvantages beyond mandatory

school age who missed secondary school studies, dropped out or left school, including Roma youths, are led back to secondary school. These programmes are financed by the EU, the ESF. **(36/f)**

The non-formal and informal learning opportunities implemented by cultural institutions (library, museum, public cultural institution, etc.) provide for both the prevention to early school-leaving and equal access to knowledge contents. **(36/c)**

The Public Education Development Strategy in line with the key objectives of the Europe 2020 strategy defines the directions of improvement for 2014-2020 based on assessment. The measures to reduce the rate of early school leaving and the promotion of inclusive education are highlighted. Major principles of the **Public Education Development Strategy** are the increase in the level of students' subject knowledge, skills and competencies; improvement of the methodological range of teachers; promotion of innovation and talent on every level of public education; improvement of teacher training; ensuring the professional development of teaching staff, and the further development of the teacher career system ("teacher career"). **(37)**

The Public Education Act introduced the concept of the bridge programmes. From 1st September 2013 the **Public Education Bridge Programmes** provide assistance for pupils completed their primary studies but failed to gain admission to a secondary school (Bridge I), and for those beyond 16 performing poorly in primary education and therefore failing to complete it (Bridge II). In this year's programme 2,700-3,000 persons are provided with special education. Bridge programmes help them stay in or return to the world of education or training. **(38)**

The access to quality education and improvement of fairness are supported by measures to prevent and eliminate segregation and discrimination. **The regulation of primary school districts** is a good example, **their primary aim** is to prevent schools with compulsory admittance from segregating students upon origin or social background. District zones are up for supervision every year. **Equal opportunity plans on a school district and county level**, which are in line with local equal opportunity programme, are outlined in 2014 as well, as part of public education development plans in counties. (Details about local equal opportunity programmes in Subsection IV.6) **(39/b)**

The tasks of restructuring the service system providing counselling on special education, early development and care, expert and rehabilitation activity continue in 2014 in order to promote **academic success of special education children, students**. The objective of the changes is to improve access to quality care of children, students with special attention and education needs. Hungary is taking part in the work of the European Agency for Special Needs and Inclusive Education, the international organisation dealing with the development of inclusive education for students with special needs. **(40)**

The share of people in the age group 30-34 who **have tertiary or equivalent educational qualifications in Hungary increased further reaching 31.9% in 2013** (2 percentage points increase), exceeding the target by 2020. However, **the share of people with higher education qualification** among Hungarian employees, and the participation in tertiary education are still low on international level. **Their primary reason is the significant drop-out rate**. It shall be noted, that the number of those entering into higher education is decreasing, the primary reason for which could be found in demographic conditions, namely alongside with the decreasing number of secondary school student the potential number of newly graduated entrants to higher education (bachelor programmes) drops. **The support of disadvantaged students** has priority in order to increase the share of the people with tertiary or equivalent educational qualifications. Each disadvantaged applicant is entitled to **40 extra scores** in the new system of higher education admission procedure, which helps entry into higher education, ensures equal opportunity; furthermore application fee is also discounted. In case of admission, disadvantaged students can take part in a **mentor programme** in the first year, which helps them integrate. The Government promotes equal opportunity for disadvantaged students with several **scholarships** in higher education. Bursa Hungarica scholarship can be provided for higher education students exclusively upon social basis (without taking performance into consideration), it is a so-called social benefit. The scholarship grant support and self-financing support programme "Út a diplomához" ("Road to a degree") contributes to the higher education studies for disadvantaged students and students with multiple disadvantages, including especially the Roma. **(41)**

In order to decrease dropouts in higher education, projects launched in the field of the development of foreign language skills will continue, completed with a **"Diplomamentő Program"** ("Degree-saving Programme") in 2014. This programme provides state-supported language courses for people who have not obtained their degree yet and are not enrolled student any more but graduated without a language exam, which is stipulated by act as a requirement. **(42/b)**

The Government have strengthened practice-oriented education by restructuring vocational training in higher education to assist the transition to the labour market. Transition is ensured between trainings launched in September 2013 and tertiary specialised studies by crediting already completed assignments. From the academic year 2013/2014, the introduction of the **dual cooperative education system** also aims to harmonise higher education with the demands of the labour market. Besides gaining experience in their profession, students deepen their theoretical knowledge during their apprenticeship within the frameworks of the new education in the country. In the new education system a competitive employee leaves school, and is able to enter the world of work instantly without further trainings of months or years, or expenditure. **(44, 45)**

The implementation of the recommendation and domestic objectives defined in Europe 2020 strategy are supported by several measures and detailed in a table in Annex 1.

III.7. Energy and transport

[Hungary is recommended to] gradually abolish regulated energy prices while ensuring the effective protection of economically vulnerable consumers. Take further steps to ensure the independence of the national regulator. Ensure the financial sustainability of state-owned enterprises in the transport sector by reducing operating costs and increasing revenues.

As declared in its statement at the same time of the approval of 2013 country-specific recommendations, Hungary does not see the opportunity to phase out regulated energy prices in the short run, this can take place if prices converge to a suitable extent, which might be triggered if in our region missing connections, diversified supply channels and routes are established. According to the directives on the internal market of natural gas and electricity¹, member states can prescribe public service obligation from economic interest, which might also affect service price. According to the conclusions adopted by the Transport, Telecommunications and Energy Council (TTE) on 7th July 2013, member states shall examine the impact of end-user price regulatory measures in effect and consider the necessity of sustaining them. According to the conclusions adopted by the European Council on 20th-21st March 2014, during the preparation of the new policy framework for energy and climate in the period 2020 to 2030 it shall be a principle to ensure safe energy supply of households and industrial consumers at affordable and competitive prices.

Sustaining regulated retail energy prices in Hungary is particularly justified, concerning the fact that this consumer group is able to cover its energy needs from the competition-based retail market to a limited extent; and high housing costs, energy prices and utility costs in particular, are extremely severe among livelihood difficulties of the socially disadvantaged. Therefore, the government fixed regulated retail prices (natural gas, electricity), and then reduced them for consumers in universal service as well as for each retail district heating consumer in several phases.

The Hungarian regulation does not violate the regulatory autonomy of Hungarian Energy and Public Utility Regulatory Authority (hereinafter HEPURA). The jurisdiction of the minister is restricted regarding the regulatory proposals of HEPURA serving as basis for ministerial decree, exclusively to formal approval and announcement by deadline, or rejection with explanation. The minister cannot particularly influence the content of HEPURA's proposals; furthermore the preparation of the framework regulation is based on prior policy consultation. The Act XXII of 2013 on Hungarian Energy and Public Utility Regulatory Authority strengthens the autonomy of HEPURA by declaring that the authority shall not receive instructions, its tasks can only be set upon act or legislation by act. The act also ensures economic, budgetary and legal autonomy of HEPURA. According to the principles set out by the ministerial decree, network access fees and their detailed regulation of the application are defined by the president of HEPURA in decree. **(46)**

¹ Article 3 para 2 of the Directive 2009/73/EC and the Directive 2009/72

The reorganisation of MÁV (The Hungarian State Railways) is in progress to reduce operational costs in the field of public transport, which includes the establishment of a separated organisation of passenger transport and the operation of railway network. As a result, both the network operating and the passenger transport companies need to focus on their core activities exclusively. **(47)**

A new **integrated passenger transport organisation** has been established; activities such as traction, repair and passenger transport were integrated into MÁV-START Zrt. During the organisational changes, duplications were eliminated, internal processes and headquarters staff were rationalised, and the remuneration system was restructured. Increasing revenue can be gained by increasing the number of revenue passengers, and increasing the number of and improving the quality of controls. These measures contributed to the decrease of operational costs.

The **National Rail Network Operator** Zrt. (NVP) was established in January 2013, which is going to operate the rail network. Assets for rail network operation will be gradually transferred to NVP based on the implementation of debt consolidation. It is to be highlighted that the debt stocks of MÁV Zrt. (the current rail network operator) has been decreasing since 2011; and 2013 was the first year when complementing state resources were not necessary to operate the rail network. **(47/b)**

To separate activities and increase cost efficiency, several service areas (human resources, accountancy, purchasing, logistics, management, safety at work, environmental protection) – by internal reorganisation – were transferred to MÁV Service Centre Zrt. from MÁV Zrt. Service providing was transferred to this company on 1st June 2013, with 1500 employees. **(46/c)**

The ten year agreement for public services between MÁV START Zrt. and GYSEV Zrt provides predictable stable operational framework, which defines, among others, financing, and the rules of calculating costs which are not covered by revenues in particular. Due to cost cutting measures, the rail passenger transport service **expenses which are not covered by revenues have decreased** in the past years (2011: HUF 166 billion, 2012: HUF 164,5 billion, 2013: HUF 163,1 billion, 2014: HUF 157,3 billion). **(47/d)**

Volán bus transport group is in under reorganisation. The aim of the reorganisation is to improve the competitiveness, cost-efficiency and transparency of public companies in the public road passenger transport sector. The 24 regional bus transport companies have been working under the supervision of 7 regional managing directors since 1st November 2012, hence reducing local management. Within the frameworks of further reorganisation, the 24 companies will have been comprised in 7 regional companies by 1st January 2015. This measure improves the distribution of transport capacity; provides more opportunities for optimising transport services; improves efficiency of asset division; contributes to strengthening the financial balance and liquidity of the companies. The regionally uniform

management and accounting system, public procurement, real estate and site management, common vehicle and financial asset management will significantly decrease general costs. **(47/e)**

From 15th May 2013, express train supplements on 200 trains were introduced to **increase revenues** of rail transport. Rationalisation of timetables continued to **decrease operational costs**, within this framework as a key principle, the advantage of rail transport was endorsed where competitive service could be offered. In order to **detect abuse of discounts**, therefore, indirectly to increase revenues, the details of the regulation needed to be tightened in April 2013 in case of students applying discounts for museum visits in groups. **(48)**

The implementation of the recommendation and domestic objectives defined in Europe 2020 strategy are supported by several measures and detailed in a table in Annex 1.

IV. EUROPE 2020 TARGETS

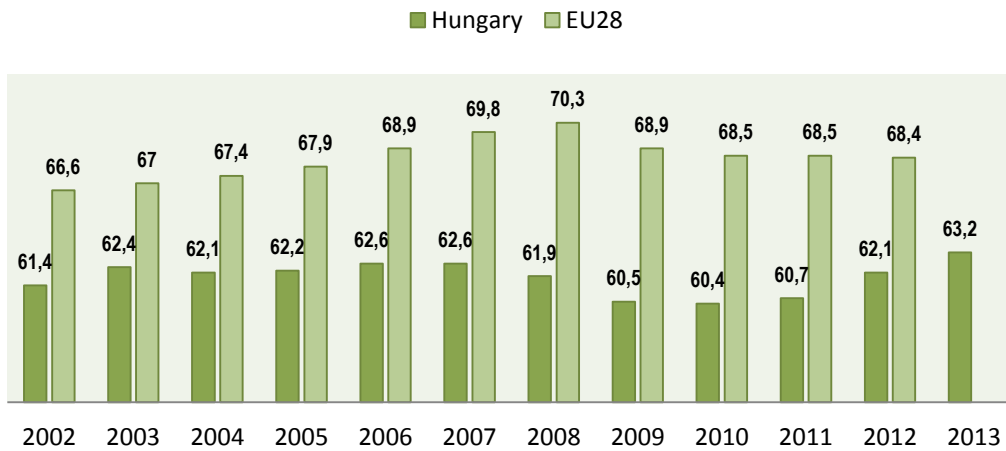
IV.1. Overview on reaching the EU2020 targets

By endorsing the Europe 2020 target concerning the improvement of the employment rate, Hungary is determined to increase the employment rate in the population aged between 20 and 64 years to 75 per cent by 2020.

Hungary has managed to increase the employment level to a greater extent than the majority of the countries in the slightly improving European macroeconomic environment; by 2013 the employment rate was 63.2% regarding the age group of 20-64 (resource: KSH-MEF). It is a 1.1 percentage point increase compared to 2012 (2012: 62.1%, 2011: 60.7%).

As a matter of fact, the index taking the average of the 28 EU member states stagnated; it was 68.4% in 2012.

The rate of employment among the population of the ages between 20 and 64

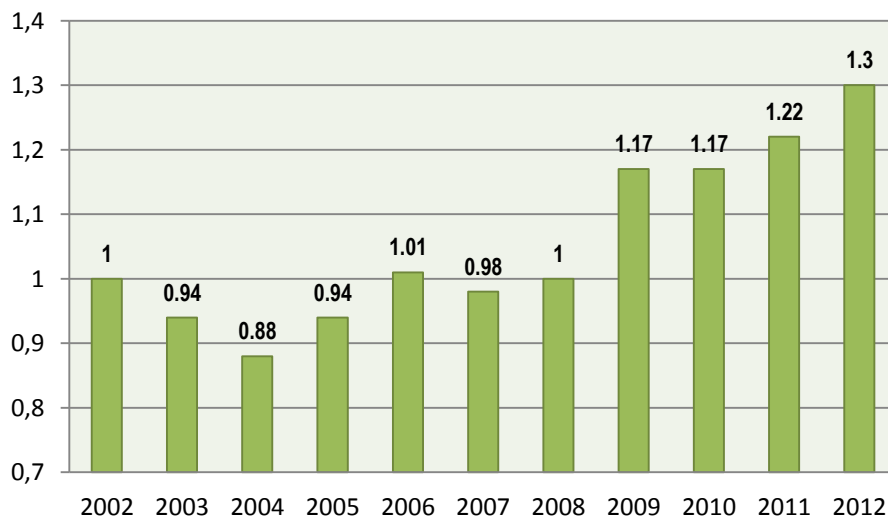


Source: Eurostat, KSH MEF

As part of the research and development objective of the Europe 2020 Strategy, Hungary undertakes to increase the level of research of development expenditures to 1.8 per cent of the gross domestic product by 2020.

In 2012 the **R&D expenditure to GDP ratio reached 1.3%**, by this, continuing the trend of the past years (in 2011 the index was 1.21%). The R&D expenditure increased from HUF 141 billion of 2001 to HUF 363 billion in 2012. The share of the higher education institutions was HUF 67 billion, for research institutions this was HUF 53 billion and HUF 239 billion in case of enterprises.²

Input of R&D to GDP between 2002 and 2012 (%)



Source: Eurostat

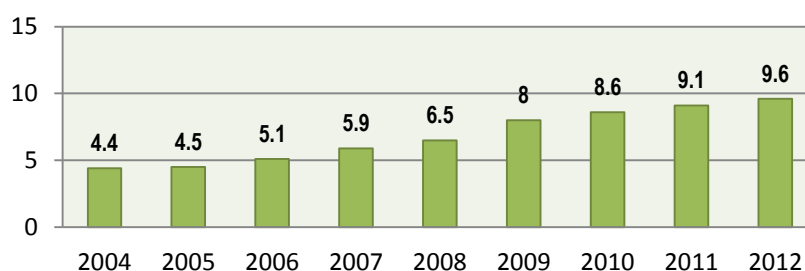
² <http://www.ksh.hu/docs/hun/xftp/idoszaki/tudkut/tudkut12.pdf>

As part of the energy and climate targets of the Europe 2020 strategy, in 2010 Hungary agreed to raise the proportion of renewable energy sources to 14.65 per cent, to achieve a 10 per cent overall energy saving and increase its greenhouse gas emissions in sectors outside the EU Emission Trading Scheme by no more than 10 per cent (compared with the 2005 level) by 2020.

Instead of the 10% total energy saving indicated in the previous National Reform Programmes Hungary modifies the saving target for energy use to 18% compared to the BAU (“Business-As-Usual”) scenario presented in the National Energy Strategy 2030 document. See the detailed reasoning in Section IV.3.

In Hungary the share of renewable energy within the total gross energy consumption increased also in 2012 reaching the rate of 9.6%, which is an increase of 0.5 percentage point compared to the previous year. Thus the positive trend continued, according to which our country overperformed the pro rata commitment towards the EU to a growing extent each year between 2009 and 2012.

The rate of the renewable energy source usage in the final consumption (%)



Source: Eurostat

In 2012 the energy usage has also showed a decreasing trend compared to 2011: the primary energy consumption decreased from 23.1 million tonnes of oil equivalent (TOE) to 21.5, the final consumption from 16.2 million TOE to 14.7.³

In the sectors not within the scope of the EU Emission Trade System **the greenhouse gas emissions decreased** from 43.68 million tonnes of CO₂ equivalent of 2011 to 42.41 million tonnes CO₂ equivalent.

³ EUROSTAT

As part of the Europe 2020 objective aimed at the improvement of the level of education, Hungary intends to increase the share of the population (aged 30-34) having tertiary level or equivalent qualifications to 30.3 per cent and to reduce the early school leaving rate⁴ (in the 18-24 age group) to 10 per cent by 2020.

After 2012, according to the preliminary data, there was a slight increase in **the rate of early school leavers** (0.3%) in 2013, too, thus the index is 11.8%.

The rate of those with tertiary qualification increased among the 30-34 year-old, it reached 31.9% in 2013 (an increase of 2 percentage points), thus exceeding the target for 2020.



Source: Eurostat

Hungary, in conjunction with the Europe 2020 Strategy target for poverty, has committed to decrease the poverty rate of families with children, the number of those suffering severe material deprivation and of those living in households of low labour intensity by 20-20% until 2020; it is - by filtering the overlaps of the population covered by the three indicators - equivalent to lifting 450 thousand people out of poverty.

Due to the global crisis the population at risk of poverty or social exclusion in the EU increased from 114 million of 2009 to 124 million in 2012, thus moving further away from the target to be reached by 2020, which would have decreased the number of those

⁴ In the 18-24 age group, the rate of people who do not have upper secondary qualifications and were not participating in education or training at the time of the survey. Upper secondary qualifications: secondary school graduation or NQR-3 level vocational qualifications.

concerned to 96.4 million. According to the European Commission a decrease to 100 million people can be reached by 2020.⁵

The negative trends at the EU level had their effects on Hungary as well, **the number of people affected by any of the three poverty indexes** (the rate of those living in households of very low labour intensity, poverty rate following social transfers, the rate of those concerning severe material deprivation) **increased to 3,188 thousand (32.4% of the population) in 2012**. It is 1.4 percentage points increase compared to the data of the previous year. According to the detailed statistics the most significant deterioration, out of the three indexes, occurred in the rate of those living in severe material deprivation. However, according to the latest data, **the rate of people living in households with very low work intensity began to decrease**.

IV.2. Employment

In Hungary the **employment** of the working age population has significantly increased in recent years. In the slightly improving European macroeconomic environment **Hungary managed to increase the employment to a greater extent than the majority of the member states** by reaching the rate of 63.2% in the age group of 20-64 in 2013, which exceeded the peak of 2007 (63%) prior to the outbreak of the global crisis. At the same time, taking the average of the 28 EU member states the index stagnated until 2012, and in 2013 it stagnated in certain quarters of the year or there was a setback compared to the same period of the previous year.

		2010	2011	2012	2013
Employment rate (20-64 year-old) %	HU	60.4	60.7	62.1	63.2
	EU 28	68.5	68.5	68.4	68.3*
Unemployment rate (15-74 year-old) %	HU	11.2	10.9	10.9	10.2
	EU 28	9.6	9.6	10.5	10.9*
Participation rate (20-64 year-old) %	HU	67.9	68.1	69.6	70.3
	EU 28	75.5	75.6	76.1	76.4*
Number of registered job seekers (thousand people)	HU	583	583	559	528

*average of the I-III quarters of 2013

There was an alarming rise in **unemployment** – similarly to the EU trends – due to the global crisis, and then, after the peak of 2011 (11.2%), there was a trend of decrease reaching 10.2% by 2013. The annual average number of registered job seekers decreased significantly, to a greater extent compared to the previous year: the number of 528 thousand people in 2013 was 30 thousand people less than the data of the previous year. The extension of the active labour market measures financed by EU funds, which were strengthened as part of

⁵ Communication from the Commission of 05.03.2014: Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth

the New Széchenyi Plan and within the framework of the Széll Kálmán Plan, played an important role. At the same time there was a slight increase in the unemployment rate in the EU.

All these processes took place parallel with the significant increase of the **participation rate**: the rate of the economically active population increased from 67.9% of 2010 to 70.3% in 2013.

Despite the improving labour market conditions it is still a major challenge for Hungary to integrate those with low skills into the labour market. Despite the improvement the employment and unemployment data are still worse than the EU average, consequently close attention has to be paid to this target group.

The **primary employment policy aim** of the Hungarian Government is to create more and more workplaces in the private sector, and that the companies shall provide jobs for an increasing number of employees with or without subsidy. The **call for applications aiming the maintenance of jobs and job creation** were launched in 2014, financed by the National Employment Fund with a budget of HUF 26 billion. The Government continues to consider the **creation of jobs** a priority; therefore it aims to spend a significant part, 60% of the European Structural and Investment Funds provided for 2014-2020 on economic recovery. It includes the development of the competitiveness of enterprises – with a priority of SMEs, - the creation of new workplaces, and the development of the competitiveness of the workforce, enhancing the capacity of innovation, and the focused development of the industrial and service sectors. The Government focuses on subsidising the creation and maintenance of workplaces regarding enterprises in the deprived areas, encouraging investments implemented by enterprises and on a higher employment of registered job seekers in the newly created workplaces. By means of all the above the local economy will be stronger, the role of SMEs in the economy will increase, and the regional differences of the employment may narrow. **(50)**

The task of the employment policy is to provide temporary employment for those who have failed to find a job for a long time, have been **long-term unemployed or inactive**, including those with low levels of education, Roma, living in areas lacking jobs –primarily in the eastern and northern regions⁶ – until the job creation starts in the enterprises. The measures taken by the Government lately aim to offer jobs instead of giving aid, even in the short run, to those who cannot be provided with appropriate jobs by the primary labour market at present. In the interest of this the Government has taken measures at the following levels:

- As a first step the Government has strengthened **public work** in recent years in order to provide jobs in the most deprived areas to those who would not get a job

⁶The employment and unemployment data at sub-regional level are spread regarding the population aged between 15 and 74. In 2010 the employment rates were spread between 31% and 67%, whereas the unemployment rates between 6% and 44.

otherwise due to the weakness of the primary labour market. In 2013 the average (monthly) number of those participating in public work was more than 121 thousand, which is more than 30% increase compared to the previous year.

- The Government has also enhanced **the instruments helping to move from public work to the open labour market**. On the one hand, the activating element of public work grew stronger with the large-scale **training programme** for public workers, where the public workers' competences and skills were developed between December 2013 and March 2014. On the other hand, the social co-operative has been developed, which provides for organising the temporary employment of the unemployed relying on local opportunities, partly from state subsidy, and partly from own revenue; its aim is to transfer those participating in the programme to the open labour market in the long run. (see Subsection III.4) In 2013 the scheme for the development of social cooperative co-funded by the ESF was launched, the projects of which will have been implemented by June 2015 with the budget of HUF 15 billion. This measure helps financial sustainability and the strengthening of social enterprises combined with social aspects, and improves the employability of the deprived.
- In 2012 the simplification of employment within the framework of social cooperatives operating in order to employ deprived members and employees was carried out. Due to this, by the spring of 2013, the legislative environment had provided for cooperative employment originating from membership legal relationship with being organised alongside flexible degressive tax relief. In order to start the new employment legal relationship and for the new members to participate in the work the National Employment Fund provides support with the degressive takeover of healthcare contribution for four years. In certain fields the social cooperatives may be an appropriate instrument of the further development of the public work scheme, and, at the same time, it is a possible way of improvement in career for public workers. It is a basic target that the social cooperatives being established on the basis of the START model programmes of public work become real market operators. In order to achieve this, the possibility of the transfer of work tools originating from public work support has been provided by act since 2013. According to the data of 31 December 2013 social cooperatives were established in 79 settlements, and in 17 cases the establishment is in progress. Out of the established social cooperatives 33 applied successfully for EU structural funds supporting social cooperatives.**(51)**
- As part of the third pillar the active labour market measures leading back to the open labour market were also strengthened: in 2013 the average (monthly) number of those taking part in these active measures exceeded the number of 84 thousand, which was an increase of approximately 46% compared to the previous year (see *Subsection III.4*).

The basic requirement for employment improvement and economic competitiveness is to have a **workforce with appropriate employment skills** that meet the economic demands. This includes the appropriate qualification and health of the workforce as well. In 2014 public health medical check-ups and pilot projects are launched for the jeopardised target groups in order to improve their health status, and EU projects support lifestyle counselling in health development agencies. **(52)**

Besides health development programmes the Government took important measures in order to **extend the employment of the disabled people**. The new aid scheme encouraging employment rehabilitation came into effect on 1st January 2013 with two new support schemes, the transit and the permanent employment. In 2013 the accredited employers providing rehabilitation employment were granted aid in the amount of HUF 34 billion by tender for the employment of 30 000 disabled. In 2013 the number of **the disabled employed with Rehabilitation card** – providing the employers a relief on contribution – increased more than a double, 5597 companies employed 21978 people in December 2013. **(49)**

By introducing **the foster parent employment relationship**, employment was further extended. The objective was achieved by this measure; besides full social security, more than 5500 foster parents were involved in the field of work. Out of these 5500 people 3200 had no employment relationship previously. **(53)**

The relating training measures and the further concrete measures providing employment that are closely connected to the country specific recommendations are presented in Subsection III.4.

The national targets drafted in the Europe 2020 strategy is supported by several further measures, which are presented more detailed in the table in Annex 2.

IV.3. Facilitate Research and Development

In 2012 the **R&D expenditure to GDP ratio reached 1.3%** by this continuing the trend of the past years (in 2011 the index was 1.21%). The R&D investment sums increased from HUF 141 billion of 2001 to HUF 363 billion in 2012.. The share of the higher education institutions was HUF 67 billion, for research institutions it was HUF 53 billion and HUF 239 billion in case of enterprises. Besides a slow increase in research & development expenditure, it can be seen that the entrepreneurial expenditure has been exceeding the total expenditure of higher education and budgetary institutions since 2007, and they are the driving engine of innovation today.

In 2012, in 3090 research departments more than 56 thousand people worked in the field of R&D, which means a 2% increase compared to the previous year, whereas the number of full-time staff increased faster, by 5.2%. One of the weak points of the Hungarian research sphere is that a small percentage, altogether 13% of the small and medium sized enterprises

engage in innovation activity.⁷ One of the biggest obstacles of the R&D sector development is the limited capacity: both in the number of researchers and infrastructural background, and in cooperation.⁸

The aims regarding the research and development field, the measures to be taken for research, and in order to strengthen technological development and innovation are, among others, included in the **National Research-development and Innovation Strategy 2020** adopted in 2013. The RDI strategy plans to solve the problems identified in the assessment with the following means: encouraging intelligent specialisation, creating sustainable instrument system that create equal opportunities, providing stable financing conditions, raising public awareness and strengthening the acknowledgment of knowledge and technology, and creating a stable, innovation-friendly economic and regulatory environment. The strategy and its implementation are supplemented by the **Strategy of Intelligent Specialisation (S3)**, which is currently under elaboration. These strategies are in accordance with the **Science Policy Strategy**, which is being elaborated. (54, 55)

The connections between enterprises, and publicly funded and non-profit research departments, exploitation of potential synergies and product and service developments are promoted by **the support of cooperation and initiations of strategic RDI**. The aim is to support the publicly funded or non-profit research departments and the strategic cooperation created newly by enterprises and by those having a history, through which new results, marketable products, services, technologies or prototypes with higher added value are produced. In order to support the cooperation based on the framework outlined by the S3 strategy, the direct support of large, complex R+D+I projects, which are carried out in a large-scale cooperation and built up mainly top-down, will be of significant importance in the future. Moreover, we intend to support the establishment of centres at the base of the national research departments, which provide an open cooperation framework accessible for every economic partner. We intend to support these measures based on the ERDF budget of the Economic Development and Innovation Operational Programme. (56)

In line with the priorities defined by the European Union, Hungary focuses on the **strengthening** of the development of **R&D infrastructure and capacity** – the research and innovation (R+I) excellence, especially in favour of the support of the competence centres in European interest. The main objective is to get involved in the international cooperation of excellence to the greatest possible extent through creating research-development capacities of high standard. In order to achieve this, it is essential to support the development and modernisation of the obsolete R+D+I instruments of the domestic research departments. The development of Hungary's scope of participation in the research-development and innovation programmes of the EU is an objective of high importance that penetrates the measures as a whole. Within this framework we also intend to support the institutions which take a direct and significant role in the Horizon 2020 programme. The aim of the **"TOP 20"**

⁷ Pro Inno Europe, Eurostat, 2011.

⁸ Partnership Agreement of Hungary for the period of 2014-2020

programme is to develop the scientific, research and innovation capacity of the major universities. The measure partly relies on the resources of the Human-Resources Development Operational Programme. **(57)**

In order to build up an innovation ecosystem we plan to support the R+D+I investments through financial instruments. The aim of these measure is to promote the competitiveness of knowledge and technology intensive enterprises with a positive growth prospects, and encourage them to become more innovative. We also intend to encourage the enterprises which do not get access to market resources, or not to an appropriate extent, to realise their innovative ideas, by providing them sufficient funding opportunities. All financial instruments will be designed on the basis of a preliminary assessment, which identifies the market failures. Current plans are to introduce credit and leasing programmes, venture capital programme focusing mainly on the early stage of funding, and guarantee products encouraging greater risk taking. **(58)** *(The measure also supports the implementation of the country specific recommendation, which is detailed in Subsection III.5)*

Within the framework of **the elaboration of the overall encouraging system of research-development and innovation activities** the assessment of the R+D+I classification system was carried out in 2013 based on the data of 2012 and 2013, and a working group was set up related to planning the proposals concerning the promotion of research-development in the aspect of taxation and creating the regulatory environment.

The Budapest HUB working group, involving a large scale of stakeholders from the start up sector, started its operation, which drafted the "Runway Budapest 2.0.2.0 - A Start-up Credo" document. **(59)**

The implementation of the related measures will also continue in 2014, among others, the possible modification of the qualification system, within the framework of the work of the "R+D tax encouraging working group" is planned. The Budapest HUB working group continues its work in the field of education and training, taxation and regulation, and in assessing access to funds. The examination of the results and their possible implementation are in progress. The elaboration of the details of the direct support instrument is carried out within the framework of the Economic Development and Innovation Operational Programme. Besides this, the elaboration of the professional bases of the R+D+I monitoring system is on-going; following the examination of the possibility of introducing R+D+I EKD system reflecting the strategy aims of RDI, further steps can be set. Further measures depend on the statements of the examination. **(58)**

The Government also helps the research departments having operated as enterprises since 1 January 2013 with a **relief on contribution**, as in cases of researchers and developers with PhD or higher academic title; they are exempt from paying the social contribution of 27% and the vocational training levy of 1.5% up to a gross salary of HUF 500,000. Since January

2014, the relief has been available in cases of researchers taking part in PhD courses, in this case only half of the tax (14.5%) has to be paid up to the salary of gross HUF 200,000. **(59/a)**

In order to achieve the aims set in the **National Environmental Technology Innovation Strategy** we plan to create programmes and tenders based on the budget of the Operational Programmes of 2014-2020 and the Norwegian-EEC Funds (2009-2014). One of the aims of the latter is to strengthen the competitiveness of green enterprises, make the existing industries greener and disseminate green innovations. The winners of the Green Industrial Innovation tender announced thereof can implement their plans and development with the help of the support in the following years. In 2014, calls for application regarding bilateral research cooperation are expected, which aim to strengthen the knowledge development based on research, especially supporting the environmental and health researches through closer research cooperation with the donor countries. **(60)**

The aim of the **Energy Industry Development and R+D+I Action Plan** drafted in the field of energy research-development and innovation is to support the companies that build intelligent systems facilitating the regulation of electricity networks, which contributes to domestic employment and the encouragement of producing exportable products and services (nuclear supply, nuclear training, designing, implementing and operating intelligent systems). **(61)**

The domestic targets drafted in the Europe 2020 strategy are supported by several further measures, which are detailed in the table in Annex 2.

IV.4. Climate and energy policy

*Regarding the altered economic conditions and their effect on energy consumption scenario (the recession after 2008 had its effect on the decrease of consumption and energy usage also in Hungary), **Hungary indicates a new target figure on energy saving to be achieved by 2020.** Instead of the 10% total energy saving indicated in the previous National Reform Programmes we have **defined** the saving target **in 18%** compared to the energy usage of 2020 of the BAU ("Business-As-Usual") scenario included in the National Energy Strategy 2030 document. Thus the new energy saving target figure defined in the NRP is in accordance with the target figure reported to the European Commission in line with the new Energy Efficiency Directive 2012/27/EU. **It means that Hungary will reach the consumption level of maximum 1113 PJ regarding the primary energy usage, maximum 760 PJ regarding the final energy consumption by 2020.**⁹ Currently our energy usage is under these rates; however, we have to make sure that it does not exceed the defined target figures in case of a favourable GDP growth scenario either.*

In Hungary **the share of the renewable energy within the total gross energy consumption increased also in 2012 reaching the 9.6% rate**, which is an increase of 0.5 percentage point

⁹ http://ec.europa.eu/energy/efficiency/eed/doc/reporting/2013/hu_report2013_hu.pdf

compared to the previous year. Thus the positive trend continued, according to which our country overperformed the pro rata commitment towards the EU to a growing extent each year between 2009 and 2012.

In 2012 the energy usage showed a decreasing trend compared to 2011: the primary energy consumption decreased from 23.1 million tonnes of oil equivalent (TOE) to 21.5, the final consumption from 16.2 million TOE to 14.7.¹⁰

In the sectors out of the scope of the EU Emission Trade System **the greenhouse gas emissions decreased** from 43.68 million tonnes of CO₂ equivalent of 2011 to 42.41 million tonnes CO₂ equivalent.

The transposition of the new energy efficiency directive¹¹ in the national law is in progress, which gives a new impetus to make consumption more energy saving. The measures, which are also envisaged by the directive, indicated, among others, in the **National Building Energy Strategy** (which is before finalisation and socialisation) and the **National Energy Efficiency Action Plan III** (which is under elaboration) also provide for this. The detailed, complex assessment of the energy state of the Hungarian building stock will be carried out within the frameworks of the **National Building Energy Strategy** thus giving a stable base for launching a large-scale building renovation programme. The performance of the rate of compulsory public building renovation stipulated by the directive, besides the strengthening of the exemplary role of the state, also contributes to the achievement of the national and EU objectives. **(62)**

The increase of energy efficiency is emphasised in the use of the European Union structural funds available in the period of 2014-2020. It shows the commitment of the Government that the increase of energy efficiency appears a target to be supported in, besides the Environmental and Energy-Efficiency Operational Programme, further Operational Programmes (Territorial and Settlement Development Operational Programme, Competitive Central Hungary Operational Programme, Economic Development and Innovation Operational Programme), multiplying the amount of funds available by the field in the previous period. Besides this the Green Economy Financing Scheme (GEFS) becomes a major support resource of the energy efficiency programmes from 2014, which will be funded by the quota revenue earned from the EU emission trade. In the next period we will focus also on the exploitation of the energy efficiency potential in the modernisation of the existing district heating systems. **(62)**

The review of the National Renewable Energy Action Plan of Hungary is also due in 2014. The launch of the schemes facilitating the application of the renewable energy sources on the budget of the Green Economy Financing Scheme (GEFS) on the one hand, on the other hand on the budget of the European Union structural funds available in the period of 2014-

¹⁰ EUROSTAT

¹¹ 2012/27/EU

2020. Similarly to the energy efficiency, the use of renewable energy sources appears as a target to be supported in, besides the Environmental and Energy Efficiency Operational Programme (EEEOP) other Operational Programmes (Territorial and Settlement Development Operational Programme, Competitive Central Hungary Operational Programme, Economic Development and Innovation Operational Programme). The pre-notification of the regulatory concept on the feed in tariff scheme (METÁR) which provides support for renewable and alternative energy resources is in progress. The aim of the concept is to provide support for the new power stations producing electricity in accordance with the aspect of sustainability and economy. **(63)**

Further **action plans defining energy and climate policy** are under elaboration, such as the reserve Management and Utilization Action Plan, the District Heating Development Action Plan, the Awareness-raising Action Plan, and the Energy Industry Development and Research Development and Innovation Action Plan. The administrative reconciliation thereof is going to take place after the elections when the new government has been formed. **(64)**

By establishing the **National Adaptation Geographical Information System (NAGIS)**, a new instrument will be available to examine the effects of climate change and process the existing geographic information related to the above, and the relevant environmental, social and economic data in a targeted and complex way. **(65)**

The European Union has set several targets for spreading e-mobility, promoting greater environmental protection and energy security. In accordance with these targets the elaboration of the **Jedlik Ányos Plan** started in the spring of 2014. The Plan aims at encouraging the spread of the alternative drive vehicles and the development of the infrastructure thereof. The JÁP is being elaborated alongside five pillars: environmental protection, R+D+I activity, infrastructure development and investment encouragement, legal and taxation environment, cooperation of stakeholders and synergies. Besides these the JÁP deals with the examination of international practice, funding issues and the efficient implementation of the plan. **(66)**

IV.5. Education

Regarding the fact that the country specific recommendations of 2013 include several recommendations on the decrease of the rate of early school leavers and the increase of higher education qualifications, and the steps towards the implementation of these recommendations are mostly in accordance with the measures for achieving the Europe 2020 education targets, consequently each measure related to education is detailed in Subsection III.6. The measures for the prevention of early school leaving drafted in the Public Education Development Strategy and in the framework strategy of the lifelong learning policy, the extension of quality early childhood education, the complex schemes and scholarship programmes for the success in school of pupils with multiple disadvantages (Útravaló (Road to) scholarship programmes, pedagogical programmes for integration, Arany János

programmes, Tanoda programmes, Second Chance, Roma specialised colleges), and the measures for preventing segregation and desegregation are of these types. The introduction of programmes and scholarships – as the Bursa Hungarica, mentor programme – which aim to increase the rate of those having tertiary qualification or a qualification equivalent to higher education and to support the disadvantaged students, and the programmes aiming to develop foreign language knowledge, and the vocational training in higher education, the strengthening of the non-formal and informal learning, and cooperative training system are also detailed there.

IV.6. Social inclusion

Due to the global crisis the population jeopardised by poverty or the risk of social exclusion in the EU increased from 114 million in 2009 to 124 million in 2012, thus moving further away from the target to be reached by 2020, which intended to decrease the number of those concerned to 96.4 million. Only a slow improvement is expected by the assessment of the European Commission, which means that a decrease to 100 million people can be reached by 2020.¹²

The negative trends at EU level had their effects on Hungary as well. The overview of the Hungarian Europe 2020 poverty indicators shows that out of the three elements of the composite indexes two are largely responsible for the deterioration of the index: the indicator characteristic to the number of those living in households of very low labour intensity to a smaller extent, the severe material deprivation index to a greater extent. The rate of those who suffer severe deprivation has deteriorated by 2.6%. The deterioration of the index characteristic to the income poverty after social transfers – even despite the crisis – can only be considered a small-scale one, in which the efficiency of the Hungarian social system and other social transfers has a role. The public works programmes aim to basically improve the status of those living in households which lack labour, the effects of which are – probably – not entirely reflected in the data of 2012 (*see Subsection IV.2*). The financial problems concerning the loans and housing expenses play a dominant role in the deterioration of the material deprivation index. The measures of the Government which tend to improve the conditions of those having fix loans and reduce overhead aim to mitigate the above. The effects of these measures are not reflected in the data of 2012 either. **In total, the number of the population affected by the three indicators increased to 3188 (to 32.4% of the population)**, which is a 1.4 percentage points increase compared to the data of the previous year.

The National Social Exclusion Strategy was adopted by the Government in December 2011. The implementation of the Strategy is based on the three-year governmental action plans. For an efficient implementation the monitoring system of the National Social Exclusion Strategy has been created by the beginning of 2013, in the course of which the progress of

¹² The announcement of the Commission of 05.03.2014 about the results achieved so far within the framework of the Europe 2020 Strategy. (Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth)

the programmes and measures was overviewed and the annual report for the Government was compiled. **(67/a)**

During the implementation of the **Strategy**, the Government pays special attention to the strengthening of the inter-sectoral coordination processes, which especially concern the measures to support the Roma and the catching up of deprived. In the Conciliation Board of Roma Affairs set up in January 2013, the joint participation of the decision-makers at highest level guarantees the coordinated implementation of the decisions. The **Social Inclusion and the Inter-ministerial Committee of Roma Affairs**, with the cooperation of the ministries concerned, is the policy coordination forum concerning the Roma and the people living in extreme poverty. The **Roma Coordination Committee**, which, besides the Government, operates with other governmental bodies, civil organisations, churches and local governments, and scientific institutions. Its task is to raise the attention to the problems that make the implementation of the measures for the inclusion of the Roma difficult, participates in creating the professional networks facilitating inclusion, and drafts proposals on the improvement of the Roma's life conditions. This wide-scale consultation and coordination forum provides the framework for the monitoring, consulting and harmonising of policy intervention. **(67/b)**

Reducing child poverty is a key priority in Hungary since the situation of the households with children is harder than of the average population. One of the main target groups of the measures for decreasing poverty is the children, whose inclusion is supported by **complex child support schemes operating in the most deprived sub-regions, by programmes supporting pupils experiencing multiple deprivations to be successful at school and by scholarship programmes.**

(One of the provisions of the 6th provision group of the country specific recommendations is to improve the access of the disadvantaged – especially the Roma – to inclusive education. The schemes and scholarships for supporting pupils who experience deprivation and multiple deprivation, to be successful at school – Útravaló scholarship programmes, integrated pedagogical programmes, Arany János programmes, Tanoda Programme, Second Chance, Roma specialised colleges – and the scholarships providing students experiencing deprivation with getting access to higher education – e.g. Bursa Hungarica, mentor programme – are detailed in Subsection III.6).

Besides these, the Government introduces and continues several measures for stopping the perpetuation of social disadvantages and supporting the security of livelihood. There have been 110 **children houses** in the framework of the Secure Start programme established since 2007, which have been developed from EU funds. In the children's houses operating as part of the child support schemes of the most deprived regions, experts help the child and the family to overcome deprivation from the age as early as possible. By early childhood intervention the social integration is getting greater with preschool, school, labour market and local society integration. Parental competencies are getting greater and the proliferation

of poverty can be broken in cases of the children concerned. The **chance of children's access to healthy nutrition** is supported by the school milk and school fruit programme funded by national and EU budgets. Besides this, the primary task of the **National Strategy Assessment Committee on "Let's make it better for the children"** is to trace and monitor the implementation of the targets concerning child poverty. **(68)**

It is important for the Government to implement the targets for social inclusion, create equal opportunities both at national and at local level. The horizontal foundation of the **inclusion policy at local level** is established by the **local equal opportunity programmes**. According to the Act on Equal Treatment and Promotion of Equal Opportunities local governments adopt equal opportunity programmes for 5 years. Local governments can only receive grants subject based on a specific decision and determined by a tender if they have an effective local equal opportunity programme. The priority project of "Ensuring capacity for a development policy promoting equality" has helped develop the programme with the operation of the **mentor network** since 1st July 2013. The local governments make an assessment of the social, educational, employment, health and dwelling situations of the social groups experiencing deprivation in the local equal opportunity programme, and make an action plan to handle the problems revealed in the assessment. In order to monitor the change in the situation of the target groups (those experiencing multiple deprivation – the Roma, children, the old, women, the disabled) and the measures taken to handle their problems, at national level, the municipalities make the programmes according to uniform principles – defined by the Government. **(69)**

It is a major aspect to increase the labour market chances of the disadvantaged groups. The overall aim of the **social land programme** of 2014 is to tackle unemployment, provide employment especially with the involvement of the social groups experiencing disadvantages. The social land programme helps alleviate regional disadvantages, activate the beneficiaries, and improve their level of employment and the livelihood and quality of life of the people – primarily the Roma – experiencing deprivation. On the initiation of the National Roma Minority Self-Government, besides the school cooperatives and with similar aim, a new social cooperative form has been created, **the employment cooperative**, the preparation of its establishment is supported by an EU programme. The aim of the programme launched in 2013 is to develop the prerequisites necessary for the establishment and operation of the employment cooperative, to support the development of organisations and skills, which makes it possible for the target group to establish a sustainable social enterprise. The result of the development programme supporting the establishment of the employment cooperative is the training of minimum 1000 deprived unemployed people, the involvement of 1800 target group members in competence development regarding the social economy operation, and the establishment of at least one employment cooperative. The employment cooperative established by the National Roma Minority Self-Government was launched in March 2014. **(70)**

The additional instrument for balancing social disadvantages is mainly to support and raise awareness of the Roma culture, which can be essential in eliminating stereotypes - as it has also been defined as an overall target and concrete measure in the National Social Inclusion Strategy. It is the third year that the support of Roma cultural events and the access to cultural contents and products in the form of tenders funded by domestic resource has been carried out. **(39/c)**

The Government supports those in social needs with several forms of care. The income replacement and income supports alleviating certain costs are accessible for those **living below the income level** stipulated by the law, in several cases of support they are also subject to **property conditions**. Determining these income and property conditions can guarantee that the supports are exclusively available to those who do not have the financial means to meet their everyday needs. The income limits stipulated by acts on social and child protection and differentiated according to support types are defined in certain rate of the minimum old-age pension. For instance, only those are entitled for working age benefit where the income per consumption unit does not reach 90% of the minimum old age pension in the family. In order to provide the targeting of the supports and their targeted use the rate of the **in kind-aid** has increased recently.

As of the 1st January 2014 the amount of the increased care allowance, the disabled benefit, the personal allowance of the blind and the allowances of the disabled have been increased. The maximum amount of the regular social assistance has been also increased. In the set of measures called 'GYED extra' (child care fee) several modifications on the increase of the families' social security have been introduced (*see Subsection III.3*). It can be considered as a significant support that the joint payment of the allowances for the consecutively born children is possible, thus the parent receiving GYED or GYES (child care benefit) - in case another child is born after 1 January 2014 -, will be entitled for the allowance in case of both of the children, consequently the allowance for the elder child will be paid further. The special care allowance for those caring their relatives who are in severe condition has been introduced. **(73)**

The Government's measures for social inclusion, for social, healthcare and pension measures are detailed in the National Social Report.

The national targets defined in the framework of the Europe 2020 strategy are supported by several further measures, which are detailed in the table in Annex 2.

V. INTRODUCTION OF FURTHER REFORM MEASURES

Regarding the fact that in case of measures taken to ensure the implementation of the priorities defined in the Annual Growth Survey there are large overlaps with the measures elaborated in order to achieve the country specific provisions and the Europe 2020 targets,

the previously not mentioned measures taken and planned for the modernisation of public administration are introduced in this section.

V.1. Annual Growth Survey 5th priority: modernisation of public administration

In order to modernise state administration, Hungary aims to **build the overall national network of government windows (one-stop-shops) to make citizens' administration easier**, the implementation of which is expected to be made on 31st December 2017. As a result of the measure a government window (one-stop-shop) is created at the base of the document offices in each district offices (metropolitan district) so that citizens may settle several thousands of state administrative case types in one place in the long run. A further aim is **to improve the cooperation between public administration and specific social groups** as an outward measure of cooperation. In doing so the Government intends to show the citizens the operation of the State. Improving the picture that the citizens have on the state creates through the cooperation further social capital which can improve the Hungarian economic competitiveness. **(75)**

Within the Simple State Programme, by **further improving the Entrepreneurial Portal** funded by EU funds in the spring of 2014, the range of administrative procedures with online access may be extended, thus making the enterprises fulfil their administrative obligations easier. In the course of further developing and promoting the portal developing the cooperation between state and civil organisations will play an important role; thus an extension which is best suited to the demands of the private sector can be implemented. **(75/b)** *(The major measures of the Simple State is introduced in Subsection III.5)*

The **Electronic Administrative Surveillance** can start the registration of electronic administrative services in 2014. As a result of this, the coordination of administrative electronic services and the intense cooperation of their supportive background systems will be provided. Due to the effect of the measure, the quality of electronic administration will improve, and more and more electronic administrative services will be available for the citizens. All these help to decrease public and entrepreneurial administrative burdens and help to create a citizen-friendly public administration. **(75/d)**

In the framework of modernising governmental strategic management, based on the experiences gained by the ministries' surveys of strategic aspect, a **strategic repository** was created in 2013. A multilevel **strategic monitoring system** is built upon this, which supports the planning of the 2014-2020 period. The duty and conditions of the continuous operation of the strategic repository will have been stipulated by law by the end of 2014. A further measure planned until 31 December 2015 is the foundation of creating a **strategic controlling system** and the development of the system of indicators. **(77)**

In accordance with the cohesion policy of 2014-2020 the Magyar Programmes, each covering a 1-year period, will be converted to the planning adjusted to the EU development policy cycle, in which the basis of the developments will be cycles covering a 7-year period.

As a result of this, the **Magyary Programme 2014-20 will be drafted**, which tailors the public administration development concepts planned for this period to a longer term strategy. The previous Magyary Programmes and the Magyary Programme covering a 7-year period, which is still under elaboration, include several elements where the promotion and widespread socialisation of which and the use of opinions are essential. The above mentioned promotion can be carried out throughout 2014. **(77/b)**

The Government also aims to improve the quality of the cooperation between the different levels of public administration - as an internal reform target. Overall assessments are carried out in order to make proposals in order to eliminate the barriers hindering cooperation and communication between the different levels, and after their identification possible solutions will be elaborated to alleviate the problems, e.g. the forming of a **more open organisational structure**. As an expected result of the measure, the tendency to cooperate on an everyday basis may be a characteristic feature of the public administration. **(76/a)**

In order to guarantee a well-operating, efficient administrative activity of high standard the **public service career model** will be introduced in 2014. Within this framework a strategic integrated human resource management system may be implemented, which is based on the analysis and assessment of certain jobs. A further important element of the measure is that a new career and remuneration system expressing and considering the features of these will be created. Setting up the statistical information system providing the monitoring and assessment of the functions regarding human resources is a further progress in this field. **(76/b)**

The priority of the Annual Growth Survey for the modernisation of public administration is supported by several further measures, which are detailed in the table in Annex 2.

VI. UTILISING THE RESOURCES OF THE PROGRAMMING PERIOD 2014-2020

The consistency between the National Reform Programme and the Partnership Agreement of the programming period 2014-2020

Hungary submitted the **Partnership Agreement** for the programming period 2014-2020 to the European Commission **at the beginning of March 2014**. The regulations for the new period create a close connection between the Europe 2020 targets and the thematic targets of the structural policy, as the priority objectives of the Europe 2020 Strategy are presented by eleven thematic objectives of the cohesion and rural development policies. The national reform programmes and the county specific recommendations related to them are also part of the Partnership Agreement, thus it is of primary importance for Hungary that the planning and implementation of the National Reform Programme shall generously contribute to the foundation of the next programming period.

The target system reflected in the Partnership Agreement and the plans of the operative programmes and the planned measures are going to be created alongside the country specific recommendations and the performance of the Europe 2020 targets, thus **the development schedule of the 2014-2020 period supports the implementation of the targets and policy developments.**

The European Union development funds available in the period of 2014-2020 have to be focused on the strengthening of the Hungarian economic growth potential. In accordance with this, we have determined the sustainable growth built on a high value added production and the increase of employment as an overall development objective of the highest level. The development documents of 2014-20 are built on the above and the five main specific development priorities drafted thereon:

- Improving the competitiveness and global performance of the business sector
- Increasing the level of employment;
- Improving energy and resource efficiency;
- Tackling social inclusion and responding to demographic challenges;
- Local and regional economic developments facilitating economic growth.

The consistency between the National Reform Programme and the Partnership Agreement alongside the 11 thematic objectives is:

1. Strengthening research, technological development and innovation

The main target defined in the Partnership Agreement is to disseminate RDI cooperation and support excellence (by strengthening the flow and use of knowledge, and the knowledge bases), to disseminate innovations in the agricultural-rural sector. Concrete measures are defined by the 1. priority of the EDIOP (Economic Development and Innovation Operational Programme), and the TOP (Territorial and Settlement Development Operational Programme) and CCHOP (Competitive Central-Hungary Operational Programme). One of the cornerstones of the economic developments is the elaboration of the strategy on intelligent specialisation (S3) drafted along the Europe 2020 targets and the implementation of the R+D+I developments thereon (*see measure 54, Subsection IV.3*). The programming documents of 2014-2020 include several measures all over the country, including the actors of the agricultural sector, to strengthen R+D infrastructural capacity, provide new researchers and parallel to this to encourage RDI possibilities of SMEs, and to promote cooperation. (*see measures 56,57, Subsection IV.3*)

2. Enhancing access to, and use and quality of information and communication technologies

In the course of the **info-communication technology development** the Partnership Agreement - besides the industrial developments -, contributes to achieving all thematic targets. The development of digital literacy and e-government also relate to the targets. (*see Subsections III.5 and V.1*)

3. Enhancing the competitiveness of small and medium enterprises, agricultural sector, fisheries and aquaculture sectors

The main aim is to improve the competitiveness of SMEs, the diversification of the activities of agricultural enterprises and increase the added value of agricultural and food industry production. Besides the several measures of the programmes supporting SMEs, the measure that makes the entrepreneurs' (including the agricultural industry) access to funds easier by involving different financial instruments is also presented in the National Reform Programme (*see measures 4,7,8, Subsection III.2*). The complex support of young farmers with special instruments supplement the measures related to the 4th recommendation group of the country specific recommendations. The S3 relations and the industrial ecosystem solutions, which are also drafted in the employment targets of Europe 2020, are presented here as well. The horizontal aspects of the development of this thematic target is to create workplaces, consequently the increase of employment is an expectation for every relevant enterprise development support.

4. Supporting the shift towards a low-carbon economy in each sector

The aim of the measures of this thematic target is, among others, to significantly increase the country's **standard of building energy** (primarily with the increase of energy efficiency), to **increase the use of renewable energy** and to significantly extend the energy recovery of agricultural side products in agricultural and rural development. The Partnership Agreement, similarly to the measures of the National Reform Programme (*see Subsection IV.4*) includes developments on increasing the use of renewable energy resources – primarily local and regional – regarding thermal, heating energy and electricity generation in order to improve the energy efficiency of buildings and to improve the energy efficiency by modernising district heating systems. **In order for Hungary to achieve the objectives regarding climate and energy issues within the Europe 2020 strategy the funds of the programming period 2014-2020 are essential.** However, the role of the EU funds in meeting the commitments is not exclusive; **they are also supported by domestic funding incentives and other regulations** (e.g. the support provided by the feed-in tariff system, the mandatory rate of the blending of fuel).

5. Promoting climate change adaptation, risk prevention and management

The preparedness addressed to pre-exceptional situation is in the centre of the developments, including the creation of the knowledge base essential for founding the adaption to climate change, the dissemination of risk assessment on natural disasters and the creation of monitoring systems, as well as the creation and strengthening of human adaptation instruments, which are supported by the National Reform Programme according to the 2nd National Climate Change Strategy. (*see measures 64,65, Subsection IV.4*).

6. Protecting the environment and promoting resource efficiency

The development of water utilities and the compliance with the Water Framework Directive thereby, the development of the waste management systems and the urban

development are in the centre of the developments **aiming to facilitate the environment protection and resource usage efficiency**, which are related to the measures of the National Reform Programme through the support of the increase of employment and the competitiveness of SMEs.

7. Promoting sustainable transport and removing bottlenecks in key network infrastructures

The primary objective is to significantly extend improved railway transportation, and following this, the majority of the measures for the National Reform Programme support the measures for the rationalisation of railway transportation. (*see Subsection III.7*) The most important result expected is to increase the rate of renewable energy to 10% in road transportation by 2020, which is also a factor in the modernisation of public transport. The increase of the electrification of the railway network and keeping the share of public transport above the EU average also contribute to achieve the target, due to the fact that the greenhouse gas emission is expected to decrease. The long term guarantees of the commitment are several regulatory and other domestic instruments, including the domestic legislation in compliance with the EU directives. (e.g. the Government decree of 343/2010 (XII.27) on the blending of biofuel, the requirements and certification of sustainable biofuel production).

8. Promoting employment and supporting labour mobility

In meeting the commitment on the employment target set within the framework of the Europe 2020 strategy the interventions outside development policy will have a crucial role, thus will be consequently supported by overall economic policy and employment incentive measures. The measures of the thematic objectives show remarkable consistence with the employment incentive measures of the National Reform Programme, such as the organisational development of the National Employment Service (*see measure 22, Subsection III.4*), the development of the child care capacity (*see measure 26, Subsection III.4*), the help of enterprises to adapt, the dissemination of flexible labour market and the family-friendly workplace practices and services (*see measure 25, Subsection III.4*), and the improvement of the labour market situation of the disadvantaged groups (*see measures 18, 19, 20, 20, Subsection III.4*). Besides these the intervention of several thematic targets (*3, 9, 10 and 7 are priorities*) is necessary to increase employment.

9. Promoting social inclusion and combating poverty

The main objective of the measures belonging to this thematic objective is to fight successfully against poverty with a strong focus on the most disadvantaged, primarily in rural sub regions. Hungary intends to decrease the number of those living in poverty by 450 000 by 2020. The interventions aiming at social inclusion target the critical segments (primarily those living in extreme poverty) experiencing poverty. The measures, in compliance with the Europe 2020 target, intend to strengthen social cooperation by enhancing social activity, strengthening and developing the communities, alleviating

discrimination and by programmes forming the approach and strengthening the role of families within society in the development period of 2014-2020. In compliance with the National Reform Programme the enhancement of the efficiency and the effectiveness of the healthcare system and its preventive function, and the improvement of equal access to care (*see measure 52, Subsection IV.2*) are also presented here. It is important to emphasise that, in order to achieve the Europe 2020 target it is necessary for the population to have a job and permanent income, which is primarily provided by reaching of the employment thematic objective.

10. Investing in education, skill and lifelong learning

The National Reform Programme measures for the development of education, which are drafted in the country specific recommendations, comply with the measures planned in the Partnership Agreement. The interventions outside the development policy will have a crucial role in performing the commitments on improving the qualification level and the rate of dropout. The results supporting the 10th thematic objective of the use of the resources of 2014-2020 will significantly contribute to these commitments as well. The major fields in the development period of 2014-2020 are: increasing the success of the disadvantaged, Roma and disabled students in the system of public and higher education, renewing the methodology of public education in order to compensate deprivation and curtail early school leaving, improving the efficiency of training and education, developing key competences within the framework of formal vocational training and LLL, targeted support of the investments of public institutions in order to create the support of establishing quality and equitable public education, support the non-formal and informal learning programmes implemented by cultural institutions to help the aims of public education, and preparing higher education capacity and infrastructure. (*see Subsection III.6*)

11. Enhancing institutional capacity and an efficient public administration

In accordance with the relevant country specific recommendation, included in the thematic objective, the Government has targeted the increase of the economic competitiveness by raising the quality of policy-making and the standard of services provided for citizens and entrepreneurs and the strengthening of public confidence. In order to achieve this, several measures will be elaborated within the framework of the Good State concept for the period of 2014-2020. (*see Subsections III.5 and V.1*)

ANNEX I.: IMPLEMENTATION OF COUNTRY-SPECIFIC RECOMMENDATIONS

CSR1: Fiscal stability

[Hungary is recommended to] implement a credible and growth-friendly fiscal strategy by specifying the necessary measures focusing on expenditure savings and preserve a sound fiscal position in compliance with the MTO over the Convergence Programme horizon. Building on the above steps, put the general government debt ratio on a firm downward path, also with a view to mitigating the accumulated macroeconomic imbalances. Enhance the medium-term budgetary framework by making it more binding and by closely linking it to numerical fiscal rules. Broaden the mandatory remit and enhance the transparency of the Fiscal Council, including through systematic ex post monitoring of compliance with numerical fiscal rules as well as the preparation of regular macro-fiscal forecasts and budgetary impact assessments of major policy proposals.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
1.	Providing sustainable budgetary status - making appropriate budgetary position plans for MTO, implementation of the budget and putting public debt on a downward path.	The general government deficit according to the EDP was 2.1% of GDP in 2012. Besides the deficit of 2012 the structural deficit was far below the medium-term budgetary objective (MTO) that equals to 1.7% of GDP, i.e. the MTO has been met. The ECOFIN Council approved the abrogation of the excessive deficit procedure regarding Hungary on 21 st June 2013. According to the EDP report sent by KSH (Central Statistical Office) on 31 March 2014 the general government deficit in 2013 was 2.2% of GDP, parallel to which the structural deficit was far below the MTO last year, too. The 2014 budget plans public deficit in accordance with the MTO for 2014 and onwards. Due to the low deficit general government debt has been on a downward path since 2010 (2010: 82.2%, 2011: 82.1%, 2012: 79.8%, 2013: 79.2%).	KSH (Central Statistical Office) sent the so called EDP Report on the balance and deficit of the government to Eurostat on 31 st March 2014. In 2013 the EDP deficit of the government was 2.2% of GDP (ESA deficit 2.3%). General government debt to GDP decreased in 2013, too, by 0.6 percentage point compared to the previous year.	The 2014 budget continues to plan general government deficit in accordance with MTO.	Decreasing public deficit, thereby decreasing macroeconomic imbalance. The budget is formed in consistence with the MTO.		Adoption of the annual budget.			The budget balance in line with the MTO and the decreasing general government debt are the conditions of sustainable growth, they decrease macroeconomic imbalance and increase confidence in the country.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
2.	Implementation of the EU Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States	Section V – titled the Medium Term Budgetary Frameworks – of EU Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States stipulates the implementation of point 1.b. By amending the Public Finance Act and the Government Decree on the Implementation of the Public Finance Act on the amending provisions took effect at the end of December 2013.	Realised: the legislation on providing the implementation in accordance with the provisions of the directive has been in effect since 31 st December 2013. The amendment of Act CXCV of 2011 on the Public Finance of Hungary was made in Act CCXXII of 2013 on the transposition of the Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, the Government Decree 497/2013 (XII.29) on the amendment of certain provisions for state budget regulation.	No further measure is required.	Strengthening medium-term planning of the budget by establishing an authentic medium-term budgetary framework in order to provide a sustainable, disciplined fiscal policy. Compliance with our European Union commitments.		There is no quantifiable budgetary effect.			Continuing disciplined fiscal policy: to curtail public debt, to decrease high external debt which significantly contributes to the fiscal vulnerability of the country, stabilise the economic situation of the country and keeping it on a sustainable growth path.
3.	The priority of fiscal policy is to decrease public deficit inherited from the previous government term, to maintain fiscal discipline and to ensure the sustainability of fiscal consolidation	The Fundamental Law of Hungary provides for the Fiscal Council (Article 44), the detailed regulations are included in Act CXCV of 2011 on the Economic Stability of Hungary (Chapter IV), which vests it with great power, the power to veto. Considering the recommendations of the European Council within the framework of the Excessive Deficit Procedure (EDP) dated 13 th March 2012, the provisions for the Fiscal Council of the Act on the Stability Act were reviewed in the summer of 2012. As a result the scope and analysis resources of the Fiscal Council were expanded (the SAO and the Central Bank of Hungary help the work of the Council by providing the Council with their analyses and statements; setting up the secretary with 5 staff members). According to the provisions of the Stability Act the FC can give its opinion on any issue	implemented	No further measure is required.	Continuing disciplined fiscal policy. More transparent budget operating more efficiently.		There is no quantifiable budgetary effect.			Curtail public debt, decrease high external debt which significantly contributes to the fiscal vulnerability of the country, stabilise the economic situation of the country and keeping it on a sustainable growth path.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
		concerning the planning, implementation of the central budget and when public funds being used in any other way (Act on Economic Stability Article 23, 1.e), thus it can carry out its further tasks mentioned in point 1.c without amending or extending its scope in the legislation.								

CSR2: Financial sector

[Hungary is recommended to] help restore normal lending to the economy primarily by improving the capacity for capital accumulation in the financial sector, inter alia by lowering the extra burden currently imposed on it. Improve portfolio quality by removing bad assets from banks' balance sheets, closely consult stakeholders on new policy initiatives and make sure that new policy measures do not increase moral hazard among borrowers. Enhance financial regulation and supervision, in particular by giving more effective emergency powers to the Hungarian Financial Supervisory Authority and by establishing a bank resolution regime.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
4.	Facilitating lending: Széchenyi Card, Eximbank, Funding for Growth Scheme: a significant amount of loans given to export companies	Several factors help lending and enterprises getting access to funding. The Széchenyi Card provides SMEs with preferential investment, current asset loans and loans prior to grants. The Central Bank of Hungary's Funding for Growth Scheme also provides the enterprises with loans at a low rate. Eximbank gives a significant amount of loan to finance the export activities of companies. The access to agricultural funding has also improved. Low interest rates can also contribute to the increase in lending activity.	Within the framework of the first phase of the Funding for Growth Scheme HUF 701 billion preferential loans were granted. In the second half of 2013, the increase of investments, besides the gradual improvement of demand prospects, took place at the same time as the first phase of the Funding for Growth Schemes. More than 60% of the loans given in the first pillar were new lendings, 60% of which were used for investments.	Within the framework of the Funding for Growth Scheme a credit line of HUF 2000 billion is available until the end of 2014.	Restoring lending, providing for economic growth.	FGS is managed and financed by the Central Bank of Hungary.	The possible operational losses of the Central Bank of Hungary (in the year following the reference year) are recovered by the budget.			Increase of lending.
5.	Improving the funding situation of the agricultural sector	The rural development preferential programmes are expected to be re-announced with the necessary modifications in line with the new scheme rules coming into effect in 2014-2015. We are going to review the preferential agricultural credit schemes operated by the Hungarian Development Bank (MFB Zrt.), and make a	On the initiation of the Ministry of Rural Development the 1806/2013 (XI.12) Government Decision and the 108/2013 (XI.28) Decree of the Ministry of Rural Development on de minimis subsidy related to the Current Asset Credit Scheme for Food Industry available for paying interest, were drafted, on the basis of which the Hungarian Development Bank (MFB	31 st December 2014. The preparation of the amendment of the Agricultural Ministry Decree 54/1997 (VIII.1) is going on throughout the year of 2014. Providing the compatibility of the preferential schemes and the schemes of interest rate subsidy with the new state subsidy regulations and the new rural development	EU 2020 target: to increase employment	The interest rate subsidies and the possible guarantor's aids are provided out the budget of the Ministry of Rural Development, whereas the aid stemming from the preferential interest rate and fees do not need budgetary resources, the preferential guarantor's fee is provided by AVHGA	The preferential credit schemes have an important role in improving the preferential funding of the agricultural sector, thereby in increasing the competitiveness of the enterprises of the sector; thus it can contribute to the increase of tax incomes.	The resources of European Agricultural Fund for Rural Development (EAFRD) are available for the interest rate subsidy in cases of investment loans.	In cases of investment loans related to the objectives of the new rural development programme we plan to provide interest rate subsidy on the budget of EAFRD	The Current Asset Credit Scheme of Food Industry contributes to the improvement of the current asset funding of food industry enterprises. Due to the TÉSZ credit scheme modification the preferential funding is available to a wider range of producer groups. The preferential credit schemes have an important role in improving the

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
		proposal for their restructuring, with special regard to the standardization of the investment and current asset credit schemes, and the extension of preferential funding provided by the schemes, taking into consideration the narrowing of the interest rate gap between the forint and foreign exchange and the new state subsidy regulations. At the request of the Association of the Hungarian Mortgage Banks the Ministry of Agriculture Decree 54/1997. (VIII. 1.) is under review, the aim of which is to renew the land evaluation method based on income calculation in order to elaborate a method which gives a closer value to the actual land prices and is easy to be applied by the valuers.	Zrt.) announced the Current Asset Credit Scheme for Food Industry on 3 rd December 2013. The loans taken out within the framework of the credit scheme are provided with an interest rate subsidy of 50% out of the Ministry's own resources, of maximum 4 percentage points. Based on the Government Decision 1807/2013 (XI.12) the Hungarian Development Bank (MFB Zrt.) has extended the scope of the beneficiaries of the New Hungary TÉSZ Current Asset Credit Scheme to the producer group with qualified certification operating outside the field of the vegetable and fruit producers. On the basis of the Government Decision 1925/2013 (XII.11) the availability of the preferential credit schemes has been extended to 31 st December 2014.	programmes.		on its own asset.				preferential funding of the agricultural sector, thereby in increasing the competitiveness of the enterprises of the sector. The aim of the modification of the Agricultural Ministry Decree 54/1997 (VIII.1) is to create a methodology by involving the professional stakeholders, which would improve the availability of lending for enterprises working in agricultural sector.
6.	Introduction of financial instruments in rural development programme 2014-2020	The characteristics of the preferential credit schemes operated so far (Hungarian Development Bank programmes, other programmes with interest rate subsidies, Funding for Growth Scheme of the Central Bank of Hungary) are that the risk of the borrower enterprises is taken by the mercantile	The Agricultural Research Institution was assigned with the creation of gap analysis which is founding the financial instruments to be probably introduced within the framework of the new rural development programme and required by the European Commission, and the draft version had been finished by November 2013. Since then the Commission has	The main frameworks of the financial instruments will be set in the new rural development programme, while the detailed rules are going to be elaborated according to the planned introduction in 2016.	EU 2020 target: to increase employment	The planned credit fund would be established with HUF 25-30 billion on EAFRD resources (including co-finance)	By the strengthening of the targeted entrepreneurial circle the planned measure may contribute to the increase of tax incomes.	The planned credit fund would be established with HUF 25-30 billion on EAFRD resources (including co-finance)	The financial instrument (credit fund) as part of the rural development programme serves to achieve the development objectives determined therein.	The enterprises not being entitled to be financed by the banks may reach, after a time, the level of development necessary for obtaining market resources through the finance granted from the credit fund.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
		<p>credit institutions. Experiences show that the risk of the smaller sized agricultural enterprises, typically family farms, and the licensed traditional small-scale producers is considered too high by the credit institutions due to the lack of information on the size of the plant, the transparency of farming and financial reports, the high fixed costs of lending and the lack of collateral. Consequently funding is not available to these enterprises thus they do not get access to preferential funding either. On the basis of the above, in the new rural development programme, possibly from 2016, we plan to apply new financial instruments in cases of agricultural raw material producer and food industry enterprises, where the risk of lending is taken by the fund established on clearly community (EU and national) resources. The formation of the fund schemes is based on a preliminary analysis identifying market failures (GAP analysis).</p>	<p>been sending the materials and draft implementation provisions, on the basis of which the instrument is under development.</p>							

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
7.	Facilitating the improvement of portfolio quality: activity of the National Asset Management Agency, solving the FX debtors' problem	As a result of the activity of the National Asset Management Agency (NET) the mortgage debtors get exempt from paying significant receivables originating from FX loans, thus the credit institutions can clean their portfolio.	The National Asset Management Agency had accepted 15 thousand property offers by 31 st December 2013.	The National Asset Management Agency expects to accept 25 thousand property offers by the end of 2014.	Helping (FX) mortgage debtors in trouble	The National Asset Management Agency's property purchases, HUF 37 billion are available for the National Asset Management Agency to buy flats.	Failure to pay rental fee increases the Agency's costs.			Solving the debtors' dwelling, who fail to pay. Alleviation of the pressure of the housing market. Facilitating the banks' portfolio cleaning.
8.	Strengthening financial regulations and supervision: integrating macro- and micro-prudential supervision into the framework of one organisation, harmonising the system of bank recovery and resolution system with EU legislation	Considering the international practice the Hungarian Financial Supervisory Authority integrated into the Central Bank of Hungary on 1 st October 2013. After the adoption of the draft legislation on bank recovery and resolution the Hungarian system is being formed in compliance with it.	The Central Bank of Hungary has been exercising its micro-supervision and strengthened macro-prudential authority within the organisational and competence frameworks adjusted to the duty since 1 st October 2013.	The detailed rules of the bank recovery and resolution framework are under development, and will be introduced by 1 st January 2015.	Increasing the stability and stress resistance of the financial sector			-		The resistance of the Hungarian financial sector will strengthen by the integration of the Hungarian Financial Supervisory Authority into the Central Bank of Hungary and the bank recovery and resolution legislation as well.

CSR 3: Taxation

[Hungary is recommended to] Ensure a stable, more balanced and predictable corporate tax system. Streamline corporate taxation and minimise distortions of resource allocation created by sector-specific taxes, so as to foster growth and employment. Continue making taxation of labour more employment-friendly by alleviating the tax burden on low wage earners, inter alia by refining the eligibility criteria for the Job Protection Act, and by shifting taxation away to environmental taxes. Fully implement and step up the already announced measures to improve tax compliance and reduce the cost of tax compliance.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
9.	Job Protection Act and its extension				EU2020 employment, CSR4					
	a) Job Protection Act	Job Protection Act: the amendments of law based on this, in cases of the most disadvantageous employees regarding the labour market (workers under 25 and over 55, unskilled workers, permanent job seekers, workers with small children) full or 50% relief on burdens related to employment is provided for the employers (27% from the social contribution tax and 1.5% from the vocational training levy), which are applicable to monthly gross income not exceeding HUF 100.000. The reliefs have general force, they do not depend on the employer's size or scope of activity.	The reliefs introduced by the Job Protection Act came into effect on 1 st January 2012.	The reliefs introduced by the Job Protection Act are continuously available, thus even after 2013.		The support is of normative nature, the relief depends on the number of those using it.	In 2013 in accrual approach HUF -115 billion, forecast of 2014: HUF -145 billion			The Job Protection Act is a more efficient instrument than the tax credit removed in 2012 to increase employment, as it is better targeted, and efficiently encourages the extension of the demand for low productivity employees. Effects: increasing the level of employment in the target groups.
	b) Provisions on the youth	The amount of employer's imposition (social contribution tax, vocational training levy) on every employee's gross wage who is under 25 – up to the amount of HUF 100,000 – is 14% (instead of 28.5%). In cases of career starters with maximum 180 days of employment, under the age of 25 the amount of	On-going since January 2013.	On-going	Increasing employment level, decreasing unemployment of the young	It was regulated by the Act CXLVI of 2012 on the amendment of certain acts necessary for the implementation of those included in the Job Protection Act.	The relief affects both revenue and expenditure of the budget: the relief, on the one hand, is a loss of revenue, but it is compensated by the effect of the measure on the increase of employment and			The measure encourages the employment of disadvantaged groups-including the young - by decreasing the social contribution tax benefit. In January 2014 23,715 career starters and 111,131 young people under the age of 25 were employed by the use of the benefit

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
		relief in the first two years – up to HUF 100,000 gross wage – is 28.5%. In December 2013 the relief was applied in cases of 103 thousand employees with more than 180 days of employment under the age of 25, whereas in cases of those under the age of 25 having maximum 180 days of employment the number was 24 thousand.					safeguard jobs. See detailed in Provision 3.c.			
	c) Extending the Job Protection Act	Since 1 st January 2014, in the first three years of employment, 28.5%, whereas in the fourth and fifth years of employment 14.5% relief can be applied in case of employing private individuals with 3 or more children after they have been paid child care benefit, child care fee, child care allowance.	The reliefs introduced came into effect on 1 st January 2014. The application of benefits is provided by Act CXLVI of 2012 on the amendment of certain acts necessary for the implementation of those included in the Job Protection Act.	Further increase, fine tuning is possible.			HUF -1-1.5 billion			The Job Protection Action is a more efficient instrument than the tax credit removed in 2012 to increase employment, as it is better targeted, and efficiently encourages the extension of the demand for low productivity employees. Effects: increasing the level of employment in the target groups.
	d) Introducing small business tax	The major target group of the small business tax introduced as a measure of the Job Protection Act is small enterprises who intend to develop and play a role in employment. The enterprises subject to this tax can raise salary or employ new employees without the increase of their burdens of tax, as long as they can provide it from their profit. This tax encourages investments so that – opposite the depreciation applied in corporate tax system – the value of investments can be deducted from the tax	Implemented, Act CXLVII of 2012 on the Fixed-rate Tax of Small Taxpayer Enterprises and Small Business tax	Small business tax can be applied also in 2014			In accrual approach in 2013 was HUF - 4.6 billion.			Alleviation of small enterprises' tax burdens, cash flow approach, which has an effect of encouraging investment and increasing employment; increasing employment and investment in SME sector

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		base.								
	e) Introducing fixed rate tax for enterprises (KATA)	Micro-enterprises or small taxpayers (sole proprietors, private companies, general partnerships exclusively operating with natural entities, limited partnerships) can apply a simple fixed rate tax on the enterprise regarding the entrepreneur and the public impositions on the entrepreneur (i.e. a total of 7 different taxes).	The fixed rate tax for small enterprises (KATA) can be applied since 1 st January 2013. Act CXLVII of 2012 on the Fixed-rate Tax of Small Taxpayer Enterprises and Small Business tax	The fixed rate tax for small enterprises (KATA) can be applied also in 2014; since 2014 the fixed rate tax of higher amount (HUF 75 000 monthly) can also be applied, the calculation base of the obtained benefits is HUF 136 250 monthly instead of HUF 81 300 monthly			In accrual approach in 2013 was HUF - 29 billion.			Decreasing administrative burdens of micro-enterprises and self-employed
	f) Introduction of employer benefit system related to the most disadvantageous employees in the labour market	Job Protection Act: the amendments of law based on this, in cases of the most disadvantageous employees regarding the labour market (workers under 25 and over 55, unskilled workers, permanent job seekers, workers with small children) full or 50% relief on public imposition related to employment is provided for the employers (27% from the social contribution tax and 1.5% from the vocational training levy), which are applicable to monthly gross income not exceeding HUF 100.000. The reliefs have general force; they do not depend on the employer's size or scope of activity.	The Job Protection Act was passed by the Parliament on 1 October 2012, and took effect on 1 st January 2013.	On-going			In December 2013 the employers applied the tax relief on 734 888 people, in a total amount of HUF 10 179.9 million.			
10.	Introduction of family contribution relief	If private individuals cannot fully apply the family relief due to the lack of the appropriate amount of personal income tax base, they can apply the non-applicable tax	Effective on 1 st January 2014, Government Decree 27/2013. (II. 12.), Act CLVI of 2011 on the Amendments of Certain Tax Laws and Related Laws	The relief is on-going, applicable also after 2014	EU2020 poverty reduction		HUF -50 billion			It decreases the taxes on the job regarding the families with low income - especially the families with one salary, and where the parents have no jobs throughout the

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		advantage of personal income tax payment on the individual social security contribution. The measure affects mostly single parents with two children, and couples with two salaries having three or more children.								year. Improving the income situation of the families with children and low income, and the employment of secondary gainful employment.
11.	Legal technicality clarification introduced for the clear rules on corporate taxes and further reliefs	The amendments effective on 1 st January 2014 mostly aim at the clarification of law interpretation and helping law application (e.g. clarifying the establishment of premises in case of property purchase). A part of the amendments stipulates on the extension of reliefs, such as the deductibility of R+D relief on tax base by related enterprises, and the increase of the amount of tax relief applicable on SMEs investment loans.	Implemented on 1 st January 2014, Act CC of 2013 on the Amendment of Certain Tax Laws and Related Laws, and the Act CXXII of 2010 on National Tax and Customs Administration	The Government aims to stabilise the taxation of companies in the system			In 2014 HUF -4 billion.			Growth of the related companies. Clarification of law interpretation contributes to the stabilisation and predictability of the system. The increase of reliefs helps growth and encourages investments in the target group.
12.	In cases of taxpayers affected by the Act on Public Utility Infrastructure Tax, who have the ownership of communication cable the tax relief has been extended since 1st January 2014.	The earlier effective Act CLXVIII of 2012 on Public Utility Infrastructure Tax drafted a scaled, degressive tax relief regarding taxpayers owning communication cable. The tax relief was 80% up to a cable length of 170 km, 60% between 170-250 km cable length, and 20% between 250-300 km cable length. Full tax was payable in case of cable length exceeding 300 km. The above mentioned tax relief has been extended since 1 January 2014, and the structure of the relief has also been simpler. According to the	Implemented on 1 st January 2014, Act CC of 2013 on the Amendment of Certain Tax Laws and Related Laws, and the Act CXXII of 2010 on National Tax and Customs Administration	Implementation has been completed			HUF'-0.6 billion			Decrease sector specific tax. Decrease of additional burden on communication sector.

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		amendment tax is not payable up to the cable length of 200 km; a 70% tax relief is applicable between 200-350 km cable length, and 25% between 350-500 km cable length. Full tax is payable if the cable length exceeds 500 km.								
13.	Decrease of contributions on wages for employers in disadvantageous regions	The Government Decree 27/2013 (II.12) declared more than a thousand disadvantageous settlements Free Enterprise Zones. The enterprises operating in the Free Enterprise Zone can apply the contribution relief on wages up to the gross salary of HUF 100,000 to any new employer (min. 1 person). Thereby the amount of the social contribution tax (27%) and the vocational training levy (1.5%) is 0% in the first two years of employment instead of 28.5% and 14% in the third year instead of 28.5%. The conditions for applying the relief have become simpler since 1 June 2013. Investment is not a condition for applying the reliefs of the free entrepreneurial zone on social contribution tax and vocational training levy any more, just the increase of staff.	The relief for the Free Enterprise Zones can be applied since February 2013.	The relief for the Free Enterprise Zones can continuously be applied also after 2013.	EU2020 employment, poverty reduction, CSR4		In 2013 HUF -28 million, after the further start-up of the reliefs less than HUF -1 billion			Increase of employment in disadvantageous regions

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14.	Extending the range of development tax relief	Free Enterprise Zones in corporate tax: the development tax relief has been extended with a new appropriation: applicable to the investments put in operation in Free Enterprise Zones of an eligible cost of the current value to HUF 100 million. These regions are typically disadvantageous , where the investments being realized with the help of the tax relief may create new jobs.	Introduced on 1 January 2013, Act CLXXVIII, Article 36(1) of 2012 on the Amendment of Certain Laws and Related Laws.	Implementation completed.			HUF'-6 billion.			Facilitating growth and employment by extending development tax relief, making its application easier in corporate tax. Investments creating jobs being realised in disadvantageous regions.
15.	Measures to improve tax paying moral									
	a) Introducing online cash registers	In order to curtail abuses of cash registers, the cash registers are linked online with the state tax authority through the communication network, so that the technical details of the regulation on the cash registers have been determined according to the state-of-the-art technological requirements to exclude abuses.	The deadline for the order of the so called small cash registers (approximately 200 thousand cash registers) was 31 st December 2013, for the PC based cash registers 31 st December 2013. The old cash registers are being replaced by the new ones continuously. Government Decision 1059/2013 (II.13); Ministry for National Economy Decree 3/2013 (II. 15); Ministry for National Economy Decree 48/2013 (XI. 15); Ministry for National Economy Decree 50/2013 (XI. 15); Ministry for National Economy Decree 74/2013 (XII. 30)	Conversion regarding cash registers is on-going.			In 2014 HUF 140 billion			Online instalment decreases black market and improves tax moral in the sectors considered.

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	b) Limiting cash payment	Determined taxpayers (corporations, sole proprietors) are not allowed to fulfil their contractual obligations exceeding HUF 1.5 million in cash. Act CLVI of 2011 on the Amendment of Certain Taxes and Related Laws	Implemented. Act LXIX of 2012 on the Amendment of Certain Taxes Relating Taxation	Measure implemented			Not quantifiable			Limitation of cash payment contributed to decreasing black market
	c) Invoiced return	Taxpayers are obliged to provide detailed data of the invoices issued and received by them, if the sum of VAT has reached or exceeded HUF 2 million.	Implemented	Measure implemented			Not quantifiable			The measure decreases black market
16.	Amendment of VAT rules in agriculture									
	a) Reverse-charging VAT in agricultural sector	Reverse-charging VAT payment, i.e. the buyer is obliged to pay VAT and entitled to deduct tax at the same time.	Implemented by 1 st July 2012, and based on positive experiences the temporary rule is possibly effective until 2018. Act XLIX of 2012 on the Amendment of Certain Laws on the Extension of Reverse-charging VAT to the Agricultural Sector.	Measure implemented			HUF 15 billion			Reverse-charging VAT decreases tax fraud and black market in agricultural sector.
	b) Live and half pigs classified under the preferential VAT rate of 5%	In order to curtail VAT frauds and purchase without invoices for pig products, the live and half pig classification under the preferential VAT rate of 5% has been implemented.	Implemented on 1 st January 2014, Act CC of 2013 on the Amendment of Certain Tax Laws and Related Laws, and the Act CXXII of 2010 on National Tax and Customs Administration	Measure implemented			In accrual approach HUF -0.6 billion			The decrease of VAT rate contributed to curtail VAT frauds and purchase without invoices for pig products.
17.	Removal of tax-base supplement	Since 2013 by abolishing the ceiling of tax-base supplement and individual pension contribution the single-rate taxation on wages has been implemented.	The measure has been implemented. The tax-base supplement was abolished in the concept of AGS with the effect of 1 st January 2013.	Measure implemented			The pre-estimated static budgetary effect of the measure in accrual approach was HUF 157 billion in 2013.			Removing the value of tax incomes from the taxes on labour towards the turnover taxes and value added taxes.

CSR4: Employment

[Hungary is recommended to] address youth unemployment for example through a Youth Guarantee. Strengthen active labour market policy measures and enhance the client profiling system of the Public Employment Service. Reduce the dominance of the public work scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong-learning. Continue to expand childcare facilities to encourage women's participation. Ensure that the objectives of the National Social Inclusion Strategy are mainstreamed in all policy fields to reduce poverty particularly among children and Roma.

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18.	Measures facilitating the employment of the young									
	a) Apprenticeship programmes	The aim of the apprenticeship programme is to support the projects of micro- small and medium enterprises if they employ career starters with secondary qualification under the age of 25. The support resulting in the appointment to new posts is a full or partial wage and contribution allowance for 9 months. The amount of the claim for the allowance can be HUF 500,000 - 30,000,000.	625 applications have been received till February 2014, the allowance claim was HUF 3.5 billion. Allowance decision has been made in a total sum of HUF 1.4 billion.	If the use of resources does not accelerate the resources stuck may be necessary to be rearranged.	Tackling unemployment and the social consequences of the crisis (AGS-4) Increase employment (EU2020-1)	Resource of the programme is HUF 8.5 billion - SROP 2.3.4-A	Employing the young jobseeker is allowance income for the budget	SROP 2.3.4-A	Founding the development aiming at employment policy between 2014 and 2020 - policy strategy: EDIOP 5th priority and CCHOP 7th priority;	The resource would enable the employment of 4,000 - 10,000 trainees as planned. The transition from learning to working is easier by the work experience that the young with qualification gain; their participation in the labour market increases. The resource enables the employment of 4,000 - 10,000 trainees as planned.
	b) Supporting for entrepreneurship the	The EU scheme facilitating the young between the ages of 18-35 supports to obtain the skills of becoming an entrepreneur by trainings, and provides the capital for launching the enterprise.	The first phase of the call for application is under implementation, the pre-screening and competence tests have been carried out. The young can join the professional trainings (intensive courses and courses of 2-3 months, adjusted to the needs of the participants) from January-February 2014 - different schedules by regions. A total number of 2,600 young have started the	After the accomplishment of the trainings the young, having prepared their business plans, are expected to apply up to the limit of the resource in the first quarter of 2014.	Tackling unemployment and the social consequences of the crisis (AGS-4) Increase employment (EU2020-1)	Resource of the programme is a total of HUF 7 billion, SROP 2.3.6-A-B	The operating enterprises generate tax and contribution incomes for the budget.	SROP 2.3.6-A-B	Founding the development aiming at employment policy between 2014 and 2020 - policy strategy: EDIOP 5th priority and CCHOP 7th priority;	The number of entrepreneurs of the ages 18-35 is increasing. 3,200 young are planned to participate in the training, out of which at least 1500 are founder of start-up enterprises.

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			professional trainings so far.							
	c) Civil employment programmes targeting the labour market integration of the young	The aim of the measure is that the qualified young (in case of the skilled young under the age of 25, or under the age of 30 with higher education qualification) not working right after they have finished their studies, gain work experience and practice. The employment of the young is organised by non-profit and civil organisations, which strengthens their social objectives and activities by expanding their capacity. The instrument used is wage subsidy and the training of the target group members.	Between 1 March 2013 and 18 April 2013, 898 civil and non-profit organisations competed for the programme. The implementation of the programmes is in progress.	After the issuance of the Support Contract the organisation of employment and the implementation of the programmes are commenced. We provide continuous monitoring in order for the results of the projects to be efficient.	Increasing employment level, qualification level of the young, and decreasing unemployment.	HUF 7.5 billion - Social Renewal Operational Programme (SROP 1.4.1/12 projects)	The employment of registered young jobseeker generates tax and contribution incomes for the budget.	SROP 1.4.1/12	Founding the development aiming at employment policy between 2014 and 2020 - policy strategy: EDIOP 5th priority	The programme can provide resources for a one year employment of 2400-4100 young people. (Dependent on the wage paid to the target group member and the payable amount of wage subsidy by the applicant with the use of the total budget)
	d) Innovative labour market programmes to support the employment of young unemployed as a priority	The primary aim of the call for application is to support the elaboration and adaptation of programmes of model value (innovative initiations, novel employment methods), which facilitate efficient interventions on the local and regional labour market. We also support initiations throughout the implementation, which facilitate the employment of the target group of the ages 15-24 who do not study or work, with innovative solutions, especially those whose	The call for application was published on 13 June 2012. The organisations submitted their project proposals until 10 October 2012, after which the applications were assessed and the contracts concluded between November 2012 and March 2013. 33 organisations were granted resources to implement innovative, pilot employment programmes. We support the implementation and utilisation of the programmes by organising	The implementation of the programmes is in progress. We provide continuous monitoring in order for the results of the projects to be efficient.	The innovative initiations helping young unemployed find a job fit in the CSRs. The "green workplaces" and the development of digital instruments necessary for the job and the development of competences are an important take-off point, which is also identified by EU2020 strategy.	The implementation of innovative employment programmes are supported by HUF 4.7 billion. – Social Renewal Operational Programme (SROP 1.4.3/12 projects). Later EDIOP 5 th priority; Foundation of developments aiming at employment policy between 2014 and 2020 – policy strategy	The employment of registered young jobseeker generates tax and contribution incomes for the budget.	SROP 1.4.3/12	EDIOP 5th priority	The 33 projects, besides the elaboration of 46 new methods that help the labour market integration, provides labour market services for 3830 deprived unemployed considering their needs, labour market training for 2093 people and their employment for at least 6 months, and as a result 119 people become entrepreneurs.

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		entry into the labour market cannot be solved or not efficiently within the traditional frameworks of the labour market policy or its instruments.	professional advisory and assessment network.							
	e) Supporting the young for entrepreneurship in the region of Central Hungary	The programme is the mirror programme of "SROP 2.3.6 A" and "SROP 2.3.6 B" "Supporting the young for entrepreneurship in the convergence regions", which is implemented by the National Employment Public Non-profit Company. The programme elements are: supporting specialised, individually tailored trainings and start-up enterprises, giving advice, professional supervision and mentoring.		It is implemented in two phases, the first is the tendering of the consortia which implement the scheme and provide training and skill development services, the second is the tendering of the young who have business plans. The professional and planning tasks founding the implementation of the programme have been carried on since 15 July 2013, the practical implementation of the programme takes place between 3 March 2014 and 31 May 2016.	The measure is closely connected to the No.1 national commitment of Europe 2020 strategy (to increase the rate of the employed of the aged 20-64 to 75%)	Exclusively on state budget: HUF 355 million. The extension of the available resource is in progress	HUF 355 million on state budget	Not relevant	The programme is in accordance with the EDIOP 5 th and the Competitive Central Hungary Operational Programme 7 th priorities in the programming period 2014-2020, thus with the increase of the employment of the young and their labour market integration.	The programme facilitates the young between the ages of 18 and 35 to become entrepreneurs in the region of Central Hungary. 200-400 new, mostly sole and/or micro-enterprises are expected to be set up as a result of the measure, which may employ further jobseekers including primarily the young. The new enterprises can create new jobs; their long-term operability can be provided by their monitoring and mentoring. The domestic SME sector will strengthen further by their competitiveness.
	f) "First Job Guarantee Programme"	The "First job guarantee" central labour market programme focuses on the career starters of	Based on the labour market programme according to Act IV of 1991 the support was available until 31		Increasing employment level, decreasing the unemployment of the young	HUF 5 billion was allocated	The employment of registered young jobseeker generates tax and contribution			We provided 4,800 career starters with job nationwide until the end of December 2013, within the

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		the young jobseekers (primarily the unskilled and permanently unemployed). On 1 March 2013 the First job guarantee programme started again. The support is available for the employers who employ career starter jobseekers under the age of 25 full time or part time from 1 March 2013. A maximum 6-month wage subsidy can be granted, and a further employment of half of the support period is obligatory.	December 2013.				incomes for the budget.			framework of the programme. Due to the measure the young gained work experiences and the number of unemployed young under the age of 25 decreased.
19.	Youth Guarantee	In line with the Council guideline, the National Employment Service is planned to serve uniformly as entry point for the jobseekers between the ages of 15 and 24 and the NEET young, together with the organizations providing system embeddedness and long-term sustainable structure and instruments (e.g. social partners, civil organisations), and the wide-scale cooperation with the partner ministry responsible for education. With regard to the heterogeneous target group, we plan to help the young get job offers, participate in education or training with a wide range of instruments (wage subsidy, vocational	At the end of December 2013 the implementation plan of the Youth Guarantee was submitted. The preparation of the first programme phase intended to be launched in the second half of 2014 is under progress (most deprived, young people with poor level of education with a priority of those having been registered for 4 months)with the cooperation of the National Labour Office and the Ministry for National Economy. In line with the Council conclusions of June 2013 the submission of the Youth Guarantee Plan at the end of 2013, whereas the Youth	We are planning to introduce the system of Youth Guarantee gradually from 2014 in a multi-step system, with regard to the heterogeneity and size of the target group, its overall introduction is planned by 2018 (in 2012 on average 86.2 thousand young between the ages of 15 and 24 were registered in the National Employment Service's registry monthly, while according to the CSO data of 2012 the number of NEET-youth was 170.7 thousand). Besides the domestic and ESF funds, the 4 regions of Hungary also get support from the Youth Employment Initiative for the	Increasing employment and qualification level, decreasing the unemployment of the young	The resources for the two-year active labour market programme launched within the framework of the YG in the second half of 2014 are approximately HUF 40 billion. The budget appropriation of 2014 in the National Employment Fund is HUF 10 billion for the first year of the programme. (Chapter LXII, Section 14, Subsection 4)	The employment of registered young jobseeker generates tax and contribution incomes for the budget.	For the implementation, besides the domestic and ESF funds 4 regions of our country get support from the Youth Employment Initiative as well. We plan to spend HUF 170 billion within the EDIOP 5 th priority, approximately HUF 15 billion within the CCHOP 7 th priority ESF funding on the programmes launched within the framework of YG, to which – allocated to EDIOP 5 th priority – about a further HUF 14.5 billion is allocated within the framework of YEI.	Founding the development aiming at employment policy between 2014 and 2020 - policy strategy: EDIOP 5th priority and CCHOP 7th priority;	The unemployment rate of the young exceeds 25%.in 2012 on average 86.2 thousand young between the ages of 15 and 24 were registered in the National Employment Service's registry monthly, while according to the CSO data of 2012 the number of NEET-youth was 170.7 thousand. Due to the measure the number of the NEET-youth is decreasing and the qualification and employment level of the young between the ages of 16 and 25 is improving.

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		training, transit employment, remedial training, "second chance" school, etc.) within 4 months after entering in the programme.	Employment Initiative, due to its "frontloading" nature (in the framework of which 4 regions of our country are entitled for the support), at the beginning of 2014 was reasonable.	implementation. As a first step, to follow the gradual implementation, we would focus on most deprived, young people with poor level of education with a priority of those having been registered for 4 months. The implementation of the first active labour market programmes planned within the framework of the YG will take place between the second half of 2014 and 2016, which would be followed by further programmes.						
20.	Active labour market programmes	The target of the labour market programmes financed by ESF is to help the deprived jobseekers enter into the labour market, improve their employability with complex, tailored services and supports adjusted to the labour market supplies and demands. One of the primary target groups of the programmes - in line with the "Youth Opportunities Initiative" initiative announced by the European Commission - consists of the young and career starters; 37%, more than 37 thousand people have to be involved from this target group.	The implementation of the programme has been in progress since May 2011. More than 115 thousand deprived had been involved by January 2014. The training of more than 55 thousand have been supported by the programme so far, about 70 thousand have been employed through wage subsidy. By the end of January 2014 more than 36 thousand career starters had been involved.	SROP 1.1.2 being implemented in the convergence regions is closing at the end of April 2015, in the region of Central Hungary on 30 April 2014.	Increasing the level of employment, strengthening active labour market policies	Between 2011 and 2015, the HUF 113 billion at this disposal provides the involvement of at least 117 thousand deprived, and support for the training of 62 thousand and the employment of 75 thousand. Social Renewal Operational Programme (SROP 1.1.2 and SROP 1.1.4 priority projects).	The employment of registered young jobseeker generates tax and contribution incomes for the budget.	SROP 1.1.2 and SROP 1.1.4	EDIOP 5th priority and CCHOP 7th priority;	The chance of employment for the deprived unemployed and young is getting bigger by the qualification gained within the framework of the measure; the number of employed is increasing due to active labour market instruments. According to plans at least 53%, 62 180, of the deprived, 50%, 18 500, of the young to be involved participate in the training, and 36% of the involved will be employed within 180 days after finishing the individual programme.

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21.	Strengthening the activating elements of public work with the help of trainings	SROP 2.1.6 "I am learning again" was launched in 2012, which is a training programme to increase the chances of those with poor level of education and unskilled adults to find a job on the open labour market. As part of the project, the government measures to strengthen the activating elements of public work, 100,000 public workers can participate in the programme between December 2013 and March 2014. The participants with the poorest level of education and competences can participate in basic and key competence development trainings, and in remedial training which help finish the 7-8 th grades of primary school. In addition trainings providing OKJ qualification or other professional knowledge and qualification for concrete jobs with certification are available. Those participating in the training have public work legal relationship, and get a public work wage during the period of the training programme. The selection of the participants and their	Territorial allocation has been finished; its implementation is in progress. A total number of 19418 people were involved in the agricultural training within public work in 2012 and 2013. In 2012 2 576 people, in 2013 4 304 people participated in the national public work programmes. Based on the data provision of the employment centres of the government offices, between 24 March and 30 March 2014, within the framework of public work, the number of supported public workers included in the effective contracts of the public work authority is 231 578, which includes the data of the agricultural elements of the subregional start-job sample programmes. The number of the people involved in the training: 99 304. The rate of the Roma nationality – according to voluntary statements – involved in the training implemented within the framework of public work is 21%, i.e. the number of Roma nationality involved in the training from 2012 to 20 February 2014 was 26 086. In the	The implementation of SROP 2.1.6 project is carried out between September 2012 and April 2015.	The measure contributes to the target, in line with the EU 2020 strategy and set by Hungary, to increase the employment level from the level under 61% of 2010/11 to 75% by the end of the decade. In addition it contributes to the strategic target urging to decrease the rate of those living in poverty or exclusion, because it facilitates those living in poverty to find jobs and earn regular income. At the same time it helps implementing the increase of active labour market measures set by the Commission in the Annual Growth Survey, especially the priority aiming at the active support and training of the unemployed.	The total resource of SROP 2.1.6 project is HUF 44.1 billion, out of which HUF 24 billion serves the implementation of the large-scale training programme related to the winter public work between December 2013 and March 2014. The "Start work programme" priority appropriation of 2013 for the support of public workers is HUF 153 779.8 million. The Government provided further HUF 26.118 billion for the support of the temporary winter public works – including the public work support for training. The health contribution paid by the social cooperatives on the legal relationship of the member's work is supported for 4 years in a decreasing rate (100-75-50-25%)		The implementation of the programme is in progress with the co-finance of ESF, and through SROP 2.1.6 project.		The number of those trained within the framework of public work in the temporary winter period of 2013-2014 is unique in the domestic employment policy. Indicators: (Whole SROP 2.1.6) Number of those involved in the training: 137 000 Number of those who accomplished: 91 450 Number of the Roma involved in the training: 10 000

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		direction to the training locations are carried out via the employment centres. The applicants with poor level of education, or who are unskilled, who have obsolete qualification, and the deprived social class, e.g. the disabled, women, the Roma and those living in the most disadvantaged regions, are favoured in the selection.	most deprived subregions a further 705 people were involved in public work.							
22.	Developing the National Employment Service	The project is related to the strategic targets of NES, namely to improve the efficiency of NES, and the employers can get workforce appropriate for their demands by providing differentiated services for them. The direct targets of the project are: - mapping the clients' situation more accurately (the clients get a tailored service appropriate for their labour market situation) - standardised service of high level, which increase the chance of the jobseekers to get a job - developing support and service systems for employers in order to create and safeguard	The project can be implemented until 30 June 2015. Within the defined tasks the following activities have been carried out: - fact-finding studies: competence test subject to scopes by 400 employers, and HR activity – drafting service demands; - preparing NES activity for labour market challenges: - proposal for managing the increase of employment within public procurement, - the effects of employment changes in public sphere on individual strategies and labour market;-- strategies of foreign employment services; - study founding the development of the	- Methodological development of employer's services, profiling - Methodology of customer knowledge, introducing customer development - Competence development	The overall target of the project is to support the meeting of labour market supply and demand by the professional jobseeker and employer services and the competence and scope based placement activities of NES. The aim of the development of the placement system is – adjusted to the economic operators and in accordance with the jobseeker services – to make it competence and scope based.		The National Employment Service can facilitate the increase of the employment level by more efficient services, so the jobseekers and even the inactive find a job, thus decreasing budgetary costs and increasing tax incomes.	Social Renewal Operational Programme (SROP 1.3.1/12 priority project)	Later EDIOP 5th priority and CCHOP 7th priority;	The overall target of the project is to support the meeting of the labour market supply and demand by the professional jobseeker and employment services and the competence and scope based placement activity of the NES. The aim of the placement system development is to make it - adjusted to the expectations of the economic operators and in accordance with the jobseeker services - competence and scope based. 2,000 of the jobseekers took part in the competence test. The number of employers reached by the new type of service is 20,000. The decrease

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		<p>jobs to a greater extent</p> <ul style="list-style-type: none"> - strengthening the function of employer contact of NES - mapping the demand of labour market - utilising new possibilities of collecting and giving information, office administration and services provided by the information technology development - developing internal operation and human resources of NES 	<p>managing culture of NES; - personal and organizational efficiency training; - supervision, individual coaching</p>							<p>of the waiting time for jobseekers is 12%.</p>
	a) Introduction of profiling	<p>The main aim of the profiling) system is the early identification of jobseekers prone to the risk of permanent unemployment, in addition, providing measures and services for the jobseekers registered at the National Employment Service, tailored to their qualifications and career in order to improve their employability and support their employment. The measure is implemented with special regard to earlier experiences, considering the customer relevant "soft" (e.g. motivation) and "hard" (e.g. labour market situation) professional background elements</p>	<p>The preparation of the profiling system introduction is in progress within the SROP 1.3.1 project aiming at the NES development, its introduction is expected in 2016. From that time every jobseeker visiting the branch is subject to the customer-profiling system, which provides tailored support and services adjusted to their demands.</p>	<p>Review of existing methodologies and elaboration of new methodology (profiling) until 30.09.2014. Defining competence limits of NES and branch administrators until 30.09.2014. Making a proposal for the operation of client-profiling until 30.09.2014. Elaboration of IT system until 30.03.2015. Organising and executing methodological and IT trainings until 30.06.2015. Adjusting it to the current conditionality of public administration (legal environment, infrastructure, organisational structure, and</p>	<p>More efficient active labour market measures. Enhancing the profiling system of the Public Employment Service. (CSR 4.b) ESF ex-ante condition.</p>	<p>Elaboration of the profiling system within the framework of SROP 1.3.1 (HUF 3 billion) is in progress</p>	<p>The National Employment Service can facilitate the increase of employment level with more efficient services, so the jobseekers and the inactive can get a job, thus decreasing the budgetary costs and increasing tax incomes.</p>	<p>SROP 1.3.1</p>	<p>Further interventions related to the introduction of the profiling system can be carried out (e.g. training NES administrators) within the framework of EDIOP 5th priority.</p> <p>Founding the development aiming at employment policy between 2014 and 2020 - policy strategy:</p>	<p>The National Employment Service can facilitate the increase of employment level with more efficient services</p>

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		in the elaboration of the service pack. The introduction of the customer profiling system, and the implementation of the measure fall within the scope of the National Employment Office.		professional and personel conditions) until 30.12.2015. Introduction of IT system until 30.12.2015.						
	b) Measures for the operation and development of career guidance	The aim of the measure is to develop the awareness of career choice and career, which is supported by the development of the career advice instrument, the creation of the knowledge system, online developments and training for experts to mployer their preparedness. The career guidance institutionalised nationwide is going to be developed, which helps plan youth and adult training by putting them in the same basket.	The SROP 2.2.2 programme was launched on 1 June 2012, the fulfilment of tasks set in the project plan started (further development of the National Career Guidance Portal, data update, maintenance, function extension, new engines, e-portfolio, user account developed, interface for online advice, system providing for filling in and storing more surveys). The validation of the activity-presenting material is going on within the framework of the development of the self-, career- and labour market knowledge instruments, and the task-setting for employer's materials. One of the project's professional commitments is the training of the "Career guidance counsel and the National Career	By December 2014 the following activities had been fulfilled: - creating the plans of the National Career Guidance Portal functions, establishing the functions, content upload, the increase of visitors' number; - developing the self-, career- and labour market knowledge instruments, demand assessment and the creation of job presentation descriptions and films on the basis of them, complex research execution, creating instrument-data connections; - training experts on career orientation and career advice (recruitment, organization, training). Target group of the training: teachers, social and employment experts, career advisors; - creating career-advising magazine and preparing 7 issues,	Reducing the rate of early school-leavers (EU2020-4a) Tackling unemployment and the social consequences of the crisis (AGS-4)		Not relevant	SROP 2.2.2	Future EDIOP 5th priority and CCHOP 7th priority; Founding the development aiming at employment policy between 2014 and 2020 - policy strategy:J10	The rate of the non-appropriate choice of professions is expected to decrease, and so is the number of drop-outs related to the inadequate career and profession choices, the amount of negative school experiences. The number of those getting career guidance advice (including individual advice): 339 thousand The number of those participating in career guidance trainings: 4000

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			Guidance Portal user” for 4000 people based on blended learning. In addition, until October 2013, the training process and documentation were made. Between June 2012 and November 2013 the project was present with professional programme, the presentation of the National Career Orientation Portal, at about 30 sites. Two issues were published and disseminated until October 31 from the career advice journal.	their dissemination; - presentation of the National Career Orientation Portal (20 events, career exhibitions, professional events and forums); - extending contacts and professional cooperation to county study districts, contact and cooperation with the institutions of public culture and social sectors.						
	c) Developing the National Employment Service and employment monitoring	The direct target of the measure aiming at the development of the National Employment Service (SROP 1.3.1) is the accurate mapping of customers’ situation, tailored services, the development of support and service systems in order to increase the capacity of creating and safeguarding jobs, the improvement of the efficiency of job placement, and the strengthening of international cooperations and taking over best practices, the development of the internal operation and human resources of NES. The capacity of NES in implementing	The implementation of the supported project started in October 2012 and is going on until 30. June 2015. SROP 1.3.1: The Execution of the first phase of the measure closed in 2012, the second phase started in autumn 2012. SROP 2.4.8: monitoring is carried out from the beginning of 2013	SROP 1.3.1 project can be implemented until 30 June 2015. Within the defined tasks the following activities have been carried out: - fact-finding studies: competence test subject to scopes by 400 employers, and HR activity – drafting service demands; - preparing NES activity for labour market challenges: - proposal for managing the increase of employment within public procurement, - the effects of employment changes in public sphere on individual strategies and labour market;-- strategies of foreign employment services; - study founding the	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and the social consequences of the crisis (AGS-4)	HUF 6.7 billion EU co-finance: SROP 1.3.1 project: HUF 3 billion SROP 2.4.8 project: HUF 3.7 billion		SROP 1.3.1 , SROP 2.4.8		Within the framework of SROP 1.3.1 2000 jobseekers take part in the competence test, the NES reaches 20000 employers with the new type of service, the waiting time of jobseeker customers decreases by 15%. The SROP 2.4.8 – by the (further) training of at least 392 occupational health and safety supervisors, developing and accrediting the occupational health and safety training materials and their dissemination to at least 250 institutions and by further activities – contributes to the spread of regular employment and the creation of

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		<p>these programmes, in accordance with the strengthening of the active instruments, has also been carried out. The aim of the employment monitoring development (SROP 2.4.8) is to improve the preparedness of the occupational safety experts and supervisors, who are staff members of the job protection and employment administrative organs of the county and metropolitan government offices, provide their technical support, increase the organizational efficiency of the administrative organs, and making the operation and processes of the organization more transparent. The National Employment Office intends to achieve these objectives primarily by the development of the system and processes of the official monitoring, the increase of its efficiency, the improvement of the quality and depth of the controls, and the increase of the awareness of employees, employers and social partners.</p>		<p>development of the managing culture of NES; - personal and organizational efficiency training; - supervision, individual coaching</p>						<p>safe and health preserving workplaces.</p>

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23.	Measures encouraging lifelong Learning									
	a) Elaboration of LLL strategy	Drafting the strategy valid for the period of 2014-2020 instead of the LLL Strategy expiring at the end of December 2013. The existence of the LLL Strategy is the ex-ante conditionality for the available ESI funds in the period. The Strategy primarily covers the fields of vocational and adult trainings, but it is closely connected to certain fields of public education and higher education, and broadly connected to culture, sport, youth and healthcare, which are the preventive requirements of LLL.	The Government approved the policy framework strategy of lifelong Learning for the period of 2014-2020 on its meeting of 22 January 2014.	The implementation of the strategy is on-going.	The increase of the participation in and improvement of the access to LLL. Strengthening principles in education and training. The visibility and acknowledgement of the values and results of learning.				The implementation of the objectives of LLL Strategy for the period of 2014-2020 approved by the Government requires the use of the appropriate budgetary lines and ESI funds (especially the HRDOP and EDIOP)	One of the engines of the Hungarian economic development may be a greater breakthrough in value added production, growth and employment, to which the development of human resources is inevitable. Parallel to this one of the present respond to future challenges may be the promotion of the training of deprived jobseekers, those with low education and qualification, the Roma and the elderly, thereby improving their future employment.
	b) Developing key competences	Involving more than 100,000 people in the training in the field of the two main competences, the foreign language and IT competences. available budget: HUF 12.49 billion (Expected self-finance is maximum 5% of the training costs, in cases of target group members with permanent residence in deprived settlements only 2%, available sum maximum HUF 90,000/person, which can be used for the participation in	At the beginning of March 2014 the number of people registered in the programme is 331,988, out of which 120,723 people applied for trainings. About 117 thousand started the training (out of which 81 thousand are deprived). The number of those who accomplished the training is 86,203 (73%).	The programme is expected to close on 31.10.2014, but, if there is such a great interest in it also in the future, a decision may be made on the increase of the budget, if the unused resources of other programmes can be reallocated.	Tackling unemployment and the social consequences of the crisis (AGS-4)		Jobseekers with better opportunities on the labour market. The employment of registered jobseeker generates tax and contribution incomes for the budget.	SROP 2.1.2	Future EDIOP 5th priority and CCHOP 7th priority; Founding the development aiming at employment policy between 2014 and 2020 - policy strategy	Adult employability is improved by the trainings, increases participation in lifelong learning. A total number of at least 100,000 participate in trainings, out of which 85,000 accomplish them.

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		trainings of different type and level)								
	c) Promoting job trainings	The programme – after several frame production – supports the training of the employees of micro-, small, medium and large enterprises with HUF 35 billion (professional, foreign language, computer techniques, IT and enterprise operation related trainings). Accountable travel and time-rated wage costs. The available amount of support is uniformly max HUF 450,000.		Concluding support contracts is continuous, there is no demand for budget increase	Tackling unemployment and the social consequences of the crisis (AGS-4)		Employees with better opportunities on the labour market. The chance of becoming unemployed is lower. The employment of people generates tax and contribution incomes for the budget.	SROP 2.1.3	Future EDIOP 5th priority and CCHOP 7th priority; Founding the development aiming at employment policy between 2014 and 2020 - policy strategy	The adaptability of employees improves as a result of the trainings, thereby the competitiveness of the companies increase. The employability of the of adults increases by the trainings, participation in lifelong learning increases.
	d) Adult education Act	In the middle of 2013 the Parliament adopted a new Act on adult education, which primarily regulates educational fields in the area of vocational and foreign language training, where the qualification is obtained on trainings acknowledged and/or financed by the state. The other trainings have to meet the criteria enshrined in other legislation (e.g. Consumer Protection) Act. The primary aim of the new legislation is to strengthen the quality training requirements	The new Adult Education Act of 177/2013 on Adult Education) came into effect on 1 August 2013. The majority of the implementing decrees have been promulgated. The Decree of the Ministry for National Economy on the requirements for and procedural order of the registration of the adult foreign language programme requirements, and the certification of meeting the foreign language training requirements, and the	After a half year of transition period, from the II. quarter of 2015 only the new regulation will be effective.	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and the social consequences of the crisis (AGS-4)	Expected resource demand based on preliminary impact assessment: 2014: HUF 0.66 billion 2015: HUF 0.47 billion 2016: HUF 0.49 billion	The maintenance of quality assurance presumes the existence of state resources.	SROP 2.2.7 C - preparation of adult training institutions for the requirements of the new regulation system of adult education	The output of adult education is better adjusted to the labour market demands. The spread to quality education will have a positive effect on the participation rate of adult education, too – beyond the chances increasing employment. One of the engines of the Hungarian economic development may be a greater breakthrough in value added production, growth and employment, to which the development of human resources is	

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		of the future.	Decree of the Ministry for National Economy on the activity of the expert and programme expert on adult education are being published in some weeks.							inevitable.
24.	Vocational training	The new Vocational Training Act promulgated in 2011 aimed to significantly restructure vocational training and strengthen dual training. The Act provides more interoperability than earlier between certain forms and levels of education.	The basic instrument is the Act CLXXXVII of 2011 on vocational training. The Act and its implementing decrees Government Decree (217/2012 (VIII. 9) on Requirement modules. OKJ was restructured in 2011-2012, the qualification system acknowledged by the state became more transparent, the number of qualifications decreased by half, however, within this, the number of the qualifications of wider content promoting employability increased pro rata. Meanwhile the training documents were published (in legislation), so, since September 2013, the trainings (in formal and non-formal education) have fully been carried out according to the new	In 2014 the development of the legal background as the basis of efficient career guidance and tracking system started in the field of secondary vocational training, and then the system started.	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Reducing of the rate of early school leavers (EU2020-4a) Tackling unemployment and the social consequences of the crisis (AGS-4)	The total cost of the formal vocational education/training system is about HUF 180 billion. The sums spent on practical training did not decrease even in the period of 2010-2013, the school teachers and trainers get a pay rise of approximately 30% in the autumn of 2013.				The output of adult education is better adjusted to the labour market demands. The primary reason for the restructuring of the vocational training system also affecting the school structure is that the workforce necessary for the economy shall be available in an appropriate number.

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			training order.							
	a) Vocational training programmes	The primary aim of the vocational training is: to strengthen the elements of dual education and the promotion of the deprived apprentice. SROP 2.26 – training and further training of vocational institutions' teachers and trainers. SROP 2.2.7 A – Road to choose a profession, scholarship programmes for disadvantages students to encourage them to join vocational training, SROP 2.2.7 B – Dual vocational training and adult education development, developing vocational academies, developing vocational training and adult education clusters, transposing vocational training contents of model programme of dual system to pilot nature, SROP 2.3.4 A – apprenticeship programme to support		On-going in 2014	The measure is connected to the education targets, the decrease of drop-out, encouraging lifelong learning, increasing the labour market relevance of education and training, supporting the deprived with low educational level. The measure contributes to the strategic target encouraging the decrease of the rate of those living in poverty or exclusion, because it facilitates the improvement of the labour market status of those living in poverty and also to find jobs.	National resources: SROP 2.2.6: HUF 1.4 billion, SROP 2.2.7 A: HUF 6 billion, SROP 2.2.7-B-1 és B-2: HUF 1.2 billion SROP 2.2.7 - B-3: HUF 1.2 billion, SROP 2.2.7. C - HUF 3 billion, SROP 2.3.4: HUF 8.5 billion. Further relating programmes can be implemented within the framework of EDIOP 5. priority		SROP 2. priority	We plan to implement the vocational training and adult education programmes connecting to EDIOP 5 th and CCHOP 7 th priority, in the following fields: - tailored training and competence development programmes focusing on those with low educational level and public workers; - developing labour market competences; - digital competence development of working age population; - developing the institution system of vocational training and adult education	As a result of the training programmes and developments the quality of vocational training and adult education and their labour market relevance are improving: by the programmes the participants can get to the labour market with quality knowledge, thereby the rate of the employed is increasing.

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		career starters studied within the framework of student contract in the convergence regions.								
25.	Encouraging the employment of women, promoting the reconciliation of work and family by improving the flexibility of the labour market	The new Labour Code effective since July 2012 orders the employers to employ parents with small children – on their request – part-time (4 working hours/day), and the additional child leave of 2-2 days have been available, besides mothers, to fathers since 2012. These measures significantly improve the balance between work and private life. Regarding the balance between family and work the following measures have to be emphasized: - The limitation on the employment besides child care aids has been abolished when the child reaches the age of one. – In order to encourage the employment of those having three or more children the employers employing parents with three or more children get a further 2-year tax relief on the social contribution tax: in the first three years of employment they are	On 1 January 2014 the GYED extra (extra child care fee) scheme was introduced with the aim to promote the reconciliation of family and work. Regarding the balance between family and work the following measures have to be emphasized: - The limitation on the employment besides child care benefits has been abolished when the child reaches the age of one. – In order to encourage the employment of those having three or more children the employers employing parents with three or more children get a further 2-year tax relief on the social contribution tax: in the first three years of employment they are exempt from the social contribution tax and the vocational training levy, in the years 4-5 a 14.5 % relief on the social contribution tax is available to them.	On-going	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and the social consequences of the crisis (AGS-4)	The resource for abolishing the limitation on the employment besides child care benefits is provided in the central budget. The effect of the social contribution tax relief is: HUF-1-1.5 billion (see CSR 3 tab line 5). Estimated resource for abolishing the limitation on employment is: HUF 9.4 billion.	The effect of the extension of the social contribution tax relief is: HUF -1-1.5 billion (see CSR 3 tab line 5).	EU co-finance: SROP 2.4.5. [HUF 10.4 billion] EDIOP 3.5.1.B, in case of SROP 5.3.1-B-1 "The chance is increasing" the available fund is: HUF 1 327 996 850		The Employment of the parents with small children increases, balance can be found between work and private life, the number of employed in flexible forms increases. Employers' tax relief was applied in cases of about 30 thousand parents with small children in 2013, after the extension of 2014 - according to estimations - the number is about 12 thousand. Working besides child care fee and child care benefit gave opportunity to about 20 thousand parents - according to estimations.

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		exempt from the social contribution tax and the vocational training levy, in the years 4-5 a 14.5 % relief on the social contribution tax is available to them. SROP 5.3.1-B-1 "Woman is the chance" project provides for Roma women get a job.	"The chance is increasing" project started on 01.07.2012 and finishes on 31.08.2014. In this period 1000 women of Roma origin have to be involved in the trainings, out of which 750 have to reach a qualification. The target group members are provided with mentors to be successful in learning and stay in the project.							
26.	Developing child care institutions to promote women's employment						Estimated resource for abolishing employment limitation is HUF 9.4 billion.			
	a) Extending child care institutions in the disadvantaged regions	The aim of the measure is to provide services with new investments and extensions in the settlements where there is no nursery or family day care, or the place is limited.	The number of places in the new nurseries established in 2010-2013 is 3,613, which means 299 new nursery groups, and provides new job for about 600 child-minders. 2,570 places have been renewed, modernised due to the support. The number of nursery places created in 2013 is 410 (35 new nursery groups and new job for 70 child-minders). 9 new institutions have been established, and 190 places have been renewed and modernised due to the support. Regarding the family day cares, in the past three years, between 2010 and	2,391 places are expected to be created until 31 December 2014, which is 199 new nursery groups and provide new job for about 400 child-minders. The number of places to be renewed is about 2,246. Regarding the family day cares 70 new places may be established with 10 new services until 31 December 2014, which may provide new jobs for 70 people.	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and the social consequences of the crisis (AGS-4)	The development of day cares for children and the extension of their capacity were implemented on the budget of the Regional Development Operational Programmes, owing to which the developments were realized from HUF 28 billion.	The newly created nursery and day care places affect the central budget and the nearly 1,100 jobs as well.	Regional Development Operational Programmes (CTOP, WPOP, STOP, SGPOP, NHOP, NGPOP).	EDIOP 5. priority and CCHOP 7. priority, and TOP 1. priority; The development of the day care of children will be of high priority in the programming period of 2014-2020, especially the help given to deprived children the earliest possible time.	As a result of more than 6,000 new and about 5,000 renewed places more parents can get back to the labour market, and the new services also generate new jobs, and provide modern services.

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			2013, the number of new places established is 144; the number of new services is 22, which provide new jobs to 39 people. The number of the new family day care places established in 2013 is 32, the number of new services is 6, which provide new jobs to 7 people.							
	b) Developing flexible day care services for children	One of the main objectives of the measure is to develop flexible day care services for children under the age of 3, at local and workplace level. The support can be used to create child care services (refurbish, equip rooms for child care, procure furniture and effects), and to train and employ child-minders. 2,000 places for child care will be established and 600 people will be employed.	The implementation of the project has been commenced.	The projects are implemented between 2013 and 2015	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and the social consequences of the crisis (AGS-4)		Those with small children returning to the labour market generate budgetary income by paying taxes and contributions	SROP 2.4.5	EDIOP 5 th priority and CCHOP 7 th priority, and TOP 1. priority; Founding the development aiming at employment policy between 2014 and 2020 - policy strategy	As a result of the development 2000 child care places are established, which contributes to the parents with small children returning to the labour market.

CSR5: Business environment

[Hungary is recommended to] "create a supportive business environment, in particular restore an attractive environment for foreign direct investors, by making the regulatory framework more stable and by fostering market competition. Ensure the full implementation of measures envisaged to reduce the administrative burden, improve competition in public procurement and take further adequate measures to tackle corruption. Strengthen further the judiciary. Remove recently introduced barriers in the service sector, including in retail services. Provide targeted incentives to support innovative enterprises."

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27.	Government measures for decreasing entrepreneurial administrative burdens									
	a) Simple State Programme	The Hungarian Government adopted the mid-term government programme of (Simple State Programme) burdens in November 2011 aiming to decrease the entrepreneurial administrative. The Programme identified a total number of 114 measures in ten intervention areas, among others, the decrease of administration related to taxation, the simplification of authority operation, making investment authorisation faster and more predictable, and the reduction of the administrative burdens of employment. In addition, the Programme targeted the elimination of parallel data provision, and the institutional mechanisms encouraging distrust and punishment, and intended to make organisational and system-like changes which can prevent the future proliferation of entrepreneurial administrative burdens by incorporating in the system of state operation.	The Government identified 114 measures within the framework of the Simple State Programme in advance, in order to decrease the entrepreneurial administrative burdens. Out of these the Government has eliminated 8 measures. The Magyar Zoltán Simplifying Workgroup approved the implementation report of 100 measures until its meeting of 18 February 2014.	The implementation of further 6 measures of the Simple State Programme is still in progress. They will be realized in several phases, mostly in the first half of 2014. Parallel to this, the next governmental programme for decreasing administration is currently under inter-ministerial consultation, which builds on primarily the simplifications started in the Simple State Programme, and the experiences gained in the course of implementation.						Based on experts' estimation, as the joint result of the 100 implemented measures of the Simple State Programme, the entrepreneurial administrative burdens may decrease by about HUF 215-225 billion in Hungary. The measures under implementation may result in a further saving of HUF 10-15 billion.

	b) Simplifying qualification requirements	In 2013 the Government mapped the whole Hungarian secondary qualification system in order to abolish the unreasonable or too strict requirements in the current market situation, and thereby open the labour market wider for the employees with low qualification. As a result of the overall supervision 43 qualification requirements were abolished and a further 90 simplified. Beyond this, in order to increase the transparency of the legal environment, the legislation on qualifications will be compiled in a catalogue, and this catalogue will be available for the public in the government windows (one-stop-shops)	With regard to the rationalisation of qualification requirements the ministries carried out an overall supervision in 2013, regarding the regulations on the effective qualification requirements, and elaborated the simplification principles within the framework of professional workgroup. By applying the principles, they selected the qualification requirements which were proposed to be repealed and simplified, and consulted it with representative bodies. After that the Government approved the government decision on simplification in December 2013, which includes the itemisation of the qualification requirements to be repealed and simplified.	Regarding the rationalisation of qualification requirements the legislation amendment duties defined by the Government Decision 2054/2013 have to be carried out by the ministries until August 2014. Within this framework they will carry out the technical amendments of the legislation on qualification requirements which were identified to be repealed and simplified by the government decision. From March 2014 the NEO (National Employment Office) makes the effective, continuously updated qualification catalogue of Hungary available.						The number of stakeholders affected is estimated to be between 10 and 15 thousand. Presuming a 5% annual growth in number, about 500-700 people are exempt from the requirement for the qualification subject to the position they want to fill. Supposing an average of HUF 200,000 training cost, it results in a saving of about HUF 100 -150 million directly for the enterprises. The irritation decreasing effect of the qualification requirements, which were proposed to be repealed in order to increase the transparency of the legal environment, is added to the above.
	c) Developing the new measure scheme	With regard to the fact that the majority of the measures of the Programme have been implemented by the end of 2012, - parallel to the implementation of the remaining measures of the Simple State Programme – the Government, building on the experiences gained under the implementation of the Programme and by the entrepreneurial sector and governmental actors, started the development of the next measure scheme in order to – in accordance with the international practice – continue the decrease of the administrative burdens of the entrepreneurial sector, – by building upon the simplifications already initiated, as well as avoid recurrence of them. The programme scheme, which is currently under inter-ministerial	Parallel to the implementation of the Simple State Programme the compilation of next programme scheme commenced in spring 2013. As the first step the Government summarised the main experiences of the previous period regarding its activity of decreasing administration, and initiated consultation with the entrepreneurial representative bodies and governmental actors to determine the main directions of the next scheme. The compiled proposal scheme is currently subject to inter-ministerial consultation.	The programme scheme is expected to be adopted in 2014.						

		consultation, focuses on the simplification of the administration related to the different life-cycles of the companies, – company foundation, change in company form, termination of the company – the substantive decrease of the smallest enterprises’ obligations – typically operating in the field of agriculture, environmental protection and catering - towards the state, and continuing the efforts to transform the operation of authorities which was commenced in the Simple State Programme.								
28.	Strategy for small and medium enterprises	The Government reaches the targets for the period 2014-2020, which are included in the SME Strategy adopted in January 2014, within the framework of two-year action plans. The implementation of the Strategy aims to promote the increase of the gross added value produced by the SME sector by 2%; aims to reach the goal that minimum 50% of revenues of SMEs employing more than 50 people should come from exports, and aims to increase the rate of the SMEs exporting from countries outside Europe increases from the current 1% to 3%. In addition, it is of primary aim that the rate of SMEs engaging in innovation shall increase from 20% to 30%, at least 50% of the SMEs with more than 10 employees shall participate in some kind of network cooperation, and the proactivity of the special entrepreneurial groups shall improve by the programmes designed for them.	The targets for the period of 2014-2020, included in the SME Strategy will be achieved within the framework of two-year action plans. The first action plan is for the years 2014-2015, - this has been elaborated and is currently under inter-ministerial consultation.						The resources of the Strategy and measures of 2014-2015 are achieved with the support of EU funds.	

29.	Strengthening market competition through public procurements	The act on public procurement has been amended to provide transparency and promote market competition. Since 1 July 2013 documentation has to be provided for the bidder free of charge, thereby the costs of the procedure are reduced, which helps that more enterprises can participate in the procedure thus stimulating the market competition. There is a wider possibility to correct the mistakes in the bid, and provide correction; thereby more bids can compete in the procedure. Consulting with the European Commission the term that, in case of negotiated or non-negotiated procedure without prior publication regarding procurements of small value, the SMEs are exclusively called for tender was removed. The Public Procurement Authority made a guideline to improve transparency regarding the procurements of small value with cross-border relevance. Even in cases of these procurements of small value – which is subject to a special softer regulation within the national procedures and the strict (and disproportionate) publication requirements do not apply – will be recommended to publish the announcements and information e.g. for the bidding party on their website.	The Act CXVI of 2013 amended the Act CVIII of 2011 on Public Procurement, which took effect on 1 July 2013.	The guideline has been drafted, it is currently under consultation and is expected to be published in the coming weeks.			The measures do not have direct effect on the budget; it indirectly contributes to spending public funds more efficiently.			Developing a public procurement regulation, and fine-tuning the existing one, which provides the intensive competition in this field and combating corruption. The primary instrument is to provide the biggest possible transparency.
	a) Public Procurement Database	The Public Procurement Authority has been operating a Public Procurement Database since 1 July 2013. The contracting entities are obliged to publish the data in the Public Procurement Database, which they uploaded on their own or their supervisory board's website. Thus the public procurement plans, contracts and data on contract performance will be available and easily accessible in one place. The Public Procurement	The Act CXVI of 2013 amended the Act CVIII of 2011 on Public Procurement, which took effect on 1 July 2013.							

		Database provides the monitoring of the publication obligation as well. The database is available for anybody without any limitation: it is free and no registration is required.								
30.	Measures against corruption	The Government intends to elaborate interventions aiming at the further development of the results of previous corruption prevention programme by the end of 2014, such as the extension of the integrity management system to the armed forces, the judiciary and local government organs; to embed the ethical code and the integrity advisory institutions into everyday public service activity; the preparation of the second open governmental action plan of Hungary.								
	a) Public announcement	<p>Legal frameworks for public announcements are determined with the aim to make public disclosure management more effective by the new regulation, strengthening the protection of public notifies, thereby reducing activities violating public confidence, help them be identified in public and private spheres.</p> <p>The protected electronic system of public disclosure will be developed, which provides the tracking of disclosures, their verifiability and the anonymity of the notifiers.</p> <p>The support system of the jeopardised public notifiers will be determined, and the legal regulation of the disclosure system of insider trading.</p>	<p>After administrative and social consultation the bill on the legal framework of public interest disclosure was submitted to the Parliament by the Ministry of Public Administration and Justice on 25 June 2013, which was passed on 14 October 2013. The act coming into effect on 1 January 2014 was supplemented by the guarantee regulations on the operation of the employer abuse-disclosure system. The IT and organizational developments of the protected electronic system of public interest disclosures were performed on the bases of the cooperation agreement between AJBH (Office of the Commissioner for Fundamental Rights) and the Ministry of Public Administration and Justice, the system has been available since 1 January</p>	<p>The primary aim of the information campaign - likely to be launched in the second half of 2014 - will be to broaden the knowledge of the institutions and procedures introduced by the adoption of the Act CLXV of 2013 on complaints and public interest disclosures .</p> <p>The conceptional elaboration and codification of the regulatory decree on the jeopardised public notifier is in progress; it is expected to come into effect in the summer of 2014.</p>			<p>Defining the legal framework of public interest disclosures is considered as an additional task for the Office of the Commissioner for Fundamental Rights (AJBH)</p> <p>The operation of the electronic system is on the budget of AJBH.</p>	<p>The resources for the development of the electronic system are from SROP 1.1.21 "Preventing corruption and the review of the development of public administration" project.</p>	<p>Due to the determination of the framework of the public interest disclosures the number of the reasoned disclosures is expected to increase.</p> <p>The protected electronic system of the public interest disclosures protects the notifiers and tracks the disclosures more efficiently</p>	

			2014. The Act CLXV of 2013 on complaints and public interest disclosures promotes the anti-corruption measures of private sphere making it possible for the organisations to create a special procedure on the handling of public interest disclosures, and conclude assignment contracts with lawyers to take the complaints. The Act coming into effect on 1 January 2014 provides for the guarantee regulations on the employer abuse-disclosure system in a separate Section.						
b)Developing integrity culture	<p>An integrity management system will be introduced in the public sector, which encourages the bodies to face risks, define the measures therefor, and assess their efficiency, which improves the organisation's resistance against corruption.</p> <p>The training of advisors as administrative experts is in progress. These experts will have a strategic approach, knowledge of operational management system of administrative organs, organization development technologies and personnel management, and have the necessary legal, sociological and psychological knowledge thus they will be able to give advice on integrity.</p> <p>Public service ethics and integrity "mini" trainings are launched for government officials so that the participants will know the basic concepts of integrity and the relevant ethical approach. The participants will recognize and understand the factors jeopardizing integrity easier both at organizational and social levels.</p>	<p>The Government Decree 50/2013 (II.25) came into effect, the integrity advisors have been appointed at several administrative organs and in cases of others it is in progress. On 20 December 2012 the Education Office registered the integrity advisory training, the first grade of which started with 51 and the second with 68 participants. On 7-8 August 2013 the methodology and material were piloted, and the training started from September, which had 6391 participants until 23 January 2014. The mini trainings for government officials took place several times a month with about 7000 participating colleagues. The preliminary testing of the training materials and the applied training techniques were carried out in the pilot integrity management trainings between 17 and 19 July 2013, and on 4 September</p>	<p>In order to develop the integrity management system successfully the Ministry of Public Administration and Justice carries out several supplementary measures in the first half of 2014. A part of these provide knowledge information, the personnel for the organisational development measures (continuing integrity advisory training; integrity trainings for government officials), another part intend to make the operation of the system easier (operation of integrity advisory network).</p> <p>The preparations for continuing the one-day mini training for government officials are in progress in order to continue them from March 2014 so that further 1500 people can participate.</p> <p>In the first half of 2014 the aim is to strengthen the contact network by</p>				<p>The preparation of the introduction of the integrity management system was supported by SROP 1.1.21 "The prevention of corruption and the review of the development of public administration" project, the effects of long-term operation of the system on the budget is not significant. The integrity advisory training was carried out on the budget of SROP 1.1.21 "The prevention of corruption and the review of the development of public administration" project. The public service ethic and integrity "mini" trainings were carried out on the budget of SROP 1.1.21 "The prevention of corruption and the review of the development of public administration" project. The integrity management trainings were carried out on the budget of SROP 1.1.21 "The prevention of corruption and the review</p>	<p>The integrity management system provides to reveal abuses and spread the operation of a value centred organisation. The academic and practical knowledge gained by the integrity advisory training can widely be applied in public administration and it contributes to curtailing corruption and creating a fair, citizen-friendly ethical public administration. The students accomplishing the training help strengthen the integrity management system in the administrative organisation, create the processed providing the development according to the strategic targets, principles and values, and the relevant rules, disseminate the work culture based on professional ethics, and decrease the risk of and prevent corruption and abuses. Due to the public service ethics and integrity "mini" trainings the knowledge of integrity culture in cases of public</p>	

		<p>Integrity management trainings will be organised for senior government officials. Its primary aim is to raise the leaders' attention to the jeopardy of organisational integrity and present the system and instruments of integrity management.</p> <p>The strengthening of the integrity culture of the public sector, the increase of the efficiency of integrity management system, and the development of a relationship network – student database, mailing lists - are in progress, in order to make communication and change of experiences easier between the advisors who are already or will be appointed. The Government takes measures to encourage state organs to participate in the Integrity Survey of the State Audit Office. In order to found the methodology used during the preparation of the action plans for the risk analysis and corruption prevention, a material is being prepared which ensures the highest quality of the corruption prevention action plans and the harmony of the measures of institutional corruption prevention.</p>	<p>2013 the first two-and-a-half-day leadership training took place. 685 leaders took part in the training aiming at leaders' awareness and increasing their sensitivity until 23 January 2014, and by the end of February the targeted number of 7200 had been reached. The database of the appointed advisors, or those to be appointed, and the students of the training of integrity advisors at the National University of Public Service is available. The contact between the students of integrity training and the appointed advisors is provided by the mailing list created for this purpose. The first conference of the integrity advisors was organised on 30 October 2013. The appointed advisors and the first and second year students of the integrity advisors' training took part in the conference, which aimed to provide a close professional cooperation between integrity advisors. The Ministry of Public Administration and Justice promoted the survey by testing the operation of the new integrity survey and data process system and sending the minister's invitation letter to the leaders of budgetary organs. In 2013 the number of the voluntary participants increased by 40%, which exceeded the 1400 budgetary organs. The rate of the surveys completed by the organs at the request of the minister of justice was</p>	<p>increasing its communication channels, and organise the second national conference of the integrity advisors.</p>				<p>of the development of public administration" project. The arrangements of the events related to the development of the integrity advisors' network is on the budget of SROP 1.1.21 "The prevention of corruption and the review of the development of public administration" project, there is no other significant effect on the budget.</p>	<p>service officials will be higher. The intensity of sharing knowledge between the advisors will increase by strengthening the integrity advisors' network, which provides for the dissemination of best practices set as an example. The corruption risk map of state organs has been prepared.</p>
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			79%. Out of the 107 organisations who were invited, 84 sent back the SAO's survey.						
c) Other measures against corruption	In order to know the provisions of the Code of Professional Ethics as of in effect 1 September 2013 the professional ethics training of government officials was organised in two training forms – a one-day accredited training in six hours and an e-learning training. Differentiated information is launched by target groups. The aim of the campaign is to resolve the prejudice against the fight against corruption, develop the awareness of the public sector and avert dysfunctions, increase the promotion of anti-corruption measures and knowledge, and encourage the fight against corruption and develop a wide social cooperation against corruption. In order to provide more precise information on public funds for the citizens a new service will be developed, which will show the draft central budget and its modifications in a quantifying and graphic way, and the data of the executed budget according to the 2 nd level of the COFOG (Classification of the Functions of Government) system developed by the United Nations Organisation. The impact assessment of the government proposals will be supplemented by the risk assessment of corruption.	The e-learning material presenting the provisions of the Code of Professional Ethics has been built in the training system of government officials. The ethical training of government officials is on-going according to the training schedule. The methodology providing for the risk assessment of integrity and corruption related to the operation of administrative organs, and the preparation of annual corruption prevention action plan has been developed after a wide-scale consultation; it was sent to the stakeholders on 13 November 2013. The one-day accredited training was carried out, a total of 2044 government officials participated in the training between 2 and 18 of July 2013, where the teachers of NUPS and invited ministerial experts presented the reform of the government official's professional ethical system. The preparation was carried on in the form of e-learning training, and the preparation of the national and territorial ethic committees (100 people) took place, in the form of a 2-day training at the end of August. Until the end of 2013 1640 people accomplished the e-learning training. The survey panel for the assessment of corruption risks has been developed.	Based on the feedbacks of the survey and measures the Ministry of Public Administration and Justice supervises the material and, if necessary, revises it. The information campaign differentiated by target groups and the related events are being implemented in the second half of 2014. The new service on the more precise information provided for the citizens is expected to be available in 2014. The renewed impact assessment survey is expected to be introduced in the second half of 2014, after the trainings providing for the background calculations related to the impact assessment.				The information campaign differentiated by target groups is fully provided by the SROP 1.1.21 "The prevention of corruption and the review of the development of public administration" project The implementation of the service for a more precise information on public funds towards the citizens is provided by the SROP 1.1.21 "The prevention of corruption and the review of the development of public administration" project The trainings for the provisions on the Code of Professional Ethics are provided by the SROP 2.2.5. „Human resources management in central administration" project	The citizens' confidence increases due to the information campaign differentiated by target groups The citizens' information on public funds increases due to the services to be implemented A more thorough control of the proposals for the risks of corruption is developed.	

31.	National Judicial Council	This measure which declares the NJC supervising the president of the NJO and its basic duty contributes to the strengthening of the currently also existing independence and is in accordance with the earlier remarks of the Venice Commission, which were made on the provisions the fourth amendment of the Fundamental Law, which raised the presidential institution of the central administrative organ of the courts, i.e. the National Judicial Office (hereinafter referred to as NJO), to the Fundamental Law level. By the declaration of the Fundamental Law level of the institution of NJC, the supervisory power of the NJC, which consists of the president of the Curia and the members chosen by the justices, over the president of the NJO, is declared by the highest level of legislation. The measure contributes to strengthen the earlier also guaranteed independence of the judiciary as a separated power.	The Fundamental Law took effect on 1 October 2013.	The provisions on NJC declared in the Fundamental Law contributes to the further strengthening of the judiciary and is in accordance with the remarks made by the Venice Commission, thus it has been implemented by the fifth Amendment of the Fundamental Law coming into effect. The extension of the duties of the NJC was carried out earlier by the Act CXI of 2012 on the amendment of the Act CLXI of 2011 on the organisations and administration of courts, and Act CLXII of 2011 on the legal status and remuneration of judges. Further schedule of the implementation is not reasonable.			The measure has no effect on the budget.			The currently existing independence of the judiciary, and transparency and controllability of judiciary in the field of administration, and the prevalence of checks and balances system further strengthens.
32.	The provision repealing the power of the president of the NJO to designate the proceeding court	We find it important to emphasize that besides the power of the president of NJO to designate the proceeding court the right of due process was also prevailed, however, it became more transparent with the abolishing of the institution of the transfer of cases. This measure was also preferable in the aspect that it created harmony with the recommendations on the transfer of cases and the right of due process drafted by the European Commission. The abolishment of the power of the president of the NJO declared and provided the right of due process in the Act CLXI of 2011 on the organisations and administration of courts. It declares even stronger that	The fifth Amendment of the Fundamental Law took effect on 1 October 2013. The terms and concrete rules on the designation of the proceeding court, the Act CLXI Article 62-62 of 2011 on the organisations and administration of courts, the Act III Article 47 of 1952 on civil procedure, and the Act XIX Article 20/A of 1998 on criminal procedure were repealed on 1 August 2013. The president of NJO cannot exercise the power to designate the proceeding courts – due to the repeal of the procedural rules – since 1 August 2013.	With regard to the details under the heading of "status of implementation" the designation of the proceeding courts ceased to exist from 1 August 2013, and was repealed in the Fundamental Law on 1 October. No further schedule is required.			The measure has no effect on the budget.			Based on the regulation in accordance with the European Commission recommendations the right prevailing in the judiciary even at present, i.e. the right of due process fully prevails, besides becoming it more transparent.

		nobody shall be deprived of the judge with jurisdiction and competence according to procedural rules, who has been designated in line with the distribution of cases in advance. Our country provided and provides the prevalence of the right of due process by several guaranteed provisions.							
33.	Provisions affecting the strengthening of the judiciary	The Act CCXLIII of 2013 on the amendment of the acts on certain judicial, legal status and home affairs amended the Act CLXI of 2011 on the organisations and administration of courts (hereinafter referred to as Bszi.), and the Act CLXII of 2011 on the legal status and remuneration of judges (hereinafter referred to as Bjt.). The provisions affecting the strengthening of the judiciary are as follows: - Amendment to Bszi.: • It provides for the president of the NJO to determine, besides the number of the necessary judges, the number of the judiciary staff regarding certain courts by. The reasoning of the provision: the staff management adjusted to workload can be implemented in case the competence of the president of the NJO is extended to the staff of the judiciary as well. This amending provision codified in act aims at the adjusted workload share, which affects the increase of the efficiency of the judiciary. • The service court reports on the data of the caseload of previous years and the practice of judgment to the NJC. The NJC approves the report of the service court on the data of the caseload of the previous year and the practice of judgment and publishes it on the intranet. – Amendment to Bjt.: • The rules on the service court have been made more accurate and supplemented regarding the information obligation towards NJC. • The rules on disciplinary	The amending provisions of the Act CCXLIII of 2013 on the amendment of the acts on certain judicial, legal status and home affairs amended the Act CLXI of 2011 on the organisations and administration of courts (hereinafter referred to as Bszi.), and the Act CLXII of 2011 on the legal status and remuneration of judges (hereinafter referred to as Bjt.). took effect on 1 January 2014				No extra resource from the central budget was necessary for the measure		Due to the amendments, the central administration can carry out a more optimal staff management, providing adjusted caseload among the courts - thus facilitating timely judgments. It strengthens the NJC with the extension of its power. By strengthening the disciplinary procedural rules it promotes that the best, most suitable, irreproachable judges shall adjudicate.

		proceedings have been amended and made more accurate based on the practical experiences gained in the course of the operation of service courts. As a consequence of the codification of these provisions the rules on disciplinary proceedings and the control over the service courts have become stricter, the control power of NJC supervising the central administration of the courts has extended, which has a further effect on the currently also existing independence.							
34.	Overview the decrees on regulating the requirements of the scope and career aptitude for the staff of the judiciary	In 2014 the review of the IM Decree of 5/2001 (III. 13) on the determination of the scope and qualification terms of certain judiciary staff employed in courts and in the Office of the National Judicial Council, and their administrative exam; the IM-EüM joint Decree of 1/1999 (I. 18) on the aptitude examination of judges and court secretaries; the KIM Decree 7/2011 (III. 4) on the detailed rules on the judgment of the job application of judges and the points to be given in the course of establishing the ranking of application was carried out.	The overview of the decrees and the drafting of new decrees are in progress.	The promulgation of the decrees is expected in the first half of 2014.			The amendments do not generate new tasks for the courts or the panel carrying out the aptitude test of the judges and court secretaries; they give new regulations regarding existing tasks, thus the amendments do not have an effect on the budget.		The decree amendments provide that only the most suitable, best professional people shall become judges and judiciary employees - court secretaries; thus the efficiency of court procedures will increase and the timeliness of the procedures will improve.

CSR6: Education and social inclusion

[Hungary is recommended to] implement a national strategy on early school leaving and ensure that the education system provides all young people with labour-market-relevant skills, competences and qualifications. Improve access to inclusive mainstream education for those with disadvantage sin particular Roma. Support the transition between different stages of education and towards the labour market. Implement a higher education reform that enables greater tertiary attainment, in particular by disadvantaged students.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
35.	Strategy aimed at reducing the number of early school leavers	The strategy aimed at reducing the number of early school leavers was prepared in line with the Public Education Act and the Public Education Development Strategy. The aim of the strategy is to identify directions and measures of intervention on the field of prevention, compensation and correction, which help improve the domestic level of education and qualification; as a result the risk of unemployment, poverty and social exclusion reduces.	The strategy was prepared at the beginning of 2014; its adoption is in progress.	The implementation of the Strategy after the approval of the Government is continuous.	Decrease of the rate of early school leavers, poverty and social exclusion	Resource of the strategy is the central budget, and ESI funds, in 2014 approximately HUF 10 billion from the budget for Public Education Development Strategy, in 2014-2020 approximately HUF 87 billion (data finalising is in progress)		ESF resource	Targets of Strategy set in the documents of the 2014-2020 programming period, the strategy is ex-ante conditionality of the use of 2014-2020 funds	reducing the rate of early school leavers to 10% (2020.)
36.	Implementation of Strategy aimed at reducing the number of early school leavers	The implementation of targeted programmes promoting success at school for disadvantaged children and children with multiple disadvantages, thus their further education, and their successful entry to the labour market. (programmes for prevention, intervention and compensation).	Strategy was developed at the beginning of 2014, final approval is in progress	on-going	Measure related to the target for the decrease of the rate of early school leavers	approximately HUF 10 billion from the budget for Public Education Development Strategy in 2014			HRDOP 10. thematic objective, joining the 9. thematic objective	

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
	a) Expanding and strengthening quality education in early childhood	Kindergarten attendance will be compulsory from the age of 3 as of 1st September 2015. This measure aims to provide kindergarten education for each child above 3 even on the most deprived settlements. It is to facilitate children's subsequent successful performance in school, to start their life path with better chances, to make learning difficulties detectable in time, and thus enable early intervention, to make social integration successful, to tackle deprivation, to promote talent early, to motivate life-long learning, and to improve the employability of the future generation. In order to implement expansion of age obligation, HUF 1bn from central budget 2014 in project scheme is necessary to develop kindergarten capacity.	SGPOP-4.2.1-11: 01.10.2013-01.12.2014 STDOP 3.1.2-12: 01.02.2014-01.03.2015 NAOP-4.1.1/A-11: 30.09.2013-31.12.2014 NHOP-4.3.1/A-11: 30.06.2013-31.12.2014 CHOP-4.6.1-11: 01.06.2013-31.12.2014	31.aug.15	Measure providing for the decrease of the rate of early school leavers, and preventing drop-out, founding school success	HUF 1 billion on central budget in 2014 (total with self-contribution - local governments, local government associations - HUF 3.3 billion)			HRDOP 10. thematic objective, joining the 9. thematic objective	

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
	b) Early childhood (0-7) programme	<p>The project aims at the complex support of the optimal development of the age group between 0 and 7, with the support of the start of healthy life and successful start of school for every – but especially those with special support demand – child between the ages of 0 and 7, keeping track of the child’s development by helping develop their skills, revealing the risk factors of development, and in basic healthcare filtering the children showing deviations in development. 3 800 health visitors and 3 100 doctors provide about 600 000 children of the ages 0-7 with basic healthcare. The project aims to support the professionals of basic child healthcare with developing and renewing the applied methods. It aims at improving the conditions so that they meet the requirements of child basic healthcare and as a consequence the optimal health status of children can be reached in a standardised, modern and more successful, objective and measurable way, with special regard to</p>	<p>The Project was launched on 1 October 2012. The results in 2013 are: developing the survey based on parental observations and its testing, developing risk survey, preparing primer preventive methodological materials, preparing caring manual, holding national and sub-regional/district inter-sectoral workshops , elaborating 8 guidelines for professionals in basic healthcare.</p>							

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
		the children and their families who have special demands. Calculating 10 check-ups between the ages of 0 and 7, about 1 million medical check-ups are going to be carried out yearly with the help of the check-up scheme tested in the project.								
	c) Integration Pedagogical System (IPS)	The Integration Pedagogical System (IPS) was introduced in 2003, which is a pedagogical programme with methodological focus. It aims to balance differences of opportunities of disadvantaged children and children with multiple disadvantaged in domestic pedagogical practice. Kindergarten education at the earliest possible age is promoted by the subsidy for equal opportunities, which accompanies children to school where successful advancement may be ensured if the school has established the environment and pedagogical aspect upon which deprived children can set foothold of. Besides, low-cost asset purchase for children with multiple disadvantages	Until the end of the school year of 2012/2013 – in accordance with the act on the annual budget fulfilling task in IPS and participating in the implementation get a supplementary remuneration.	Based on the call for application in 2014the operators of the programme can apply for subsidy to carry out their IPS tasks until 15 May 2014. The period of 16 May 2014-28 February 2015 will be funded by tender. The call for application is expected in the first week of April 2014.		HUF 1,050 billion In cases of state-run institutions: based on EMMI decree 24/2013 (VIII.1) regarding the period of 1 January-31 August 2013: HUF 2 358 742 816, KLIK presidential information of 9 December 2013 regarding the period of 1 September-31 December 2013: HUF 148 932 000. In cases of not state-run institutions: EMMI decree 54/2013 (VII.26) regarding the period of 1 January-31 August 2013: HUF 247 374 000, IPR-13-A call for application regarding the period of 1 September-31 December 2013: HUF 148 932 000. In cases or kindergartens run by local governments: based on IPR-13-B call for application regarding the period of 1 January-31 December 2013: HUF			One quarter of the primary schools take part in the programme, and the kindergartens and secondary schools also joined. A total number of about 300 000 children (75 779 students and 25 260 children with multiple disadvantages) and 17 453 teachers were affected by the IPS in the school year of 2012/2013. According to the impact assessment of the IPS the programme has resulted in a general improvement of the students of the participating schools; the rate of segregation has decreased between public education institutions and therein; the transition from kindergarten to school is easier; the pedagogical culture of the institutions implementing the programme has renewed; communication develops between the public institutions implementing the programme, and with	

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		is also available.				500 000 000.				other sectors and the children concerned and their parents.
	D) Útravaló Scholarship Programme	The objectives of the equal opportunities sub-programmes of Útravaló Scholarship Programme ("Road to secondary school," "Road to the final examination," "Road to profession" sub-programmes) are to promote access of disadvantaged students to secondary education, success in secondary education studies, acquirement of vocational qualification with mentor support and scholarships. The amount of grant to students increased for academic year 2013/2014, depending on school results to HUF 5,000-15,000.	The call for application for the school year of 2013/2014 was announced until September 2013 2013. Payments are in progress based on the decisions of November	on-going	Decrease of the rate of early school leavers,	The sub-programme of the Útravaló Scholarship Programme ("Road to school) resource is the budget of 2013 of the Hungarian Republic of the XX.Ministry of Human Resources 20/59/7 Roma scholarship programme appropriation was HUF 2 221 519 000 in 2013.				The chance of the disadvantaged students to get into secondary school, have success, get a profession and get into a higher education institution increases
	e) Arany János Programmes	Arany János Programmes: Support is provided to talented, disadvantaged pupils by the Arany János Talent Fostering Programme, the purpose of which is to create opportunities and provide talent management for those social groups whose members could not proceed to institutes of higher education	The calls for application on the Arany János Talent Fostering Programme, the Arany János Dormitory Programme and the Arany János Dormitory Vocational School Programme were published in the III quarter of 2013. The new content regulators adjusting to the National Curriculum were prepared and came into effect in	The implementation of Arany János programmes is on-going. V		Support of three Arany J. programmes HUF 3 billion/year				More than 4000 students with multiple disadvantages take part in the programmes. The rate of admission of those having accomplished AJTP is 68-100%, 80% on average. The institutions of AJKP can only reach 3% of the students with multiple disadvantages, but the quality and method of the work with the students, the pedagogical instruments and the

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		<p>without the support of the programme.</p> <ul style="list-style-type: none"> The purpose of the Arany János Dormitory Programme is to apply the system of means available for secondary school dormitories to ensure successful studies in full-time secondary school classes providing final examination, and as a result, to enable the highest possible proportion of students with multiple disadvantages to carry on their school careers in higher education. The purpose of the Arany János Dormitory Vocational School Programme is to create opportunities for the acquisition of marketable profession, also for youth with multiple deprivations who probably could not acquire vocational skills without participating in the Programme. 	<p>September 2013: curriculum framework decree (51/2012 (XII. 21) EMMI decree), and the dormitory basic programme (59/2013 (VIII. 9) EMMI decree). The ministerial decree promoting the use of the programme funds (not state supervisors) and order (state supervisors) have been issued (46/2013 (VII. 4) EMMI decree, 28/2013 EMMI order)</p>							<p>focus on the target group are of model value. The rate of dropout in AJKSZP is well below the average of the country, 13% in four years, 3% at annual level.</p>
	f) Tanoda Second Chance type of programmes	<p>In the framework of "Tanoda" programmes the activities are aimed at supporting the inclusion of pupils living in material deprivation or in adverse social conditions, while in the "second chance" type programmes youths with multiple disadvantages beyond school age who missed secondary school studies, dropped out or</p>	<p>The calls for application in cases of Tanoda and second chance programmes were published in the III quarter of 2012. The grant agreements were concluded in 2013.</p>	<p>On the budget of SROP 3.3.9. project a total of 126 tanoda és 31 Second Chance Grammar School work until 30 June 2015</p>	<p>Measure providing for the decrease of the dropouts</p>	<p>Resource: HUF 8,82 billion</p>		<p>SROP 3.3.9</p>		<p>The public education institutional system will be more appropriate to promote the successful education of the students, pupils with multiple disadvantages, and their success at school. The conditions of integrated education will improve in the most lagging sub-regions</p>

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		left school, including Roma youths, are led back to secondary school or receive support for completing the final examination and acquiring a marketable profession.								
	g) Improving equal opportunities in education	The measure provides for the pedagogical culture shift and renewal of methodology in order for the institutions to promote school success for the disadvantaged students and those with multiple disadvantages within the framework of integration. The application of "The equal opportunities principled support of public education institutions" programme was available for every public education institution from kindergarten to secondary school. The programme supports integrated education: institution educating at least 15% children with multiple disadvantages, which meet the requirements for integration, set by the Government decree. The "Support of initiatives	A new scheme, the "Developing relationships between national and international twinning" was published which aims to develop the relationship between institutions educating disadvantaged students at different rate.	The EU funded projects are going on in 2014 which started the implementation of the programmes in 2013. The implementation of the programmes is on-going until the 1 half of 2015.	Decrease of the rate of early school leavers,	Two, HUF 4 billion each (about EUR 1.33 million) on EU fund, a two-year programme, and SROP 3.3.14.: HUF 4.45 billion (about EUR 1.5 million)		SROP 3.3.8, SROP 3.3.10, SROP 3.3.14,		Increase the success of disadvantaged children, those with multiple disadvantages, including the Roma, at school

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		strengthening further studies” scheme supports secondary schools to help disadvantaged students be successful and get admitted to higher education.								
	h) non-formal and informal learning methods and programmes provided by cultural institutions	The aim of the measure is to promote the development of personality, creative skills, compensation of socio-cultural and territorial disadvantages of children and students, while efficiently promoting competence and skill development. Special emphasis is put on alleviating disadvantage which the school itself cannot. Elements of measure: <ul style="list-style-type: none"> • call for application for library, public culture and museum promoting out-of class education programmes of public institutions, • implementation of tenders providing infrastructural background for service and content development, • developing digital cultural contents, making cultural values and services public in digital form. This serves both class and out-of class usage, and contributes to the access to cultural contents as of equal opportunities 	All the calls for application had been published by December 2012, their implementation is on-going (development programmes: SROP 3.2.3-A, SROP 3.2.3-B, SROP 3.2.4-A, SROP 3.2.4-B, SROP 3.2.8, SROP 3.2.11, SROP 3.2.13)	on-going		EU Structural funds, ESI funds from 2014	in lack of EU funds the programme can be continued on domestic budgetary resources, and dependent on NKA support	ESF and ERDF funds	In accordance with HRDOP 3-4. Closely connected to the fight against poverty and the strengthening of social cooperation.	As an effect of the measure the cultural institutions are currently carrying out about 500 projects which provide for non-formal and informal learning forms and programmes promoting the success of the public education objectives (developing reading culture and comprehension, developing skills, museum pedagogy, etc.). The number of the students involved exceeds 100 thousand. It is a quality effect that the students’ demand for gaining knowledge in the new individual environment has increased, their creative skills have developed. The measure has contributed to the decrease of drop-outs. The number of cooperation agreements between cultural and public education institutions (schools and kindergartens) has reached 3600. The programmes are going on, contributing not only to the decrease of early school leaving, to equal access to knowledge

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										contents in order to overcome socio-cultural and territorial disadvantages, but to the reintegration into the public education system by developing basic competence with the means of LLL.
37.	Public Education Development Strategy	The subject-based knowledge, the increase and development of skills and abilities, the development of pedagogues' methodology culture in accordance with the requirements in the new curriculum-content regulatory, the development, introduction and dissemination of teaching instruments appropriate to the new curriculum-content regulatory, the promotion of convergence at every level of public education, the development of teacher training and providing their professional development are among the principles of the Public Education Development Strategy. The strategy focuses on the measures for reducing the rate of early school leavers and the promotion of inclusive education.	in progress		decreasing the rate of early school leavers	ESI funds (domestic decision): HUF 100000 million, Domestic fund (on the budget): HUF 100500 million	Domestic fund (on the budget): HUF 100500 million	ESI fund (domestic decision): HUF 100000 million,	The priority targets of the Public Education Development Strategy in accordance with the European Union Europe 2020 strategy, also by assessing the situation of the Hungarian public education, designates the development direction of the sector for 2014	

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38.	Making participation on the labour market easier - Public education bridge programmes	In December the Act on public education introduced the concept of bridge-programme. The Public Education Bridge-programmes are formal education forms in basic education which provide help for pupils with poor performance, and chance to learn in secondary education for those who cannot accomplish the basic level. The Public Education Bridge-programmes give chance to the young who do not get admitted to secondary schools after accomplishing the elementary school (Bridge I), and who experienced failure, and due to this could not finish elementary school, but reached the age of 16 (Bridge II). The Bridge-programmes help them stay in or return to the world of education-training. They provide education-training for those who dropped out of the formal school system and are over school age. The Klebersberg Institution Supervisory Research Centre (KLIK) helps the pedagogues work participating in the Bridge-programmes with professional forums, provides for	KLIK assigned the state institutions for the task of Bridge I and Bridge II for the school year of 2013/14 until March 2013, the review of which is carried out each year. The framework curriculum of Bridge I and Bridge II was defined by ministerial decree in March 2013. After that the pedagogues' training was carried out. The schools which had the experiences appropriate to the programme were involved.	On-going from 1st Sep, 2013.		relevant budget				Estimated number of participants in Bridge I and Bridge II is 2700-3000 – students get tailored teaching, which can give them their self-esteem back, enables to learn a profession, find their way in life. It can found their involvement in vocational training , can obtain the competences essential for learning a profession. Developing or learning aid assessment is applied in the Bridge-programmes.

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		the institutions to share experiences and help each other's work with good examples.								
39.	Measures implemented to prevent and eliminate segregation and discriminative practices									
	a) Anti-segregation Roundtable	The Anti-segregation Roundtable was established with the concrete aim to create a document jointly with the governmental and civil professional actors, on the basis of agreement, which drafts joint proposals on the possibilities of eliminating segregation. The document determines the directions of short-, mid- and long-term interventions besides the immediate measures. The roundtable examines the recognition, the possibilities of assessment and prevention of segregation. Transferring the schools maintained by local governments to central state maintenance gives the chance that the state, beyond the frameworks of education, determines their content through programmes and the determination of		on-going						

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		enrolment districts, thus giving real chance to desegregation efforts, which is also handled by the current Government as a priority.								
	b) Establishing elementary school enrolment districts	The regulation on the elementary school enrolment districts serve elimination of school segregation and its prevention (Article 24 of Decree 20/2012 (VIII.31) on the operation of culture-education institutions and the use of name of public education institutions): schools with obligatory enrolment duty shall not segregate pupils on the basis of race, social situation. Therefore when setting the district boundaries of the elementary schools with obligatory enrolment duty the social-economic status of the families living in the school area shall be considered. The school boundaries shall be set so that the rate of the disadvantaged pupils is balanced. The district boundaries are determined every year based on the data provision considering the disadvantaged pupils.		on-going						

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	c) Including the history of the Roma and Roma culture in the trainings	It occurs for the first time in the history of the Hungarian public education that the nationalities, within this the Roma-Gipsy culture, the possibilities and problems of living together appear in the National Curriculum. The introduction of teaching romology in the entire field of the training of medical, healthcare and social workers. Addressing the deprived, including the Roma community is the most efficient if it comes from a person originating from, living in that community and knows it well. The training of Roma doctors, or Roma assistant-health guard and Roma made health-guards contribute to this. The additional instrument of balancing social disadvantages is mainly to support and get acquainted with Roma culture, which can be essential in eliminating stereotypes, as it has also been defined as an overall target and concrete measure in the National Social Inclusion Strategy.	National Curriculum was published, the NC-related task finished. It is the third year that the support of Roma cultural events and the access to cultural contents and products in the form of tenders funded by domestic resource has been carried out.	on-going						
40.	Promoting academic success of pupils with special needs	The service system providing counselling on special education, early development and care, expert and rehabilitation activity,	The legal frameworks for the conversion are stipulated by the EMMI Decree 15/2013 (II.26) on the operation of specialised pedagogical	The project is on-going. Development of instruments (processes, methods) serving children with individual education and their	To reduce the ration of early school-leavers	SROP 3.4.2 B: HUF2,3 billion		SROP 3.4.2 B		The access of children, pupils with individual education to quality care is expected to improve; thereby they will be successful at school. The

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		etc. has totally been restructured, including the activity of the special committee; the objective of the changes is to improve access to quality care of children, students with special attention and education needs. The service system has been complemented with two elements, care of extraordinarily talented children, students and the kindergarten and school psychology service. Hungary is taking part in the work of the European Agency for Special Needs and Inclusive Education, the international organisation dealing with the development of inclusive education for students with special needs in 2014.	service institutions took effect on 01.03.2013. SROP 3.4.2.B priority project provides for the development of the transforming specialised service activities and specialised services, its implementation period is 2012-2014. We participated in the European Agency assessment-evaluation, vocational training projects, and carried out member tasks in the organisation.	development, promoting its quality assessment and its availability, regulatory tasks related to travelling special education teacher network are expected. We participate in the projects of the European Agency at present.						content of the scheme of SROP 3.4.2 was determined by considering its remarks on the social organisations' unreasonable classification to declare someone disabled, and the provisions on inclusive training made by the UN Commission for Disability Affairs. Within the scheme 13 new examining and developing procedure will be standardised and adapted. The development contributes to the prevention of unreasonable classification to declare someone disabled and the appropriation to those enshrined in the UN Convention.
41.	Tertiary education measures aiming at disadvantaged students and students with multiple disadvantages	Financing further education charges families in poverty and from difficult social background severely, measures aiming at disadvantaged students and students with multiple disadvantages are beneficial for them.								

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	a) Providing advantage in higher education admission procedure	To ensure equal opportunity, each disadvantaged applicant is entitled to 40 extra scores at each institute in the new system of higher education admission procedure; furthermore application fee is also discounted. In case of providing advantage regarding the admission fee the disadvantaged applicants get 50% of the admission procedural fee back.	Implemented, Act CCIV of 2011 on higher education, Gov. Decree 423/2012 (XII. 29) on higher education admission procedure		To increase the share of people having completed tertiary education		Providing advantage regarding extra points has no direct effect on the budget. In case of providing advantage regarding the admission fee the disadvantaged applicants get 50% of the admission procedural fee back. In this case loss of income occurs as an effect on the budget.			By the effect of the measure the chance of disadvantaged students to get admitted and their rate in higher education increases, get higher qualification which increases their chances to get a job on the labour market. Due to the admission procedure based on the Government Decree 423/2012 (XII. 29) on the new higher education admission system, about 60 000 students with Hungarian scholarship could start their studies in higher education in 2013, more than previously.
	b) Mentor programme	NCSG (The National Conference of Student Governments) Mentor programme – higher education mentor network for assisting future first year students who come from difficult social background, i.e. disadvantaged students and students with multiple disadvantages. The applicants are assisted personally for a year. The mentor is a senior student with the same field of study at the same institute who helps the institutional integration of the mentee: gives advice on educational and administrative issues, informs about programmes, student	On-going, Act CCIV of 2011 on higher education, Act CXXXIX of 2005 in higher education, Gov. Decree 79/2006 (IV. 6) on the execution of certain provisions	on-going			Budget of 2014, on chapter XX appropriation of the Ministry of Human Resources 20/3/1 on Higher Education Tasks it is HUF 50 000 000.			Due to the measure the rate of Roma and disadvantaged students increases in higher education, obtain higher qualification, which increases their chances to get a job. Dropout decreases. 1387 students with mentors participated in the programme in the school year of 2013/2014. 180 mentors help the students of the programme in 37 higher institutions.

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		benefits and scholarships. Their main task is to prepare the mentee for university life without mentoring. Besides, NCSG Mentor programme collects almost every mentee from different higher education institutions. NCSG Mentor programme might involve disadvantaged applicants who express their request for mentoring in case of admission.								
	c) Scholarships (Bursa Hungarica Higher Education Local Government Scholarship, "A Way to higher education", "A Way to degree")	Bursa Hungarica scholarship can be provided for higher education students exclusively upon social basis (without taking performance into consideration), it is a so-called social benefit. It was established and being operated, within the framework of equal opportunities, to provide available access to higher education for socially deprived, disadvantaged college and university students and for those aspiring to apply; to ensure equal opportunities for the participants of higher education to reduce social differences. The scholarship grant support and self-financing support programme "At a	The call for application of the second round of Bursa Hungarica Higher Education Local Government Scholarship Application of 2014 was published in October 2013. 2387 settlement municipalities joined the 2012 and 2 281 settlement municipalities and county Baranya joined the 2013 tender rounds. The settlement municipalities granted 34 414 students in 2012, and 28 258 in 2013. Within the framework of "Road to higher education" scholarship application 54 Roma applicants got benefit in 2013. The results of the sub-programme "The road to a degree" announced in November 2013: the	On-going. 2313 settlements joined the application of 2014, and 27864 applied.		The resource used in the sub-programme of "The road to higher education" is HUF 66 509 000. The budget of "The road to a degree" is HUF 133 491 000. In 2013 the monthly local government support (county, settlement) was HUF 108.44 million. The institutional scholarship share was HUF 103.94 million/month.	The sub-programme of the Útravaló Scholarship Programme ("Road to school) resource is the budget of 2013 of the Hungarian Republic of the XX.Ministry of Human Resources 20/59/7 Roma scholarship programme appropriation was HUF 2 000 000 000		Due to the measure the rate of Roma and disadvantaged students increases in higher education, obtain higher qualification, which increases their chances to get a job. Dropout decreases.	

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		felsőoktatásba" ("A Way to Higher Education") contributed to the commencement of higher education studies for disadvantaged students and students with multiple disadvantaged, including especially the Roma. First year students could apply for the scholarship grant support and self-financing support programme. On 31st November 2013 scholarship grant support and self-financing support programme "A way to degree" was set up with a budget of HUF 133,910,00, which is available to self-financing full-time, evening or correspondence students on BA, MA, non-divided programmes with student contract.	support of 429 students have been decided in the amount of HUF 127 720 333, the judgment, however, is in progress, so the data is not final.							
	d) College for Advanced Studies for the Roma	The Christian Roma College for Advanced Studies Network was established with the active cooperation of the four Hungarian historical church, four cities (Budapest, Debrecen, Nyíregyháza és Miskolc) on 17th March 2011. The aim of the newly-established and already existing colleges for advanced	8 Roma special colleges has started or continued their operation with 180 students	on-going			Operation cost is provided by domestic budget chapter, service development is implemented within the framework of SROP 4.1.1/D call for application	HUF 1.15 EU fund, SROP 4.1.1/D		Due to the measure the rate of Roma and disadvantaged students increases in higher education, obtain higher qualification, which increases their chances to get a job. Dropout decreases. A Roma intellectual develops that, besides the professional excellence, is able to have social

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		studies for the Roma to contribute to the social integration of the Roma, beyond the fundamental criteria of theirs.								communication, form themselves and their environment, develop the skills
42.	Improvement of foreign language skills									
	a) Improvement of foreign language skills in higher education	The aim of the projects launched in this field from ESF funds is to enable students to attend foreign language courses which will improve both the ratio and effectiveness of both instructor and student participation in mobility programmes. The main tools of the projects are the renewal of the methodology of language teaching in higher education, institution-level developments and language courses.	Support agreements (13) have been concluded with the winners. The SROP 4.1.2.D-12/1/KONV programme entitled Development of the system of foreign language training in higher education was announced on 19 April 2012.	Project implementation: 2012-2014.		HUF 3 billion		<u>European Social Fund - SROP 4.1.2.D SROP 4.1.2.D-12/1/KONV code, Development of Foreign Language Training System scheme</u>	In 2014-2020 programming period the programme has been planned to progress at OP level (within the framework of HRDOP 3.3)	Expected result of the measures, programmes to improve the acknowledgement of degrees, diplomas obtained in the Hungarian education system
	b) "Diplomamentő Programme" ("Degree-saving Programme")	This programme provides state-supported language courses to pass a language exam for EU citizens who passed their final exams at a domestic university but without a language exam have not obtained their diploma yet and have no student contracts. The programme aims to improve students with language knowledge of level B1 or above to level B2 in		Period of programme : 11 March 2014-32 December 2015	Europe 2020 target for education	Training fund of the National Employment Fund, HUF 3 billion				Direct aim of the support is that, after getting the degree, the target group gets a job appropriate to their qualification. The rate of young career starters with a degree and foreign language knowledge increases, and the rate of employers having a degree increases.

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		language courses of 120, 180, 240 lessons. At the end of the course participants are obliged to take complex intermediate level language exam (B2).								
43.	Establishing community colleges	To establish a much more suitable education profile to local and regional educational, economic and labour market demands than the present one, to promote social mobility of disadvantaged youth of the region with special mobility and inclusion programmes. The implementation of the programme requires the constant cooperation of primarily rural development and tertiary education interests regarding the sustainability of smaller institutions.			CSR 6.e. "Implement a higher-education reform that enables greater tertiary attainment, in particular by disadvantaged students "			Human Resource Development Operational Programme (HDOP)	Planned measure is in accordance with the priorities of the 2014-2020 period: Human Resource Development Operational Programme (HDOP)	The basic higher education interest is that every talented young independent from their family or social situation shall get access to quality higher education appropriate for their skills and ambition, and be admitted to the higher education institution, training programme best suited to him/her.)
44.	Tertiary specialised education	The Government has restructured tertiary specialised education to strengthened practice-oriented education: new education with short cycles.	Implemented, Government Decree 230/2012 (VIII.28) on certain issues of professional practice education related to higher education training and higher education, EMMI Decree 39/2012 (XI. 21) on training and entry requirements, institutional training programmes				Budgetary fund of the training is provided			Due to the start of the training type in 2013 the first grades are expected to graduate and start their career in 2015.

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45.	Dual-cooperative education	Companies and factories may ensure their professional-demand by dual-cooperative education the most successfully, this well-trained workforce to local demands help preserve the competitiveness of the company. Besides, students produce, therefore cover part of their educational costs. Besides gaining experience in their profession, students deepen their theoretical knowledge during their apprenticeship within the frameworks of the new education in the country. This education involves a much longer apprenticeship, and tighter relations between companies and students. Several tertiary education institutions have already established the dual (cooperative) form of basic programmes.		on-going	Increasing the share of those having completed tertiary education	Fund is available within the framework of A SROP 4.1.1/C for dual, cooperative training development		SROP 4.1.1/C		Due to the training system the employee is competitive and can start a job immediately – without further training or costs. The strengthening of higher education regional relationships can be expected in the field of technical training due to the dual-cooperative training. The increase of the graduating students' employment chances can be expected.

CSR7: Energy and public transport

[Hungary is recommended to] gradually abolish regulated energy prices while ensuring the effective protection of economically vulnerable consumers. Take further steps to ensure the independence of the national regulator. Ensure the financial sustainability of state-owned enterprises in the transport sector by reducing operating costs and increasing revenues.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
46.	Steps to strengthen the autonomy of HEPURA (Hungarian Energy and Public Utility Regulatory Authority)	<p>HEPURA is an autonomous regulatory authority subordinated to the Parliament,. The Act XXII of 2013 on Hungarian Energy and Public Utility Regulatory Authority (hereinafter Act on HEPURA) strengthens the autonomy of HEPURA by declaring that the authority shall not receive instructions, its tasks can only be set upon act or legislation by act. The act also ensures economic, budgetary and legal autonomy to HEPURA.</p> <p>Domestic regulation on the jurisdiction of network access fee regulation: acts on the sector declare that according to the principles set out by the ministerial decree, network access fees and the detailed regulation of their application are defined by the president of HEPURA in an ordinance. The minister announces the framework regulation of determining network access fees on the recommendation of HEPURA. The minister may approve and announce the recommendation, or reject it, but they cannot modify it. Once the minister does not approve the recommendation of HEPURA, they need to reject it, explain the reason for rejection and make the rejection and its explanation public. There has been no example of the aforementioned in practice. Consequently, although the methodological regulations of network service fees are formally published in a ministerial ordinance and its content is up for discussion, HEPURA has key influence on the methodological content.</p>	-	-	-	-	-	-	-	-
47.	Cost-cutting reorganizational objectives in public transport									

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
	a) Reorganisation of MÁV	Reorganisation includes the establishment of a separated organisation of passenger transport and the operation of railway network, as a result, the network operating as well as the passenger transport companies need to focus on their core activities exclusively. Each reorganisation detailed below reduces operational costs. A new integrated passenger transport organisation has been established as one of the key elements; activities such as traction, repair and passenger transport were integrated into MÁV-START Zrt. responsible for rail passenger transport. During the organisational changes, duplications were eliminated, internal processes and headquarters staff were rationalised, and remuneration system was restructured. Increasing revenue can be gained by increasing the number of revenue passengers, and increasing the number and improving the quality of controls. These measures contributed to the decrease of operational costs.	MÁV-Engineering Zrt. and MÁV-Traction Zrt. merged into MÁV-Start Zrt on 1st January 2014, and operate accordingly in the future.	The integrated passenger transport company has started its operations and operates accordingly in the future.		In line with CSR, the objective is to reduce operational costs.	none	balance improving effect	balance improving effect	
	b) The establishment of National Rail Network Operator Zrt.	The National Rail Network Operator Zrt. (NVP) was established, which is going to operate the rail network in the future. Assets for rail network operation will be gradually transferred to NVP based on the implementation of debt consolidation.	Established on 1st January, 2013.	Assets for rail network operation will be gradually transferred to NVP based on the implementation of debt consolidation.		In line with CSR, the objective is to reduce operational costs.		none	balance improving effect	
	c) The establishment of MÁV Service Centre Zrt.	To separate activities, several service areas – by internal reorganisation – were transferred from MÁV Zrt. to MÁV Service Centre Zrt. in June 2013 (the latter was formed with the name change of MÁV Informatics Zrt. in April 2013, human resources, accountancy, purchasing, logistics, management, safety at work, environmental protection service providing was transferred to this company as of 1st June 2013, together with 1500 employees).	Activities were transferred as of 1st June 2013.	–		In line with CSR, the objective is to reduce operational costs.		none	balance improving effect	
	d) The agreement for public services between MÁV START Zrt. and GYSEV Zrt was signed for 10 years.	The agreement for public services between MÁV START Zrt. and GYSEV Zrt defines, among others, financing, and the rules of calculating costs which are not covered by revenues for 10 years, therefore provides a predictable, stable operational framework.	Date of signing 19th Sep 2013, in effect as of 1st Jan 2014.	–			balance improving effect			balance improving effect

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
	e) Integration of Volán companies into 7 regional companies	Volán bus transport group is in under reorganisation. The aim of the reorganisation is to improve the competitiveness, cost-efficiency and transparency of public companies in the public road passenger transport sector. The 24 regional bus transport companies work under the supervision of 7 regional managing directors from 1st November 2012, hence reducing local management. Within the frameworks of further reorganisation, the 24 companies will have been comprised in 7 regional companies by 1st January 2015. This measure improves the distribution of transport capacity; provides more opportunities for optimising transport services; improves efficiency of asset division; contributes to strengthening the financial balance and liquidity of the companies. The regionally uniform management and accounting system, public procurement, real estate and site management, common vehicle and financial asset management will significantly decrease general costs.	on-going	Target date 1st Jan 2015.		In line with CSR, the objective is to reduce operational costs.		none	balance improving effect	
48.	Rationalising timetables and issuing tickets									
	a) Introduction of express train supplements to increase transport revenues	From 15th May 2013, express train supplements on 200 trains were introduced to increase revenues of rail transport.	Introduced as of 15th May 2013.	–		In line with CSR, the objective is to increase revenues.		none	balance improving effect	
	b) Rationalisation of timetables to reduce operational costs	Rationalisation of timetables continued to decrease operational costs, within this framework as a key principle, the advantage of rail transport was endorsed where competitive service could be offered.	on-going	–		In line with CSR, the objective is to reduce operational costs.		none	balance improving effect	
	c) The supervision of the details of the regulation in case of students applying discounts for museum visits in groups	In order to detect abuse of discounts, therefore, indirectly to increase revenues, the details of the regulation needed to be tightened.	Introduced as of April 2013.	–		In line with CSR, the objective is to reduce operational costs.		none	balance improving effect	

ANNEX II.: EUROPE 2020 TARGETS

1. Employment

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
49.	Promotion of the employment of disabled people	An objective for the establishment of a national network of employers and service providers that offers services which are of a unified quality and are accessible to disabled persons in all Hungarian regions while falling in line with their demands. Within the county government offices from 1st July 2012, specialised rehabilitation agencies were established – under the professional leadership of the National Office for Rehabilitation and Social Affairs (NORSA) –, which complete rehabilitation tasks as county-level rehabilitation agencies. These organs supervise disabled people, determine their allowance, cooperate in recruitment, and promote access to employment.	<p>SROP 1.1.1 progresses according to plan. For SROP 5.3.8 four-month prolongation has been initiated to involve further participants. Indicators progress according to plan, moreover several indicators have been outperformed. The implementation of planned measures to involve participants in trainings or employment has mostly been completed.</p> <p>The system of qualifications has also been restructured, which comprehensively manages special cases considering medical, employment and social aspects.</p> <p>In 2013 and 2014 more than HUF 34 billion subsidy was distributed for accredited employment through tenders per year to employ and train more than 30,000 people.</p> <p>A job creation subsidy was introduced through which a job creation tender was called for, as a result contributed to the creation of 720 new workplaces.</p>	Service development programmes are in progress.	<p>Increase of employment (EU2020-1)</p> <p>Poverty reduction (EU2020-5)</p> <p>Tackling unemployment and the social consequences of the crisis (AGS-4) "</p>	HUF 34 bn from budgetary resource, HUF 21 bn from SROP resource.	The central budget covers the measures of employment rehabilitation. The implementation of the projects is financed by the New Széchenyi Plan.	The service development programmes of New Széchenyi Plan have started (SROP 5.3.8, SROP 1.1.1), the on-going developments are expected to end in the first half of 2014.	Human Resource Development Operational Programme (HDOP) 1. INVESTMENT PRIORITY (1. investment axis) Active integration, promotion of equal opportunities and active participation, as well as the improvement of employability. (9.i) 1.1 Promotion of participation in labour market tools and integration in the labour market of people with multiple disadvantages.	<p>Due to the introduction of transit employment, the rate of labour market participation will constantly grow. The number of people in subsidised employment before the restructuring was roughly 43,500, after the new regulation the number of people in subsidised employment exceeded 60,000 by 2014.</p> <p>6,133 participants were involved in SROP 5.3.8 competency survey, 3,556 involved in training.</p> <p>6,642 participants were involved in SROP 1.1.1, employed 2,609.</p>

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
	Rehabilitation cards	The Rehabilitation card is issued by the national tax authority for the disabled. The Rehabilitation card provides for the employer a complete social contribution exemption up to maximum 27% of twice the minimal wage during the employment of the disabled person.	It is an outstanding result that the employment of disabled people with Rehabilitation Card more than doubled in 2013, which provided contribution allowances for the employers. In December 2012 4,105 companies employed 9,647 people, in December 2013 5,597 companies employed 21,978 people.	Rehabilitation Card can be used in 2014 continuously.	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and the social consequences of the crisis (AGS-4) "	HUF 3.6 bn	The employment of disabled workers is being carried out.	No EU funds used.		The number of employees with Rehabilitation card was 21,978 in 5,597 companies in December 2013 with HUF 430,159,520 discounts.
50.	Measures for creating and retaining jobs for small and medium-sized enterprises									
	a) Central tender programme for supporting job creation	The aim of the measure is to promote job creating investments of SMEs; create as many workplaces as possible primarily in lagging regions with the employment of as many job seekers as possible. We promote the development of lagging regions and the reduction of regional differences of employment by supplementary subsidies beside basic ones.	Within the framework of the programme, the creation of 6,500 new workplaces in more than 1,100 SMEs was contributed with a scheme budget of HUF 13bn. The Minister for National Economy decides upon supporting the programmes pursuant to the Section 18 of Act IV of 1991 and Section 18 of MüM (Ministry of Labour) decree 1996/6 (VII.16).	SME programme was called for again at the beginning of 2014.	Increase of employment rate.		HUF 13bn scheme budget provided by central budget of the National Employment Fund FA was involved.			In case of productive investment the number of employees is significantly growing. Employment rate improves in the disadvantaged and most disadvantaged regions, regional differences decrease. During job creation tax and contribution income of the budget decreases.

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	b) Job preservation in small and medium-sized enterprises	Special emphasis was laid on promoting subsidised investments by enterprises in lagging regions, and on the employment of the highest possible number of registered job seekers. Each project had to create at least 2 new full-time jobs. Based on the number of workplaces created, the HUF 1.5 million basic subsidy increases. Supplementary subsidies aim to reduce the regional differences in employment. Within the project, the cost of new buildings, machines, machinery, tools and technologies can be accounted. The duration of obligatory employment is 2 years including the preservation of the workforce before and after the tender.		Ministerial decision will have been made about the support of programmes by 4th April 2014.		HUF 13bn has been allocated for the support from domestic funds exclusively. (from National Employment Fund)				The strengthening of regional economy, the improvement of SMEs, the expansion of their role in the economy and market position, the support of investments generating new jobs, the reduction of regional differences in employment.
51.	Employment models aiming at self-sustaining social economy	The establishment and development of social cooperatives providing employment and regular income are promoted. When supporting social cooperatives, the economic activity and development of human resources of a social enterprise and the further support of disadvantaged social layers can be strengthened. The subsidised tenders are implemented by social cooperatives. The amount of subsidy for the projects is HUF 20-50 million and there are 18-26 months for implementation. Besides,	Within the framework of SROP 2.4.3 D 829 associations submitted their tenders, 278 did so until 6th July 2013, 552 until 2nd October 2013. Positive decision was rendered for 48 tenders on 20th December 2013. Tenderers await further positive decisions. Within the framework of SROP 1.4.6 62 associations submitted their applications until 27th June 2013. Positive decision was rendered for 20 applications between 22nd February and 10th October 2013. In 2012 the	In SROP 2.4.3 D2 further positive decisions are being rendered in spring 2014, further HUF 5bn is being allocated. In SROP 1.4.6 the implementation of transit employment programmes takes place until 30th June 2015.	Employment objectives of EU 2020, as well as reduction of the number of people living in poverty or exclusion			SROP 2.4.3. D2; SROP 1.4.6.	In the field of social economy and transit employment support inventions are planned to go on between 2014 and 2020 in line with the 5th priority of EDOP (Economic Development Operational Programme)	In SROP 2.4.3. D2 grant agreements will not be concluded, but predictably within the frameworks of associations, 1,800 workplaces will be created for the disadvantaged. In SROP 1.4.6, 154 disadvantaged unemployed were involved by 5 contracted organisations, out of whom 144 take part in minimum 6-month long employment including training, 80 people obtain OKJ

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		<p>the aim is to promote employment of the disadvantaged through transit employment. These programmes put the disadvantaged unemployed with or without poor or outdated qualification back to permanent employment by vocational training which is linked to employment. There is a budget of HUF 3 billion to implement the programmes.</p>	<p>employment simplification within the framework of social cooperatives operating in order to employ disadvantaged members and employees was carried out. Due to this, by the spring of 2013, the legislative environment had provided for cooperative employment originating from membership legal relationship with being organised alongside flexible degressive tax relief. In order to start the new employment legal relationship and for the new members to participate in the work the National Employment Fund provides support with the degressive takeover of healthcare contribution for four years. In certain fields the social cooperatives may be an appropriate instrument of the further development of the public work system, and, at the same time, it is a possible way of improvement in career for public workers. It is a basic target that the social cooperatives being established on the basis of the job-start model programmes of public work become real market operators. In order to achieve this, the possibility of the transfer of work tools originating</p>							<p>qualifications (National Qualification Register).</p>

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			from public work support has been provided by act since 2013.							
	Employment cooperative	The aim of the programme is to create the prerequisite for the establishment of the employment cooperative and the start of its operation, the support of organization and skill development, which facilitate the target group to establish a sustainable social enterprise. The result of the development programme preparing for the establishment of the employment cooperative is the training of minimum 1000 disadvantaged unemployed, 1800 target group members' competence development related to social economy operation, and establishing at least one employment cooperative. The social economy is extended with a new operator within the framework of the project: the employment cooperative gives the permanently unemployed, employees mostly of Roma origin, the chance of returning to the labour market.	The social economy is extended with a new operator within the framework of the project: the employment cooperative gives the permanently unemployed, employees mostly of Roma origin, the chance of returning to the labour market. The budget of the project is HUF 4 995 000 000.	SROP 2.4.2 D-3-13/1 – Development of social economy – Employment cooperative – The implementation of the application of “Bridge to the world of work” is in progress.	EU 2020 target for employment, to decrease the rate of those living in poverty or exclusion	The budget of the project is HUF 4 995 000 000				
52.	Improving the health condition of the working-age population									
	a) Organised public health screenings and pilot programmes	Organised public health screenings: Biannual breast screening of women aged 45-65 by mammography; gynaecological screening with cytology every third		on-going		Organised public health screenings: from the budget of OCMO (Office of the Chief Medical Officer)	Including healthcare services in public funding (1 January 2015) results in budgetary	Pilot programmes: SROP 6.1.3/A (HUF 1bn)		

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		year after one-off screening of women aged 25-65 with negative result. Pilot programmes: spreading cervical smear screening by health visitor nation-wide, which delivers screening primarily to women in small settlements with inhabitants fewer than 5,000. The colon screening by GP pilot programme was launched in three counties (Győr-Moson-Sopron, Heves, Nógrád) in 2013-14, with the cooperation of 95 voluntary GPs, colon screening of men and women aged 50-70 is carried out. From EU funds the pilot will be launched in Csongrád county in 2014.				and H-funds (health funds) Pilot programmes: from EU funds	demand.			
	b) Health Development Offices	Health development offices (HDO) have been set up in 58 districts from EU funds to support the prevention capacity of basic care. People who need lifestyle change, directed to HDOs from GPs, outpatient care centres, or after inpatient care or those who initiate lifestyle change on their own, are involved in screening the risk of cardiovascular diseases, lifestyle change programmes based on risk assessment, and their progress in the programme is followed.		First half of 2013 - first half 2015, after that 3-year maintenance period.		from more than HUF 7bn of EU funds		SROP 6.1.2/11/3, SROP 6.1.2/11/LHH/B		
	c) Providing health care service: promotion of mental and physical health	1) The implementation of the infrastructural developments that facilitates better access to quality social public services, replaces	The strengthening of regional economy, improvement of SMEs, expansion of their role in the economy and market position, the support of	Ministerial decision will be rendered about the support of the programmes until 4th April 2014. Pilot colon check-up:	HUF 13bn has been allocated for the support from domestic funds exclusively. (from National	none	Including healthcare services in public funding (1 January 2015) results in budgetary		HDOP	Care deriving from health condition of marginalised communities, including the Roma, and access to healthcare;

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	preservation, reduction of imbalances of health condition	institutional places, and assists the elimination of poverty. 2) As part of the measure, the efficiency of the healthcare system and public health services are boosted, its main directions for development are: a) the improvement of chronic disease management, b) national development of public health service institution system by developing professional harmonizing capacity, c) the establishment of public health visitor service with the development of medical services for childhood, d) the introduction of general management and supervisory tools to improve care for some special target groups: providing access to healthcare for autistic and mentally disabled people without disruption, providing anaesthetized dental services and colon screening, as well as the establishment of patient information systems designed for special needs.	investments generating new workplaces, the reduction of regional differences in employment.	01.07.2013-30.06.2015	Employment Fund)		demand.			implementation of public health measures to reduce risk factors which may prevent early death and disability
	d) Developing public health communication	In 2013 the Healthcare Communication Centre was established. Its aim is to become a public focus point acknowledged as a trademark, which is authentic in the field of healthy lifestyle and preventing illnesses, through the quality of the	www.egeszseg.hu public portal, thematic columns have been established. Continuous national campaigns; operating public health action groups, which perform innovative communication events (e.g. flash mob,	15 June 2013-14 June 2015, after that a 5-year maintenance period is coming.	Europe 2020 social inclusion			HUF 1,850,000,000, a part of ESF fund (SROP 6.1.3B)		Availability of modern and concentrated state health communication capacity

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure	Consistence with the programming period 2014-2020	Description of expected effects
		information service. In order to achieve this, it operates a public portal (www.egeszseg.hu), thematic columns, organizes national campaigns, and creates interactive communication relationship with the population through the social media.	community action programme, performance, sit-in, etc.) in order to achieve public health targets. Topics: smoking, healthy nutrition, sport, alcohol consumption, responsible medicine use, patient cooperation practice, check-ups, etc.							
53.	The introduction of foster parent employment as a legal status	As a result of the measure the objective was achieved, besides full-scale social security more than 5,500 foster parents were integrated into employment. 3,200 out of 5,500 had not had any kind of employment before.	The Act XXXI of 1997 on Child Protection and Guardianship Administration and some related acts, and the amending Act CCV of 2013 on Foster Parenting and the Restructuring of Special Care introduced foster parent employment as a legal status as of 1st January 2014. Pursuant to the Act CCV of 2013, both the official foster parenting legal status and foster parenting legal status became foster parent employment as a legal status as of 1st January 2014. As a result of the measure the objective was achieved, besides full-scale social security more than 5,500 foster parents were integrated into employment. 3,200 out of 5,500 had not have any kind of employment before.	The measure does not imply further phasing. After 1st January 2014 persons concluding foster parenting framework agreement with a foster parenting network operating organization enter foster parent employment as a legal status.	Increase of employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and the social consequences of the crisis (AGS-4)	HUF 4.7bn extra resource has been provided by the central budget. The training of about 1,800 persons is financed by EU funds. 1,600 out of 1,800 have already been foster parents, 200 are new entrants.			As a result of the measure: - the number of foster parent positions grow; - the quality of foster parent service increases by ensuring foster parent security; - the possibility of placement to foster parent care is ensured for children under 12 having been removed from family by authority; - foster parent allowance increases for more than 5,200 foster parents; - employment increases by more than 3,200 persons; - moral and social prestige of foster parenting increases by its financial and social security based remuneration; employment grows further by the increasing number of foster parents. Above all, OKJ (National Qualification Register) qualification of foster parents improves their	

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										employability and strengthens their labour market participation.

The measures in connection with the country specific recommendation nr.3 (the measure of Job Protection Act and its extension, the measure of wage contribution relief for employers of the lagging regions, measure of the extension of development tax relief) and the measures connected to the country specific recommendation nr.4 provide for reaching the national target of 2020 (Scheme of the employment of youth, including the First Job Guarantee, the measure of active labour market programmes, and the measure for encouraging the employment of women).

2. Research and Development

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure (if relevant)	Consistence with the programming period 2014-2020	Description of expected effects
54.	The elaboration of domestic smart specialization strategy	The S3 Strategy is an integrated, region-specific economic restructuring strategy, which focuses support and developments on national/regional priorities, challenges and needs in order to ensure knowledge-based development, and relies on the strengths, competitive advantages and excellence potentials of each region.	The first preparatory steps of the S3 strategy were taken at the beginning of 2013. Its main milestones are the following: - regional background documents were drawn up with wide-scale social participation by integrating regional innovation agencies in the spring of 2013; - an international peer review workshop was organised in Budapest; - based on the consultations with the Commission and the experience gained, in order to comply with the the methodological recommendations of the Commission and to fulfil the relevant ex-ante conditionalities Hungary changed to the process-based planning of the S3 in the summer of 2013, which affected both the timing and the milestones; furthermore, methodological frameworks were further elaborated taking the guidelines of the Commission into consideration; - a scientific supervisory board was established to elaborate the methodology and monitor it constantly; - country-wide events took place in the autumn	On-going steps: establishment of the S3 management system and putting it into operation; completing the elaboration of questionnaires; inter-ministerial S3 session.	3rd priority of the AGR: Enhancing growth and competitiveness at present and in the future	For the further planning of the smart specialization strategy in line with the suggested methodology (and expected by the European Commission), human resources are needed primarily in the institutional system of public administration: the planning procedure requires 6 full-time employees in ministries (further 16 employees in part-time), 3 full-time employees in background institutions (further 7 employees in part-time), 2 full-time employees in local governments concerned (further 36 employees in part-time) in the following months. Furthermore, experts from non-profit, higher education and the business sector need to be involved in certain coordination and expert tasks.	HUF 175 million	EDIOP, TOP, CCHOP	One of the ex-ante conditionalities of the EU financial planning period 2014-2020 is to have a national or regional strategy regarding smart specialisation in place, that is based on a SWOT analysis or a similar analysis to ensure that resources may be focused on a limited number of research and innovation priorities.	

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			of 2013 to make methodology and the so-called entrepreneurial discovery process (EDP) widely-known to assist the preparation of S3 process; - in line with the experience gained and the methodological prescriptions, the establishment of the institution system (network) managing the S3 planning, and its legislative basis were started.							
55.	Science policy strategy	<p>The objective of the strategy is to provide a basis for the basic infrastructure for research and financing of the academic sector, as well as to systematically renew the acknowledgement and publication of scientific results.</p> <p>The main objective of the strategy and scientific policy interventions is that the Hungarian academic sector – institutes of higher education, institutes of the Hungarian Academy of Sciences, research facilities supported by the state budget and non-profit institutions – should be able to get involved in the programmes of Horizon2020, and to receive the appropriate ESF “enabling” grants for that.</p> <p>The working group set up for the preparation of the Science Policy Strategy has begun its operations,</p>	Regional background documents were elaborated in the spring of 2013 with a broad public participation and with the inclusion of regional innovation agencies..	The estimated time of submitting the strategy to the secretary of state meeting: after the forming of the new Government	The science Policy Strategy is a medium-term strategy, and its implementation period is in line with the EU financial planning period of 2014-2020, its implementation highly depends on the grants of the Structural Fund, and the available domestic R&D programmes.	Financial resources are provided by the Structural Funds (European Regional Development Fund, ESF) and the domestic R&D resources (Hungarian Scientific Research Fund, KTIA).	Non-quantifiable	HDOP	<p>One of the ex-ante conditionalities for the EU financial planning period of 2014-20 is the existence of a strategic document that identifies the targets alongside the increasing R&D opportunities of ESF and ERDF and duly explores the connections between the Horizon2020 and the Structural Funds and Hungarian research capacities.</p>	<ul style="list-style-type: none"> • Improvement of the system for supporting fundamental research • The development of support and resource system of basic • The improvement of the quality of human resource and scientific renewal • Phased renewal of scientific infrastructure • Improvement of access to scientific information and publication achievement • Improvement of international cooperation and networks • Strengthening the relationship between the academic sphere, the industry and the society • The preparation, finalisation and fixing the number of indicators are in progress.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure (if relevant)	Consistence with the programming period 2014-2020	Description of expected effects
		with the active involvement and agreement of the Hungarian Academy of Sciences.								
56.	RDI strategic cooperation	The measure assists the achievement of the specific national objective of "Strategy S3 R+I network building" by establishing relationships between enterprises and public and non-profit research centres, as well as exploiting synergies, and supporting product- and service development	international peer review workshop was organised in Budapest	2014-2020: within the framework of the EDIOP, the implementation of the second measure starts (Support of Strategic R+I cooperations and initiations)	3rd priority of the AGS: Enhancing growth and competitiveness at present and in the future	To be financed from ERDF resources between the period of 2014-2020	non-quantifiable	HDOP	2nd priority of EDIOP (Improving knowledge economy) contains the measures	The direct result of the measure is the increased number of long-term and successful R+I partnerships, as well as the expansion of innovative possibilities of enterprises, public and non-profit research centres.
57.	Establishment of infrastructure and capacity	The measure focuses on - in line with the priorities defined by the EU - strengthening the excellence development of R+I capacity and infrastructure - especially to support competence centres within the interest of Europe.		2014-2020: within the frameworks of EDIOP, the implementation of the third measure starts (strengthening R+I capacity and infrastructure for international excellence)	3rd priority of the AGS: Enhancing growth and competitiveness at present and in the future	To be financed from ERDF resources between the period of 2014-2020	non-quantifiable	EDIOP	2nd priority of EDIOP (Improving knowledge economy) contains the measures	Success mainly depends on the establishment of numerous high quality R&D capacities (primarily infrastructure) in order to be able to be involved into international excellence co-operations (primarily: H2020) with high volumes; and as the mutual benefit of both procedures, excellence may improve in research.
	"TOP 200 programme"	This programme aims to assist great universities with the most outstanding scientific, research, development and education performance to achieve a prominent place in the international hierarchy by improving their scientific, research and innovation capacities, and human and asset infrastructure; and therefore Hungary may			CSR 5.f. "Support innovative enterprises with targeted incentives" regarding priorities and general objectives and priorities of increasing competitiveness.			HDOP	The planned measure is in accordance with the priorities of 2014-2020.	

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		also have some of the best universities in the world.								
58.	Innovation and ecosystem	The survival chances of knowledge and technology-intense start-up and spin-off enterprises are increased in the first, critical phase of their lifecycle by ensuring favourable innovation environment and direct support.	The National Innovation Office (NIO), as the accreditation office of the Accredited Technological Incubator tender, announced the winners of the ATI 2013 tender called for in July 2013 on 15th October 2013. The most important element of the tender is that with winning the accreditation, the incubators become entitled to give recommendations to the start-ups performing well in their selection processes, which is a requirement in subsections II-IV of the tender. The core task of the incubators is to build up a successful company from the selected start-ups with their international experience and relations and by mentoring them, which are capable of rapid growth and appearing on international markets and are worth further venture capital.	2014-2020: within the framework of EDIOP, the Budapest HUB working group continues its work in the field of education and training, taxation and regulation, and supporting access to funds. The examination of the results and their possible implementation are continuous.	CSR 5.f. "Support innovative enterprises with targeted incentives" regarding priorities and general objectives and priorities of increasing competitiveness.	To be financed from ERDF resources between the period of 2014-2020	non-quantifiable	EDIOP	2nd priority of EDIOP (Improving knowledge economy) contains the measure which is complemented by support with financial instruments	The measure aims to promote the establishment and development of internationally competitive companies, based on Hungarian R&D results, as well as the establishment of an ecosystem promoting it.

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59.	The preparation of the comprehensive incentive system of R&D and innovation activities	<ul style="list-style-type: none"> Depending on the evaluation of the R&D quality system, it might be modified. Therefore, more detailed examination of the comprehensive statements of the evaluation is necessary. The work of "R+D tax encouraging working group" is planned to continue, and the implementation of their suggestions, results. The Budapest HUB working group continues its work in the field of education and training, taxation and regulation, and supporting access to funds. The examination of the results and their possible implementation are continuous. Defining the professional bases of the R+D+I monitoring system is ongoing ; o following the examination of the possibility of introducing an R+D+I EKD system reflecting the strategy aims of RDI, further steps can be set. Further measures depend on the statements of the examination The establishment of R+D+I tender management and administration system. 	<p>Within the framework of the EDIOP the "Knowledge economy development" priority axis has been established, which includes measures related to the thematic target of "the strengthening of research, development and technological innovation", and interventions in accordance with the instruments for treating congestions identified by RDI Strategy. In addition, the continuous feedbacks regarding the content of EDIOP is provided in the course of S3 planning, thus ensuring the coordinated planning processes.</p> <p>We are planning to use the RDIF resources to extend the EDIOP RDI priority instruments to the Central Hungarian region. With regard to the fact that the RDIF instruments are linked to the relevant measures of EDIOP in a complementing way, their precise content cannot be planned on the resource allocation at intervention level within the EDIOP and CCHOP priority axis, i.e. in case of the EDIOP before the decision on the application of the</p>	The notification of Research and Technology Innovation Fund (RTIF) support programmes needs to be executed by the end of the first half of 2014.	3rd priority of the AGS: Enhancing growth and competitiveness at present and in the future	To be financed from ERDF + RTIF resources between the period of 2014-2020	non-quantifiable	EDIOP + RTIF	2nd priority of EDIOP (Improving knowledge economy) contains the measure	As a result of the measure, the competitiveness of Hungarian enterprises improves significantly.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure (if relevant)	Consistence with the programming period 2014-2020	Description of expected effects
			<p>flexibility framework.</p> <ul style="list-style-type: none"> • The assessment of the R+D quality system considering the data of 2012 and 2013 has been carried out. The performance of the assessment report of Deloitte Kft. has been approved by the HIPO with the professional consent of the Ministry for Economic Development. • A working group has been set up with the leadership of the Ministry for Economic Development IRD in connection with planning the proposals on and creating the regulatory environment of the tax encouragement of research-development ("R+D tax encouraging workgroup). The work of the working group is continuous, expanded with the members of the Budapest HUB workgroup. The Budapest HUB working group has been set up involving the wide-scale stakeholders of the startup sphere, which has elaborated the "Runway Budapest 2.0.2.0 - A Startup 							

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			<p>Credo" document. The working group continues to work on the topics of education and training, taxation and regulation, and supporting access to funds.</p> <ul style="list-style-type: none"> The information on the elaboration of the details of direct support instruments, including the dispositional authority over the Research and Technology Innovation Fund (RTIF) has been transferred to the minister for national economy since 1st January 2014. Consequently the professional points of view can be built in the implementation more directly, and the possibilities of synergy have increased. The tendering procedure is uninterrupted. 							
	R&D activity encouraged by relief on contributions	The research departments operating as enterprises as in cases of researchers and developers with PhD or higher academic title are exempt from paying the social contribution of 27% and the vocational training levy of 1.5% up to a gross salary of HUF 500,000. Since January 2014 the relief has been available in cases of researchers taking part in PhD courses.	Relief on researchers and developers as of 1st January 2013, on PhD participants as of 1st January 2014.	Relief on researchers and developers can be applied continuously, also after 2013.	CSR 5.f. "Support innovative enterprises with targeted incentives" regarding priorities and general objectives and priorities of increasing competitiveness.		HUF 0.9bn	Not applicable	The measure is in line with the content of NRDIS 2020, and the priorities of 2014-2020.	The measure improves the competitiveness of Hungarian enterprises in the field of R&D.

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60.	The implementation of the objectives of the National Environmental Technology Innovation Strategy (NETIS)	We ensure the creation of programmes and tenders in line with the implementation of National Environmental Technology Innovation Strategy on the budget of the Operational Programmes of 2014-2020 and the Norwegian-EEC Funds (2009-2014). NETIS is popularised and its objectives are targeted to the adequate places.		2011-2020	The measure assists the “sustainable growth” priority, laid down in Europe 2020 Strategy, more resource-efficient, environmentally-friendly and competitive economy. It also has several direct links to the “intelligent growth” priority, mainly through innovation. Mostly indirectly, but it also links to the inclusive growth objectives of EU 2020 Strategy.	Financial resources are provided by Operational Programmes of 2014-2020 and the Norwegian-EEC Funds 2009-2014. HUF 6bn state funds annually may have good results.		Environment and Energy Operational Programme (EEOP), Environmental and Energy-Efficiency Operational Programme (EEEOP), Economic Development Operational Programme (EDOP), EDIOP.	The objective of NETIS is in line with OP planning objectives. (EEEOP: waste managements, soil, air protection, water management, energy-efficiency, renewable energies, EDIOP: eco-innovation support).	With the implementation of NETIS objectives, the competitiveness of Hungary may be improved considering the protection of the environment and health.
61.	Energy Industry Development and R+D+I Action Plan	Its aim is to prepare energy industry suppliers to be able to establish intelligent systems, and to promote RDI developments in the of energy sector.				Indefinable in advance.		Cannot be defined for the time being as the action plan is currently under elaboration..		To support companies that build intelligent systems facilitating the regulation of electricity networks, which contributes to employment and the encouragement of producing exportable products and services (nuclear supply, nuclear training, designing, implementing and operating intelligent systems).

3. Energy and Climate

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure (if relevant)	Consistence with the programming period 2014-2020	Description of expected effects
62.	Increasing energy efficiency and energy savings among the general public, public services and the business sector									
	a) The preparation of the National Energy Efficiency Action Plan III	The transposition of the new energy efficiency directive of 2012/27/EU in the national law is in progress, which gives a new impetus to the increase of energy-efficiency. The National Energy Efficiency Action Plan III is being elaborated according to the directive, which presents the significant energy-efficiency measures planned by Hungary and their energy savings anticipated and/or achieved.		Pursuant to Section 2 of Article 24 of Directive 2012/27/EU on "Energy-efficiency", member states shall submit their national energy efficiency action plan to the European Commission, by 30th April 2014, after that every third year, which presents the significant energy-efficiency measures planned by the country and their energy savings anticipated and/or achieved.	The measure is in line with the Europe 2020 Strategy objective to increase energy-efficiency by 20%, and the nationwide 18% total energy saving.		Indefinable in advance.	From 2014: EEEOP, 5th priority axis: TOP, CCHOP, EDIOP	EEEOP, 5th priority axis: retail, central budgetary organs and non-profit sector building energy development, updating the energy-efficiency of district heating systems; TOP, CCHOP: energy-efficiency development of local governments; EDIOP: energy-efficiency development of enterprises, energy R+D+I, financial tools of energy-efficiency.	The increase in energy efficiency have significantly contributed to the reduction of the emission of greenhouse gases, through which they play a significant role in the accomplishment of environmental and climate protection objectives. Besides, the increase of energy efficiency is one of the most efficient and cost effective ways to reduce energy dependency, contributing to the enhancement of the security of supplies.

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	b) The preparation of National Building Energy Strategy	The detailed, complex assessment of the energy state of the Hungarian building stock will be carried out within the framework of the National Building Energy Strategy, which is under finalisation. The strategy provides a stable base for launching a large-scale building renovation programme, besides defining strategic objectives.	The preliminary consultation of the National Building Energy Strategy has been completed, before submitting it to administrative consultation.	The procession of incoming observations and their comparison to statistics is in progress. Having completed this process, the administrative consultation and social debate of the strategy can be implemented. Timeframe of the strategy: 2014-2020.		National Building Energy Strategy is financed from SROP 1.1.19 "Preparation of Strategies and Impact Assessments in the Ministry of National Development" (HUF 20 million)		From 2014-EEEOP, 5th priority axis; TOP, CCHOP: energy-efficiency development of local governments; EDIOP: energy-efficiency development of enterprises, financial tools of energy-efficiency.	EEEOP, 5th priority axis; TOP, CCHOP: energy-efficiency development of local governments; EDIOP: energy-efficiency development of enterprises, financial tools of energy-efficiency.	The measure plays a key role in fighting fossil fuel dependency, enhancing security of supply and the achievement of climate and environmental protection objectives. By improving the energy-efficiency of buildings, the overheads of households, enterprises and the energy demand of public tasks decrease. The measure is inevitable to achieve the energy-efficiency objective of 27/2012/EU. As a "side effect", the Hungarian foreign trade balance improves, and the energy-efficiency investments provide demand to the construction and engineering industry.

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure (if relevant)	Consistence with the programming period 2014-2020	Description of expected effects
	c) Building modernisation programme	Within the large-scale building modernisation programme, non-refundable subsidies are planned to be provided for the energy-efficient modernisation of residential, public and business sector buildings, as well as financial instruments to encourage developments. In the future we pay special attention to exploit the energy-efficiency potential in the modernisation of district heating.	Milestones: 2nd half of 2013: starting the elaboration of the Building Energy Strategy. Besides the on-going ones, two new schemes have been called for. The New Széchenyi Plans' sub-programme "Energy Efficient Renovation of Residential Buildings" supports the modernisation of brick apartment houses. Solar Collector Development of Public Institutions sub-project of Green Economy Financing Scheme (GEFS) offers subsidy to the purchase and installation of solar water heating, and other heat demands. Public task providing non-profit institutions, with professional social or boarding child protection service, are entitled to the solar collector subsidy.	The timeframe of the measure is continuous until 2020. Projects within NSzP-EEOP need to be completed by mid-2015 the latest. The elaboration and announcement of the support scheme can be realized after the Operative Programmes for 2014-2020 have been submitted to the European Commission.	The measure is closely connected to the 20% increase of the energy saving target of the Europe 2020 Strategy, and reaching the 18% total energy saving committed at national level.	Total resource needed until 2020: about HUF 1,600-2,000bn.		From 2014-EEEOP, 5th priority axis; TOP, CCHOP: energy-efficiency development of local governments; EDIOP: energy-efficiency development of enterprises, financial tools of energy-efficiency.	EEEOP, 5th priority axis; TOP, CCHOP: energy-efficiency development of local governments; EDIOP: energy-efficiency development of enterprises, energy R+D+I, financial tools of energy-efficiency.	The measure plays a key role in fighting fossil fuel dependency, enhancing security of supply and the achievement of climate and environmental protection objectives. By improving the energy-efficiency of buildings, the overheads of households, enterprises and the energy demand of public tasks decrease. The measure is inevitable to achieve the energy-efficiency objective of 27/2012/EU. As a "side effect", the Hungarian foreign trade balance improves, and the energy-efficiency investments provide demand to the construction and engineering industry.
63.	Measures facilitating utilisation of renewable energy									

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure (if relevant)	Consistence with the programming period 2014-2020	Description of expected effects
	a) The review of the National Renewable Energy Action Plan (REAP) of Hungary	The government invites the national development minister in its decision of 1969/2013. (XII. 18.) on The review of the National Renewable Energy Action Plan of Hungary to make a suggestion with involving the ministers concerned on the review of NAP, and on its modification if necessary with special regard to: a) the utilisation of technological development, b) the capacity of energy consumers, c) the complex interaction of biomass usage on agriculture and rural development, d) the changes in the Hungarian and EU regulatory environment, e) the amount of EU funds available for this area between 2014-2020.		The measure takes effect until 2020, deadline of implementation 30th June 2014.	The measure is in line with the Europe 2020 Strategy objective to use 14.65% renewable energy nation-wide, and 18% total energy saving.			From 2014: EEEOP, 5th priority axis: application of renewable energy production and renewable energy resources for public network through developments of building energy; TOP, CCHOP: renewable energy development of local governments; EDIOP: renewable energy development of enterprises, energy R+D+I, financial tools for encouraging the use of renewable energy.	EEEOP, 5th priority axis: application of renewable energy production and renewable energy resources for public network through developments of building energy; TOP, CCHOP: renewable energy development of local governments; EDIOP: renewable energy development of enterprises, energy R+D+I, financial tools for encouraging the use of renewable energy.	As a result of the measure energy import dependency and CO2 emissions will decrease, and the proportion of renewable energy sources will increase, thus contributing to the proportion of renewable energy source defined in Europe 2020 Strategy. The application of renewable energy sources will reduce energy costs locally (for the users), and in case of biomass in particular, it will contribute to increasing employment in the countryside. The failure of the measure risks the member state obligation defined in directive 28/2009/EC.

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	b) Support programmes	The measure aims to contribute to the increased use of renewable energy sources by different tools of support. Within the measure, on the one hand, the tasks related to the implementation of support projects (payment, implementation) called for in the previous years were carried out, on the other hand, new support programmes are planned to be called for in 2014. The Green Economy Funding Scheme(GEFS) becomes a major support resource of the energy efficiency programmes from 2014, which will be funded by the quota revenue earned from the EU emission trade. Besides, the pre-notification of the regulatory concept on the feed in tariff scheme (METÁR) which provides support for renewable and alternative energy resources is in progress. The aim of the concept is to provide support for the new power stations producing electricity in accordance with the aspect of sustainability and economy.	In Hungary the share of the renewable energy within the total gross energy consumption increased also in 2012 reaching the 9.6% rate. The draft of the feed in tariff scheme (METÁR) which provides support for renewable and alternative energy resources programme(METÁR) was submitted to the Directorate-General for Competition of the European Commission on 13th July 2013, and currently in the pre-notification phase. In case of support programmes within the NSzP-EEOP, the implementation of support agreements and the programmes are on-going.	Submitting the related OPs to the European Commission for the period 2014-2020 is due in spring, 2014. After that support programmes can be prepared and announced. Planning METAR is under consultation of the Commission.	The measure is connected to the target related to the EU2020 Strategy, i.e. the 14.65% usage of renewable energy committed at national level.	Total resource needed until 2020: about HUF 650-700bn The Green Economy Funding Scheme (GEFS) becomes a major support resource of the energy efficiency programmes from 2014, which will be funded by the quota revenue earned from the EU emission trade.		EEOP, 5th priority axis; TOP, CCHOP: renewable energy development of local governments; EDIOP: renewable energy development of enterprises, energy R+D+I, financial tools for encouraging the use of renewable energy.	The increase of energy efficiency is emphasised in the use of the European Union funds available in the period of 2014-2020. It shows the commitment of the Government that the increase of energy efficiency appears a target to be supported in, besides the Environment and Energy Efficiency Operational Programme, further Operational Programmes (TOP, CCHOP, EDIOP), multiplying the amount of funds available by the field in the previous period. EEOP, 5th priority axis: application of renewable energy production and renewable energy resources for public network through developments of building energy; TOP, CCHOP: renewable energy development of local governments; EDIOP: renewable energy development of enterprises, energy R+D+I, financial tools for encouraging the use of renewable energy.	

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64.	Action plans defining energy and climate policy	The District Heating Development Action Plan aims to convert district heating systems to renewable energy sources (geothermic energy and biomass), to establish a new district heating system, as well as to increase energy efficiency of district heating systems. The Awareness-raising Action Plan aim to improve energy and climate awareness, to introduce the energy awareness approach. Reserve Management and Utilization Action Plan aims to improve the conditions of the energy mineral asset management. The Energy Industry Development and Research Development and Innovation Action Plan is currently under preparation.		Timeframe of the District Heating Development Action Plan is 15 years.		Indefinable in advance.		EEEOP funds	Measures are in line with 5th priority of EEEOP.	The District Heating Development Action Plan will increase our competitiveness, create domestic workplaces; in case of the establishment of new district heating systems the quality of air in settlements will improve.

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65.	Creation of the National Adaptation Geographical Information System (NAGIS)	Pursuant to Point C, Section (2), Article 3 of the Act LX of 2007 on the Implementation of The Kyoto Protocol to the United Nations Framework Convention on Climate Change (hereinafter UNFCCC), to serve a base to the National Adaptation Strategy, a national adaptation geographical information system (hereinafter NAGIS) has to be established. NAGIS is a comprehensive electronic system which assists decision preparation and decision-making with objective information, and provides metadata information to adapt to climate change, examines the effects of climate change and processes the existing geographic information and the relevant environmental, social and economic data in a targeted and complex way, as well as facilitates the preparation and regular supervision of the framework of the national adaption strategy.	Project is launched in 2014.	The agreement on the support of the project on the creation of the National Adaptation Strategy was signed on 23rd January 2014, its beneficiary is The Hungarian Institute of Geology and Geophysics, the future operator of NAGIS. The project lasts until 30th April 2016.		Total budget of the project creating NAGIS is EUR 1,254,652, which is 95% financed by the European Economic Area. Budgetary resource is not needed for the implementation of the measure.	none	not applicable	The implementation of the measure – establishment of NAGIS – does not require EU funds. Further development of NAGIS is expected in the second half of the period 2014-20, which is planned to be financed by the 1st priority axis of EEEOP.	Legal conditions for the development and operation of NAGIS have been set up, which significantly reduces the implementation risks. Access to necessary data and their integration still involve a certain amount of risk. Positive impact of the measure is primarily the information about effects of climate change, which enables the efficient implementation of the measures of prevention and adaption from an economical, environmental and social aspect.

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66.	Elaboration of Jedlik Ányos Plan aiming at the development of e-mobility	The European Union has set several targets for spreading e-mobility, promoting greater environmental protection and energy security. In accordance with these targets the elaboration of the Jedlik Ányos Plan started in the spring of 2014. The Plan aims at encouraging the spread of the alternative drive vehicles and the development of the infrastructure thereof.		The JÁP is being elaborated alongside five pillars: environmental protection, R+D+I activity, infrastructure development and investment encouragement, legal and taxation environment, cooperation of stakeholders and synergies. Besides these the JÁP deals with the examination of international practice, funding issues and the efficient implementation of the plan.	The measure promotes to reach the target of the EU 2020 for the decrease of CO2 emission.					The energy security of the country increases, crude-oil dependence decreases, emission decreases further, the competitiveness of enterprises operating in this field increases.

4. Education

Each measure is included by CSR6.

5. Social inclusion

Number	Description of measure	Brief introduction of measure	Status of implementation - last 12 months	Further schedule of implementation - next 12 months	The relation of the implementation to any other CSR or Europe 2020 target and/or AGS priorities	Resources of measures	Budgetary effects	European Union funds available for the implementation of the measure (if relevant)	Consistence with the programming period 2014-2020	Description of expected effects
67.	Instruments, programmes to ensure implementation, monitoring and publicity of inclusion policy									
	a) Establishing the monitoring system of the strategy-	<p>Elements:</p> <ul style="list-style-type: none"> - the programme monitoring system, which we use to compile the annual report for the Government, furthermore, we monitor the progress of the measures, programmes two-three times per year, we inform the Roma Coordination Committee (and the Social Inclusion and the Inter-ministerial Committee of Roma Affairs, and Strategic Evaluation Committee of "Let it be better for children" if necessary) about the results, - the system of strategic indicators, whose indices have been uploaded to the publicly available information system, - coordinating and financing surveys (Roma survey with multiple samples, TÁRKI – Household Monitor, 	<p>With the assistance of the programme monitoring system, we compiled an annual (a report to the government) and an interim (technical) overview on the status of the programme implementation. In correspondence with this we prepared the update of the strategy. The programme monitoring report for the government is available on the website of The Ministry of State for Social Inclusion (http://romagov.kormany.hu/nemzeti-tarsadalmi-felzarkozasi-strategia). The researches mentioned have been completed or are in progress: we have worked out a regional indicator system with KSH in line with the objectives of NSIS, we have prepared a settlement-based Roma estimation based on census data, the Roma survey with multiple samples (before publication) regarding the circumstances of the Roma is ready, we have prepared</p>	<p>We are preparing the next action plan of the strategy for 2015-2017, based on the information regarding the implementation of the programmes and the social environment studies. We are improving the monitoring system of the strategy, adjusting it to the new action plan, supporting researches to monitor the changes in social circumstances.</p>			Updating NSIS and the development of the monitoring system do not have direct budgetary effects.		The monitoring system, reports and related researches help the preparation of objectives for 2014-2020.	With the reports compiled with the help of the monitoring system, we may issue more accurate and efficient measures.

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		KSH- establishment of regional indicators, processing Roma census data), their results provide an overview on changes in social circumstances which determine social inclusion, - coordination and methodological working groups that ensure the support of monitoring: Indicator working group (research centre members), Monitoring working group (inter-ministerial working group set up to coordinate the programme monitoring system).	based on the objective and indicator system of the strategy an overview on the changes in social circumstances lately. These results have been used in the overviews and reports of the strategy, and during the preparation of the updated NSIS.							
	b) Establishing the coordination frameworks of inclusion policy	The measure aims to draw up recommendations for strategic directions of inclusion and Roma policy, monitor implementation, harmonise inclusion activity of certain ministries, help with advice, and integrate the information about the interest of the specific social group to governmental work. Conciliation Board of Roma Affairs (CBRA): The government decided to set up the Conciliation Board of Roma Affairs at the end of January, 2013. The main task of the board is to draw up recommendations for strategic directions of	CBRA held its first session on 7th May 2013. Its goal was to establish social and employment associations, and review the current status of EU financed programmes involving the Roma. SIIMCRA has been in session twice. (25th Jan, 22nd May) It primarily focused on setting up the regulation of Roma nationality data management. It promoted the consideration of inclusion aspects for certain ministries in the next planning period. ROC held its inaugural meeting on 26th September 2011, according	According to plan twice in session. According to plan at least twice in session.		No direct financial resource is necessary for operation.	The measure has no significant budgetary effect.		Consulting bodies take part in the implementation of the processes between 2014 and 2020.	Communication will be initiated between the representatives of the target group and policy issues will be harmonised with the state representatives.

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		<p>inclusion and Roma policy and monitor implementation. The council drafts proposals on the social inclusion and Roma policy of the government, monitors the achievement of the objectives in the framework agreement between the cabinet and the National Roma Minority Self-Government (NRMSG), as well as gives an opinion on the reports prepared by ministers involved in implementing the agreement and NRMSG. Social Inclusion and the Inter-ministerial Committee of Roma Affairs (SIIMCRA): is responsible for the improvement of living conditions of the Roma and people living in extreme poverty, coordination and assessment of government activities regarding the promotion of integrating the abovementioned groups into the society, coordination of inclusion activities of certain ministries, assisting with advice. The committee makes proposal to the Government on the coordinated planning of the resources regarding social inclusion and monitors spending.</p>	<p>to the government decision; it is in session at least twice a year. The sixth session was held on 29th May 2013 with the following agenda: Information on the National Social Inclusion Strategy (approved by the Decision of 1430/2011. (XII.13.) Gov.) and its implementation proposal in the governmental action plan between 2012-2014; The National Reform Programme of Hungary 2013. The seventh session was held on 19th December 2013 with the following agenda: The status of public works and its plans for 2014; Updating and monitoring experience of the National Social Inclusion Strategy; Currents status of programming period 2014-2020 regarding EU funds – Human Resource Development Operational Programme.</p>							

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		<p>Roma Coordination Council (RCC): The Council is the advisory, consultation body, its scope of activity is presenting information about the interests of the social groups concerned to the governance. Its tasks: a) raise attention to the problems that make the implementation of the measures for the inclusion of the Roma difficult; b) give opinion about regulatory and implementation recommendations for integrating the Roma living in social exclusion, as well as domestic and international reports, briefs; c) give suggestions on improving the living conditions and social status of the Roma, and on measures to facilitate their social integration; propose targets, objectives, solutions and particular measures; d) participate in assessing the impact of activities to improve social status of the Roma, and to integrate them into society; e) participate in creating and developing professional networks facilitating inclusion.</p>								

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68.	Programmes aiming at children with disadvantages and multiple disadvantages	The aim of the measure is to establish integrated policy against child poverty in the most disadvantaged regions of the country, and to improve chances of disadvantaged children by involving families. The developments aim at improving the current condition of the children, and providing good quality services (e.g. early childhood Secure Start Children's House, free time activities and services for inclusion in school, summer camps and medical checks), as well as preparation of the child and youth strategy of the subregion for at least 10 years with the tools of community forming and strengthening the professional cooperations in the region. Families are also involved in services like developing parental competences, family planning and households, debt management.								

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	a) Operating children's houses	Secure Start Children's houses are the services intervening from the earliest age against child poverty.	In the programming period 2007-2013, 104 Children's house was set up (and further 9 premises), about half of them are in EU development stage. Since 2012 domestic operational support can be provided for the Children's houses finishing the EU project: 41 in 2012, 43 in 2013 received subsidy. The budget was HUF 293 million. The Act XXXI of 1997 on Child Protection and Guardianship Administration placed Children's houses among basic care as of 1st January 2013. According to the Act, three-year subsidy can be provided to operate the houses securely as of 2014. Secure Start Children's House service was placed among centrally financed services by the amendment going into effect 31st Aug 2013 on Gov. Decree of 191/2008. (VII. 30.) on Financing Supporting and Community Service. 49 houses receive subsidies in 2014 from a budget of HUF 293 million.	on-going			Providing contribution is necessary for the operation of the new children's houses. The involvement of the Secure Start children's houses under implementation may have budgetary needs.			Children living in extreme poverty, mainly of Roma origin, lack crucial social skills, they receive assistance, involving parents, in their early childhood, which is a key stage in their future development. To improve their skills and competences; this is inevitable to their kindergarten integration and future academic success. With intervention in early childhood, social integration in kindergarten, school, labour market and local community strengthens, parental competences improve. Regeneration may end poverty with the children concerned, they have the chance for successful integration.
	b) National Strategy Assessment Committee on "It shall be better for the children"	The Assessment Committee was set up in 2007, which was restructured by the government to present a stronger governmental responsibility, thus representatives of the governance besides civil organs, became members of the Committee. Its task is to	AC held its inaugural session on 25th October 2011, it was in session four times in 2013 (11th Feb, 24th May, 29th Oct, 19th Dec). The members discussed the joint report of the work of the "It shall be better for children" National Strategy Assessment Committee in 2012 and the implementation of	According to the regulation in effect AC is in session four times a year.		HUF 140,000 to cover costs of the Committee	not applicable	not applicable		The monitoring of the objectives to tackle child poverty will become constant. Recommendations for SIIMCRA based on monitoring social processes will help implement programmes aiming to reduce child poverty.

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		monitor the implementation of the objectives of „It shall be better for children!“ National Strategy, and of those concerning child poverty set out in the National Social Inclusion Strategy. Moreover, they monitor the social processes regarding the priorities of the Strategy, and draw up opinions and recommendations for the Social Inclusion and the Inter-ministerial Committee of Roma Affairs.	measures of the National Social Inclusion Strategy defined by the Gov. decision of 1430/2011. (XII.13.); the current status of the programming period 2014-2020 of EU funds; the status of public works and its plans for the 2014, and also the plans and interventions for the period 2014-2020 to reduce child poverty							
	c) Facilitating the chance of children's access to healthy nutrition	School fruit programme: Point f) of Subsection 19 of Section 3 of Decree 1290/2005/EC and Article 103ga of 1234/2007/EC enabled that the EU provides subsidies to implement the school fruit programme from the academic year 2009/2010. The objective of the scheme is to increase the amount of vegetables, fruit consumption of children in the long run and by changing their eating habits to combat obesity. If the consumption of fruit and vegetables can be increased in the long run, it might contribute to the stabilisation of producer incomes through the increase in demand. The content of the	School fruit programme: preparing and submitting the national strategy for the academic year 2013/14 to Commission: 22nd January, 2013; commission decision 1730/2013/EC about the EU fund allocation between member states: 26th March; amendment of MRD Decree (see: MRD Decree 31/2013. (V. 2.) and MRD Decree 65/2013. (VII. 29.)) 2nd May 2013, 29th July 2013; start of the School fruit programme 2013/14, 9th Sep 2013 (the programme closes on 1st June 2014); School milk programme: a ministerial decree has been accepted. Previously, the programme of 2014 was presented to the board of MRD, upon which the proposal for the related decree was prepared. The civil dialogue was carried	School fruit programme: academic year 2013/14 project closing 1st June 2014; preparing and submitting the national strategy for the academic year 2014/15 to Commission: 30th April, 2014; publication of commission decision about the EU fund allocation: 30th June; amendment of MRD decree if necessary: the start of the academic year 2014/15, Sep 2014; School milk programme: we are planning to implement an education measure in 2014 to make the programme popular. The related legislation is planned to be amended in April-May.		School fruit programme from EMGA resource and central budget, altogether HUF 2.8bn. School milk programme from domestic resource (in 2014 HUF 1.7bn) and EU funds with open upper limit.		School fruit programme from EMGA resource		Long-term effects of School fruit programme: increased consumption of fruit and vegetables by the target group, healthy diet, reduction of obesity, increased demand for fruit and vegetables, stabilisation of producer incomes. In the academic year 2013/2014 538,832 pupils (year 1-6) from 2,032 (92%) primary schools participate. Long-term effects of School milk programme: the primary aim is to raise youth with regular milk consumption. This effect can only be measured in the long run.

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		<p>Hungarian school fruit programme: Pupils in year 1-6 of primary schools are provided with fresh vegetables and fruit and 100% fruit juice 2-4 times a week for 24-29 weeks. Supplementary measures are to be executed during the programme. The aim is to emphasize the positive impact of fruit and vegetable consumption, improve knowledge about a healthy diet and fruit and vegetable production, and to encourage pupils' vegetable and fruit consumption.</p> <p>Kindergarten and School milk programme: The programme is implemented in the calendar year. The preparation of the measure and the legislation is according to the regular administrative time frame.</p>	out according to the regular administrative dialogue.							
69.	Local equal opportunity programmes	The horizontal foundation of inclusion policy at local level is established by local equal opportunity programmes. Local governments can only receive grants subject to specific decision and tender from the subsystems of the budget, or EU funds, or other international programmes if they	SROP 1.1.16 was called for on 10th January 2012 and its top beneficiary is Türr István Training and Research Institute (TTRI). Within the programme the mentor network (the training of mentors, mentor assistants, local government officials) was started to be built in January 2013. The first phase of project implementation closed on	The implementation of the measures in the local equal opportunity programmes approved by the local government in 2014 is in progress. The pro rata implementation of local equal opportunity programme, and after the analysis of the situation, the possible modification of the situation are necessary		Financing of the content of LEOP is decided locally. Measures on equal opportunities are mostly financed from central budget.		SROP 1.A.3 project: 2013-2014 SROP 1.1.19		Equal opportunity and social inclusion are more dominantly present in local measures. The preparation of 5-year long local equal opportunity programmes is continuous. Number of LEOPs already approved by local governments is : 2,853 including 3,117

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		<p>have an effective local equal opportunity programme (5-year term, in line with the criteria set out by the ministerial decree but responding to local needs) since 1 July 2013. The local governments make an assessment of the situation of the social, education, employment, health and dwelling of the social groups experiencing deprivation in the local equal opportunity programme, and make an action plan to handle the problems revealed in the assessment of the situation. In order to monitor the change in the situation of the equal opportunity target groups (those experiencing multiple deprivation – the Roma, children, the old, women, the disabled) and the measures taken to handle their problems, at national level, the municipalities make the programmes according to uniform principles – defined by the Government.</p>	<p>15th Dec 2013. To implement the second phase, the modification of the grant agreement was signed on 26 March 2014. The closing date of the programme is 30th Sep, 2014. Impact assessment of the regulation on local equal opportunity programmes was prepared in 2013 within SROP 1.1.19. Türr István Training and Research Institute (TTRI) is a new element which offers free assistance to prepare a professionally adequate equal opportunity programme with an equal opportunity mentor network as the background institution of the Secretary of State for Social Inclusion of the Ministry of Human Resources.</p>	<p>to be overview every 2 years, and the analysis of the situation and the action plan need to be modified according to the new situation. This overview is going to be carried out in 2015.</p>						<p>settlements.</p>

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70.	Social land programme	<p>The overall aim of the social land programme of 2014 is to tackle unemployment, provide employment especially with the involvement of the social groups experiencing disadvantages. The social land programme helps:</p> <ul style="list-style-type: none"> • alleviate regional disadvantages; • improve local social and economic well-being, the establishment of sustainability; • activate the beneficiaries, improve their level of employment; • and improve the livelihood and quality of life of the people – primarily the Roma – experiencing deprivation. 	<p>Programme of 2013 was called on 29th April 2013 with a HUF 170 million budget. Within the programme three components can be applied for – social land programme related to public works, asset purchase and development, horticulture and pet project. Number of beneficiaries: 151.</p>	<p>Timeframe of the programme: April 2013-30th June 2014. The 2014 tender for Social land programme was called for on 4th March 2014, with a budget of HUF 250 million, out of which 200-300 tenders might receive grants.</p>		HUF 250 million				<p>Employment, employability of the disadvantaged improves, so does the chance of inclusion. The state strengthens the income-earning ability of households, as social and economic unities with its measures on public works, besides activates socially deprived, inactive or permanently low-income people and the deprived regions, and provides work opportunities.</p>

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71.	Reversal of territorial exclusion	The purpose of this measure is to create, in the form of a model programme in 10 to 12 communities a development plan relying on the creativity inherent in the local community and on its intellectual and social capacity, with an innovative approach aimed at the reversal of the adverse economic and social processes, and to establish the community and social capacity necessary for the implementation of the activities included in the action plan.	Call for applications: 2nd quarter of 2013:LHH programmes in the framework of SROP 5.1.1.continue, which aim to help the most deprived regions The 100 projects of the programme 2009 have mostly been completed. Implementation: 2013-14-15	The projects of the 19 beneficiaries of the programme for 2011 are expected to close at the end of 2014. Within the framework of SROP 5.1.3.a programme was launched in 2010 to reduce deterioration, regeneration and territorial expansion of poverty; the programme has 25 winners with 299 settlements involved. To reverse the negative socio-economic processes of depopulating villages, several pilot projects were launched in 2014 within SROP 5.3.11.		SROP 5.3.11 HUF 0.854bn SROP 5.1.3.: budget allocation for 1st component is HUF297million 2010-2014, 2nd component HUF3.8bn. SROP 5.1.1.: 2011-2013: HUF1.990bn.		Within SROP 5.1.1 implementation of 18-24months programmes. SROP 5.1.3. programmes close in 2014 SoPOP 5.3.11 closes 1st half 2015.		As a result of the programmes, social cohesion will improve, local communities will develop; disadvantages from income poverty, negative economic and social processes will be reduced. Territorial expansion of social and regional disadvantages, poverty will decrease.
72..	Implementing complex slum programmes	The aim of the programme is to promote mobility and integration of target group members with public works and a personalised development plan, besides improving their housing conditions. A complex long-term strategy for the elimination or occasional rehabilitation - taking specific conditions into consideration - of gypsy slums, often hardly suitable for housing purposes, and also the elaboration of an action plan for the measure will be necessary.	SROP 5.3.6-11/1: in the first phase 22 local governments received grants, the implementation of the programmes started at the beginning of 2013. In the second phase further 18 local governments received grants. With the increase of the fund we managed to support an additional 17 applicants who were on the reserve list and had good professional content in their applications. Thus, within the framework of the scheme, the implementation is going on in 57 settlements, in about 80 slums. Each project involves minimum 45 persons, 75% of them enter trainings.	SROP 5.3.6-11/1 closes on 30th November 2015. . TIOP 3.2.3 closes in the second half of 2015.	Resource: HUF 8.040bn Resource: HUF 2.580bn			HUF 8.040bn HUF 2.58bn	Based on the experience gained during the two programmes, the rehabilitation of slums continues in the next programming period.	Due to the complex programmes, the integration chances of those living in the slums improve. More than 3,300 persons are expected to be involved, and out of them more than 2,000 take part in trainings.

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			TIOF 3.2.3 The programme "Supporting housing investments" was called for in May 2013 with a budget of HUF 1bn. It aims to provide infrastructural developments, primarily housing for the winners of SROP 5.3.6. With the modification of the action plan the budget was raised by HUF 1.08bn. The deadline was modified to utilise the increased resource efficiently, submission was accepted in two phases, until 30th November 2013 and 31st January 2014.							
73.	Changes of financial, social, family support allowances of the disabled	Since 1 January 2014 the amount of the increased care allowance, the disabled benefit, the personal allowance of the blind and the allowances of the disabled have been increased. The maximum amount of the regular social assistance has also increased. In the set of measures called GYED (child care fee) extra several modifications on the increase of the families' social security have been introduced. It is a significant support that the joint payment of the allowances for the consecutively born children is possible, thus the parent getting GYED or GYES (child care benefit), in case another child is born after 1 January 2014, will be		on-going	Increasing employment (EU2020-1) Poverty reduction (EU2020-5) Tackling unemployment and managing the social consequences of the crisis (AGS-4)	GYED (Child care fee) extra set of measures is an extra HUF 19bn expense on the budget. The introduction of special care allowance and the increase of the amount of increased care allowance are an extra HUF 17.1bn expense on the budget	HUF 20.7 bn			The living standard and social situation of the social layers receiving allowances (the disadvantaged, the disabled, parents with children) will improve.

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		entitled for the allowance for both children, consequently the allowance for the elder child will be paid further. The special care allowance for those caring their relatives who are in severe condition has been introduced. On 1 January 2014 the special care allowance was introduced.								

Annual Growth Survey 5th priority: modernisation of public administration

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74.	Simplifying administration for clients									
	a) Establishing the nation-wide network of government windows (one-stop shops)	A government window (one-stop-shop) is created at the base of the Offices for Government Issued Documents in each district (metropolitan district) so that citizens may settle several thousands of state administrative case types in one place in the long run.		The objective is to establish the complete nation-wide network of government windows by 31st December 2017.	The measure is related to the 5th priority of AGS, the modernisation of public administration.	Currently the budget to implement the measure is HUF 12bn, about the half of which is funded by the EU, the other half from domestic funds. More resources are expected to be involved to set up the complete system, which prioritise resources from the next EU projects.		The establishment of government windows has required EU funds so far, out of which e.g. the training of government window staff was carried out, therefore EU funds will be needed in the next period too.	The project is in line with the planning of 2014-2020.	
	b.) Improving co-operation between public administration and some specific social groups	The measures aims to present the operations of the state, and improve the image citizens have formed about the state. The cooperation creates a social capital which can improve Hungarian economic competitiveness. Public administration builds up its social capital from the social trust it gains.		The measure is in effect until 30th November 2014.	The measure is related to the 5th priority of AGS, the modernisation of public administration.	From on-going project with HUF 800 million budget (SROP 1.1.26.)		Financed by SROP.	The experience gained within the measure serves as a basis for certain projects of planning period 2014-2020.	

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	c.) Further development of the Entrepreneurial Portal	Within the framework of the Cutting Red Tape Programme we plan to further develop the Entrepreneurial Portal, - implemented from EU funds - in the spring of 2014. The range of administrative procedures with online access can so be extended, thus making the enterprises fulfil their administrative obligations easier. In the course of further developing and promoting the portal, the development of the cooperation between state and civil organisations plays an important role; thus an extension which is best suited to the demands of the private sector can be implemented.		1 year		Further extension of the Entrepreneurial Portal requires about HUF 150 million, maintenance costs are the same as stated in NRP (HUF 30 million/year).				
	d.) The registration of electronic administrative services	As a result of EAI starting the registration of electronic administrative services, in the future the coordination of administrative electronic services and the cooperation of their supportive background systems will be provided. Due to the effect of the measure, the quality of electronic administration will improve, and more and more electronic administrative services will be available for the								

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		citizens. All these help to decrease public and entrepreneurial administrative burdens and create a citizen-friendly public administration.								
75.	Developments affecting public service employees									
	a.) Improving cooperation between different levels of public administration	Cooperation obstacles have been unveiled to improve cooperation and communication between different levels and organisations, the possibilities of alleviation of the problem are going to be drafted (e.g. facilitating a more open organisation structure). The administrative operation may have the everyday tendency to cooperate as a characteristic feature.		The measure is in effect until 30th November 2014.	The measure is related to the 5th priority of AGS, the modernisation of public administration.	From a currently on-going project with HUF 800 million budget (SROP 1.1.26.)		Financed by SROP.	The experience gained within the measure serves as a basis for certain projects of planning period 2014-2020.	
	b.) The introduction of public service career model	1. strategic based, integrated human resource management system, which is based on the analysis and assessment of the scope of different jobs, 2. establishment of a new career and remuneration system expressing the features of the scope, 3. statistical information system providing the monitoring and assessment of the functions regarding		The measure is in effect until 30th November 2014.	The measure is related to the 5th priority of AGS, the modernisation of public administration.[efficient administration, efficiency, transparency, increased quality]	In preparation phase in line with the new period.		In preparation phase	In the framework of the programming period 2014-2020 under the thematic objective 11 ("Institutional capacity improvement and efficient public administration") the specific objective "Development of administrative human-infrastructure" is planned. In order to fulfil these, measures are elaborated: "Establishment of a full-scale scope of work	

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		human resources.							based system, expansion of public service career model" and "The development of new Hungarian public administration curriculum and education" as the measures will be implemented.	
76.	Modernising governmental strategic management									
	a.) Building multilevel strategic monitoring system	In the framework of modernising the governmental strategic management, based on the experiences gained by the ministries' surveys, a strategic database was created in 2013. The multilevel strategic monitoring system is built upon this, and will support the development planning of 2014-2020.		The measure is in effect until 31st December 2014.	The measure is related to the 5th priority of AGS, the modernisation of public administration.	Most part of the measure can be financed from ministerial administrative budget. Complementary resource of HUF 10 million is necessary.			The measure serves as a basis for the implementation of public administration development plans 2014-2020.	
	b.) The foundation of creating a strategic controlling system	In the framework of modernising governmental strategic management, based on the experiences gained by the ministries' surveys of strategic aspect, a strategic repository was created in 2013. The multilevel strategic monitoring system is built on this, which supports the development planning of 2014-2020. The duty and conditions of the continuous operation of the strategic		The target is the foundation of the controlling tool of the strategic management system until 31 st December 2015.	The measure is related to the 5th priority of AGS, the modernisation of public administration.	Most part of the measure can be financed from ministerial administrative budget. Complementary resource of HUF 10 million is necessary.			The measure serves as a basis for the implementation of public administration development plans 2014-2020.	

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		repository will be stipulated by law. A further measure planned until 31 December 2015 is the foundation of creating a strategic controlling system and the development of the system of indicators.								
	c.) Magyary Programme 2014-2020	In accordance with the cohesion policy of 2014-2020 the Magyary Programmes, each covering a 1-year period, will be converted to the planning adjusted to the EU development policy cycle, in which the basis of the developments will be cycles covering a 7-year period. To ensure this, the Magyary Programme 2014-20 will be drafted, which tailors the public administration development concepts planned for this period into a strategic framework. The previous Magyary Programmes include several elements the promotion, widespread socialisation of which and the use of opinions are inevitable.		The measure is in effect until 31st December 2014.	The measure is related to the 5th priority of AGS, the modernisation of public administration.	Most part of the measure can be financed from ministerial administrative budget. Complementary resource necessary is minimal, financed from SROP.		Complementarily financed by SROP.	The dissemination of public administration development plans 2014-2020 has an impact on development directions.	