



GOVERNMENT OF HUNGARY

**NATIONAL REFORM PROGRAMME 2012
OF HUNGARY**

April 2012

TABLE OF CONTENTS

INTRODUCTION	5
I. MACROECONOMIC OUTLOOK.....	7
II. PRIORITIES OF THE ANNUAL GROWTH SURVEY	11
II.1. Growth-friendly fiscal consolidation	11
II.2. Restoring normal lending to the economy.....	11
II.3. Enhancing growth and competitiveness with the aid of EU development funds and through the reinforcement of the digital internal market	13
<i>Reallocation of EU development funds.....</i>	<i>13</i>
<i>Reinforcing the digital internal market</i>	<i>15</i>
II.4. Tackling unemployment and the social consequences of the crisis	16
<i>Tackling the situation of foreign currency debtors.....</i>	<i>17</i>
II.5. Modernising public administration	18
III. EUROPE 2020 TARGETS.....	23
III.1. Employment	23
<i>Structural reforms in the interest of the long-term promotion of employment and labour market participation – making work attractive for the inactive</i>	<i>24</i>
<i>Supporting and mobilising measures to promote employment on the open labour market and to develop a flexible and secure labour market</i>	<i>25</i>
<i>Improving the quality of labour supply in the long run: healthy and qualified labour force in accordance with the needs of the labour market.....</i>	<i>27</i>
<i>Young people in focus.....</i>	<i>28</i>
<i>Promoting labour force demand</i>	<i>29</i>
III.2. Research and development.....	32
III.3. Climate – energy.....	35
III.4. Education.....	37
III.5. Social inclusion	45
IV. IMPLEMENTATION OF THE 2011 COUNTRY SPECIFIC RECOMMENDATIONS	50
IV.1. Reduction of fiscal deficit.....	50
IV.2. New fiscal governance framework.....	50
IV.3. Alleviating the impact of the tax reform on low earners, enhancing the labour market participation of women.....	51
IV.4. Active labour market policies, mobilisation of disadvantaged groups.....	53
IV.5. Improvement of business environment.....	55
ANNEX 1: DETAILED REVIEW OF MEASURES PLANNED WITHIN THE NATIONAL REFORM PROGRAMME.....	57
ANNEX 2: THE IMPLEMENTATION OF THE 2011 NATIONAL REFORM PROGRAMME AND COUNTRY SPECIFIC RECOMMENDATIONS	111
ANNEX 3: MACROECONOMIC INFLUENCES OF THE MEASURES OF THE CONVERGENCE PROGRAMME AND THE NATIONAL REFORM PROGRAMME	153
ANNEX 4: PUBLIC CONSULTATION OF THE MEASURES OF THE NATIONAL REFORM PROGRAMME	155

INTRODUCTION

In 2012, the European Union faces simultaneous challenges from the sovereign debt crisis, the need to reinforce economic governance, as well as accelerating structural reforms. In order to improve the economic prospects of the European Union, recommendations of the European Commission's Annual Growth Survey aim at increasing sustainability and competitiveness of the European economy.

Hungary's 2011 National Reform Programme (in accordance with the Convergence Programme) set out to resolve inherited structural problems constraining dynamic and balanced growth of the Hungarian economy. On the Basis of the Széll Kálmán Plan, serving as a starting point for both documents, announced in March 2011, major structural reforms were launched, on the fields of employment and the labour market, pension system, higher education and public administration. The Government is committed to further growth-friendly reforms aimed at enhancing growth potential and labour market activity as well as fiscal consolidation, as confirmed in the current National Reform Programme and Convergence Programme of 2012.

The main purpose of the National Reform Programme is to introduce measures for dynamic economic growth, boosting employment, ensure sustainable level of public debt, while following the guidance by the European Commission for structure and content of presentation. Majority of growth enhancing measures are structured according to the priorities of the Annual Growth Survey, while measures directly aimed at the attainment of national targets of the Europe 2020 Strategy are presented in thematic chapters. Furthermore, the document places particular emphasis the implementation of measures of the 2011 Programme and the country-specific recommendations approved by the European Council in June 2011.

Hungary prepared its National Reform Programme in accordance with the Convergence Programme and, following their approval, the Government will submit the two documents to the European Commission simultaneously. The Hungarian Government expects that the coordinated and consistent implementation of the structural reforms in the National Reform Programme (and also in the Convergence Programme) will initiate a critical mass of structural changes in the Hungarian economy, accelerating growth by improving competitiveness.

I. MACROECONOMIC OUTLOOK

In this Chapter, we shall briefly introduce a medium-term macroeconomic overview on which Hungary's National Reform Programme is based. It is important to stress that, in accordance with the new, integrated approach of the European semester, Hungary's National Reform Programme and Convergence Programme were drafted in close harmony, one based on the other, and the two documents are submitted to the European Commission simultaneously. As the macroeconomic scenario relating to the period between 2011 and 2015 is discussed in detail in the Convergence Programme, the macro-economic outlook introduced herein below is purely confined to a summary of the macroeconomic scenario detailed in the Convergence Programme.

As regards the external conditions of growth, the Convergence Programme reckons with an approximately 4.2% world economic growth outside the European Union in 2012, similar to the year before, while the European Union's economic growth may fall to 0.1% as a consequence of the renewed debt crisis. The temporary decline will have its effect felt more intensively in the first half of 2012, while we may expect a slow rise as of the second half of the year, presuming that the debt crisis of the euro zone is satisfactorily resolved. While the growth of the economies outside the European Union may reach 4.3% in 2013, the EU's growth may accelerate to around 1.4%. Due to Hungary's high foreign debt, the recurring waves of the debt crisis strongly affect Hungary's economic activity also via the risk premium channel.

In 2012, the temporary slowing down of the world economy and the significant improvement in the structural balance of the budget will keep the actual growth rate low. As of 2013, the actual growth will, as anticipated, once again exceed the potential rate, and therefore the output gap will become repeatedly reduced. However, the level of actual output will remain below the potential output level until the end of the forecasting period and, according to the calculations of the convergence programme, the output gap is only expected to close after 2015. It is important to emphasise that the structural measures primarily improve potential growth. A significant proportion of the Government's measures concern the labour market, as a consequence of which the expansion of the labour component of the potential growth will soon exceed the pre-crisis rate and will constitute a determining source of domestic growth.

In the course of 2010-2011, the country's net exports represented the main driving force of growth which counter-balanced the poor domestic demand and the restrictive effect of the country's limited fiscal scope. Net exports will continue to account for most of the economic growth in 2012-13, however, with slowing balance sheet adjustment, as of 2014 the domestic components, too, will significantly contribute to the development of a healthy growth structure that is sustainable in the long run.

The growth of Hungarian exports has for years exceeded that of the export markets. In the course of 2011, compared with external demand, the performance of Hungarian exports was 2.1 percentage points higher. As of 2013, in response to individual factors, the difference between the two indices may further increase as the capacities coming into being in consequence of the projects currently underway in the automobile industry will start production and export sales in 2012-2013. An effective rise in domestic demand may be expected as of 2013, and consequently, the gap between the growth of exports and imports will close, while as of 2014 the increase in imports may slightly exceed the growth in exports.

In response to the measures improving competitiveness and the medium-term stabilisation of the international money markets, the gross fixed capital formation may start rising as of 2013 and may stabilise at a rate in excess of 3% from 2014 on. The role played by projects in the manufacturing in

gross fixed capital formation will remain unchanged throughout the projection horizon, on the one hand, thanks to the large automobile industry projects and, on the other hand, as based on the estimates of the Hungarian Investment and Trade Agency, projects in other sectors of the manufacturing, too, may significantly expand in Hungary. The expansion of the capacity in the manufacturing will increase Hungary's potential output, thereby contributing to longer-term economic growth and macroeconomic stability. Additionally, the utilisation of EU funds, too, may considerably contribute to an increase in the gross fixed capital formation in 2012 and 2013. Similar to previous years, these funds will be used for infrastructure projects, while the agricultural sector, too, will benefit from them. In 2012, the consumption of households may decrease by 1.2%. Prospects for 2013 are more positive as real income will start rising again. At the same time, the taxation measures slow down the rate of the growth of household consumption, given that corporations may enforce their respective excess burdens by increasing the prices of their telecommunications and financial services. Based on this, the volume of household consumption may increase by 0.2% in 2013. As of 2014 household consumption may further accelerate, an approximately 2% growth rate is expected.

A new public work programme, the Start Work Programme is being launched in the public sector in 2012. This programme is intended to provide job opportunities for minimum 200,000 people. According to expectations, the public work schemes as a temporary economic policy tool designed to promote employment on the primary labour market, parallel with the revision of disability pensions announced as part of the Széll Kálmán Plan, will peak in 2012-2013. However, in addition to the public work schemes, other factors, too, will play a part in the development of the number of people working in the public sector. At the beginning of 2012, the Government decided on staff reductions in fiscal bodies for the purpose of more effective operation of state. This (not including public work programme) will result in a 1% reduction in the public sector in 2012. However, with the extension of the public work programme, there may be a 4.3% increase in the public sector in 2012 and a 5.4% increase in 2013. On the level of the national economy, as a result of a more moderate expansion in the private sector and a (temporary) higher increase in the number of workers in the public sector, the number of employees will rise by more than 1% in 2012 and by more than 2% in 2013.

Domestic factors, such as the effects of the changes in taxation, will play a key role in the development of inflation in 2012. These are, on the one hand, the excise duty increases on tobacco and alcohol products and diesel oil that already began in 2011, and, on the other hand, the VAT increases at the beginning of the year. The rest of the Government's measures are not expected to induce a rapid rise in the consumer price index as regulated prices increased below the rate of inflation at the beginning of the year. These supply-side effects may be considerably offset by the negative output gap that continues to open up further this year. With regard to the processes mentioned with respect to 2012 and the effects of the measures designed to improve the balance of the budget by 2013, the consumer price index may decrease to the level of the central bank target (3%) by 2014.

As regards external balance, the Hungarian economy will continue to remain in a net financing position also in the next few years, thanks to which the level of the country's foreign debt (in relation to the GDP) will continuously decrease. The improvement of the balance on goods and services will be determined, also in the years to come, by the low imports demand of domestic use. In spite of the fact that, as of 2013, both household consumption and gross fixed capital formation will expand, the loss of domestic demand sustained in the course of the crisis will reduce the level of imports in the medium term. The balance on goods and services may therefore produce a surplus of 9-10% of GDP throughout the entire projection horizon. The interest paid on debt may remain significant in the income balance during the entire forecasting period. The development of income on equity will, as anticipated, be determined by individual factors by 2014. The launch of production in the new automobile industry facilities will tie up a part of the profits generated in the other production units of these companies in 2012-2013. Therefore, both profit transfers and re-invested earnings may remain at a low level in 2012-2013. After 2014, however, profits will also be generated from excess produc-

tion, and re-invested earnings may increase. As the utilisation of current EU transfers will remain significant until 2014, the surplus of the current account may be around 3-4% of GDP during 2012-2015. In response to the increasing income outflow in the course of 2014 and the planned minor current EU transfers in 2015, the surplus on current account will gradually decrease. EU transfers emerging in the capital account will remain significant throughout the projection horizon and the external financing capacity may therefore reach 6.4-7.3% of GDP.

The Hungarian Government sincerely hopes that the combined and consistent implementation of the structural reforms introduced in the National Reform Programme (and also in the Convergence Programme) will induce a critical mass of structural changes in the Hungarian economy which will bring about an accelerated growth through the quality improvement of competitiveness.

Development of most important macroeconomic indicators (2011-2015)

	2011	2012	2013	2014	2015
<i>Percentage, volume change compared with previous year</i>					
Gross domestic product	1.7	0.1	1.6	2.5	2.5
Household consumption expenditures	0.0	-1.4	0.7	2.6	2.6
Gross fixed capital formation	-5.4	-2.3	0.3	3.5	3.5
Exports (national accounts)	8.4	4.7	8.8	10.5	10.5
Imports (national accounts)	6.3	2.8	8.1	11.0	10.9
<i>Percentage, annual average</i>					
Unemployment rate	10.9	10.9	10.3	9.5	8.9
Employment rate (15-64)	56.0	56.9	58.5	60.6	63.2
<i>Percentage, in relation to gross domestic product</i>					
External financing capacity	3.6	6.6	7.3	7.3	6.4
<i>Percentage, annual average</i>					
Consumer price index	3.9	5.2	4.2	3.0	3.0

II. PRIORITIES OF THE ANNUAL GROWTH SURVEY

The Annual Growth Survey published by the European Commission in November 2011 draws the attention of Member States to the following five top priorities for the purposes of their national reform programmes:

- pursuing differentiated growth-friendly fiscal consolidation
- restoring normal lending to the economy
- promoting growth and competitiveness for today and tomorrow
- tackling unemployment and the social consequences of the crisis
- modernising public administration

In the following, we shall introduce the measures contemplated by the Hungarian Government with a view to the priorities above. (Detailed information on the individual measures may be found in the summary table provided in Appendix No. 1.)

II.1. Growth-friendly fiscal consolidation

A trend reversal occurred in the country's budgetary processes in 2011; for the first time since Hungary's accession to the EU, the balance of Hungary's budget met the Maastricht deficit criterion. In 2011, there was a 4.3% of GDP excess in the EDP balance, while the deficit calculated without any interim windfall items was also below 3%, at 2.4% which was lower than originally planned. In the 2012 Convergence Programme, the Government confirms the deficit path of last year's programme; the target deficit in relation to the country's GDP continues to remain 2.5% in 2012, 2.2% in 2013, 1.9% in 2014 and 1.5% in 2015. The Széll Kálmán Plan announced in March 2011 will play a major role in the attainment of the deficit target. This set out to implement structural measures, primarily with an impact on the expenditures side of the budget, which will, on the one hand, result in a perceivable excess growth already in the medium term and will, on the other hand, effectively contribute to the sustainable reduction of the deficit of the budget as of 2012.

The Hungarian Government's medium-term fiscal objectives and the measures promoting the attainment thereof are introduced in detail in the Convergence Plan.

II.2. Restoring normal lending to the economy

Ever since the outbreak of the crisis, lending provided for non-financial businesses has fallen significantly behind lending rates observed earlier; in other words, non-financial businesses have become net credit repayers. On the whole, this negative process also continued in 2011. While, compared with 2010, more positive processes appeared to emerge on the basis of seasonally adjusted data, the more favourable trends came to a halt by mid-year, and negative trends began to dominate once again at the end of the year. During the whole of last year, non-financial businesses repaid domestic bank loans worth almost HUF 300 billion net, which represents some 4% of their domestic bank loan portfolio at the beginning of the year (HUF 7,600 billion).

The Hungarian Government has resorted to a number of solutions in order to boost lending since the beginning of the crisis. The rate of public guarantees provided by the State is high also by interna-

tional standards. As part of its Economy Boosting Bank Guarantee Programme, primarily with a view to promoting the activity of the production sector, MFB provides bank guarantees for the HUF facilities/loans of businesses with a term of more than one year in the interest of improving their competitiveness and promoting lending. Small and medium-sized businesses constitute the primary target group of the bank guarantee programme. At the same time, lending should be further promoted so that non-financial businesses may once again become net borrowers, thereby financing the expansion of their activities.

The Annual Growth Survey draws the attention of the Member States to the following priorities as part of the restoration of the financial sector:

- **strengthening of the capital positions of systemic banks where required**
- **ensuring that banks strengthen their capital ratios primarily by increasing their capital positions, and not by unduly restricting lending to the real economy**
- **facilitating bank access to term funding by implementing temporary measures (e.g. public guarantees)**
- **creating a specific regime adapted for SME growth markets allowing them to be more visible to investors**
- **working with the European Investment Bank to maintain and increase its SME loan activity at a sustained pace**
- **developing a new European venture capital regime**
- **completing the implementation of a new regulatory framework for EU financial markets in accordance with G20 commitments and strengthening the new EU-level arrangements for financial supervision**

From among the priorities regarding the restoration of the financial sector identified in the Annual Growth Survey, we believe that providing access for SMEs to funding is particularly important and highly relevant to Hungary. Therefore, we shall introduce in our National Reform Programme primarily the measures adopted in this area. As the capital adequacy of the bank system in Hungary is appropriate at system level and the bank system's liquidity is improving, we are not planning specific interventions in these areas in the 2012 National Reform Programme. It is important to highlight that, at present, the bank system in Hungary has excess liquidity and the low lending rates imposed by banks themselves represent the main restriction on the activity of lending in Hungary. Therefore, reducing the state of uncertainty and risk sensitivity is a key to promoting lending.

1. Agreement between the Hungarian Government and the Banking Association

Pursuant to the agreement between the Hungarian Government and the Banking Association in December 2011, banks which increase their existing SME credit portfolio by 30 September 2012 may deduct the HUF value of their portfolio growth from the base of the tax levied on banks in 2012, with the proviso that 95% of the portfolio as at 30 September 2011 constitutes the basis of their portfolio growth. Similar incentives have also been introduced with respect to housing mortgage loans and facilities for EU aid; however, the total deduction claimed as referred to above may not exceed 30% of the tax levied on banks.

The Government and the Banking Association agreed to initiate consultations in the first quarter of 2012 with respect to future cooperation during the period to come between the owners and most senior managers of the participating banks and representatives of the Government at the highest level. They further agreed to conduct consultations quarterly regarding the state of the economy and the role of the financial sector in the encouragement of economic growth with regard to the new macroeconomic path laying the foundations for the central budget as of 1 January 2012.

The legal rules necessary for the implementation of the agreements concerning taxation and fiscal policy issues committed to the Growth Pact (with special regard to tax benefits designed to boost lending) would be created in the first quarter of 2012.

In response to the trust-building agreement with the bank sector and the measures adopted as part thereof, lending would take on a new impetus and the pace of net credit repayments would become reduced.

2. Improvement of access to agricultural funding

By relying on the inherent comparative advantages, it is a top priority of the Government to develop agriculture as a driving sector of the economy. Key to the attainment of this target is the improvement of providing access for agricultural entrepreneurs to funding. At the same time, the new and altered credit programmes offering preferential terms and conditions also contribute to the elimination of the negative effects of the economic crisis on the agricultural sector (e.g. MFB frost damage credit programme, reform of foodstuff bank guarantees and current asset facility programmes for production groups and organisations, extension of the credit purposes eligible under the MFB current asset facility programme).

II.3. Enhancing growth and competitiveness with the aid of EU development funds and through the reinforcement of the digital internal market

The Annual Growth Survey draws particular attention to two main priorities in the interest of promoting growth and competitiveness; mobilising the EU budget for growth and competitiveness and the importance of the reinforcement of the internal market, with particular emphasis on the creation of a digital internal market.

Reallocation of EU development funds

During the programming period 2007-2013, Hungary will receive EU aid of a total amount of EUR 25 billion, which corresponds to more or less 3.5 per cent of the gross domestic product annually. With this funding rate, Hungary is amongst the main beneficiaries of the EU's cohesion policy both in respect of the absolute value of the available funds and the ratio of EU funding to the size of the economy. The Hungarian Government attributes a major role to EU funding in the improvement of the competitiveness and economic potential of the Hungarian economy, while programmes to be implemented from EU co-funding will play a particularly significant role during the period of limited growth caused by the crisis and the resulting fiscal consolidation.

The Hungarian Government makes every effort to use the entirety of the available EU funding, which is an ongoing challenge due to the size of the available funding in relation to the size of the economy. In the first few years of the current programming period, the drawing of funds fell behind plans; however, Hungary's performance has improved significantly in recent years both in respect of the size of committed funding and the actual payments, and at the end of 2011, Hungary occupied fifth position among EU Member States in the rankings of total interim payments.

The Annual Growth Survey draws the attention of Member States to the following priorities as part of the mobilisation of the EU budget:

- **there is still considerable room for using or re-programming available structural funds to boost growth and competitiveness and to implement the country-specific recommendations (e.g. schemes to support apprenticeships for young people or energy efficiency investment programmes)**
- **use of project bonds to help build the necessary infrastructure in terms of transport, energy and info-communications technologies**

At the same time, in addition to the aim of achieving full absorption, it is likewise important to ensure that the structure of the funding used should promote economic growth and the expansion of employment to the fullest possible degree. To this end, a significant funding reallocation has already been implemented during the current programming period (in 2009), which was aimed at increasing the ratio of funding directly serving the development of businesses, and consequently, the boosting of the economy, in the interest of counter-balancing the effects of the deepening economic crisis.

From among the priorities concerning the mobilisation of the EU budget identified in the Annual Growth Survey, we regard the re-programming of the structural funds as most relevant to Hungary at present. We are therefore planning meaningful interventions as part of the National Reform Programme in this field. Additionally, measures designed to simplify the administration attached to the utilisation of funds also serve to mobilise the available EU development funds.

3. Modification of operational programmes of National Strategic Reference Framework based on half-term evaluations

The Hungarian Government initiated the reallocation of the available development funds with the European Commission at the end of 2011. In addition to improved adjustment to the new sector-specific targets (e.g. energy efficiency), the reallocation of funds is necessitated by the fact that while certain successful programmes implemented from EU co-funding (e.g. programmes aimed to improve energy efficiency or the quality of human resources) are now lacking in funds, problems of absorption conveying the risk of the forfeiture of funding have emerged in other areas (primarily in the case of transport developments requiring major preparations). As part of the funding reallocation initiated by the Hungarian Government, an additional HUF 40 billion will be available for increasing the ratio of renewable energy sources, while an additional HUF 120 billion will be available for improving energy efficiency up to 2013. (The individual priorities of the Transport Operational Programme constitute the source of the reallocated funding.) A total reallocation of 163 billion (which is equal to approximately 0.6 per cent of the gross domestic product) will permit the implementation of developments serving to reduce the conventional energy consumption of the buildings of public institutions and SME businesses (building insulation, replacement of doors and windows, modernisation of lighting, etc.) and will thereby also contribute to the relevant objectives of the Europe 2020 Strategy, in addition to boosting the economy. As part of the ongoing modification of the Social Renewal Operational Programme designed to develop human resources, through the reallocation of funding between priorities, Hungary will reinforce its active labour market instruments with positive results and its measures taken in higher education (priorities 1 and 4 of the Social Renewal Operational Programme), which will contribute to the tackling of increased unemployment among young people (see in more detail amongst measures contributing to the employment and higher education targets of Europe 2020). The reallocation of funding currently awaits the approval of the European Commission; according to plans, the reallocation will be implemented in 2012.

4. Simplification of operation of National Strategic Reference Framework

The simplification and acceleration of the related tender administration will contribute to the more effective utilisation of EU development funds. As part of the measures serving this goal, aid arrangements will be launched (priority projects, single-round tenders), the tasks related to the management of the proposed projects will be simplified and accelerated and the efficiency of institutional operations assisting the implementation of projects will be improved (e.g. reinforcement of task-based planning, assessment of capacity and funding opportunities of participating organisations, organisational developments, linking the Standard Monitoring Information System to certified public data

records). These measures will be implemented in the first half of 2012 which will simultaneously serve to modernise public administration.

Reinforcing the digital internal market

Hungary as a small, open economy has a fundamental interest in fully integrating into the European digital internal market with an outstanding development potential in the medium term. As a result of the intensive development of recent years, Hungary has, in many respects, attained the EU average (the ratio of regular and frequent Internet users and of the users of Internet services in Hungary effectively corresponds to the EU average). In some areas, however, we may still experience a significant shortfall. A part of the deficiencies is attributable to infrastructural shortcomings (broadband penetration in Hungary does not reach 20 per cent in spite of the fact that the vast majority of households connected to the network have broadband infrastructure), while others are due to the lack of sophistication in user habits (only some 18 per cent of the population make purchases or use banking services on the Internet) or to the low Internet activity of the SME sector (online purchases and sales).

While a number of measures have been taken in recent years to improve digital skills and to develop the digital economy, further efforts will be required during the period to come to achieve that all households and businesses have access to broadband Internet and mobile networks, SME businesses may achieve a breakthrough in the area of online payment systems, sales and purchases and consumers have increased trust in the use of online services.

As part of the development of the digital internal market and the digital economy, the Annual Growth Survey draws the attention of Member States to the following priorities:

- **developing secure mobile and online payment systems**
- **making more radio spectrum available**
- **investments in high-speed broadband connections**
- **reducing the costs and improving the quality of delivery of goods and services bought online, including through delivering a sufficient level of consumer protection**
- **eliminating sales restrictions based on nationality or residence**
- **developing online dispute resolution problems**
- **using the power of ICT to deliver smart energy and transport systems**

From among the priorities relating to the improvement of the digital internal market identified in the Annual Growth Survey, we find that investments in high-speed broadband connections, the opening of new radio spectrum and the reinforcement of consumer trust in electronic commerce services are particularly important for and relevant to Hungary at this point in time. We are therefore planning to adopt measures primarily in these areas as part of the National Reform Programme.

5. Reinforcing consumer trust in e-commerce services

As consumers still have little trust in the online services of businesses seated in other Member States, the number of cross-border contractual relations falls behind the inherent potential. Therefore, in January 2012 the Government decided it was necessary to reinforce consumer trust in e-commerce services with the aid of targeted campaigns. The invitation to tender planned to be released in the spring of 2012, which is designed to support the 2012 activities of consumer protection social organisations, will feature information campaigns as a new tender category. The purpose of this category is to enable organisations to reach and inform consumers of their rights within the widest possible range and in the most effective possible ways. Priority topics will include e-commerce and Internet shopping, as part of which consumer protection organisations will inform consumers of their rights and possibilities (for instance, right of abandonment). In the light of this information, consumers may

have increased faith in the use of electronic commercial services and will be encouraged to do their shopping on the Internet. The campaigns will indirectly contribute to the reduction of prices from the consumer's point of view and to the expansion of markets from the merchant's point of view.

6. Opening of new radio frequency spectrum

In 2011, the National Media and Infocommunications Authority invited an auction for the available 900 MHz frequencies. The available frequencies are also suitable for third- and fourth-generation mobile services and may be used in a technology-neutral manner; consequently, the licensed players will also have the possibility to install and operate mobile networks in the GSM, UMTS, LTE and Wi-MAX systems. It is possible to provide mobile Internet services on this frequency band as, due to the more favourable conditions of wave length expansion, base stations are able to cover much larger areas which may, on the one hand, lead to the spectacular expansion of 3G coverage in the countryside and, on the other hand, to the reduction of prices. 5 bids were received in the auction. According to the result already announced to the public, the awarded consortium will enter the market as a new mobile service provider in 2012. The appearance of the new service provider may have a positive impact on the standard of services and may promote the better enforcement of subscriber interests.

7. Broadband backbone network connection

An eighteen-month programme funded by the EU, the purpose of which is to implement regional networks on a micro-regional level, will be launched in spring 2012. This will enable „white” localities with no access to broadband connection to connect to backbone networks with appropriate band widths, thereby preparing some 800 localities for connection with a minimum speed of 1 Mbps in the event of the construction of a local network. In the wake of this measure, more SME businesses will have access to broadband Internet, and there may be increased scope for teleworking which may in turn result in an increased employment rate.

II.4. Tackling unemployment and the social consequences of the crisis

The tackling of unemployment and the social consequences of the crisis cannot be separated from the Hungarian Government's most important economic, development and social policy objective; increased labour market participation and increased levels of employment. In the interest of this key Europe 2020 target, the Hungarian Government is making significant efforts to increase the employment of disadvantaged groups, including young people, to help the active but older generations to participate more in the labour market, to make work an attractive option for the inactive outside the realm of employment, to help job-seekers to have access to appropriate support services in the interest of re-employment within the shortest possible time and the improvement of their employability, to adjust the skills of workers more to the actual labour market needs, to boost the demand for work force and to help those furthest from the labour market to obtain a chance to actively participate in the labour market. These measures, while also fully in harmony with the priorities of the Annual Growth Survey, are featured amongst the measures designed to serve the attainment of the goals of the Europe 2020 Strategy concerning employment and social inclusion. This chapter will concentrate on introducing the measures taken to tackle one of the gravest social consequences of the crisis affecting Hungary in particular, the measures adopted to help households which have incurred foreign currency debts.

The Annual Growth Survey draws the attention of Member States to the following priorities in the interest of tackling unemployment and the social consequences of the crisis:

- mobilising labour market for growth (revising wage-setting mechanisms, adapting unemployment benefits, making work an attractive option and introduction of support schemes, more effective activation and appropriate training, removing legal obstacles to mobility, restricting access to early retirement schemes and other early exit pathways, supporting longer working lives, providing access to life-long learning, developing employment opportunities for older workers, promoting business creation and self-employment, developing sectors with the highest employment potential)
- supporting employment, especially of young people (specific measures targeting in particular young people who are not in employment, education or training, promoting quality apprenticeships and traineeship contracts, reforming employment protection legislation concerning hiring and firing, further adapting education and training systems to reflect labour market conditions and skills demand, while reinforcing their efficiency and quality, reviewing the quality and funding of universities)
- protecting the vulnerable (further improving the effectiveness of social protection systems, implementation of active inclusion strategies, ensuring access to services supporting integration in the labour market and society)

Tackling the situation of foreign currency debtors

Due to the changes, and in practice elimination in the system of subsidised housing loans, the portfolio of retail foreign currency mortgage loans increased 140-fold in Hungary from 2002 to 2010. At the end of September 2011, this portfolio amounted to HUF 5,600 billion (20% of the GDP). The vast majority of foreign currency loans are denominated in Swiss francs, and the depreciation of the forint and the strengthening of the Swiss franc drove households with foreign currency loans to a critical situation. Largely for this reason, the proportion of banks' retail foreign currency mortgage loans overdue by more than 90 days increased to 11.7% by the end of September 2011.

In the interest of reducing the population's extreme foreign currency exposure, Parliament passed the act on early repayment scheme, permitting households repay their foreign currency denominated mortgages at preferential rates as of the end of September 2011. As part of this scheme, 169,000 of the 900,000 relevant contracts were repaid on a final basis to the value of some HUF 1,354 billion. After the effects of currency fluctuations have been filtered out, this reduced the portfolio of retail foreign currency mortgage loans by 23.3%.

In December 2011, the Government entered into an agreement with the Banking Association in which the parties identified several further measures designed to help foreign currency debtors. These measures offer solutions to both debtors who are able to meet their payment obligations and to those who are not.

8. Tackling the situation of foreign currency mortgage loan debtors in arrears by more than 90 days

Members of the Hungarian Banking Association agreed under Act XVI of 2012 on the Amendment of Act LXXV of 2011 to convert into forints the debts of foreign currency mortgage loan debtors in arrears by more than 90 days with an amount reaching the minimum wage as at 30 September 2011, provided that their foreign currency mortgage loans were not previously converted, and to cancel 25% of the debts by 15 May 2012, provided that the market value of the properties serving as security, as at the time of the conclusion of the foreign currency loan contract, did not exceed HUF 20 million in total. A condition of the cancellation of debts is that credit debtors are required to issue a declaration by 15 March 2012 that the reason for defaulting on their debt payments was a significant

and verifiable deterioration in their solvency. Those verifying this circumstance are also eligible for state interest aid under certain conditions. The Government further enables the National Asset Management Agency to purchase 25,000 housing properties by the end of 2014, based on the following schedule: 8,000 by the end of 2012, 15,000 by the end of 2013 and 25,000 by the end of 2014. The National Asset Management Agency will buy properties whose owners are in arrears with their amortisation payments by minimum 180 days and meet the applicable stringent social conditions.

9. Preferential exchange rate fixing

Foreign currency mortgage loan debtors meeting their contractual obligations or in arrears by no more than 90 days have the option of entering an exchange rate protection scheme until the end of 2012. Exchange rate fixing will be available and debts arising from the exchange rate differences will be credited onto a collection account until mid-2017. The scheme means, that foreign currency mortgage loan debtors are required to repay their loans at the minimum rates of the HUF/CHF 180-270, HUF/EUR 250-340 and HUF/JPY 2.5-3.3 exchange rate brackets, with the provision that the credit debtor covers the principal part, in excess of the exchange rate limit, of the monthly amortisation instalment of the foreign currency mortgage loan. 50% of the interest falling on the part of the monthly amortisation instalment of the foreign currency loan in excess of the exchange rate limit is covered by the financial institution, while 50% is covered by the central budget. The entirety of the exchange rate risks arising from rates beyond the maximum of HUF/CHF 270, HUF/EUR 340 and HUF/JPY 3.3 lies with the central budget. Public sector workers may avail themselves of aid in one sum, provided that they filed a request for early repayment but were unable to deliver. The rate of the single aid is the difference between instalments actually paid between 1 February 2012 and the beginning of the application of the fixed rate but the due date of the instalment payable in July 2012, at the latest. All employees working in the public sector are eligible for interest aid for the payment of the transaction interest charged on the debts accumulated on the collection account.

II.5. Modernising public administration

Based on the available analyses, the direct and indirect burdens and risks related to the functioning of the State constitute one of the most significant structural bottlenecks for Hungary's competitiveness. By international comparison, the general performance of Hungarian public administration is continuously declining compared to that of the neighbouring countries. Based on surveys conducted amongst entrepreneurs, those interviewed mention cumbersome administration as one of the most significant restrictive factors in their business activities, coupled with lack of transparency and predictability in state regulation and major administrative burdens. Hungary's performance also falls significantly short of the average in areas such as transparency of the operation of the government, the level of corruption experienced by businesses and, in general, the quality of public services, including public administration. These factors played an important role in the deterioration of Hungary's competitiveness in the last decade.

Beyond surveys based on the subject, soft perception of businesses, there are also concrete, „hard” data that confirm the significance of the negative impact of public administration on the business environment. According to an earlier (but the only available) survey quantifying the administrative burdens on the private sector that allows international comparisons to be drawn, the administrative burdens of businesses amount to 10.5 per cent of the GDP which is almost three times the EU average and also significantly exceeds the average of the Eastern-Central European countries, comparable with Hungary in terms of development their state of advancement.

While a number of measures have been taken in the past two years to improve the effectiveness of public administration (e.g. simpler governmental structure, integration of 19 regional state agencies

into county and metropolitan government offices, elimination of unnecessary capacity), further efforts will be required during the following period to increase the performance of public administration in a way which is also perceivable to businesses and citizens and to thereby improve Hungary's competitiveness.

Regarding modernisation of public administration, the Annual Growth Survey draws the attention of Member States to the following priorities:

- **improving the business environment (minimising administrative burdens, reducing unnecessary regulations and permits and introducing simpler and quicker procedures)**
- **increasing administrative efficiency, transparency and the quality of service (making online public services available)**
- **reducing the time for starting up a company to three days**
- **building administrative capacity to ensure speedier disbursement of structural funds and using available technical assistance**

From among the priorities for modernisation of public administration identified in the Annual Growth Survey, we consider the reduction of administrative burdens and the general improvement of the efficiency, transparency and service standards of public administration as particularly important for Hungary at this point in time, and are therefore planning to adopt measures as part of the National Reform Programme primarily in these areas. As Hungary is doing well as regards the time necessary for setting up new businesses (if the specified conditions are met, a company may be registered within one hour) and administrative resources do not constitute a bottleneck in the utilisation of structural funds (Hungary ranked fifth among Member States with regard to interim payments during the period extending to November 2011), no specific interventions (or only limited interventions) are foreseen in these areas in the 2012 National Reform Programme.

10. Reducing administrative burdens of businesses ("Cutting Red Tape" Programme)

The Hungarian Government approved a medium-term government programme for the reduction of the administrative burdens of businesses in November 2011. The programme contains 114 measures in total in ten areas of intervention, including, inter alia, reduced tax administration, simplification of the operation of authorities, making the authorisation of investment projects faster and more predictable and reducing the administrative burdens of employment. The programme additionally identifies multiple data providing obligations, reducing the number of offices and their procedures and eliminating institutional mechanisms built on lack of trust and punitive measures. The programme also contains organisational and systemic initiatives which by inducing changes in the functioning of the State, prevent future re-emergence of administrative burdens. The full time-scale of the programme extends to the end of 2013, however, in the case of more than 80 per cent of the measures, implementation takes place already in 2012 (some measures have, in fact, already been implemented). The measures featured in the programme will in total reduce the administrative burdens of businesses by HUF 500 billion (approximately 1.7 per cent of the GDP); more than half of this reduction will be achieved in 2012. By virtue of the reduction of administrative burdens, resources may become released in the private sector which businesses may use for projects and developments enhancing the growth potential of the entire economy and for hiring more workforce.

11. Reducing the administrative burdens of citizens (Simplification Programme)

As part of the Magyar Zoltán Public Administration Development Programme, the Hungarian Government approved a Simplification Programme aimed to reduce the administrative burdens of the population in August 2011. The purpose of the programme is to perceptibly simplify administration for citizens in the various government offices. The implementation of the programme is also supported by the streamlining of the institutional system attached to procedures. The Simplification

Programme will be implemented in three phases (the first phase was closed at the end of March 2012), and by the end of 2012, 228 procedures will have been simplified. The range of procedures designated for simplification covers all the most important areas (for instance, family benefits, taxation, unemployment services, administration related to properties, vehicles, pensions, health insurance and documents) in which citizens may come across official procedures in their day-to-day lives. The simplification of procedures saves time for citizens which they may use for extra work (including the improvement of their income situation) or for leisure; in other words, the reduction of administrative burdens does not only improve the country's competitiveness but eventually also enhances social welfare. Additionally, the direct financial burdens of households will also be reduced (for instance, costs of forms, printing and photocopying costs). By virtue of the implementation of the Programme, we may achieve a 25 per cent reduction in the administrative burdens concerning clients as well as a higher rate of customer satisfaction and increased trust in public administration. The Hungarian Government also draws on EU development funds for the implementation of the Programme within the framework of the State Reform Operational Programme.

12. Establishment of district offices and government windows

As part of these measures, the Government will introduce the district as a unit of public administration and, in consequence, will establish district offices as the local offices of the metropolitan and county government offices in regional public administration. District offices will commence their operation on 1 January 2013. By virtue of the establishment of districts and district offices, municipal administration and the tasks of public administration will be duly separated; the district offices will fulfil public administration duties below the county level in the future. The concept of „government windows” introduced as part of the Magyar Zoltán Programme is based on the idea of one stop shop for citizens extended to a range of administrative affairs beyond the scope of the Services Directive (not only for businesses but also for citizens). The organisational reforms will also be supported by an IT development project entitled „Development of interoperable IT infrastructure of integrated customer services”, which is specifically designed to create IT conditions for single-window administration. This will reduce the fragmentation of the organisation of public administration. By virtue of the introduction of the district level, it will be possible to serve clients in a more cost-effective manner and to higher standards, compared with the situation today.

13. Electronic public administration

In the interest of supporting official administration with IT solutions, providing remote and electronic access to services and creating comprehensive customer identification and delivery system, several projects have been launched in 2012. The developments are financed from EU funds within the framework of the Electronic Public Administration Operational Programme and aim at creating and developing the electronic availability of one-stop shops as prescribed in the Internal Market Services Directive. These developments will permit the identification of organisations (including businesses), will also enable foreign companies to access dialogue-based services via an indirect solution (through the implementation of a comprehensive customer identification project) and will permit a form of communication that is based on the logic of normal delivery in the case of both electronic and paper-based enquiries (by virtue of a hybrid delivery and conversion system), which will, in turn, allow the application of the Directive beyond the mandatory level. The priority project entitled „Development of interoperable IT infrastructure of integrated customer services” focuses on creating the IT conditions for one-stop shops. As part of the project entitled „A review of the regulatory environment of electronic administration”, the rules governing electronic administration will be modified in accordance with the actual practical needs in conjunction with the comprehensive amendment of the Act

on the General Rules of Public Administration Proceedings and Services¹. These developments will be implemented gradually from 2012 on.

14. Anti-corruption measures

The most important objective of the anti-corruption programme discussed by the Government in March 2012 is to explore the reasons for and to assess the current situation of corruption and, in the light thereof, to identify and to effectively use the tools and measures that may serve to prevent corruption. The ultimate aim is to eventually reduce corruption as well as the „corruption perception“ of citizens to the greatest possible degree and to restore faith in the functioning of the State. The programme primarily concentrates on corruption and malpractices in the public sector; to this end, it attempts to resort to a complex system of instruments which simultaneously serves to prevent acts of corruption, to form mentality, to enhance personal and organisational integrity and to effectively sanction acts of corruption. As part of the programme, an anonymous reporting system as well as a reporting system providing effective protection for those filing reports will be put into place, central integrity and anti-corruption training will be provided and information campaigns will be conducted to enhance the sensitivity of the business sector and society. For the purpose of exploring the possibilities of the quality and quantity reinforcement of the units of the investigating authorities involved in the fight against corruption and successfully persecuting and detecting acts of corruption, the agencies participating in the fight against corruption as their duty will engage in more organised, closer cooperation. This programme will be implemented by the end of 2014. As a consequence of the implementation of the programme, on the one hand, the functioning of the State will become more transparent and economical, which has positive budgetary implications (e.g. cheaper public procurements) and, on the other hand, in response to enhanced social trust, an improved investment and business environment will evolve in Hungary which will boost the economy's competitiveness.

15. Organisational development in public administration

The primary purpose of the organisational development of central state administration agencies and their local units from the point of view of effectiveness is to simultaneously improve organisational efficiency (including, in particular, cost-efficiency) and effectiveness. The relevant sub-targets may be identified as follows: improvement of cost-effective operations, monitoring and predictability, development of human resources and promotion of innovative operations. In the interest of improving cost-efficiency, controlling systems will be introduced, while in the interest of appropriate monitoring, quality management systems will be put into place. The enhancement of predictability will be served by the development of strategic management and planning and the operation of a process management system. As regards the development of human resources, managerial skills will be improved and performance evaluation systems will be introduced. For the promotion of innovative operations, knowledge and skills management system will be developed. These measures will focus on the 42 public administration agencies not covered by the county and district government offices. As of 2013, the operating models will also be extended to municipalities, which will permit the modernisation of the whole of the organisational system of public administration. The elements of organisational development will provide complex opportunities for the development of the public administration agencies concerned from a budgetary, human resources and operating point of view, based on their own needs. These measures will be implemented by 30 April 2014. As a result of these organisational developments, the effectiveness and efficiency of the agencies concerned will perceptibly improve also in the eyes of citizens and this will result in a sustainable system.

¹ Act CXL of 2004 on the General Rules of Official Public Administration Procedures and Services.

16. Renewal of the Government's strategic management

Regulatory and institutional conditions as well as the necessary statutory environment will be established for the renewal of the Government's strategic management. We shall assess the Government's strategic scope and shall prepare a system of methodological guidelines necessary for strategic management and certain specific manuals. In addition to creating professional workshops for the coordination of sector-specific policies, we shall develop a central coordination mechanism. The implementation of these measures will create the conditions for the more coordinated and more effective strategic management of the Government's work as well as the methodological foundations and institutions for the identification of standard public administration strategies, tracking and implementation. These measures will on the whole improve Hungary's international competitiveness and the Government's economic, social and environmental risk management capacity. From an administrative point of view, the measures in question will result in simplification through standardisation. Final deadline for implementation of measures: 31 December 2012.

In addition to the priority measures listed above, the following planned measures and measures currently under implementation are also aimed at the modernisation of public administration (see more detailed information on these measures in Appendix No. 1 attached to the National Reform Programme):

17. Development of new career models for public service workers

18. Planning, implementation and introduction of an electronic documentation system supporting the planning permission procedures of construction authorities

III. EUROPE 2020 TARGETS

Hungary wishes to contribute to the achievement of the five headline targets set within the framework of the Europe 2020 Strategy at the level of the European Union by honouring its national targets recorded in the 2011 National Reform Programme that also faithfully reflect its own country-specific features and priorities. In the following, we shall present the most important measures which the Hungarian Government is planning to implement in 2012-2013 in order to meet its national targets.

III.1. Employment

In this Chapter, we shall present the measures aimed at increasing employment as part of the employment target of the Europe 2020 Strategy together with the measures contemplated in connection with the priorities identified in the Annual Growth Survey for the resolution of the problems of unemployment and the social consequences of the crisis.

One of the Hungarian economy's most important structural problems posing an obstacle to potential growth is the extremely low rate of activity and employment by international standards. The Hungarian Government therefore identified the expansion of employment as its top economic, development and social policy objective and set out to create one million new, taxpayer jobs by 2020 as a specific target.

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

The employment rate of the population aged between 20 and 64 was 60.7 per cent in 2011 on an annual level, which represents a 0.3 percentage point growth compared with the year before. (According to the available latest interim data, the employment rate stood at 61.4 per cent in the last quarter of 2011 which exceeds the level of the year before by 0.7 percentage points in spite of the modest economic growth.) As a result, in the midst of a deteriorating economic environment, Hungary, even if only at a moderate rate, succeeded in making some progress towards the employment target set for 2020. The annual average number of those in employment aged between 20 and 64 years was 3,768,000, which is an increase of almost 30,000, an approximately 0.8 per cent rise, compared with the year before. Additionally, the interim trends were also positive; the rate of the annual increase (compared with the previous year's corresponding period) rose from quarter to quarter and reached 45,000 in the last quarter. Based on institutional staff statistics, the rise in employment was mostly attributable to the private sector; the number of workers working in businesses employing minimum 5 persons increased by 1.3 per cent on average in 2011.

The unemployment rate that increased in previous years in response to the economic crisis has decreased slightly since 2010, and declined to 10.9 per cent by 2011, by 0.3 percentage points compared with the year before. The fall in demand for work force brought about by the economic crisis worst affected the employment chances of young people about to start their careers; young people, only present on the labour market in small numbers, accounted for 16.4 per cent of the unemployed, and the 26.1 per cent unemployment rate of workers aged between 15 and 24 is more than 5 percentage points higher than the EU average (which represents a 6 percentage-point rise compared with the pre-crisis level). The unemployment rate of workers between the ages of 25 and 54 (that is, workers in the best employment age) was around 10.1 per cent in 2011. 49.6 per cent of the unemployed have been looking for jobs for one year or more; the average term of unemployment was 18

months last year. The number of registered job-seekers stagnated on an annual level (it was 583,000 on an annual average), while the interim trends were positive; in the last quarter, 28,000 fewer job-seekers were registered on a monthly average than during the corresponding period of 2010.

The Hungarian activity rate (in the age group between 20 and 64 years), amongst the lowest in the EU, was 68.1 per cent in 2011 on an annual average which indicates that more people emerged on the labour market than a year earlier (both men and women).

The Hungarian Government has taken a number of measures in the past two years to mobilise labour and to increase employment; a Hungarian Work Plan identifying the necessary structural interventions has been adopted, access to early retirement has been restricted, the social benefit system has been reformed in a way that serves active employment, a new Public Employment Programme has been launched and a new Labour Code has been passed. These measures are consistent with the priorities identified by the European Commission in the Annual Growth Survey as well as with the guidelines of the European Council.

At the same time, it is clear that further efforts will be required to increase the employment of young people, to encourage the active elder generations to play a greater role in the labour market, to make work an attractive option for the inactive, to help job-seekers to have access to support services in the interest of finding employment within the shortest possible time and improving their employability, to better adjust the skills of the available work force to the needs of the labour market, to boost the demand for labour and to give those furthest from the labour market a chance to actively participate in the labour market. Some of the measures detailed in the following serve to promote the labour market integration of young people, members of the older generations, those with low educational qualifications, parents raising young children and people with altered working capacity, while other measures are designed to satisfy labour market needs to a greater extent, to increase competitiveness and to boost demand for work force in general.

Structural reforms in the interest of the long-term promotion of employment and labour market participation – making work attractive for the inactive

Hungary continues to remain committed to increasing the number and share of those legally employed on the labour market and to leading back to the realm of employment those who are currently inactive but are capable of engaging in gainful employment. These objectives also contribute to the maintenance of the government balance and the reduction of state debt. It was in this spirit that the reform of the pension, disability pension and social benefits system began on the basis of the directions laid down in last year's National Reform Programme. As a result of the legal rules passed last year, work incentives were reinforced in the social benefits system. The system was transformed in a way as to offer the permanently unemployed working opportunities, rather than benefits, on the one hand, in the interest of the improvement of long-term sustainability and, on the other hand, because the Government believes that the way leading out of poverty is through work and employment. The ongoing reform of the pension system serves to improve the long-term financing of the system and to increase labour market activity.

19. Elimination of option of early retirement

Pension reforms will continue in 2012 in the interest of increasing the actual retirement age. As a result of the most important and first measure of the pension reform implemented in 2011, a pension may only be awarded and disbursed as of the completion of the retirement age. As a result, the option of early retirement has been removed, and as a general rule, those qualify as pensioners who have completed the old-age retirement age or, in the case of women, those who are eligible for a pension based on the completion of 40 years in work. The system was reformed with a view to the

acquired rights, the maintenance of services for those with already awarded and disbursed early retirement pensions and the fulfilment of the promises made to those preparing for early retirement in the near future, and in continuation of the measures launched, the early retirement of workers in jobs posing a hazard to health will also be revised in 2012. Further adjustments will be required in the pension system; the planned measures will be examined and the new rules will be announced in 2012. As part of these reforms, individual accounts will have to be set up in the pension system and individual records will be introduced for keeping track of the individual pensions falling due in the future.

20. Promoting the employment of disabled people

The disability pension scheme and the benefit systems set up for those previously classified as individuals with altered working capacity are also being reformed on the basis of a standard concept. The objective is to retain on the labour market individuals of active employment age who are at present inactive due to health deterioration but are capable of engaging in gainful employment. By reducing the previous number of benefits to two and more actively enforcing criteria of employability, the emphasis is being shifted from the earlier passive services and benefits to the rehabilitation for employment purposes of individuals with varied degrees of health deterioration by relying on their available skills, which consequently results in a more transparent and reasonable system that places a lesser burden on the budget. Review procedures will be conducted in a complex manner, based on medical, employment rehabilitation and social criteria. It will be determined as a result of the review procedure whether, based on the remaining working capacity, the given individual is fit for employment-related rehabilitation. During the term of rehabilitation, the individuals concerned will have access to rehabilitation benefits and services assisting employment, while those eligible for a disability service will receive a monetary benefit and may also engage in employment within set boundaries. In the interest of facilitating re-entry into the labour market, the Government will further introduce a so-called Rehabilitation Card scheme. Rehabilitation cards may be requested by individuals with health deterioration whose employers will be entitled to a tax benefit at the rate of the (gross) wage not reduced by any of the public contributions and other deductions lying with the employer taken into account for the determination of the tax base but maximum 27 per cent of double the minimum wage (in 2012 $2 \times \text{HUF } 93\,000 = \text{HUF } 186\,000$).

Supporting and mobilising measures to promote employment on the open labour market and to develop a flexible and secure labour market

In the interest of the successful implementation of the labour market integration of those becoming job-seekers as a result of the above structural measures or in the wake of the economic crisis, it will be necessary to provide job search services and support schemes, to reinforce active labour market measures and to create flexible employment regulations. In the following, we shall introduce the most important measures which serve to reinforce active labour market policies, to develop employment services and to help reconcile work and family (in accordance with the country-specific recommendations of the European Council issued to Hungary in July 2011).

21. Active labour market policies

In July 2011, the Council of Europe identified the following country-specific recommendation for Hungary (No. 4): [Hungary should] take steps to strengthen the capacity of the Public Employment Service and other providers to increase the quality and effectiveness of training, job search assistance and individualised services. Reinforce active labour market measures delivering positive evidence-based results. In consultation with stakeholders, introduce tailor-made programmes, for the low-skilled and other particularly disadvantaged groups.

Hungary will reinforce the active labour market measures delivering positive results co-financed by the European Social Fund and will initiate further reallocation of the funds for this purpose. The most important elements are the decentralised programmes designed to promote the employment of the disadvantaged (Social Renewal Operational Programme (SROP) 1.1.2 in the convergence regions, SROP 1.1.4 in the Central Hungary Region) which improve the long-term employment chances of disadvantaged groups from a labour market point of view or promote their return to the open labour market by arranging labour market services, consulting, benefits serving to assist employment/launch of enterprise and training into complex, customised packages. The target group is comprised of low-skilled individuals, young people, and persons over the age of 50, individuals returning to work after maternity leave, those eligible for employment substitute benefits and job-seekers affected by a disadvantage conveying the risk of long-term unemployment that is typical of the given region. In accordance with the programmes, the capacity of the Public Employment Service (PES) will be reinforced and the programme aimed at developing and improving the efficiency of PES will also continue. Additionally, a programme designed to improve health and safety at the work place and the development of labour inspections may also be launched in 2012.

The implementation of several smaller targeted training and complex labour market programmes co-funded by the European Social Fund under priorities 1 and 5 of Social Renewal Operational Programme are also underway for groups with multiple disadvantages.

22. Improving the flexibility of the labour market, assisting the reconciliation of work and family and promoting women's labour market activity

The Council of Europe identified the following country-specific recommendation for Hungary in July 2011 (No. 3): [Hungary should] strengthen measures to encourage women's participation in the labour market by expanding childcare and preschool facilities.

A new Labour Code was passed at the end of 2011 in the interest of improving the flexibility of the Hungarian labour market and promoting flexible employment. The new labour market law entering into force in July 2012 contains a number of new rules creating the framework for flexible employment. The new provisions make mandatory, also in the private sector, the part-time employment of those returning from parental leave raising children below the age of 3 years (at the worker's request), which may promote the return of parents raising young children to the labour market. (As in Hungary the low labour market participation of women raising small children represents the greatest challenge to the labour market integration of women [the employment rate of women aged between 20 and 49 raising small children falls significantly behind the EU average], the Hungarian Government supports primarily the return to the labour market of those raising young children in the interest of promoting the employment of women.) Additionally, as of 2012, with funding from the European Social Fund, we shall promote the wider popularisation of flexible employment and flexible employment schemes by supporting the introduction by companies of flexible work organisation methods and human resource policies that take account of private life commitments.

One of the greatest obstacles to the return to the labour market of women with small children is the scarce capacity of day-care services for young children. Therefore, the Government's measures will focus on the expansion of day-care facilities for children aged between 0 and 3 through the increasing of the existing capacity and the establishment of new institutions/services. These projects may be implemented as part of the EU-funded Regional Development Operational Programme. In 2011, more than 800 new nurseries were created from funding under the regional development operational programmes and there are further tenders underway, which are designed to develop and increase the capacity of child care facilities. Additionally, with co-funding from the European Social Fund, we also support the establishment of flexible day-care services for small children (primarily family day-care centres providing services in small groups) and care facilities for small children at the

work place. One of the main target groups of active labour market measures is constituted by individuals returning from maternity leave/child care leave, and the family tax benefit and measures promoting the targeted reduction of the labour costs of those returning from parental leave will also be kept in place in 2012 (in the event of the part-time employment of workers returning from maternity leave/child care leave to their former employer, a seven-percentage-point social contribution tax benefit is available under certain conditions, while the employer may also avail itself of the Start Bonus programme to be described later on.)

Improving the quality of labour supply in the long run: healthy and qualified labour force in accordance with the needs of the labour market

It is key to the level of employment in the long run that the labour force should be qualified according to the actual labour market needs and should be healthy. To this end, Hungary's educational system is currently being modernised with a view to the improvement of the quality of labour supply. As part of this, the system of vocational education and adult training is also being reformed and developed, and measures are being implemented to improve the population's health. (The chapter concerned with education contains the main elements of the education reform.)

23. Development of the vocational training system

The Government seeks to develop the quality of vocational training and to enhance its relevance to the labour market. The combined vocational training reform may improve the individual's, the employer's and consequently, the country's competitiveness. Within the framework of these efforts, the laws on vocational training and on the vocational contribution and aid provided for the development of training were amended at the end of 2011. The new legal rules provide for changes entering into force in 2012 and 2013 which fundamentally serve to coordinate vocational training with the country's economic needs through the reinforcement of training in a dual system. As a result, the duration and content of training will change significantly. The vocational training legislation increases the responsibility of chambers of commerce for the practical implementation of training. Regional integrated vocational training centres will be transformed in order to make the vocational school system more transparent and more effective. The system of student contracts will also extend to occupations that cannot at present be taught on the basis of student contracts. The implementation decrees of the new vocational training law will be released in the course of 2012-2013 and the period to come will see a complete process of content re-regulation. The EU funded programmes will serve the implementation of these measures.

24. Developing the regulatory system of adult training and launching adult training programmes

A new adult training law will be passed in 2012 which will concentrate on subsidised training schemes designed to satisfy the actual needs of the labour market. The new legal rule will provide guarantees to ensure that participants leave the subsidised adult training courses with quality skills and the certificates obtained upon the completion of the courses are equivalent in their value to qualifications acquired in the school system. The new regulation will thereby increase the labour market effectiveness of subsidised training courses and the employment rate of those having obtained (vocational) qualifications in adult training, while the statutory rules will guarantee the improvement of the quality of practical training in adult education. In addition to the new adult training legislation, training programmes co-funded by the European Social Fund will be launched to improve employability and to encourage life-long learning. The programmes are designed to develop the foreign language and IT skills of adults, to support job training and to train and re-train low-skilled workers and those with outdated qualifications; within the framework of these programmes, the training and further training of more than one hundred thousand persons will be subsidised in 2012-

2013. Additionally, we also support the training of those employed in health care and in agriculture/forestry from funds made available by the EU.

25. Measures serving to improve the health conditions of the population

Social and economic integration without the satisfactory health conditions of the Hungarian people is impossible. To this end, we must create the pre-conditions of good health as the loss of health is a loss not only for the individual but also for the economy because, in addition to a reduction in the years completed in good health, it also causes a rise in the expenditures of the public-funded health care system. As part of the policies and activities serving the preservation of health and the prevention of illness, the Hungarian Government pays particular attention to the common lifestyle factors of chronic diseases that impose the largest burden on society (in particular, smoking, harmful alcohol consumption, the fight against obesity and the promotion of regular exercise). As part of priority 6 of Social Renewal Operational Programme in 2011-2012, health education and health-oriented lifestyle programmes are being implemented, micro-regional health development centres are being opened, programmes designed to help give up smoking are being launched, measures are being implemented to develop organised public health screening and organised public health communication campaigns are being launched. The public education law entering into force on 1 September 2012 prescribes the organisation of daily physical education in full-time school education. The amendment of the law on the protection of non-smokers (introducing more stringent measures) entered into force on 1 January 2012. One of the objectives of the introduction of the law on public health product taxation as of 1 September 2011 is to achieve as a result of positive changes in our eating habits that Hungarians live at least as long as the citizens of Western Europe.

Young people in focus

A number of measures are currently being implemented or are planned to be implemented by the Hungarian Government in the interest of tackling the increased unemployment rate amongst young people in the wake of the crisis. The Government's youth policy framework programme (New Generation Programme) was approved at the end of 2011. An emphatic element of this programme is the improvement of the labour market situation of young people. The action plan for 2012-2013 of the National Youth Strategy spanning the years 2009 to 2024 is also currently being drafted. This will pay particular attention to the issue of the employment of young people and will also use and take account of the recommendations which were identified as a result of the structured dialogue conducted over a year and a half on the topic of the comprehensive youth policy priority (youth employment) of the Spanish-Belgian-Hungarian presidency trio.

26. Action package to reduce youth unemployment

The Government wishes to assist the transition of young people from education to the labour market via several measures. In the short term, as part of the ongoing modification of Social Renewal Operational Programme, Hungary will reinforce its active labour market measures delivering positive results as well as the measures taken in higher education. One of the priority target groups of our active labour market measures and training programmes is constituted by young people and school-leavers, in particular, low-skilled individuals and individuals without qualifications. We additionally help young people acquire work-related skills, continue to develop career orientation advice services and encourage the employment of young people at the beginning of their careers by permitting employers to avail themselves of social contribution tax benefits (Start Programme) for a period of two years (in the event of tertiary qualifications for one year) in the event of the employment of young people under the age of 25 years (under the age of 30 in the case of those having attended higher education). From among our medium- and long-term measures, mention should also be made of the fact that the development and practice-oriented transformation of the vocational training system is

also underway. This, coupled with the modernisation of higher education, may contribute to ensuring that young people freshly leaving education have the skills, competences and practical experience necessary on the labour market.

We use EU development funds, in particular, funds co-financed by the European Social Fund for the following new programmes to be launched in 2012 for the reduction of youth unemployment and the promotion of the labour market integration of young people:

- A programme will be launched in 2012 designed to promote the business start-ups by young people aged between 18 and 35. The programme helps young people to acquire and develop entrepreneurial skills and knowledge (financial information, business planning, marketing, statutory environment, etc.), and also provides assistance for the start-up of businesses by young entrepreneurs. Additionally, after the launch of businesses, the programme offers professional consulting and mentoring in the interest of the sustainability of these businesses.
- We are launching apprenticeship-type programmes encouraging the employment of young people and facilitating the transition from vocational training to employment, the primary purpose of which is, in addition to promoting direct job creation, to facilitate the utilisation of first vocational qualifications acquired in training in the school system, to help young people obtain work experience at an early stage and to thereby enhance their subsequent employability. The programme will provide funding, on the one hand, for the wages of apprentices and, on the other hand, for the wage supplements of the evaluating mentor/mentors at the work place. In addition to the tender programme, a priority project will also be implemented as part of which the organisation implementing the project will provide assistance and consulting for businesses for the employment of apprentices and the maintenance and further development of the apprenticeship positions so created.
- In addition to the above, we also support civil employment programmes designed to facilitate the entry of young people into the labour market. The purpose of the programme that is currently being planned is to promote the employment programmes of civil organisations which serve the long-term labour market integration of young people, in particular, disadvantaged young people.
- We also assist the business start-up of young people from the European Agricultural Fund for Rural Development by providing initial funding for young farmers. The purpose of the aid is to contribute, as a one-time income supplement, to the launch of the agricultural activities of young farmers, to their costs or developments. Those agricultural experts aged between 18 and 40 years with relevant qualifications or certificates may submit applications who, as the heads of agricultural plants or farms, start farming activities for the first time.

Promoting labour force demand

The majority of the measures detailed in this Chapter so far primarily serve the expansion of employment from the supply side of the labour market. At the same time, encouraging the labour force demand is also essential for boosting employment. Consequently, the Government also provides assistance with other measures, beyond measures designed to improve competitiveness and the business environment.

27. Creating jobs

The Hungarian Government is committed to boosting the economy and improving the situation of enterprises, SMEs in particular, which is a pre-condition of growth in investment and the creation of new jobs. The Government wishes to achieve this partly by creating a favourable regulatory envi-

ronment and with measures aimed at improving the business environment, whilst also attributing a prominent role to the New Széchenyi Plan. The tenders invited as part of its Economic Development and Regional Development Operational Programmes promote the implementation of complex projects related to the priorities identified in the Government's programme. As part of a complex technology development programme, businesses may apply for support for technological developments and the promotion of employment, including the hiring of new workers, asset procurements and IT developments. Micro-, small and medium-sized enterprises may request support for the employment of new workers in the convergence regions. The projects implemented within the framework of these programmes have a major impact on the preservation of jobs and the creation of new jobs. In addition to EU tenders, a central tender programme will be invited once again with funding from the National Employment Fund for the purpose of assisting the job-creating projects of micro-, small and medium-sized enterprises. Due to the particular interest experienced last year, double of the funding made available last year will be placed at the disposal of bidders in 2012. Based on the tender programme, SMEs may obtain grants. In addition to the basic aid, additional aid may be provided for the employment of disadvantaged individuals (registered job-seekers, in the case of the employment of Roma workers or in disadvantaged regions).

In addition to the above, further measures will also contribute to the creation of jobs; e.g. aid provided for young people for starting their own businesses or the implementation of some of the measures of the National Environmental Technology and Innovation Strategy, by virtue of which we may expect the creation of a significant number of „green jobs” and a rise in the number and proportion of workers employed in the environmental industry and in sectors related to environmental protection. Further, in the case of some aid provided from the European Agricultural Fund for Rural Development e.g. for the production of value-added agricultural products or horticultural modernisation, projects which contribute to the creation of jobs are awarded extra points upon the assessment of applications.

28. Tax benefits serving to encourage the employment of the disadvantaged

In the interest of boosting demand for certain groups disadvantaged from a labour market point of view, in the event of the employment of individuals forming part of the target groups, employers may be eligible for employment-related tax benefits. As of 1 January 2012, the former START Plus and START Extra programmes are replaced by the START Bonus programme, as part of which in the event of the employment of job-seekers registered continuously for minimum 3 months and workers returning to the labour market after a period of eligibility for maternity, child care or nursing benefits (or during eligibility for maternity leave), employers may avail themselves of a social contribution tax benefit for a period of one year. The rate of the benefit is twenty-seven per cent of the employee's gross wage but of maximum one and a half times the minimum wage. Additionally, employers may also be eligible for a social contribution tax benefit in the event of the part-time employment of young workers (START programme), workers with disability (Rehabilitation Card) and women returning to work after a period of child care. In the interest of reducing the costs related to the employment of low-skilled workers and promoting their employment, according to plans, as of 2013 employers may be eligible for a nine-percentage-point targeted social contribution tax benefit for the employment of low-skilled workers (FEOR-9).

In the interest of mobilising the long-term unemployed that are the furthest removed from the labour market, the Government wishes to promote their employment in a temporarily sheltered work environment, within the framework of public employment, and through the development of the social economy. The objective is to enable these groups to find employment on the primary labour market in the long run.

29. Development of the social economy

The purpose of the planned programme to be co-financed by the European Social Fund is to support and develop businesses operating or newly established in the area of the social economy, social co-operatives in particular. The programme is designed to provide support for the development of business plans, developments and the acquisition of entrepreneurial skills, for wage-type and training costs, incubation activities and professional support, activity-related asset procurements and minor construction and refurbishment costs. This measure contributes to the strengthening and growth of the social economy which will in the long run enable the unemployed to find employment on the open labour market and to thereby obtain a more secure living.

30. Public employment

The purpose of public employment is to provide a work-related income, rather than social benefits, within the framework of public employment for the long-term unemployed to whom employment centres are unable to offer other work opportunities. This contributes to the maintenance of their working capacity and labour market (re-)integration. The Government looks upon public employment primarily as a temporary solution. The most important purpose of public employment is to mobilise the long-term unemployed, in particular, in geographical regions where there is a high number of long-term job-seekers and work opportunities are scarce. The wage paid to those in public employment at a rate that is higher than the unemployment benefit but is lower than the market minimum wage serves the purpose of preventing job-seekers from staying in public employment for too long and of motivating them to attempt to find jobs in the private sector. Participants also receive training and competence development services in the model programmes of public employment.

In accordance with the medium-term (2012-2014) concept of public employment, with a view to the principle of social inclusion, it is a top priority to involve disadvantaged individuals and the most disadvantaged from an employment point of view in public employment. Public employment programmes may be organised with regard to the following priorities.

- *National public employment programmes* are launched for tackling the labour market situation as at any time and for the management of any force majeure situations in multiple sectors, for the purposes of flood and inland water control and the maintenance of public roads, railways and wooded areas.
- *Micro-regional start model employment programmes* are organised in the following areas of employment: agricultural projects, utilisation of bio- and renewable energy, inland water drainage, maintenance of agricultural paths, repair of public road network, elimination of illegal waste disposal sites and creating the conditions for the winter and other value-added employment of individuals working in public employment.
- New elements in the system of public employment are the non-profit hiring agencies and labour hiring for the purposes of public employment.

Non-profit hiring agencies enter into a public employment legal relationship with public works employees for a minimum period of 60 days for the purpose of mediation to another public employer.

Based on Government Decree No. 375/2010. (XII.31.) on support available for public employment, support may be provided for businesses for the employment of individuals eligible for an employment substitute benefit if they assume the obligation to continue to employ such individuals for a period that is equal to one half of the aid period.

The agricultural projects of the start model employment programmes offer a solution to low-skilled workers which provide a long-term living and helps them to return to the primary labour market. The participants of agricultural projects receive training; they may study animal husbandry, plant cultivation and preservation. Differently from the conventional organisational form of training, agricultural training is a practice-oriented form of training that relies on the work experience of participants. The training programme and the methods employed are adjusted to the specific needs of the target group (curriculum that may be acquired also in the absence of elementary education, textbooks also suitable for those struggling with text comprehension difficulties, theoretical training relying on the work experience gained in practice).

Local municipalities as public employers that maintain their operations partly from public funding and partly from their own resources provide a sheltered environment for public works employees long removed from (or never admitted to) the realm of work. The goods produced in agricultural projects are used for self-sufficiency as well as by municipalities for the fulfilment of their local public duties (e.g. public meals). Upon the expiry of the funding period, projects may become self-sufficient and the participants may, as one of the possible alternatives, establish cooperatives; in other words, public works employees may enter the primary labour market as self-employed workers, cooperative members or cooperative employees.

In addition to the most important measures listed above, the following planned measures and measures currently in the phase of implementation are also aimed at the increase of employment (more detailed information on these measures may be found in Appendix No. 1 to the National Reform Programme):

31. Involving 5,000 people in employment in connection with foster parent care

III.2. Research and development

Hungary's research and development performance falls significantly behind the EU average; the total level of research and development expenditures barely exceeds 1 per cent of the gross domestic product. At the same time, the structure of research and development expenditures is moving in a positive direction; the ratio of corporate expenditure now almost reaches 60 per cent. According to the EU's Innovation Union Scoreboard, Hungary falls into the country group of moderate innovators (similar to the rest of the Visegrád countries and countries in the Mediterranean region), its most important weaknesses lying in the funding of innovation, the number of innovative SME businesses, the insufficient inter-company cooperation in the area of innovation and a low patent activity.

In the interest of steering the economy onto a steady path of growth, the Hungarian Government wishes to attribute a major role to making its science, technology and innovation policy more effective, based on Hungary's specific local features; as part of this, it is necessary to renew the relevant strategy and to create a regulatory environment that is conducive to innovation. The most important objectives are to broaden the current narrow base of corporate innovation, to reinforce research institutes that are able to join international cooperation on equal terms, to attract direct foreign capital investments in research and development and to develop high-growth, innovative and knowledge-intensive businesses („gazelles”).

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

Data from the last few years appear to indicate the emergence of positive tendencies; the level of research and development expenditures has been slightly on the rise since 2004. According to the latest data available, the total level of research and development expenditures reached 1.16 per cent of the GDP in 2010; this is practically the same level as in the previous year which may be evaluated in a positive light at a time of fiscal consolidation and in a negative economic environment. At the same time, the ratio of corporate expenditures further increased and almost reached 60 per cent in 2010 (59.8 per cent) which represents a 2.6-percentage-point rise compared with the year before (while the EU average of the ratio of corporate expenditures stagnated on the whole). Since the middle of the last decade, the ratio of corporate expenditures has been clearly and intensively increasing, which indicates an improved trend in the internal structure of research and development expenditures.

The governmental measures aiming to reach the research and development target extend to the reviewing of the sector-specific research, development and innovation policies, and the establishment of a standard, medium-term research, development and innovation tender system and the launch of new programmes. The new measures designed to encourage research, development and innovation are primarily horizontal; at the same time, it is important to stress the importance of the individual sectors or regional aspects. (This diversity is manifested, for instance, in the plans relating to the development of the health industry, the automotive industry, the info-communications sector, eco-innovation and the creative industry.) In 2012-13, we must pay particular attention in preparation for the research-development and innovation regulations, funds and programmes of the EU budget period between 2014 and 2020 (Horizon 2020 and cohesion funds). According to the Commission's proposal regarding finances during the period between 2014-2020, EU funds made available in R+D will increase compared with the funding provided at present (the Horizon 2020 budget will increase significantly, while support provided for research and development and innovation may represent a larger proportion of the expenditures of the Structural Funds which will, on the whole, decrease). During the next budgetary period, due to a shift in the proportions of funding and a higher degree of transferability between funds, Hungary will be able to profit from the rise in research-development and innovation funds if we place particular emphasis on the preparations for the 2014-2020 financial period.

32. National Innovation Strategy (2013-2020)

Within the framework of the newly approved governmental strategic management system, Hungary will continue the strategic innovation planning work launched in 2011 and in progress also at present. As a result of this, according to current plans, the National Innovation Strategy will be approved by the end of 2012. The innovation strategy plays an important role in our preparations for Horizon 2020 as well as in the planning of the next operational programmes of the Structural Funds, and may thereby ensure the more effective utilisation of EU development funds between 2014 and 2020. The planned innovation strategy also provides a framework for the planning of the national or regional smart specialisation strategies which constitute one of the ex ante conditions of access to cohesion funds during the period 2014-2020. During the planning of the innovation strategy, in 2012 we shall review the relevant international policies and best practices, evaluate the local processes and, based on these, attempt to enforce modern innovation-policy approaches that may even reflect a new paradigm. The first short-term action plan will also be developed as part of the planning of the National Innovation Strategy.

33. Implementation of certain measures of the National Environmental Technology Innovation Strategy

The implementation of the measures of the National Environmental Technology Innovation Strategy (NETIS) approved in 2011 has begun. Tenders for the funds available between 2009 and 2014 within

the framework of the Norwegian and the EEA Financial Mechanism constituting one of the sources of NETIS are currently in preparation. A monitoring and evaluation committee will be set up in 2012 to keep track of the implementation of NETIS, and a process of programming based on the strategy will also be launched which will ensure the attainment of the targets of NETIS through the detailed identification of a number of measures (e.g. legal, economic, social, etc.).

34. Standard medium-term support system for research-development and innovation

We shall continue the development of a standard research-development and innovation tendering system that we began in 2011. An important element of this effort is the encouragement of Hungarian participation in international and EU programmes and initiatives, thereby increasing Hungary's future share in excellence-based awarded supports as part of the Horizon 2020 Programme. Additionally, we must also pay attention to the regional balancing of the research-development and innovation supporting system; we wish to achieve a balanced growth through the coordinated absorption of EU funding and national funds and the promotion of regional research, development and innovation activities, cooperation schemes and networking (poles, clusters). Upon the planning of the research-development and innovation support system, in line with the international trends in sector-specific policies, the more balanced employment of supply- and demand-side measures (e.g. practical implementation of pre-commercial procurement), the development of institutional capacity reinforcing excellence and technical and scientific bases (including the reform of higher education and of the network of academic institutions and dual tertiary vocational training) and the promotion of research facilities permitting the quality development of excellence and research and development capacity (in line with the so-called stairways to excellence concept) will constitute the framework of the measures designed to promote growth. The absorption plan and tenders of the Research and Technological Innovation Fund will be prepared as part of the planning of the medium-term research and development tendering strategy.

35. Preparation of research organizations for the more efficient absorption of EU research-development and innovation funds

In order to raise additional funds for the national innovation system, the representation of national interests in preparation for Horizon 2020 play a prominent role amongst the targets of the National Innovation Strategy in preparation. As part of this, we shall start preparing Hungarian researchers, businesses and public research organizations for reinforcing their participation in international programmes. This also requires the preparation of the domestic institutional system for the fulfilment of tasks demanding greater flexibility and professional involvement. To this end, we must uncover and remedy any regulatory problems that may hinder domestic participation, must reinforce the professional networks that promote domestic participation and their cooperation and must harmonise the expected EU and local themes as part of the tenders. As during the intensive preparatory phase extending to the beginning of Horizon 2020 it will be necessary to represent the Government's interests, to reinforce Hungarian influence and to provide up-to-date information on the processes taking place on the EU scene for the Government and the players of the domestic research and development sector, as part of these measures, the National Innovation Office will set up a bureau in Brussels. A working group will also be set up with the participation of the governmental and academic agencies concerned in order to coordinate the tasks that may emerge in connection with research facilities.

In addition to the measures listed above, the following contemplated measures and measures currently under implementation are also aimed at increasing our research and development expenditures (more detailed information on these measures may be found in Appendix No. 1 to the National Reform Programme):

36. Preparation of sector-specific agricultural and environmental research and education strategy

37. Science Policy Strategy

38. Development of a public educational IT technology that supports the implementation of research, development and innovation, and introduces competitive services in the European Creative and Cultural Industry

III.3. Climate – energy

The emergence of ever more serious events with an environmental impact, dependence on fossil energy sources and the increased uncertainty regarding their availability require a paradigm shift and structural reforms in the Hungarian energy sector. In the spirit of this, for the purpose of enhancing the security of supply and reducing dependence on external energy imports, Parliament approved Hungary's National Energy Strategy in Resolution No. 77/2011. (X.14.) in 2011. The proportion of renewable energy sources is 7.7 per cent in Hungary (according to 2009 data) which is more or less similar to the average of other countries in a similar state of advancement (Bulgaria 9.4 per cent, Czech Republic 7.2 per cent, Poland 7.9 per cent, Romania 20.4 per cent, Slovakia 8.4 per cent). Most of the differences may be explained by the more favourable and better-used water energy potential and forest cover of the neighbouring countries as well as by better-regulated electric power network systems which are particularly important in the case of energy sources that cannot be regulated (e.g. wind energy).

The most effective and most successful way to enhance the security of supply, which is also feasible in the short term, is the reduction of consumption through the improvement of energy efficiency, involving both the producer and the consumer sides. Buildings' energy developments play a prominent role in the improvement of energy efficiency. Presently we use 40% of the total energy consumed in Hungary in our buildings; two thirds of this energy consumption are used for heating and cooling. Some 70 per cent of the approximately 4.3 million homes do not meet the latest functional, technical and thermo-technical requirements, and the ratio is also similar in the case of public buildings. Therefore, the refurbishment of the existing buildings, with special regard to public buildings, is a top priority for Hungary against the undertaking of a level of ambition which our country is able to finance, including the available EU funding, the identification of innovative financing methods and the possibility of allocating revenues derived from various emission quotas, with regard to additional benefits emerging in the short term (for instance, economy boosting, job creation, reduced dependence on energy imports).

The Kyoto Protocol prescribes a 6 per cent reduction in the emission of greenhouse gases for Hungary by 2012 compared with the average of the years 1985-87. However, as a consequence of the structural changes in the economy following the regime change, the actual emission rate was 41 per cent lower in 2010 than the base value.

As part of the energy and climate targets of the Europe 2020 strategy, Hungary agreed to raise the proportion of renewable energy sources to 14.65 per cent, to achieve a total 10 per cent energy saving and to increase its greenhouse gas emission outside the EU emission trading system by maximum 10 per cent (compared with the 2005 level) by 2020.

In 2009, the proportion of renewable energy sources was 7.7 per cent in Hungary. According to preliminary statistical data, the utilisation of renewable energy sources increased to 8.79 per cent in 2010. During the same period, the ratio of renewable energy sources increased by 1.2 percentage

points in the EU. According to 2010 data, in Hungary we need 15% more energy, compared with the EU average, for the production of a unit of GDP based on purchasing power parity.

Our measures in the National Reform Programme, in line with the three target indicators, may be divided into three groups which simultaneously serve to attain the three targets. The first group includes measures which are designed to reduce the emission of greenhouse gases and to contain the effects of climate change through the creation of Hungary's Decarbonisation Pathway 2050 and the development of green, environmentally friendly transportation. The second group contains measures promoting the use of renewable energy sources, including aid programmes, the improvement of the regulatory environment and preparations for the possible regulation of the electricity system. Finally, the third group includes the energy efficiency programmes of the population, public institutions and the private sector.

39. Climate protection measures

These measures include, on the one hand, Hungary's Decarbonisation Pathway and, on the other hand, the development of green modes of transport.

The emission reduction target identified by 2050 by the EU does not provide clear guidance on the reduction path that Hungary should follow; Member States themselves are expected to create their own pathways. The purpose of Hungary's Decarbonisation Pathway 2050 is to determine the proposed schedule for the reduction of greenhouse gas emissions by 2050 within the future EU regulatory boundaries and to designate the main areas and resources of decarbonisation projects. The Hungarian decarbonisation pathway, which forms part of the National Climate Change Strategy currently under review, examines in the key sectors, such as the energy sector, transport, the built-up environment, industry and agriculture, under what scenarios, against what expenditures and in the light of what possible benefits local emissions may be radically reduced as part of the European decarbonisation process. To this end, a number of background studies (for instance, 2050 Hungary vision, essential conditions, energy production, transmission/conveyance and utilisation) and analyses will be prepared in 2012.

The wider use of environmentally friendly modes of transport includes the development of fixed-track transport and the replacement of the fleet of vehicles currently used in public transport (buses) with new, environmentally friendly vehicles. In the area of fixed-track transport, several projects have already been launched from EU funds (Transport Operational Programme) (e.g. Debrecen tram line 2 project, Budapest metro line 4). Fixed-track transport may significantly promote zero emission, in particular if the vehicles are operated with green energy. One of the most important and most significant elements in the attainment of green transport is the radical reduction of the emission of buses and coaches in the interest of environmentally friendly modes of transport and environmental sustainability. Another programme, resulting in emission reductions, of the Hungarian Green Investment Scheme is being launched from EU funding (Transport Operational Programme) and the credit tender of Hungarian Development Bank relating to communal transport. As part of this, bus and coach companies providing public transport services will replace their buses using conventional fuel with buses running on CNG.

40. Measures to increase the ratio of renewable energy sources

We are planning to contribute to the increased utilisation of renewable energy sources with the following regulatory measures and aid programmes:

- We are planning to commence consultations with the European Commission and social partners regarding the regulatory environment of the renewable energy sources feed-in tariff system in

2012. As regards bio-fuels, by virtue of the amendment of Government Decree No. 343/2010. (XII.28.) this year, the future mixing ratios will change and a number of rules simplifying implementation will be introduced.

- If approved by the European Commission, we are planning to launch aid programmes in the Environment and Energy Operational Programme with a framework budget of HUF 40 billion to be re-allocated in 2012 from the Transport Operational Programme. We are planning to implement a programme to support (aid decision, conclusion of contract, disbursement) the presently available procurement of solar panels as part of the Hungarian Green Investment Scheme, while the launch of further programmes amongst the population is subject to the CO₂ quota trading revenues that cannot be estimated in advance.

In the wake of these measures, we shall be able to reduce our dependence on energy imports and our CO₂ emission and to increase the proportion of renewable energy sources, thereby contributing to the attainment of the targets set forth in Directive 2009/28/EC. The use of renewable energy sources reduces local energy costs (of consumers) and contributes to the expansion of employment in the countryside, particularly, in the case of the use of biomass.

41. Energy efficiency programmes

The purpose of these programmes is to improve the energy efficiency of the population, the public sector and the business sector. In respect of the population and the business sectors, we shall continue to provide aid for the energy efficient refurbishment of traditionally built residential buildings, residential buildings built with industrialised technologies and state and municipality buildings as well as for the building energy projects of businesses.

In the interest of improving the energy efficiency of public institutions, the objective is to develop a long-term, complex series of measures which also contributes to the reduction of the energy costs of the central budget through the improvement of the energy efficiency of public institutions. We wish to achieve this by relying on a number of tools and solutions, such as energy management devices, assessment of energy consumption of provision of public duties (e.g. public buildings energy register) and complex energy efficiency refurbishment projects.

If approved by the European Commission, we are planning to launch programmes worth HUF 120 billion, to be re-allocated in 2012 from the Transport Operational Programme, for promoting energy-efficiency projects within the framework of the Environment and Energy Operational Programme.

The improvement of energy efficiency also necessitates a change of mentality, indirectly in the energy- and environment-conscious attitudes of consumers. In the interest of raising environmental awareness in society, we are planning to launch wide-ranging energy and environmental awareness programmes amongst consumers. The action plan for the development of this programme will be developed in 2012 (based on the tasks identified in the National Energy Strategy approved by Parliament).

In addition to reducing energy consumption, these projects will also have major indirect employment and macroeconomic (taxes, legalisation of the economy) impacts.

III.4. Education

It is a major obstacle to the growth of the Hungarian economy and the increase of employment that the emission structure and quality of the education system do not, in many respects, satisfy the actual needs of the labour market. The labour market participation of individuals having only com-

pleted elementary school is extremely low; their employment rate falls some 20 per cent behind the EU average. As a result of the expansion experienced in education in recent decades, while a large number of disadvantaged children, often struggling with major skills deficiencies, gained admission to vocational training, as the performance and efficiency of vocational schools gradually deteriorated and there is a higher than average drop-out rate in vocational schools (almost 30 per cent), almost one half of disadvantaged students are unable to obtain qualifications. In the light of this, it is important to improve the quality and efficiency of public education, including the improvement of the level of qualification, and to reduce the proportion of students leaving education in the school system without qualifications.

At present, there is likewise no accordance between the employment needs and the qualification supply offered in higher education. The training and outcome requirements of the programmes developed in the Bologna-type training structure have little relevance to the labour market. Increased drop-out rates also slow down the emission of degree-holders at the desired rate. The primary task in the development of higher education in Hungary is to harmonise training outcomes with the actual economic needs, to develop training contents with a view to quality and, as a result, to improve the employment and the competitiveness of economy. School-leavers often leave higher education in such a way that there is no actual demand on the labour market for their degrees, mostly financed from public funds, and are therefore only able to find jobs in areas that have nothing to do with their qualifications. The main problems of higher education in Hungary should not be sought primarily in the number of graduated persons but in the structure and general quality of education. Therefore, the primary purpose of the development of higher education in Hungary is to develop a training structure that is better suited to the labour market and to improve the quality of education so as to contribute to the improvement of the competitiveness of the economy.

As part of the objective of Europe 2020 aimed at the improvement of the level of education, Hungary intends to increase the share of population (aged 30-34) having completed tertiary level or equivalent to 30.3 per cent and to reduce the school drop-out rate² (aged between 18 and 24) to 10 per cent by 2020.

The school drop-out rate in Hungary falls behind the EU average; it was 10.5 per cent in 2010 (in the population aged between 18 and 24), and has continuously declined in recent years (2009: 11.2%, 2008: 11.7%, data source: Work Force Survey of the Central Statistical Office). Most of the drop-outs are disadvantaged students who are less successful in school. Socio-cultural disadvantages should be mentioned as a major factor in early school-leaving which represents a serious problem particularly in the disadvantaged regions. The cultural institutions of municipalities, as local resources, significantly contribute to the elimination of these disadvantages with their informal skills and competence development learning programmes and integration courses.

The share of population (aged 30-34) having completed tertiary level or equivalent in Hungary is at present (in 2011) 28.1 per cent which is below the EU average but represents a 2.4-percentage-point rise compared with the year before (and has increased by almost 10 percentage points in the last 10 years). The main target group of the planned measures in higher education in the interest of the attainment of the 2020 target are students aged between 20 and 24 already attending higher education. In order to increase their share, we need measures which permit the successful completion of the studies of students attending courses in higher or equivalent education or involve young people not yet having attended such training in education providing them with qualifications by 2020.

² The school drop-out rate of young people aged between 18 and 24 years who do not have higher secondary qualifications and do not attend training or education at the time of the survey. Definition of higher secondary qualification: completion of secondary school or „OKJ 3” level vocational qualification.

The Government approved the National Public Education Law in December 2011, the implementation of which serves the better adjustment of the structure of education to the needs of the economy. Additionally, Hungary will continue the measures concerning kindergarten education taken earlier to prevent early school-leaving and the measures designed to promote the success in school of disadvantaged pupils and young people with multiple disadvantages. The National Higher Education Law was also passed in December 2011. The purpose of this legislation is to improve the quality of higher education and to create a more competitive Hungarian higher education through reforms in the structure of training. In the following, we shall introduce the measures in more detail which are attached to the attainment of the quantified national undertakings made in conjunction with the Europe 2020 Strategy.

42. Expansion and reinforcement of quality education in early childhood

Research results confirm that kindergarten education in Hungary is, in many respects, of great significance and is to the highest standards. The extremely extensive kindergarten network reaches 85 per cent of children. At the same time, it poses difficulties that some of the children most in need do not attend kindergarten (or only reach kindergarten at the age of five), and even if they do attend kindergarten, they do not necessarily receive the assistance they need based on their age and state of development. Therefore, pursuant to the public education law in force as of September 2012, effective as of September 2014, kindergarten attendance will be compulsory from the age of 3, rather than 5 as at present. As a result, small children develop in communities from an early age on, which promotes successful subsequent school integration and progress in studies and also serves to prevent early school leaving. From among the further measures aimed at the extension of kindergarten care, in confirmation of the initial phase of life-long learning, we must highlight the extension of kindergarten capacity, the programmes designed to develop kindergarten care, the kindergarten benefit and the pay supplement of teachers taking part in the kindergarten and school education of children with multiple disadvantages.

43. Preventing disadvantaged children and children with multiple disadvantages, including Roma children, from early school-leaving (inclusive education)

This complex package serves to promote the success in school of disadvantaged children and children with multiple disadvantages, inclusive education and shared, communal education, thereby improving their chances of continuing their studies and reducing the risk of dropping out. The attainment of these targets is facilitated by skills development and integration sessions provided for disadvantaged children and pupils with multiple disadvantages, the three main pillars of which are: methodological renewal, statutory anti-discriminatory elements and the introduction of financial incentives. Additionally, targeted programmes (Arany János programmes, alternative learning facilities programme) and scholarships (“Útravaló” (Provisions)) serve to help with a smooth transition to secondary education institutions and to alleviate the financial burdens of the successful continuation of studies. In the interest of improving the chances of learning and the continuation of the studies of disadvantaged children, in particular, Roma children, based on a revision of the “Útravaló” (Provisions) Scholarship Programme and the programmes financed by the Hungarian Public Foundation for the Roma, as of the 2nd half of 2011, the Government launched a new programme comprised of two pillars, also including the equal opportunities scholarships of the “Útravaló” (Provisions) Scholarship Programme, under the title “Útravaló-MACIKA”. The „SCHOOL-NET” programme serves to promote model school and school-related programmes designed to facilitate the school integration of disadvantaged, in particular, Roma pupils and to gather together relevant best practices and to analyse and systematise experiences. Finally, the „Second Chance” programmes function as a corrective measure to remedy early school-leaving. The purpose of these programmes is to help young people beyond the compulsory school attendance age who dropped out of the school system without secondary qualifications to obtain secondary qualifications and to reduce school failure and frustration through the

introduction of new, personalised methods assisting learning. In response to the measures listed above, the conditions of education in disadvantaged regions will improve, which will have a positive impact on the progress made by disadvantaged children in school.

44. Promoting the success of children and pupils with special educational needs

We provide special care for children with special educational needs within the framework of early development and care, kindergarten education, personalised development, school education and skills development with the support of programmes and measures implemented from EU funding and domestic funds in 2012, either in separate classes or groups created for the purpose or together with other children. These programmes help to make the organisation and operation of institutions involved in the education of children with special educational needs suitable for the implementation of inclusive education and to renew the pedagogical practices of institutions. The development of specialised services is designed to improve access to services and to enable pupils and their families to gain access to modern, complex, consciously organised care services in specialised pedagogical institutions to the same standards throughout the territory of Hungary, locally or nearby.

45. Public education BRIDGE programmes (“Hid-program”)

The public education law passed in December 2011 introduced the concept of the bridge programme. The Public Education Bridge programmes represent a form of training in the school system which provides assistance for poorly performing pupils in elementary education and offers a chance to those unable to complete their elementary studies to continue their studies in secondary education. We differentiate different types of Bridge programmes:

- Pupils below the mandatory school attendance age who have completed their elementary studies but have not gained admission to a secondary school may continue their studies in the Bridge I programme. The training provided in the Bridge I programme offers missing fundamental skills and competencies that are necessary for the continuation of studies.
- If a pupil below the mandatory school attendance age who has completed his/her elementary studies does not wish to continue his/her studies in secondary school, the given elementary school initiates the pupil’s admission to the Bridge II programme. The Bridge II programme prepares pupils who were unable to complete their study obligations by the completion of the mandatory school attendance age for the commencement of vocational training. The training provided in the Bridge II programme motivates learning and develops the skills necessary for the acquisition of an occupation.

The Bridge programme has a positive impact on the pupils concerned and their families, and more young people leave the educational system with occupational qualifications.

46. Non-formal and informal learning forms and programmes offered by cultural institutions designed to promote the attainment of the objectives of public education

The non-formal and informal learning support programmes offered by cultural institutions (arts institutions, libraries, museums, institutions of public education) promote the personality development of children and pupils, the development of their creative skills and the elimination of their disadvantages. In the interest of equal access, it is important to improve the accessibility of cultural values through digitalisation, via contents also accessible in small municipalities. This measure simultaneously serves the attainment of two targets of the Europe 2020 Strategy; the reduction of the ratio of early school-leavers and of the population living in poverty.

Educational reforms

In the following, we shall briefly introduce the main objectives, directions and measures of the reforms in Hungarian public and higher education and their connection to the educational targets of the Europe 2020 Strategy.

Reform of the public education system

The public education system promotes the development and improvement of the competencies necessary for life-long learning, the reduction of drop-out rate and the enhancement of the level of qualification, in other words, the improvement of the quality, efficiency and effectiveness of public education, as follows:

Regulatory solutions

The National Public Education Act taking effect on 1 September 2012

- guarantees the right for everyone to attend free and mandatory elementary and secondary education until the completion of the final examinations or the acquisition of the first vocational qualification,
- prescribes that every child is obliged to attend school until the age of 16, which does not mean that the pupil is removed from education in the school system; the prevention of early school-leaving is served by the reinforcement of education in early childhood, modern pedagogical methods and, in the case of groups exposed to the risk of drop out, targeted programmes for disadvantaged and children with special educational needs (skills development preparatory courses, scholarship programmes, Arany J. programme), while drop-outs may re-integrate into education with the support of the component of the Bridge programme designed for those beyond the mandatory school attendance age and the second chance programmes,
- in the interest of preventing social exclusion and promoting success in school, provides for the reinforcement of education in early childhood, the organisation of integrated education (sessions in small groups assisting differentiated development), correctional solutions (Bridge programmes) and talent fostering,
- defines and identifies groups requiring special treatment and special pedagogical attention,
- in the interest of transfers within the system, those having attended vocational training may continue their studies providing final examinations in a two-year course,
- contributes to the improvement of the quality of public education by measuring and evaluating teaching activities, operating a monitoring system for professional and legal compliance and identifying qualification and vocational requirements.

The new National Curriculum entering into force in 2012 and applicable as of September 2013

- defines an educational content to be taught on a mandatory basis, lays down the key competencies determined by the European Union as a common development goal, determines the common values and mandatory objectives of educational work and identifies the relevant knowledge and skills requirements, thereby guaranteeing access to quality education,
- pays particular attention to the best possible acquisition of basic skills, thereby improving the chances of the continuation of studies and reducing the risk of dropping out.

Structural solutions

The structural changes in public education serve to reinforce the links between education, training and the economy. In order to improve the labour market chances of pupils leaving school without qualifications, the Government has introduced vocational training as a three-year training form. In recent years, pupils tended to drop out of vocational schools before the learning of the given vocation even began. With the new three-year vocational training, pupils may, directly after the completion of elementary school, enter vocational training. This may reduce drop-out rates and pupils may obtain vocational qualifications earlier.

It is a structural change concerning the operation of institutions that, according to the general rule, the State is the operator; the objective is to manage the problems arising from the fragmented nature of the system and to achieve improved cost efficiency.

Development of qualification system

Following from the specific features of the Hungarian training system, a new list of qualifications and, in conjunction therewith, re-defined professional and examination requirements will be identified in training in and outside the school system. The criterion of competence development will be emphatically enforced in the new professional and examination requirements.

Broadening access to quality education

There is a strong correlation in Hungary between students' learning opportunities, school performance, subsequent career choice, labour market achievements and individual and family socio-cultural background. Labour market status, educational qualifications, socio-cultural factors and geographical features play a dominant role in later participation in life-long learning. The purpose of the areas of intervention and directions of development is to reduce social and regional differences.

Correctional solutions

Adult education in the school system is a correctional opportunity for those leaving the educational system with low qualifications. Programmes offering elementary and secondary qualifications allow groups excluded from employment to integrate into legal employment on the labour market.

Reforms in higher education

1. Broadening access to higher education

1.1. Creating opportunities and expansion of social dimension

The Hungarian State promotes access to institutions of higher education with an extensive support system. As a result, two thirds of students in higher education received full state grants in 2011. This ratio may also be maintained in the case of those entering the system in 2012 through scholarships and partial scholarships.

1.2. Development of vocational training in higher education

As an element of streamlining in the structure of training, vocational training in higher education will appear as a new form of training as of 2013 (through the transformation of tertiary vocational training currently phased out). This may play an important role in increasing the ratio of individuals with tertiary qualifications to the targets undertaken to be attained by 2020. This form of vocational training (ISCED level 5) flexibly serves the economy's need for experts, while providing access to bachelor training courses in higher education.

2. Reinforcing progress in studies, reducing drop-out rates

2.1. Enhanced student motivation

With regard to the increased drop-out rates and the prolongation of studies, we have set out to enhance students' sense of responsibility and motivation, and the State therefore requires scholarship-holders to obtain a diploma within one and a half times the prescribed training time. In a case to the contrary, students must repay 50% of the scholarship grant. As a result, the scholarship contract is a genuine tool for motivation which students are free to take or leave.

2.2. Recognising student excellence

In the interest of providing opportunities for those with academic pursuits and recognising excellence, it is necessary to recognise students with outstanding research and/or study results.

2.3. Improvement of foreign language skills

The development of foreign language skills continues to remain a priority in higher education as the lack of the knowledge of foreign languages is often an obstacle to the acquisition of a degree. The purpose of the projects launched in this field from European Social Fund is to enable students to attend foreign language courses and training which improves the ratio and efficiency of the participation of both instructors and students in mobility programmes.

2.4. Support services

One of the main reasons for student drop-out is the lack of information related to study and career options. In the interest of the better planning of the training path, it is necessary to develop the student advisory system and career services. The objective is to enable students to flexibly find their way amongst the various training and accreditation procedures and to develop their skills.

II. Modernisation in higher education

In 2011, Hungary set out on a path towards the rapid and consistent implementation of structural reforms that equally serve a fast recovery from the economic crisis, the improvement of the European economy's global competitiveness and the long-term objectives of the Europe 2020 Strategy. Hungary passed its new national higher education act as part of these reforms. Our task in 2012 in the field of higher education is to re-consider the nature and extent of the role played by the State.

1. Renewal of strategic planning

1.1. A development-centred state funding system

We wish to change over from the current model of state funding that is purely based on quantitative input factors to a mixed model which also contains development-centred funding components. The new model assigns some of the budgetary resources to the development policy evaluation of the given higher education institution's growth and development potential and strategic objectives.

1.2. Economy-driven development policy

Training and research in higher education must be planned in coordination with the players of the economy and innovation. The content development of training and qualification outcomes must be adjusted to the economy's strategic objectives and expectations. Institution development plans must feature the requirement of adjusting to the priority sectors and some of the development activities should specifically support the development of cooperation with the economic sector. The achievement of a significant rise in the ratio of technical and science qualifications is a top priority.

2. Quality-based sector policy

2.1. Introduction of qualification procedures based on institutional functions

The act on national higher education introduces three qualification procedures, as part of which institutions of higher education may obtain excess funding on the basis of certain target themes.

2.2. Quality evaluation and development

The Hungarian Higher Education Accreditation Committee, recently reinforced by the new higher education law, plays a prominent role in the maintenance of quality in higher education. The Committee operates in accordance with the relevant international practice as a board with nation-wide competence in the system of higher education that performs the external quality evaluation that is necessary for the state accreditation of institutions of higher education and their educational, academic, research and artistic creative activities.

3. Enhancement of international capabilities and expansion of European mobility

A basic condition of the successful European integration of Hungarian higher education is the reinforcement of the international nature of education. The attainment of this target requires a complex intervention. It is important to promote student mobility which also plays a significant role in local sector-specific and institutional strategies, while making higher education in Hungary more attractive is likewise a top priority which requires, inter alia, the development of institutions of higher education in special directions.

47. Broadening access to higher education

The Hungarian State promotes the availability of access to institutions of higher education with an extensive aid and funding system. As a result, two-thirds of students attending higher education enjoyed full state grants in 2011. This ratio is also attainable in the case of those entering higher education in 2012 through the availability of state scholarships and partial scholarship grants. The Government maximised in a decree the tuition fees that universities may charge pay students and state institutions are not restricted in the number of pay students they wish to admit. In the interest of broadening opportunities, as part of the Student Loan II programme, the State provides free access to higher education for all students newly entering institutions of higher education. Vocational training in higher education as a new form of training introduced as of 2013 is one of the measures designed to streamline the structure of training (through the transformation of tertiary vocational train-

ing currently phased out). This may play an important role in increasing the ratio of individuals with tertiary qualifications to the targets undertaken to be attained by 2020. This form of vocational training (ISCED level 5) flexibly serves the economy's need for experts, while providing access to bachelor training courses in higher education.

48. Reinforcing progress in studies, reducing drop-out rates

With regard to the increased drop-out rates and the prolongation of studies, we have set out to enhance students' sense of responsibility and motivation, and the State therefore requires scholarship-holders to obtain a diploma within one and a half times the prescribed training time. In a case to the contrary, students must repay 50% of the scholarship grant. As a result, the scholarship contract is a genuine tool for motivation which students are free to take or leave.

In the interest of providing opportunities for those with academic pursuits and recognising excellence, a separate programme will be launched with funds from the European Social Fund.

The purpose of the projects launched in the field of the development of foreign language skills from European Social Fund is to enable students to attend foreign language courses and training which improves the share and efficiency of the participation of both instructors and students 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 the implementation of language courses. These measures and programmes are expected to result in the improvement of the international labour market recognition of diplomas and degrees obtained in the Hungarian educational system.

In order to enable students to flexibly find their way amongst the various training and accreditation procedures and to develop their skills, in the course of 2012 we shall provide student services for those attending higher education from EU funding (ESA) (career consulting and tutorial activities) which help students obtain their degrees within the shortest possible time.

49. Renewal of strategic planning in the funding of higher education

We wish to change over from the current model of state funding that is purely based on quantitative input factors to a mixed model which also contains development-centred funding components. State institutions are required to draft four-year, medium-term development plans (Institution Development Plan – IDP) by 30 June 2012 which will serve as the basis for the awarding of supplementary state aid. The general purpose of the support is to achieve more effective and quality-oriented operations through developments serving the integrated utilisation of the capacity available in state higher education institutions. The new higher education law created the Higher Education Planning Board which assesses the social, economic and labour market needs related to higher education prepares analyses for the purposes of education policy decisions and conducts research.

Training and research in higher education must be planned in coordination with the players of the economy and innovation. Institution development plans must feature the requirement of adjusting to the priority sectors and some of the development activities should specifically support the development of cooperation with the economic sector. The achievement of a significant rise in the share of technical and science qualifications is a top priority. In the 2012 higher education admission procedure, the Government offers some 70% of the available, state-funded scholarships in the areas of IT, technology and sciences. (In 2011, this share was only 48 per cent.) Priority funding is made available for arousing interest in the education of sciences and technology and improving the standard of training through infrastructural developments and expansion assisting training, the modernisation of curricula and the further training of instructors.

50. Quality-based sector policy

The act on national higher education introduces several types of qualification procedures, as part of which institutions of higher education may be awarded priority or research status and may be eligible for excess funding with regard to certain target tasks.

The Hungarian Higher Education Accreditation Committee, recently reinforced by the new higher education law, plays a prominent role in the maintenance of quality in higher education.

51. Enhancement of international capabilities and expansion of European mobility

The enhanced flexibility of the training system promotes the recognition of any already completed studies and thereby facilitates transfers between European institutions of higher education. New complex programmes will be launched to promote the mobility of students in higher education. Language teaching in higher education will permit the involvement of students in the largest possible numbers in the mobility programmes. Finally, the fostering of the international relations of institutions of higher education and the entire educational sector will be more emphatic in the future.

The purpose of the status „priority higher education institution” introduced by the national higher education act is to significantly enhance the international nature of certain institutions of higher education.

III.5. Social inclusion

According to the available statistics, some 2.9 million people live in poverty or social exclusion in Hungary. In relation to the total population (29.9 per cent), this is higher than the EU average, and is amongst the higher examples also compared with the Eastern-Central European Member States in a similar state of advancement. Poverty risks affect children and those living in less favoured areas in particular, most of whom (some 500 to 600 thousand people within the Roma population of approximately 750,000, according to estimates) live in extreme poverty. The economic crisis and the dire state of public finances badly affected those living below the poverty line also in Hungary; in spite of this, it is a priority objective of the Hungarian Government that they, too, obtain a fair share of the wealth produced by the economy, as made possible by the country's financial situation, in order to improve the situation of the disadvantaged.

In respect of the poverty target of the Europe 2020 strategy, Hungary aims to reduce the level of poverty amongst families with children, the number of people living in severe material deprivation and the number of people living in households with low work-intensity by 20 per cent each by 2020; taking the relevant overlaps into consideration, the population covered by these three indicators amounts to 450 thousand people who will be lifted from poverty as a result of these efforts.

Based on the latest (2008) data available at the time of the drafting of the 2011 National Reform Programme, the number of people living in poverty or social exclusion was 2.83 million; according to the more recent statistical data published since, this number rose in both 2009 and 2010 (by approximately 150,000 in total) because of the economic crisis, rising unemployment and the negative effects of the fiscal adjustment measures on low-income people. Based on the detailed statistics, the greatest deterioration was experienced in the ratio of individuals living in severe material deprivation, the indicator best reflecting the extent of absolute poverty from among the three, while the relative poverty rate of families with children only increased slightly and the ratio of individuals living in low work-intensity households barely changed. Based on a breakdown of all three indicators into age groups, we may conclude that the indicators deteriorated most primarily amongst children. In

the light of the data between 2008-2010 and the processes known at present (tense situation in state finances, short-term social effects of structural reforms), the number of people living in poverty or social exclusion is not likely to have improved on the whole in 2011 either. The ratio of individuals living in severe material deprivation may decrease in relation to the country's general economic performance, as a result of an accelerated rate of economic growth, while a reduction in the ratio of people living in low work-intensity households may come about parallel with the improvement of the employment rate.

The Hungarian Government wishes to achieve a reduction in the number of those living in poverty primarily via complex programmes involving multiple sectors, by attempting to make quality improvements in the disadvantaged areas, in harmony with the approach of the National Social Inclusion Strategy approved at the end of 2011. The contemplated measures designed to reduce the number of individuals living in poverty may be clearly tied to the individual indicators. The measures serving to reduce the passing on of social disadvantages, from generation to generation, are aimed at improving the ratio of households with children living in poverty. The measures designed to support the social inclusion of the most disadvantaged groups, to enhance their chances on the labour market and to improve their access to public services are expected, in harmony with the employment-related measures, to reduce the ratio of people living in households without active earners. The measures designed to promote the security of living will reduce the proportion of people living in severe material deprivation. The target groups include, inter alia, low-income families struggling with housing problems. A number of measures are aimed at promoting the employment of the Roma, including the promotion of the training of the Roma whilst in employment.

52. Approval of the National Social Inclusion Strategy

The purpose of the ten-year National Social Inclusion Strategy approved at the end of 2011 as part of the EU Framework for National Roma Integration Strategies is to offer a comprehensive approach as necessary for the inclusion of the most disadvantaged, and it therefore attempts to coordinate the various sector-specific policies and to horizontally enforce the principles of inclusion in the interest of the social integration of those living in extreme poverty, children living in poverty and the Roma. Together with the Strategy, the Government also approved a governmental action plan for the period 2012-2014 which identifies measures in the intervention areas of child welfare, education, employment, health care, housing, the involvement of stakeholders and the fight against discrimination.

53. Improving the employability and labour market chances of the most disadvantaged groups, those living in extreme poverty and the Roma

Training and competence development programmes will be launched for wide strata of the long-term unemployed, inactive population living in extreme poverty in order to improve their employability. Some of the programmes are aimed at putting an end to the exclusion of those living in segregated living environments and to ethnic and social segregation through activities designed to improve their employability, labour market integration and access to the social care system and social services. The complex programme includes activities such as ongoing social work, motivation training, the promotion of programmes facilitating independent living and the improvement of housing conditions. Additionally, we shall create support and consulting services in the disadvantaged regions which effectively serve the reinforcement of their employability and allow these disadvantaged individuals, often also struggling with disabilities, to successfully join conventional training and employment programmes in the future.

In order to promote the social inclusion and employment of Roma women, we shall prepare them for social and child welfare occupations as well as for their subsequent employment in institutions of that nature. At the same time, the programme permits the reinforcement of relations between Roma

communities and social institutions which may, in consequence, improve equal access to services and the availability of equal services.

The Hungarian Government wishes to draw significantly on the available EU funds for the attainment of the objectives above.

The programmes above will be prepared in consultation with the National Roma Self Government, while their implementation will be coordinated under the auspices of the Türr István Training and Research Institute (TITRI) established in 2011 on the base of 11 Regional Training Centres. TITRI is a state adult educational and research methodological institution which provides assistance, as a priority task, with the operation of the public employment system, the integration of disadvantaged groups (Roma, job-seekers, low-skilled individuals, people with altered working capacity and those living in less favoured areas) and the improvement of their employability and living conditions. It is the duty of this Institute, inter alia, to develop the skills and qualifications of disadvantaged people, to improve their housing conditions which may constitute an obstacle to social inclusion and to coordinate the tasks related to public employment as a priority.

The active labour market policies introduced in the chapter Employment, the tax benefits promoting employment, the opportunities offered by the social economy and public employment will significantly contribute to the improvement of the employment situation of the most disadvantaged groups and the Roma.

54. Enhancing the chances of inclusion for children and families

The purpose of integrated regional child opportunity programmes is to improve the chances of children living in the country's less favoured areas and to launch projects designed to improve their welfare which will induce major institutional, organisational and social changes for them. Some of the developments involve quality services not available at present such as the Sure Start Children Centres, settlement-type work in segregated estates, leisure-time services and services assisting integration, summer camps and health screening tests. In addition to children, the families themselves will also be involved in the developments by virtue of services such as the development of parental competencies, the improvement of family planning and household skills and debt management. The integrated regional programmes financed from EU funds will be able to create opportunities in total, including the development planned for 2012 (in 2012, we shall involve 15 micro-regions), for some one hundred thousand children in the country's minimum 23 less favoured areas also densely populated by Roma. Social work in schools, too, is aimed at the improvement of the integration chances of disadvantaged children. The purpose of this service is to ensure that children between the ages of 6 and 16 years should in every school have access to specifically trained experts who are able to effectively help children in need by providing psychological support and other social work services (for instance, prevention, individual case management, group case work, etc.) in the interest of the recognition, management and resolution of their problems. The development of the health care system targeting disadvantaged social groups, including the Roma, children and infants and the continuation of targeted and programmed screening tests also contribute to the inclusion of disadvantaged children; as part of the National Infant and Child Health Care Programme, access to health care services will improve through the expansion of the available network and capacity.

In the interest of reducing the handing down of social disadvantages from generation to generation, it is necessary to improve the chances of disadvantaged children to continue their studies, and with regard to the fact that the proportion of children of Roma descent is extremely high amongst children with the worst chances of continuing their studies, it is important to reach and involve pupils of Roma origin in the largest possible numbers. Early school-leaving and the resulting lack of basic skills and competencies prevent the obtaining of qualifications as a condition of access to the labour mar-

ket, and it is therefore necessary to enable disadvantaged groups to study via atypical forms of learning and courses designed to develop basic skills. The services of cultural institutions in the localities, also serving as communal scenes, constitute an appropriate base for this. These measures are also closely related to the objectives present in education (which can only be achieved in close harmony with the measures designed to reduce early school-leaving rates) and are therefore introduced in more detail in connection with the objectives of education.

55. Modernisation of residential social institutions and introduction of supported housing

A form of care will be created for people with disabilities, psychiatric patients, individuals suffering from addictions and homeless people living in residential institutions which connects housing and social care together in such a way that care is provided in flats/buildings rented or owned by the institution where the required services are also available. Consequently, those living in supported housing do not have to live in institutions accommodating large numbers of people, and therefore independence, autonomy, the reinforcement of social and family ties and the development of skills and abilities play a more emphatic role in the course of their care.

56. Comprehensive enforcement of social inclusion targets

The reinforcement and coordination of inter-sectoral cooperation and the promotion of sector-specific policies adjusted to the goals of the strategy on a local and micro-regional level are essential for the attainment of the targets identified in the National Social Inclusion Strategy. The priority project entitled Integrated development of sector-specific policy tools promoting social inclusion and modelling of the development of regional cooperation based on the principle of equal opportunities in the area of public services serves to identify the goals of inter-sectoral coordination, cooperation and the relevant regulatory systems. As of 1 November 2012, local municipalities will only be eligible for support awarded via tenders from the sub-systems of the central budget and from EU funds if they have a valid local programme on equal opportunities. As part of this, they are required to prepare status reports on the educational, housing, employment, health care and social situation of disadvantaged social groups and to identify the measures necessary in the interest of the complex management of the problems uncovered in the course of the assessment of the situation.

The mobilisation and involvement of Roma communities is facilitated by a priority EU project. The project promotes the reinforcement of the human resources of Roma minority governments, as part of which the elected representatives and/or staff members of Roma minority governments are instructed in the information and skills necessary for the planning and implementation of programmes designed to promote the inclusion of the Roma minority based on the specific local features in the interest of their more effective and emphatic participation.

In addition to the priority measures listed above, the following contemplated measures and measures currently in the phase of implementation are also aimed at reducing the number of people living in poverty (more detailed information on these measures may be found in Appendix No. 1 to the National Reform Programme):

57. Social land programme

58. Learning partnerships for promoting employability

59. Development programme for public educational sports facilities

60. School milk programme

61. School fruit programme

Contribution of the measures of the National Reform Programme to the attainment of the national undertakings related to the Europe 2020 Strategy

The development of the priority target indicators of the Europe 2020 Strategy may be estimated as follows over the next two years, also with regard to the effects of the measures introduced in the National Reform Programme:

- According to our estimates, the number of workers will increase by more than 1% in 2012 and by more than 2% in 2013. The measures planned as part of the National Reform Programme will, on the whole, have a positive effect on the employment target indicator and will promote increased employment, which is the Hungarian Government's most important economic, development and social-policy objective. The effects of some of the contemplated measures (in particular, the structural measures) will primarily emerge in the long run; at the same time, the employment rate is affected by a number of factors, other than the implementation of the envisaged measures (external circumstances, macro-economic environment, etc.), and the methodology for the precise separation of these effects from the direct effects of the measures is highly uncertain. Therefore, the effects of the measures featured in the National Reform Programme on the employment rate can only be quantified through estimation based on the available information.
- The level of *research and development expenditures* will, as anticipated, increase to 1.2-1.3 per cent of the gross domestic product by 2013 (from 1.16 per cent in 2010). The measures presented in the National Reform Programme fundamentally envisage the further development of the aid system, without a rise in state funding on the whole, and the positive effects of the measures will therefore only emerge in their entirety over the time-scale of several years (on the one hand, as a result of the development of the research infrastructure and, on the other hand, in consequence of the change of mentality induced by the further developed programmes in the target groups). Additionally, the measures aimed at the improvement of the business environment are also relevant to the development of the target indicator.
- The *ratio of renewable energy sources* to the country's total energy consumption will rise to minimum 7.5 per cent by 2013 (from 6.6 per cent in 2008).
- In harmony with the ESD directive, during the period between 2009-2016, we reckon with a 9% *energy saving* (that is, 1% annually on average) in final energy consumption.
- The ratio of *those with tertiary or equivalent qualifications* to the population aged between 30 and 34 will increase to [...] per cent by 2013 (from 23.9 per cent in 2009).
- We cannot expect a considerable change in the short term in the ratio of young people not involved in training or education *with maximum lower secondary qualifications* to the population aged between 18 and 24 (compared with the 10.5 per cent level in 2010), with regard to the trend of stagnation that may be concluded on the basis of the data of the past medium-term period, the medium- and long-term effect mechanism of the measures and the fact that the utilisation of larger development funds may begin in the second half of 2012.
- As regards the target of the *reduction of the population living in poverty*, according to expectations, in spite of the effects of the economic crisis, the poverty and financial deprivation of families with children will not change compared with the current level in the next year or two, while the ratio of people living in low work-intensity households is expected to improve by some 1 percentage point (from 11.8% in 2010 to 11%) in the wake of the economy and employment boosting programmes.

IV. IMPLEMENTATION OF THE 2011 COUNTRY SPECIFIC RECOMMENDATIONS

The Council of the European Union approved recommendations on the National Reform Programme 2011 of Hungary (country-specific recommendations) and its opinion on the updated convergence programme of Hungary, 2011-2015, on 12 July 2011. The country specific recommendations offered to Hungary are consistent with the main objectives of the 2011 National Reform Programme, and therefore the implementation of the measures planned as part of the National Reform Programme broadly represents an adequate governmental response also to the country specific recommendations. In the following, we shall briefly summarise the measures Hungary has adopted in response to the country specific recommendations. Most of these measures are also featured in the 2011 National Reform Programme, however, there are additional measures that point beyond these.

IV.1. Reduction of fiscal deficit

The Council of the European Union identified the following recommendation for Hungary with respect to the reduction of fiscal deficit:

Strengthen the fiscal effort in order to comply with the Council recommendation to correct the excessive deficit in a sustainable manner, inter alia by avoiding the structural deterioration in 2011 implicit in the planned 2% of GDP budget surplus and ensure that the budget deficit is kept safely below the 3% of GDP threshold in 2012 and beyond, contributing to the reduction of the high public debt ratio. Fully implement the announced fiscal measures and adopt additional measures of a permanent nature if needed at the latest in the 2012 budget to secure the budgetary target for that year. The 2012 budget should also identify the additional measures in order to attain the 2013 target in the convergence programme. Ensure progress towards the medium-term objective (MTO) by at least 0.5% of GDP annually until the MTO is reached and use possible windfall revenues to accelerate the fiscal consolidation.

A trend reversal occurred in the country's budgetary processes in 2011; for the first time since Hungary's accession to the EU, the balance of the budget met the Maastricht deficit criterion. In 2011, there was a 4.3% of GDP excess in the EDP balance, while the deficit calculated without any interim windfall items was also below 3%, at 2.4% which was lower than originally planned.

The measures promoting the reduction of fiscal deficit are presented in detail in the Convergence Programme.

IV.2. New fiscal governance framework

In addition to the reduction of the fiscal deficit, a separate recommendation is aimed at the necessity of creating a new fiscal governance framework.

Adopt and implement regulations specifying the operational aspects of the new constitutional fiscal governance framework, including, inter alia, the numerical rules that will be implemented at the central and local level until the debt ratio has declined to below 50% of GDP. Regarding the fiscal framework, implement and strengthen multiannual fiscal planning, improve the transparency of public finances and broaden the remit of the Fiscal Council.

The provisions of the Fundamental Law passed by Hungarian Parliament in April 2011, which entered into force as of January 2012, prescribe the reduction of Hungary's public debt to below 50 per cent of the gross domestic product and the operation of a fiscal council which has a right of veto with respect to fiscal issues in the interest of compliance with the rule above. In line with the Council rec-

ommendation, the law on Hungary's economic stability was passed in December 2011, which regulates in detail, inter alia, the restrictions on public debt and various fiscal rules and also identifies the rules of guarantee relating to the operation of the Fiscal Council. The debt reduction rule identified in the law on Hungary's economic stability, which constrains the possible annual growth of the nominal state debt to the difference of the planned inflation and one half of the planned (real) GDP growth, is simple, ensures the continuous reduction of public debt in relation to the gross domestic product in the event of a positive economic growth (until the attainment of the 50 per cent threshold) and also contains anti-cyclical elements as it automatically has regard for the stipulation of the Fundamental Law on the basis of which, in the event of a long-term and significant economic decline, debt reduction may be suspended. Both the 50 per cent debt brake laid down in the Fundamental Law and the rule prescribed in the Act on Hungary's economic stability ensuring the attainment thereof are fundamentally more stringent than the EU's debt rule. The Government monitors the observance of the debt reduction rule biannually and if it detects any discrepancy, it initiates the amendment to the budget.

The law on Hungary's economic stability provides significant controlling powers and a role of intervention for the Fiscal Council in order to keep public finances on the specified path. The Council has duties both before the submission of the budget bill to Parliament (reviewing) and during the phase of the debate (right of vetoing the passage of the legislation). It is the Council's duty to determine whether the proposal and the bill about to be passed are in compliance with the debt rule. If the Council concludes that the enforcement of the debt rule is not fully guaranteed, it may refuse its consent to the passage of the budget bill prior to the final vote, in which case the Government is obliged to submit an amendment which ensures the compliance of the proposed bill with the public debt rule. Additionally, the Council is also required to review any bill containing amendments to the central budget law (including proposals on interim adjustments necessitated by the debt rule) which would alter the grand total of revenues and expenditures in the central budget and would increase the deficit. The President of the State Audit Office and the governor of the central bank are also members of the Council of three (in addition to the member nominated by the President of the Republic) who may rely on their extensive analytical staffs for the performance of their duties.

In accordance with the Council recommendation, Act CXCIV of 2011 on State Finances (hereinafter referred to as the „State Finances Act”) lays particular emphasis on planning, including the issue of medium-term planning. The new State Finances Act lays down the framework rules for medium-term planning (Section 29): the Government determines, in individual decisions, the planned sums of the revenues and expenditures of the central budget, in a breakdown corresponding to the chapters of the central budget law, and their fiscal balance for the three years following the subject fiscal year, and updates them as necessary on the basis of the development of fiscal and macro-economic processes. The law therefore prescribes the determination and updating of medium-term target fiscal figures. As a result, on the one hand, it designates the fiscal target figures for the years to come (primarily as regards fiscal balance) and, on the other hand, it prescribes that the expenditure figures established for each chapter must be broken down by the agencies in charge of the chapters into centrally financed institutions and central and chapter allocations, which simultaneously constitute a limit on their commitments for the years to come. In the course of fiscal planning, local municipalities and minority governments and associations, too, are required to identify their anticipated revenue and expenditure figures for the next three years by the approval of their budgets.

IV.3. Alleviating the impact of the tax reform on low earners, enhancing the labour market participation of women

The Council of the European Union identified the following recommendation for the enhancement of participation in the labour market:

Enhance participation in the labour market by alleviating the impact of the tax reform on low earners in a budget-neutral manner. Strengthen measures to encourage women's participation in the labour market by expanding childcare and pre-school facilities.

The Hungarian Government implements the introduction of the single-rate personal income tax in such a way as to ensure that the net income position of workers negatively affected by the removal of the employee tax credit benefit in 2012 should not deteriorate. A number of measures have been adopted in the interest of maintaining the level of the net wages of the low-income worker groups concerned.

- On the one hand, the minimum wage and the guaranteed wage minimum were increased as of January 2012 which automatically guarantees at these levels the maintenance of the level of net wages for workers.
- On the other hand, the payment of a monthly wage compensation (already commenced in 2011) designed to offset any decrease in the net income will continue in the public sector.
- Finally, the Government wishes to encourage the implementation of pay rises that at least offset any potential decrease in net wages by offering a tax benefit; companies that effect a pay rise at the necessary rate for all workers affected (employees earning maximum HUF 216,806 before tax) may avail themselves of a social contribution tax benefit. The amount of the tax benefit was determined in such a way that, if the net wages of employees were kept unchanged, the costs of employment falling on the employer should rise by maximum 5% per employee. (Additionally, a statutory rule entered into force on 1 January 2012 which bars from public procurements and state aid companies which do not implement the pay rise necessary for the preservation of the 2011 net earning level in the case of minimum two thirds of the employees concerned.)
- Companies which incur financial difficulties as a result of the implementation of the 5 per cent pay rise in 2012 may apply for non-repayable aid from a tender allocation of HUF 21 billion specifically made available for this purpose. The purpose of the tender is to ensure that the implementation of the expected pay rises serving to preserve the net value of wages, in particular, in the case of businesses engaged in high labour-intensity activities, should not result in staff cuts. Bidders must agree to effect the pay rises necessary for the preservation of the net value of wages for all employees (retroactively from 1 January 2012) and not to reduce their average statistical staff in 2012 (compared with the year before). As part of the tender, non-repayable aid may be provided for the part amounting to maximum 3 per cent of the 2012 expected 5 per cent pay rise, to be financed from the company's own resources, in relation to its entire 2012 costs (wages and social contribution tax). Upon the assessment of bids, employers engaged in high labour-intensity activities and bidders where the pre-tax average earnings of workers are low are favoured.

In the interest of the financing of the compensatory measures related to the expected pay rises that serve to maintain the level of net wages for low earners, in 2012 the institution of tax base supplementing (super-grossing) was only terminated below the monthly income limit of HUF 202,000 (HUF 2 424 000 annually), while tax base supplementing at the rate of 27 per cent was temporarily retained in the case of incomes in excess of this limit.

For the purpose of reducing the costs related to the employment of low-skilled workers and promoting their employment, according to plans, as of 2013 employers may be eligible for a (9 per cent) targeted social contribution tax benefit in respect of employees performing jobs requiring no qualifications.

In the interest of increasing employment amongst women, the Hungarian Government primarily wishes to promote the return to the labour market of mothers raising small children, and has taken a number of important measures in the past two years to this end. From among these, one of the most important was the introduction of family tax benefits (as of January 2011) on the basis of which families raising one or two children and parents raising three or more children may reduce their tax base by fixed sums. This results in a significant increase in the monthly net incomes and living standards of working parents raising small children. They may consequently be able to provide a better living for their families which will promote the enforcement of the “let work pay” principle.

One of the greatest obstacles to the return to the labour market of women with small children is the shortage of day-care services for children. The Government therefore primarily directs its measures towards the expansion of child care facilities for children aged between 0 and 3 years, the development of the infrastructure of already operational care facilities and the creation of new capacity. Hungary has in recent years increased the number of spaces available in institutions providing day care services for children (nurseries, kindergartens) with EU development funds, in particular to provide access to day-care facilities for children for those who live in localities where there is a shortage of these services. In 2011, more than 800 new nursery places were created with the aid of funds derived from the regional Operational Programmes and there are tenders in progress also at present which serve to develop and to increase the capacity of child care institutions. Additionally, as of 2012 we shall have the opportunity to create further flexible day-care child services (primarily family day-care centres providing care in small groups) and child care facilities at the work place with co-funding from the European Social Fund.

Flexible employment, too, plays an important role in the measures designed to promote the compatibility of work and private life. In the interest of promoting flexible employment, the new Labour Code passed at the end of 2011 (to enter into force in July 2012) contains a number of new rules, in addition to the existing ones, which create the opportunity for flexible employment (on-call employment, job division, employment entered into by multiple employers, distance work, flexible working hours). Additionally, pursuant to the new Labour Code, it will be compulsory also in the private sector to employ workers raising children below the age of 3 returning from child care leave on a part-time basis on request. In the interest of promoting flexible employment to facilitate the return to the labour market of workers raising small children, in the event of the part-time employment of workers returning to their former place of work from maternity leave/child care leave and the continued employment on a part-time basis of the workers replacing them in their absence, a 7 percentage-point social contribution tax benefit is available with respect to both employees.

As of 2012, aid from the European Social Fund, too, serves to promote flexible employment and the wider use of the flexible forms of employment (within the framework of the programme 2.4.5 of the Social Renewal Operational Programme). Parallel with this, the programmes serving to reduce the labour costs of those returning from child care (START Plus and START Bonus) also continued in 2011-2012, and workers returning to the labour market after maternity leave/child care leave constitute one of the priority target groups of the active labour market measures (e.g. Social Renewal Operational Programme, Decentralised programmes 1.1.2 and 1.1.4 for the employment of the disadvantaged).

IV.4. Active labour market policies, mobilisation of disadvantaged groups

The Council’s following recommendation serves to tackle bottlenecks on the labour market:

Take steps to strengthen the capacity of the Public Employment Service and other providers to increase the quality and effectiveness of training, job search assistance and individualised services. Reinforce ac-

tive labour market measures delivering positive evidence-based results. In consultation with stakeholders, introduce tailor-made programmes, for the low-skilled and other particularly disadvantaged groups.

In accordance with the Council's recommendation, Hungary reinforced its active labour market measures delivering positive results co-financed by the European Social Fund through the reallocation of further funding for this purpose in the course of 2011-2012. The capacity of the Public Employment Service may be increased in line with an increase in the allocations available for active labour market programmes (Social Renewal Operational Programme 1.1.2 and 1.1.4.), and the programme serving to develop and improve the efficiency of the Public Employment Service will continue as well (Social Renewal Operational Programme 1.3.1).

The decentralised programmes aimed to promote the employment of the disadvantaged (Social Renewal Operational Programme 1.1.2 in the convergence regions, Social Renewal Operational Programme 1.1.4 in the Central Hungary Region) serve to improve the chances of the long-term employment of groups disadvantaged from a labour market point of view and to help them to return to the open labour market by arranging labour market services, aid and training into complex, tailor-made packages. These programmes primarily target low-skilled people and individuals with outdated qualifications, young people and school-leavers, people over the age of 50, parents returning to the labour market after maternity leave/child care leave, individuals eligible for employment substitute benefit and disadvantaged job-seekers living in regions characterised by high rates of long-term unemployment. The programme, co-financed by the European Social Fund, is implemented under the auspices of the Public Employment Service, within the framework of which a variety of benefits and labour market services are available to the target groups (including training benefit, employment support, aid for setting up private businesses, benefits related to the use of labour market services, reimbursement of the costs of occupational health screening tests, reimbursement of costs of physical fitness tests related to training, provision of labour market and employment information, work, career, job search, rehabilitation, psychological and local employment advice and consulting, labour market mentoring activities, etc.).

Other training and complex labour market programmes targeting the particularly disadvantaged, co-financed by the European Social Fund, are also being implemented as part of the Social Renewal Operational Programme priorities 1 and 5.

The employment of disadvantaged individuals is also encouraged by a number of tax benefits, some of them available for some time, while others recently introduced. As part of the START programme, in the event of the employment young people under the age of 25 (30 in the case of those with higher education), employers may avail themselves of a social contribution tax benefit for two years (in the case of those with higher education, for one year). Within the framework of the START Plus programme, in the event of the employment of workers returning to the labour market after a period of eligibility for maternity leave/child care leave/nursing benefit, employers may be eligible for a social contribution tax benefit for a period of two years. As part of the START Extra programme, in the event of the employment of individuals over the age of 50 years registered as job-seekers for minimum three months, low-skilled workers and people eligible for a wage supplement benefit, employers may avail themselves of a social contribution tax benefit for two years. (The START PLUS and START Extra cards were available for collection until the end of 2011; benefits may be enforced with the cards during their term of validity but until the end of 2013, at the latest.) As of 1 January 2012, within the framework of the START Bonus programme, in the event of the employment of job-seekers continuously registered in that capacity for minimum 3 months and those returning to the labour market after (or during) a period of eligibility for maternity leave/child care leave/nursing benefit, employers may receive a social contribution tax benefit for a period of one year. As of 1 January 2011, in the interest of helping parents with young children to return to their former em-

employers, employers are entitled to a social contribution tax benefit in the event of the part-time employment of parents with young children returning to their former place of work, against the fulfilment of certain conditions. In the event of the employment of rehabilitation card holders with altered working capacity, the employer is entitled to a tax benefit during the term of validity of the card, which is 27 per cent of the gross wage (but maximum double the minimum wage). In the interest of reducing the costs related to the employment of low-skilled workers and promoting their employment, according to plans, as of 2013 employers may be eligible for a (9-percentage-point) targeted social contribution tax benefit in respect of workers employed in jobs not requiring qualifications.

IV.5. Improvement of business environment

Finally, the last country-specific recommendation is aimed at the improvement of the business environment:

Improve the business environment by implementing all the measures envisaged for regulatory reform and lowering administration burdens in the national reform programme; assess the effectiveness of current SME support policies and adjust public programmes in order to improve access to non-bank funding.

In November 2011, the Hungarian Government approved a medium-term programme to lower the administrative burdens of businesses ("Cutting Red Tape" Programme), which contains 114 measures in ten areas of intervention in total. The measures which are implemented on the basis of the schedule set forth in the programme will, by the end of 2013, reduce the administrative burdens of businesses by some HUF 500 billion (approximately 1.7 per cent of the GDP). From among the measures implemented by the end of 2011, mention should be made of the significant simplification of the rules regarding product fees (in respect of wrapping materials), the increased revenue threshold of statutory audit for businesses and the simplification of certain elements of employment-related administration.

The new public procurement law was passed in autumn 2011. The rules of public procurements were reformed based on the considerations of bidders (businesses). The new legislation is also aimed at lowering the administrative burdens related to public procurements (e.g. it encourages entities inviting tenders to use any data already available in the certified public records). At the end of 2011, legislators also passed the legal rules which reduce the burdens of businesses by accelerating execution and liquidation proceedings and making them transparent and more controlled, and are aimed at the more effective recovery of creditor receivables and public debts and more effective law enforcement.

The aid system designed to develop the Hungarian SME sector was systematically reviewed upon the creation of the New Széchenyi Plan, at the end of 2010. Based on the evaluation, some of the aid programmes that were previously available were terminated in 2011, while others were altered, tender conditions and administrative requirements were simplified and procedural deadlines were shortened.

Measures have been taken to improve access to non-bank funding primarily within the framework of the priorities of Financial Instruments operating on the basis of the procedures of the economic and regional operational programmes. The venture capital programme, previously initiated but not effectively launched, was accelerated. Thanks to this, the 7 venture capital funds set up in 2009 effected a further 33 investments worth some HUF 10 billion by the end of 2012, compared with the 11 capital investments to the value of HUF 2.5 billion made up to the end of 2010. The New Széchenyi Credit Programme operated almost exclusively via non-bank mediator organisations was also transformed;

the amount available for lending increased from HUF 10 million in February 2011 to HUF 50 million, and in order to motivate financial mediators, a first-loss-type loss coverage was also introduced. Additionally, Hungary also introduced in March 2011 the Combined Micro-Loan product assessed in a one-stop procedure, which is the combination of a maximum HUF 8 million micro-loan and HUF 4 million in non-repayable aid. These sums were raised in January 2012 to HUF 10+20 million (maximum HUF 10 million in non-repayable aid and a maximum HUF 20 million micro-loan) reflecting the great success of this arrangement.

ANNEX 1: DETAILED REVIEW OF MEASURES PLANNED WITHIN THE NATIONAL REFORM PROGRAMME

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
Annual Growth Survey 1st Priority: Growth-friendly fiscal consolidation						
<i>Measures will be presented in the Convergence Programme</i>						
Annual Growth Survey 2nd Priority: Restoring normal lending to the economy						
1. Agreement between the Government and the Hungarian Banking Association	Development of the legal background necessary for the execution of taxation and financial policy agreements (with special view to the tax preferences for the promotion of credit agreements contained by the Growth Pact). Development of action plan to boost lending.	1 st Quarter of 2012	MNE	Income from bank tax decreases significantly. It should be replaced in the central budget from other sources	Upon the agreement with the banking sector the rate of lending increases, or at least the rate of decrease slows down. It is a negative risk how much the market accepts the fact that the government keeps the planned deficit target despite that central budget might have significantly less income from the bank tax than originally planned.	Rehabilitation of the financial (banking) sector, normalisation of credit conditions – (AGS-2)
2. Improvement of access to agricultural funding	One of the priority objectives of the Government is to develop the agriculture as a pulling sector on the basis of utilizing cooperative advantage. A key element to that is the improvement of access to financing for the agricultural entrepreneurs. Measure is focused on the effective operation of preferential loan programmes – new or modified ones. (i.e.: loan programmes for frost damages by the Hungarian Development Bank, bank guarantee on food, loan for working capital financing for Production and Sale Cooperatives (PSC).	Continuous	MRD	Foreign exchange guarantee for inter-bank loans, to which the central budget will extend financing	Improving the financing situation of the agricultural enterprises, contribution to remove disadvantageous effects of the	<ul style="list-style-type: none"> ▪ Reparation of the financial (banking) sector, normalisation of the crediting conditions (AGS-2) ▪ Reforms to promote growth (AGS-3)

³ This column indicates the relevant objectives, priorities which are primarily aimed at by various actions, taking into consideration the 5 priorities formulated by AGS and the 5 objectives of the Europe 2020 Strategy

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
Annual Growth Survey 3rd Priority: Strengthening Growth and Competitiveness						
3. Modification of the National Strategic Reference Framework based on half-term evaluations	<p>Modifications will be applied to the following operative programmes: Environment and Energy Operative Programme (EEOP), Transport Operative Programme, State Reform Operative Programme (SROP), Electronic Administration Operative Programme (EAOP), Implementation Operative programme (IOP), Social Renewal Operative Programme (SROP) and Social Infrastructure Operative Programme (SIOP). The greatest regrouping of financing will be made between the Transport Operative Programme (TOP) and the Environment and Energy Operative Programme (EEOP).</p> <p>The greatest regrouping of financing will support the out-brake of the economy development brake point at efficient energy use as well as the increase of renewable energy resources of the Green Economy Development of the New Szécheny Plan</p> <p>As each and every 1 billion HUF spent for the renovation of buildings belonging to the central budget, local governments churches and other institutions with public duties will result in an annual energy saving of approx. 40 million HUF, these financial means may be spent for the development of improving the public services.</p> <p>On the account of the financial regrouping from TOP to EEOP various developments (heat insulation of buildings, change of windows, up-dating lighting, etc.) may be executed first of all for the conversation of traditional energy in the fields of central budget, local governments, small and mid-sized enterprises (SME). With a range of investments serving as model (renewal of the energy system of schools, hospitals, government institutions, sports facilities, etc.) the rationality and the effectiveness of the reform of the public administration could be confirmed and at the same time it would increase the national assets, further on the support of such investments would improve the competitiveness of the national SMEs.</p> <p>In the frame of regrouping the financing and priorities the Social Renewal Operative Programme (SROP), among at the</p>	<p>For every measure the use of financing needs to be decided until 31 December 2013 at the latest Milestones:</p> <ul style="list-style-type: none"> - Approval of modification request by the European Commission - modification of the measure plan of the operative programmes in question and issuance of invitation to tender until 3 June 2012. 	MND	Extent of the regrouping of finances between the Transport Operational Programme (TOP) and the Environment and Energy Operational Programme (EEOP): 163 billion HUF (40 billion HUF European Regional Development Fund, 123 billion HUF Cohesion Fund)	As a result of the financial regrouping new strategic and action plans, well thought trough and approved by the Parliament and the Government, the financial help will help significantly the effective and cost effective realisation of general political – educational, health, physical education, district heating, etc – aims.	Reforms to promote growth (AGS-3)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	development of human resources, will strengthen those active tools in the human resources market, which show good results as well as measures of higher education (priorities of SROP 1 and 4) helping the problems of increased unemployment of young people.					
4. Simplification of the Operations of the National Strategic Reference Framework	<p>Tasks in relation to financing structures based on the operative programmes: designation of the ministers for the professional preparation of the financing structures denominated in the action plans, then the designated ministers will give information on the scheduling of professional preparation and survey the valid action plans from the point of view of viability and compliance to professional political aims of the government</p> <p>Start of the financing structure (featured projects, single step tendering) as well as simplification and speed-up of tasks regarding incoming project.</p> <p>Institutional tasks in relation with the completion of the projects: the strengthening of the tasks related planning, survey of the capacity and financing possibilities of the Intermediate Bodies in view of the speed-up, development of institutional development plan for structural efficiency, connection of the Standard Monitoring Information System with authenticated database.</p>	For every measure 1 st half of 2012 at the latest.	MND	During the implementation of the measure the need for additional budget sources may arise, which – at the same time – may be lessened by additional inner resources and the technical help of EU.	Modification of structures and control are expected to strengthen tenderer friendliness and the transparent features of the operation. As a result of the measures control will be simpler and predictable, institutional processes will be more rational and more transparent, programme implementation will be quicker and more efficient.	Reforms to promote growth (AGS-3)
5. Reinforcing consumer trust in e-commerce services	In January 2012 the Government made a decision in a decree that it is necessary to improve consumer trust towards electronic commercial transactions by targeted campaigns. For supporting the activities of consumer protection organisations in 2012 the related tender will contain a so-called information campaign as a tendering category. The aim of that category is that organisations reach the consumers in the widest field and through the most efficient channels and inform them about their rights. E-commerce, internet based purchases are among the featured topics. Within these topics the consumer protection organisations will inform the consumers about their rights and possibilities (for example right of abandonment). Equipped with that knowledge consumers will turn towards	The mid-range consumer protection policy No. 4. until 2014 contain the aims of the consumer protection, the measure is continuous within that time frame	MNE	Budgetary chapter for the support of consumer protection organizations(25-14-1-2).	The positive effect of the measure may be the increased consumer trust towards electronic commerce and indirectly the expansion of product range and lower prices. From the merchants' point of view expansion of the markets and market shares, increased sales volume can be expected. From a	Reforms to promote growth (AGS-3)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	the e-commerce with greater confidence thereby inciting the spread of Internet purchase. Invitation to tender is planned to appear in Spring 2012.				national economic point of view that may result in growing employment and growing tax income i.e. VAT. From the consumers' point of view a negative result may be the lack of changing consumer protection rules and difficulties related to the satisfaction of consumer claims.	
6. Opening of new radio frequency spectrum	In 2011 the National Media and Infocommunications Authority (NMIA) have auctioned the available 900 MHz frequencies. The tendered frequencies are suitable for 3G and 4G mobile services, can be used with various technologies thereby the service providers on these frequencies will have the option to install and operate GSM, UMTS, LTE, or WiMAX networks. These frequencies will provide better mobile internet services because, due to the better wave propagation, the base stations will cover significantly greater areas. This will result in the significant expansion of 3G coverage in rural areas and in lower service prices. The winner of the auction will appear in the market as a new mobile service provider.	January 2011 to December 2012	MND MI	Auctioned and generated income	In the future that will improve the quality of services and help to prevail consumer interest.	Reforms to promote growth (AGS-3)
7. Construction of connections to broadband backbone network	The 18 months EU programme started at the end of 2011 to install regional networks in the sub-regions. This will result in connecting the settlements, which did not have "white" broadband service, to the backbone network of suitable capacity thereby preparing approx. 800 settlements to have a minimum 1 Mbps connection to the local network.	November 2011 – June 2013	NMD	EU financing: EDOP 3.1.2. [20 billion HUF]	More SME can be connected to broadband internet; possibility for telework can be expanded resulting in increased employment.	<ul style="list-style-type: none"> Reforms to promote growth (AGS-3)
Annual Growth Survey 4th priority: Tackling unemployment and the social consequences of the crisis						
8. Tackling the situation of foreign currency mortgages with over 90 days	The National Asset Management Agency will buy 25,000 living estates until the end of 2014 Converting into forints the debts of foreign currency mortgage loan debtors in arrears by more than 90 days.	April 2012 to end of 2014	MNE	Bank tax related income is expected to decrease significantly. The measure will be financed	Situation of foreign currency mortgage holders with over 90 days of non-payment	<ul style="list-style-type: none"> Tackling unemployment and the social consequences of the crisis (AGS-4)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
Delay of Payment				from other budgetary resources.	will improve	
9. Preferential exchange rate fixing	Foreign currency mortgage loan debtors meeting their contractual obligations or in arrears by no more than 90 days have the option of entering an exchange rate protection scheme until the end of 2012..	April 2012 to mid 2017	MNE	Bank tax related income is expected to decrease significantly. The measure will be financed from other budgetary resources..	Situation of foreign currency mortgage holders with over 90 days of non-payment will improve regularly paying instalments or non-payment is less than 90 days, will improve	<ul style="list-style-type: none"> Tackling unemployment and the social consequences of the crisis (AGS-4)
Annual Growth Survey 5th priority: Modernising public administration						
10. Reducing administrative burdens of businesses ("Cutting Red Tape" Programme))	In November 2011, the Hungarian Government adopted a medium-term programme to reduce administrative burdens for entrepreneurs. In the area of 10 interventions the programme contains 114 measures, inter alia, to reduce the tax administration, simplification of the operation of authorities, faster and more predictable investment approval and decrease the administrative burdens of employment. Furthermore the programme contains action to eliminate duplications in reporting obligations, the elimination of the spread of institutions and procedures in order to eliminate the institutional system inciting distrust and penalties and also contains structural and system changes, which – building integrally into the operation of the state – can prevent the future increase of administrative burdens on enterprises.	2012-2013	MNE	Execution of the Programme does not require additional budget resources.	Measures of the programme will decrease the administrative burdens of enterprises by 500 billion HUF, i.e. approx. 1.7 % of the GDP. More than the half of it will be realised in 2012. With the reduction of administrative burdens additional resources may be released in the entrepreneurial sector, which may be used by the enterprises for investments, developments and employment of additional labours, which will strengthen the growth potentials in the whole economy.	<ul style="list-style-type: none"> Modernising public administration (AGS-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
11. Reducing administrative burden on citizens (Simplification Programme)	<p>The Hungarian Government, as part of the Zoltán Magyar Public Administration Development Programme, in August 2011 accepted the Simplification Programme aiming at the reduction of administrative burden of the citizens. The Simplification Programme is executed in three stages (first leg is closed at the end of March 2012) and until the end of 2012 altogether 228 processes will be simplified. The procedures designated for simplification will cover all the more important areas (i.e. family support, taxation, unemployment benefit, as well as documents related to real estate, car, pension, health insurance), in which the citizens meet in the every life with procedures of the authorities.</p>	<p>The Simplification Programme will be executed in 3 phases as below: - Until 15 March 2012: simplification of 50 procedures - Until 31 August 2012: simplification of 105 procedures, - Until 31 December 2012: simplification of 73 procedures</p>	(MPAJ)	<p>Total cost of the Simplification Programme is 1.3 billion HUF, which is available from the funds of the State Reform Operative Programme</p>	<p>Simplification of the procedure frees time, which can be used for work for the citizens (thereby for improving their financial situation) or for leisure. Therefore the easing administrative burdens will not only improve the competitiveness of the country, but will increase the social well being as well. Moreover, it will decrease the direct financial burden of the households. With the execution of the Programme a 25% reduction of the administrative burdens of citizens may be achieved, thereby customer satisfaction and trust towards public administration will be increased</p>	<ul style="list-style-type: none"> ▪ Modernising public administration (AGS-5)
12. Establishment of district offices and government windows	<p>Establishing districts and district offices enables to separate management tasks of the local and central government. The tasks of central administration will be serviced by district offices. The most important task of the district offices will be to deal with administrative tasks below county level. On this basis the district offices will deal with the state management tasks of the notary – in exceptional cases the Clerk of the mayor’s office – and also all the matters, which fall into the competence of small district offices, customer service bureau and specialised agencies of county district offices.</p>	<p>Government decision of the formation of district system – 1 September 2011. Social reconciliation of the drafts of the district system – 10 January to 29 January</p>	MPAJ	<p>EU financing: “Planning the district based state management system” State Reform Operative Programme (SROP) 1.2.8. project [300 million HUF] “Development of customer service dialog</p>	<p>Tasks of the state management will be done by state institutions. With this step the disperse nature of the institutional system of state management will be decreased. The quality of task execution at district level will be</p>	<ul style="list-style-type: none"> ▪ Modernisation of public administration (AGS-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	The document bureau will be placed into the district office as well (as executing agency for tasks within the state management responsibilities of the notary). Presently altogether 304 document bureau operate in 270 settlements. The customer services of the specialised agencies of the district offices will be integrated with the document bureau thereby securing a single window procedure in every district by the end of 2013	2012. Submission of draft law to Government – 10 February 2012. Acceptance of law by the Parliament – until 15 March 2012 Acceptance of government decrees on districts – 30 June 2012 Development of ministerial decrees on districts – 30 November 2012 Execution of organisational matters – until 31 December 2012 Start of the operation of district offices – 1 January 2013.		system” SROP project [500 million HUF] “Physical development of Government window” ROP project [7.225 billion HUF] “Formation of integrated customer service system” EAOP project [4.8 billion HUF] “Formation of dial-up customer service system” EAOP project [900 million HUF] Support for all projects related to the formation of districts [13.725 billion HUF]	improved.	
13. Electronic Public Administration	Support of administration with IT solutions. Ensuring remote and electronic access to procedures, full customer identification and electronic delivery system. Developments are as follows: - The “Full customer identification” priority project secures identification for organisations (i.e. enterprises) with indirect (electronic signature, so for the execution of the guideline a “trusted list” will be developed) solution thereby foreign enterprises will have access to the dialog based services.	EAOP 2 – <i>full customer identification</i> project: Under planning. Professional negotiations have been made with MND, KEK KH, NMIA and KIM/A1,E1 points will be redone.	MPAJ	EU financing: EAOP 2 – full customer identification [1.3 billion HUF] EAOP 1 - hibrid delivery and conversion system [3.25 billion HUF] EAOP 2.1 “development of interoperable IT infrastructure for integrated		<ul style="list-style-type: none"> ▪ Reforms to promote growth (AGS-3) ▪ Modernising public administration (AGS-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<ul style="list-style-type: none"> - A “Hybrid delivery and conversion system” priority project makes it possible to maintain connections based on the logic of ordinary delivery both for electronic and paper-based submissions. Providing wider range and higher quality possibilities than required in the Services Directive. - The “Development of integrated customer service interoperable IT infrastructure” is a priority project securing the IT requirements for single window administration - As part of the project entitled „A review of the regulatory environment of electronic administration”, the rules governing electronic administration will be modified in accordance with the actual practical needs in conjunction with the comprehensive amendment of the Act on the General Rules of Public Administration Proceedings and Services⁴. Ex-post impact assessment will be carried out with regard to the decree of MPAJ, Nr. 24/2011. (VIII. 9.), and on the basis of the results further amendments proposed. - 	<p>Harmonisation of professional content with National Tax and Customs Administration</p> <p>Next milestone: Session of tender development working group (PEMCS)</p> <p>EAOP 1 - <i>Hybrid delivery and conversion system</i> project: under planning. Next milestone: emission of manual: 12.04.2012</p> <p>EAOP 2.1 “development of interpretability IT infrastructure of integrated customer service” – Under planning. Points A1, E1 have been finalised. Reasons for modification request have been sent to EMPAJ, MND and NDA on 02.03.2002. <i>AT waits for modi-</i></p>		<p>customer service” [4.8 billion HUF]</p> <p>SROP 1.2.10 – Survey of legal environment for the electronic administration</p>		

⁴ Act CXL of 2004 on the General Rules of Official Public Administration Procedures and Services.

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
		fications. SROP 1.2.10 – “Survey of legal environment for electronic administration” Under planning. Manual has been issued Tenders should be submitted on 24 March 2012.				
14. Anti-corruption measures	The anti-corruption programme focuses primarily on corruption and abuses in the public sector by developing a complex set of tools aiming at simultaneously preventing corrupt actions and improving awareness and integrity on individual and institutional levels, furthermore developing effective sanctions against corruption. As part of the of the programme an anonymous notification system will be built, protecting informants effectively, central training organised for integrity and anti-corruption, and information campaigns to enhance the sensitivity of the business sector and society as well. Survey will be done to find a way to improve the investigation department of authorities both qualitatively and quantitatively, to effectively prosecute acts of corruption and a closer and more structured cooperation among the authorities fighting against corruption will be developed. Professional Ethical Codex will be worked out for public officers.	Programme will be implemented until the end of 2014	MPAJ	EU financing: SROP [300 million HUF]	As a result of the implementation of the Programme operation of the state will be more transparent and more economical. This will improve the situation of the budget (i.e. cheaper public procurement) and will improve both domestic and the international trust thereby promoting the investment potential of Hungary, which will improve our competitiveness.	<ul style="list-style-type: none"> ▪ Modernising public administration (AGS-5)
15. Organisational development in public administration	The measure focuses on areas, not covered by the modernisation programmes of county, or district government offices., The elements of organisational development offer the possibility for the public to develop solutions according to their specific requirements in the field of budget, human resources and operation. To improve effectiveness a controlling system	Measure will be introduced by 30 June 2014 Basic concept be will developed- (02.012012 to	MPAJ	Execution will be financed from State Reform operative Programme (for organisation development: 1.9 billion HUF), the running	The organisational development will result in significant improvement of the effectiveness and efficiency, which will be sensed by the citizens	<ul style="list-style-type: none"> ▪ Modernising public administration (AGS-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	will be introduced, for the improvement of supervision various quality management systems will be applied. Predictability will be improved by the development of strategic control and planning as well as by the introduction of a progress management system. In order to develop the human resources management skills will be developed and a performance evaluation system will be introduced. To help the innovative operation a knowledge management system will be developed. Measures will concentrate on 42 state management offices, which are not covered by the county and district government offices. As from 2012 the operational models will be expanded to the local governments as well, thereby the whole of the public management organisational structure can be modernized.	15.04.2012) Development of methodology (01.06.2012 to 31.12.2012) pilot project (01.10.2012 to 15.03.2013) extension for the whole system (01.01.2013 to 30.06.2014) coordination, monitoring (03.09.2012 to 30.06.2014) evaluation of execution (01.04.2014 to 31.07.2014)		cost of maintaining the results will be financed from the budget of the central organisations in question	and sustainability will be secured. Risk of the project: if the required number of institutions cannot be involved ("critical mass") then the gap between the effectiveness and effectively of the individual institutions will increase, the set objectives will be jeopardised because the synergetic effect will not be present.	
16. Renewal of the Government's strategic management	Regulatory and institutional preconditions are developed for the renewal of governmental strategic management will be developed. The strategic management field of the government will be explored, methodologies and manuals will be prepared for the strategic management. Besides setting up workshops for the harmonisation of the policies of the various fields a central co-ordination mechanism will be put in place.	Under way, final deadline: 31 December 2012.	MPAJ	EU financing: SROP 1.1.8 [480 million HUF]	The implementation of the measure will make it possible to improve coordination and efficiency of the strategic management of the government, to implement unified strategy for the public services, to secure traceability and methodology of implementation and institutional structure. The measure as a whole will improve the international competitiveness	<ul style="list-style-type: none"> ▪ Modernising public administration (AGS-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
					of Hungary and the government's ability to handle economic, social and environmental risks. From the point of view of administration the measure will have a simplification effect thorough the unified system.	
17. Development of new career models for Civil Servants	<p>The <i>Personnel Strategy of the Government</i> is ready and based on that the Parliament have passed the following laws:</p> <ul style="list-style-type: none"> - Act CXCIX of 2011 on the civil servants - Act CLXXXIV of 2011 to harmonise the rules of the career of civil servants within the professional staff of the armed forces outline in Act XLIII of 1996 and modification of some of the employment rules; - Act CXCII of 2001 on the modification of ActXCV of 2001 on the legal status of the professional and contracted staff of the Hungarian Defence Forces and modification of other law on service. <p>Development of the elements of the career will go on in 2012 and 2013 as well and <i>harmonisation</i> will be done primarily in the following fields:</p> <ul style="list-style-type: none"> - a job based system, which keeps the advantage of the career system and offers option for flexible adaptation to changes; a test model will be started - An Integrated Public Servant Performance Management System will be introduced - a system of common reserve unit will be set up - the system of test, examinations and further education will be unified on the basis of the training of the newly founded National Institute of Public 	<p>Measures will be implemented in 2012 and 2013 as follows:</p> <ol style="list-style-type: none"> 1. Introduction of job based system, connection of the functions to the jobs, gradually from 2013 2. Introduction of Integrated Public Servant Performance Management System: 1 June 2012 3. the system of common reserve unit starts its operation: 1 September 2012 4. System of examinations and further education will be unified on a continuous basis 	MPAJ	<p>The indicated measures within the framework of the harmonisation of careers are planned as part of the SROP projects.</p> <ol style="list-style-type: none"> [1. Model test on jobs: 164 million HUF (2012) 2. Tasks of human resources centre in connection with the introduction of function based system, training: under planning (2012 to 2013) 3. Development of the Integrated Public Servant Performance Management System: 43 million HUF (2012) 4. Tasks at human resources centre, training in connection with the Integrated Public Servant Performance Management System : under 		<ul style="list-style-type: none"> ▪ Modernising public administration (AGS-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
				planning (2012-2013) 5. Development of common reserve unit: 45 million HUF (2012) 6. Tasks at the human resources centre related to the common reserve unit: under planning (2012-2013) 7. Unification of the examination and further education systems: under planning (2012-2013)		
18. Planning, implementation and introduction of an electronic documentation system supporting the planning permission procedures of construction authorities (ÉTDR)	<p>ÉTDR is a centralised service accessible through the internet, which supports the electronic handling of the building plans, submitted for approval, for each of the concerned parties of the construction plan approval process including storage, delivery, supervision, visualisation and safe keeping. The main objective of the development is to support the electronic submission of the whole approval process (application and annexes defined by the law) and to speed up the administration. The authorisation system of the central board of public construction will provide unified electronic system including electronic application form and documents pertaining to the application for electronic handling and licensing by the building and other authorities.</p>	<p>Major milestones of the implementation:</p> <ul style="list-style-type: none"> - Public procurement and selection of the winner until 31.03.2012 - Development of initial studies: development and approval of IT system plan and process management until 31.05.2012 - System development and imple- 	Mol	<p>For the implementation of the project 1,096,478,750 HUF will be used from EU financing; 86,61% will come from priority EAOP 1. and 13,19% from EAOP 3. priority</p>	<p>The country-wide unified system can be developed more economically on one hand and will result in a transparent system on the other hand. The ÉTDR will provide direct connection to other authorities and professional authorities involved in the licensing process, thereby it will ease the administration burden. It will provide more time for the board of construction and other authorities for on-site supervisions, thereby contributing to improve construction discipline and quality of construc-</p>	<ul style="list-style-type: none"> ▪ Modernising public administration (AGS-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
		mentation of system integration until 14.08.2012 - System tests and commissioning until 14.09.2012 Introduction until 01.10.2012			tions.	
Europe 2020 Strategy 1st national target: Increase of employment rate to 75% for the 20 to 64 year old population						
19. Elimination the option for Early Retirement	<p>The transformation was carried out in view of the acquired rights, to secure payments for already established and paid pensions for early retirements and in view of fulfilling the commitments to those who will retire in the near future before reaching the retirement age. The measure has been started already and subsequent to that the early retirement scheme of those working in environments hazardous to the health will be transformed, which is not part of the pension system.</p> <p>The pension scheme based on a law passed in 1997 will be modified by new parts of the law, which come into force only in 2013, but at the same time further rectification is necessary. It is necessary to overview and schedule these and introduction of new regulations is required in 2012. Within the pension scheme individual accounts will be set up and individual records will be introduced.</p>	Implementation in the 1 st half of 2012 Coming into force: 1 January 2013.	Ministry of National Resources (MNR)	For the development of individual accounts and individual pension estimates EU financing is expected (EAOP)	It is expected that the introduction of individual accounts and individual pension estimate the pension awareness and the willingness to pay pension contribution will be increased. This effect will extend to all the employees and employers as well.	<ul style="list-style-type: none"> ▪ Fiscal consolidation (AGS-1) ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4) ▪ Expansion of employment (EU2020-1)
20. Promotion of Employment of disabled people	<p>The accreditation and support system of the employment rehabilitation will be modified. On the basis of the verification, according to the qualification grades permanent or transit employment, or with the help of a rehabilitation card open labour market employment may be realised.</p> <p>The verification process is complex procedure and includes medical, employment rehabilitation and social aspects.</p>	On the basis of Act CXCI of 2011 on benefits for disabled persons and on modifications of certain earlier laws the implementing	MNR	EU financing: SROP 1.1.1: Extension of services for the target group through National Rehabilitation and Social Agency [8.97 billion HUF] SROP 5.3.8: develop-	During the course of the implementation the pension system for disabled is transformed, the pension for disabled will be transformed into system similar to the sickness benefit system.	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
		regulations will be worked out during the course of the 1 st half of 2012.		ment of employment and labour market services system. [7.3 billion HUF] EDOP 3.5.1.A The aim is to establish such work places through the implementation of the tender and to introduce special services at the Hungarian enterprises, which will provide equal opportunities for efficient work for that special group and help these groups to integrate into the labour market.	The help to the people with health damage for returning to the labour market involves a risk factor both in the labour market and for the social effects as well. The effective budgetary result of the measure will depend on the employment situation on the labour market.	
21. Active Labour market Policy	In compliance with the recommendation of the European Commission, we strengthen our active labour market instruments, which gave good result with the co-financing of ESF and further resources will be reallocated for that aim. According to the plans for the decentralised programmes (SROP 1.1.2 in the convergence regions, SROP 1.1.4 in the Central Hungary Region) aimed at the employment of the disadvantaged people about 91 billion HUF (out of that SROP 1.1.2 will provide 86 billion HUF) will be available between 2011 and 2015. According to the plans, the financing of that measure will be expanded with 26 billion HUF by reallocating within the SROP priorities and by the utilisation of certain residual resources. This will be used first of all for supporting the entrance of young people into the labour market. In line with the expansion of the frame amount the capacities of the National Employment Services (NES), which implements the programmes. (Besides that the programme of SROP 1.3.1 aiming at the development and efficiency improvement of	2011-2015	MNE	EU financing: between 2011 and 2015 SROP 1.1.2- and SROP 1.1.4 are available [91 billion HUF]	Due to the effect of the measure the participation of disadvantaged groups will increase in the labour market	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting Poverty (EU2020-5) ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	NES will be carried on) The SROP 1.1.2 and 1.1.4 programmes are aimed at improving the chances of the disadvantaged (from labour market point of view) groups for permanent employment, or for extending labour market services to return to the open labour market through complex packages of support and tailor made training. The target group is contains undereducated people, fresh graduates, people over 50, women returning to the labour market after parental leave, people receiving unemployment benefits and employment seeking group of people threatened by permanent unemployment typical for the given region.					
22. Package of Actions to Improve Reconciliation of Work and Family and to Improve Activity of Women in the Labour Market	<ul style="list-style-type: none"> - From 2012 on, with the use of EU financing the flexible employment and the various forms of flexible work will be promoted. The SROP 2,4,5 programme co-financed by the European Social Fund (ESF) supports the promotion of the various forms of flexible employment, as well as the introduction (at the employers) the various forms of flexible organisation of work, which take the private life engagements into consideration. Through the EDOP 3.5.1.B programme the aim is to create such working place environment, which ensure equal opportunities for efficient execution of work for women employees and help integrate these groups into the labour market. - Development of day-care facilities for the 0 to year age group is supported (partly within the framework of the Regional Development Programmes, partly from SROP 2.4.5). In the framework of SROP 2.4.5 it will be possible from 2012 on to create flexible day-care facilities (first of all family kindergartens for small groups of children). Besides the development of children care facilities at the working place will be also supported 	2012 to 2015 Call for application is expected in the 1 st quarter of 2012	MNE	EU financing:: SROP 2.4.5. [8 billion HUF] EDOP 3.5.1.B	Implementation of the measure will improve employment of parents with small children, working place and private engagements will be easier to harmonise and number of flexible employment will be increased	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting poverty (EU2020-5) ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)
	For the spread of the flexible employment the new Labour Code contains several rules ensuring several new, flexible employment modes (work on the bases of call-in, slit-up of jobs, employment by more than one employer, telework, flexible working hours). Above that it will be obligatory in the	Passed by the end of 2011, effective from July 2012	MNE		The measure will improve employment situation of parents with small children and the flexibility of the labour	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	private sphere as well to offer part-time job, on the basis of their request, for employees with younger than 3 year old child or employees returning from parental leave.				market	<ul style="list-style-type: none"> Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)
	For those who live on settlement without proper service facilities this will provide a chance to access day-care facilities for children by the creation of new infrastructure or by the development and expansion of the existing infrastructure. Within the planning period, between 2011 and 2013,-an call for application was issued on 15 September 2011 within the Regional Development Operational Programme with the title “ social basic services and infrastructural development of basic child care services“ for the development of day nurseries and family kinder gardens. The date for submission was 9 January 2012.	Acceptance of applications and evaluation thereof are under way	MNE	[South Great Plain, North Great Plain, North Hungary, Central Hungary, West Pannon – planned financing: 8.5 billion HUF . For South Transdanubia the tender is titled <i>Infrastructural development of children’s day-care facilities (day nurseries, family kindergartens)</i> , Planned financing: 1.1 billion HUF . For the South Plain, North Hungary and North Plain regions no separate funds are available for the development of family kindergarten. This will be tendered together with the <i>improvement of access to social basic services and children care basic services and improvement of quality of services</i> . Planned financing: 8.0 billion HUF]	Upon implementation of the measure the employment situation of parents with small children will improve, the work place and private engagements will be easier to harmonise and the number of employees in flexible jobs will increase.	<ul style="list-style-type: none"> Fighting unemployment(EU2020-1) Fighting poverty (EU2020-5) Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)
23. Development of Vocational Training	Act CLXXXVII of 2011 on vocational training will enhance the role and responsibility of the chambers of commerce in the	The regulations outlined in the	MNE	Implementation of the reforms of the educa-	The effect of the combined reform may im-	<ul style="list-style-type: none"> Expansion of employment (EU2020-

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
System	field of practical implementation of the training. The regional integrated vocational training centres will be modified in order to increase transparency and efficiency within the training system. The system of apprentice contract will be extended to professions, which were not covered by such contracts in the vocational training until now. The professional examination system will be modified and other important elements of the system will be developed as well. Detailed rules will be worked out and introduced in 2012. In the 2012 to 2013 period the implementation rules of the new vocational training law will be issued and the whole system will be newly regulated. The EU financing programmes will serve the implementation of these measures and will be connected to the modification of certain given system elements	new act on vocational training starts to operate in 2012, the elements of the content are to be applied as binding from the 2013/2014 school year, in ascending system. The institutional system will be modified also in 2013.		tional system, primarily in the school-based system, will need during the 2012 to 2013 two year period approximately 30 billion HUF. From that amount new educational material will be produced, teachers, instructors will be trained, the system will be closely supervised, etc. Costs will be financed partly by the National Development Fund, partly from EU resources (SROP No. 2 priority) in the tune of 15-20 billion HUF	prove the competitiveness of the individuals, the employers and the country	1), <ul style="list-style-type: none"> ▪ Fighting poverty (EU2020-5) ▪ Reduction of the rate of early school leaving (EU2020-4a) ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)
	<ul style="list-style-type: none"> • Support for agriculture and silviculture related training In line with the aim of the life-long learning the aim of the measure is to improve competitiveness of farmers, agricultural enterprises and silviculturists and to help them carry on sustainable and environment conscious activity through improving their professional knowledge. Farmers and silviculturist successfully passing the professional training programme may claim back the cost of the training in the form of support.	Time span of the measure from 2009 until the end of 2013.	MRD	Co-financed by EAFRD		<ul style="list-style-type: none"> • Expansion of employment (EU2020-1) • Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)
24. Development of regulatory System of Adult Training and Launching New Programmes	New act on adult education will be worked out, which targets changes in the following fields: <ul style="list-style-type: none"> - The new regulation concentrates on supported training to satisfy the needs of the labour market. - Guarantees will be included in the system in order to produce quality knowledge for the participants of the adult training and the certificates provided will reflect the same quality as the vocational training certificates issued 	Acceptance of the new act on adult training is expected by the 2 nd half of 2012. Training programmes will be implemented in	NME	[Tasks originating from legal changes will require financing from the budget: 3 billion HUF. Training and further training will require financing from the budget: 30 Billion HUF]	With the implementation of the training programmes the competencies and the employment chances of the participants will improve, competitiveness will be increase.	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>by schools</p> <ul style="list-style-type: none"> - Within the frame of the act the target groups and the detailed conditions of the adult training will be decided by the institution, which has the rights over the financing. - The new regulation will enhance the effectiveness of the supported training in the labour market and will improve the rate of employment for those who participated in the adult training. - The tools of the act will ensure the promotion of the quality in the practical training of the adult training scheme. <p>Competencies of the adults in the field of foreign languages and information technology will be developed and work-place training will be supported. Support will also be extended for training to adults with low level school education and with out-dated knowledge.</p>	2012 to 2014		<p>Present EU financing for training and further-training: SROP 2.1.2. Development programme for priority competencies (foreign language, information technology) with the participation of approx. 100,000 people [13 billion HUF SROP 2.1.3. Work-place training: in 2012 11 billion, in 2013 10 billion HUF; EU financing, altogether for the employees of approx.1,500 enterprises. SROP 2.1.6. ("I learn again!") for 2012 to 2015 basically for those who left school early, or want to participate in vocational training, or have out-dated professional knowledge - especially aiming at highly sought for trades, for 37,000 people. [20 billion HUF]</p>	<p>Risk of the comprehensive training programme: if the beneficiary acquires knowledge, which – partly or wholly - cannot be utilised in the labour market. That risk can be minimised with various tools (conditions of the tenders, regulations of the procedures)</p>	
25. Improvement of Health conditions of the Population - Public Health Programme	<p>Within the planning period of 2007 to 2013. several significant tenders have been and being issued during the 2011 to 2012 period in the framework of SROP 6 priority (Health preservation and development of human resources in the health sector) for the support of public health measures. These include</p>	<p>Implementation is under way from 2001, on the basis of annual action plans</p>	MNR	<p>Most of it secured by EU financing within SROP 6.1 priority, a smaller portion will be financed from the 2012 resources</p>	<p>The Public Health Programme improves the health condition of the active age population, expenses for sickness</p>	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	health educational and approach changing, style of living programmes for settlements, support for setting up district health development offices and on the basis of the TB clinics the set up of a nation-wide net of institutions supporting people to give up smoking. The screening organised by the national health organisation and the national health communication as well as support for the development of health improvement knowledge are also part of the programme.			of the Secretariat for Healthcare, from resources of health care and health development [SROP 6.1.2/11/1: 182,586,370 HUF SROP 6.1.2/11/2: 5 billion HUF]	leave and sickness benefits will be decreased, the productivity of the labour force will increase Thanks to early diagnosis and efficient treatment the early loss of ability to work can be prevented at a higher rate, which will increase the activity rate. The higher activity rate and the better health condition of the active population will directly increase the competitiveness of the Hungarian economy.	
26. Package of actions to Reduce Youth Unemployment	<ul style="list-style-type: none"> ▪ Programme to support business start up of young people , to be announced in 2012 (SROP 2.3.6.) The programme supports the acquisition and development of entrepreneurial knowledge and skills (financial knowledge, business plan, marketing, legal environment, etc.) and secures financial fund for young entrepreneurs for the start up as well. Beyond that, after the start up the programme provides professional advice and mentoring to maintain the enterprise. 	2012 to 2014	MNE	EU financing: SROP 2.3.6 [6.94 billion HUF]	As a result of support of the measures the number of new entrepreneurs of the 18 to 35 age group will increase (in the frame of the programme approx. 2,000 people could become entrepreneur.).	<ul style="list-style-type: none"> ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4) ▪ Expansion of employment (EU2020-1)
	<ul style="list-style-type: none"> ▪ Apprenticeship-type programme for young people to make it easier to get employment after vocational training (SROP 2.3.4) According to the plans the measure – in line with the concept of the vocational training – would support starting people, after leaving secondary vocational training, to acquire work experience in the frame of an apprenticeship-type programme. The tender would extend financial help to the wages 	2012 to 2014	MNE	EU financing: SROP 2.3.4. [9.5 billion HUF]	By supporting the skilled young people to gain work experience the transition from learning to work will become easier, the young people gain vital work experience and their participa-	<ul style="list-style-type: none"> ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4) ▪ Expansion of employment (EU2020-1)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	of the apprentices on one hand and would provide salary supplements for the work place mentor(s) on the other hand. Besides the tender a priority project would be implemented in the frame of which the executive agency (according to plans: the Hungarian Chamber of Commerce and Industry) would extend help and advice to enterprises for the employment of apprentices and for maintaining and developing the positions for apprentices.				tion in the labour market will increase.	
	<p>▪ Support of civil employment programmes to help young people enter the labour market (SROP 1.4.1) The programme is under planning and aims at the support of employment programmes of civil institutions, which help the young people and first of all the disadvantaged entrants permanently integrate into the labour market.</p>	2012 to 2014	MNE	[From the 4.49 billion HUF of SROP 1.4.1. 3 billion HUF can be used; further 2 billion HUF will be allocated by re-grouping the Operative Programme]	Young people get work experience, which is vital for the labour market, their participation in labour market will increase	<ul style="list-style-type: none"> ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4) ▪ Expansion of employment (EU2020-1) ▪
	<p>▪ START programme In the framework of the START programme employment of entrants under 25 (for university graduates under 30) would provide lower rate of social contribution tax for the employing enterprise for 2 years (in case of university graduates for one year). In the first year of employment the employer would pay 10% on the gross salary, in the second year only 20% instead of the general 27%. The reduction is different for the employment of entrants with university degree, i.e. in the first 9 months of employment the social contribution tax would be 10% of the gross salary, while during the next 3 months it would be 20%. That reduction will be valid only up to the 150% of the minimum salary, in case of university graduates up to 200% of the minimum salary.</p>	Continuous	MNE	Programme will be fully financed by the National Employment Fund	Measures will contribute to the decrease of young unemployment, to the increase of their employment and to the improvement of their employability and adaptability	<ul style="list-style-type: none"> ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4) ▪ Expansion of employment (EU2020-1)
	<p>▪ Starting support for young farmers In the frame of the programme farmers aged between 18 and 40 with appropriate professional qualification or degree may submit tenders for support, if they are first-time leaders of an</p>	Taking into consideration the obligatory 5 years of operation	MRD	[In case of the acceptance of programme modification, including the reallocated financ-	The measure will have positive effect on the foundation of farms by young farmers, on the	<ul style="list-style-type: none"> ▪ Fighting unemployment and remediation of the social effects of the crisis.

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	agricultural enterprise.	measure will be implemented by the end of 2017		ing, 4 billion HUF Source in the Rural Development Programme axe measure 112]	conversion of land structure, on the improvement of agricultural labour structure, on the improvement of population absorption ability of the rural areas and on the long-term survival of agricultural activity	(AGS-4)
27. Creating Jobs	<ul style="list-style-type: none"> ▪ Central tender programmes with domestic financing for job creation investments in the SME sector From the National Employment Fund new central tender programme will be called for to support the job creating investments in the micro, small and medium sized enterprises. For that purpose, based on the outstanding interest in the past year, the available financing in 2012 will be 10 billion HUF, the double of the previous year's amount. On the basis of the tendering programme of Ministry for National Economy the SME sector may gain non-refundable financing for the purpose. Above the basic financial support additional support may be given to enterprises employing disadvantaged people (registered job seekers, employment roma people or in the less favoured regions). 	Submission deadline for the tender: 30 March 2012	MNE	National Employment Fund [10 billion HUF]	Improvement of employment situation. May improve the competitiveness of SMEs.	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)
	<ul style="list-style-type: none"> • Support for complex technological development and employment In the frame of the tender, which is extended to the year of 2012, enterprises may request financial support for the development of technology and employment, for employing new employees, for purchase of equipment, for the development of technology and information technology. 	Submission deadline for the tenders: End of 2012	MNE	EU financing: EDOP 2.1.3: [for 2012 and 2013 45 billion HUF]	Improving employment situation	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting unemployment and remediation of the social effects of the crisis. (AGS-4)
	<ul style="list-style-type: none"> ▪ Support of micro, small and medium sized enterprises for the creation of new jobs Within the frame of tender to be called for in 2012 the micro, small and medium sized enterprises may request financial 	Calls for applications expected in 1 st half of 2012.	MNE	EU financing: EDOP 2.2.4: [for 2012 and 2013 9 billion HUF]	Improvement of employment situation. May improve the competitiveness of SMEs.	<ul style="list-style-type: none"> ▪ Expansion of employment (EU2020-1) ▪ Fighting unemploy-

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	support for employing new employees in the convergence regions.					ment and remediation of the social effects of the crisis. (AGS-4)
	<p>▪ Support of job creating and job preserving activities from the European Agricultural Fund for Rural Development</p> <p>- Development of agricultural roads: Non refundable financing may be required for the construction, expansion, renewal of peripheral agricultural roads fitting into the natural surrounding, and made of environmental friendly materials and also for the parallel construction or reconstruction of directly linked ditches, shoulders, embankments, supporting walls, bridges, drains and other structures ensuring the drain of the rainfalls.</p> <p>- Modernisation of gardens: The priority aim of the measure is to improve the competitiveness and to increase employment of the nursery section (the section is very much work-intensive).</p> <p>- Support for increasing the value of the agricultural products: The aim of the measure is to increase the output value of agricultural enterprises, to improve the competitiveness thereof, further on to improve food safety and hygienic conditions and to decrease the environment pollution. These aims will be reached through better processing of the agricultural products, improvement of the marketing, introduction of new products, procedures and technologies.</p> <p>- Stock nursing of young forests: The aim of the measure is to support nursing, cleaning and trunk pruning activities, which increase the value of the forest.</p>	<p>- Development of agricultural roads: for the implementation of investments 2 years</p> <p>- Modernisation of gardening: Submission of request for support between 1 and 31 January 2012; First payment request can be submitted within 6 months reckoned from the receipt of the financing decision; last payment request can be submitted until 31 December 2013.</p> <p>- Value increase of agricultural products: legal regulation will be issued 30 April 2012.</p> <p>- Stock nursing of young forests: Investments from 01.01.2012. January 2012.A</p>	MRD	Co-financed by EAFRD	The measure makes it possible to preserve working places, to develop new ones, and the employment of communal workers for the development of the agricultural roads.	<ul style="list-style-type: none"> • Expansion of employment (EU2020-1)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
28. Tax benefits encouraging the employment of disadvantaged people	In order to intensify the demand for certain groups being in a disadvantaged position as regards the labour market employers may be eligible for tax benefits from the taxes on labour, should they be employing people belonging to this target group. As from 1 January 2012 the former START Plusz and START Extra programmes will be replaced by the programme START Bónusz, within the frames of which employers can profit from benefits from the social contribution tax for the duration of one year, if they employ people who have been registered jobseekers for at least 3 months continuously or are returning to the labour market following a period of receiving childcare allowance/childcare benefit/child-raising support/nursing fee. The amount of the benefit is twenty-seven percent of the gross salary of the employee, but maximum of one and a half times of the minimum wage. Apart from that employers may receive social contribution tax benefit also in the case of employing first-time job-seekers (START programme), people with disability (Rehabilitation card), and women returning to the labour market after paternal leave , also in the case of part-time employments. In order to reduce the costs related to employing low-skilled labour force and to facilitate their employment, according to the plans, employers will be provided a targeted benefit of 9 percentage point from the social contribution tax after the employment of low-skilled people (FEOR-9).	From 1 January, 2012 The START Bónusz card can be claimed from 1 January 2012 to 31 December, 2012.	MNE	The START Bónusz programme is implemented with EU co-financing (ESF), within the framework of SROP 1.2.1.	The measure contributes to the employment of job-seekers having been registered more than 3 months before, as well as that of parents with young children, thus reducing unemployment, increasing the rate of employment and contributing to achieving the employment objective.	<ul style="list-style-type: none"> Raising the employment rate (EU2020-1)
29. Development of the social economy	The SROP construction being under development will provide support for the drafting and development of business plans, learning entrepreneurial skills, furthermore it will support wage-type and training costs, incubation activities and professional assistance, as well as acquisition of assets, minor construction and renovation costs related to the activities. The measure contributes to the strengthening and growth of the social economy, thus creating over the long term the open labour market employment, and a safer subsistence.	2012-2015	MNE	EU funds: SROP 03/04/02/D [HUF 15 billion]	As a result of the measure the social economy will be strengthened (assuming an amount of support of about HUF 20-50 million, the development of about 300-750 enterprises, social economy enterprise, social cooperatives could be supported	unemployment and the social consequences of the crisis (AGS-4) Raising the employment rate (EU2020-1)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
					within the frames of the programme)	
30. Public employment Programmes	<p>Public employment Programmes can be organised in accordance with the following priorities:</p> <ul style="list-style-type: none"> ▪ - National public employment programmes for handling the actual labour market situation and possible "force majeure" situations, are to be launched in a manner comprising several sectors: protection against floods and high inland waters, maintenance of railway lines, forest areas. ▪ - Micro regional START work model programmes are organised in the following employment areas: agricultural projects, utilisation of bio and renewable energy, draining of inland waters, repairing agricultural roads, repairing the public road network, eliminating illegal waste disposal sites, as well as establishing wintertime and other value-creating employment activities for people in the public employment programme. ▪ - Public non-profit labour-hiring agencies and hiring labour with a view to public employment are new elements in the public employment system. ▪ The public non-profit labour-hiring agency establishes a legal relation with the people in public employment for 60 days, with a view to public employment, in order to ensure labour-hiring for other public employment entities. ▪ Pursuant to Gov. Decree No. 375/2010 (XII.31.) on the supports that can be provided for public employment, support can be provided for enterprises for the employment of people receiving employment substitution support, if the enterprise undertakes to maintain the employment by at least half of the support period. <p>The agricultural projects of micro regional START work model programmes provide solutions for low-skilled people that ensure their subsistence over a long term and facilitates their return to the primary labour market. Within the frames of the</p>	<p>The training courses are launched in March 2012. The accredited training programmes have the following durations:</p> <ul style="list-style-type: none"> - crop production and preservation - 1.5 year, - - livestock production - 1 year, - crop production and livestock production - 2 years. <p>The programme will be closed in 2013.</p>	MI	<p>EU funds: From the budget of the SROP 2.1.6 „Újra tanulok” (I learn once again) programme [min. HUF 8.1 billion]</p>	<p>The training programme is expected to involve about 1000-1200 people with multiple disadvantages participating in public employment</p>	<p>unemployment and the social consequences of the crisis (AGS-4) Raising the employment rate (EU2020-1)</p>

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	agricultural projects the participants receive training: they have the possibility to learn about livestock farming, crop production and preservation. The agricultural training will be organised – unlike the traditional training organisation method – in a practice-oriented way, building on the work experience of the participants. The training programme and the methods applied are adjusted to the special needs of the target group (syllabus that can be learned even without accomplished primary education, textbooks that can be used even by people having difficulties understanding written text, a theoretical training based on the work experience acquired in practice).					
31. Involving 5,000 people in employment in connection with foster parent care	Act LXXX of 1997 on the eligibility for social security benefits and private pensions and the funding for these services (hereinafter referred to as: Tbj.) clearly identifies those having a legal status as a professional foster parent when determining the circle of people being eligible. If care (offering a real home for the child) provided within the frames of the foster parent network were performed as an employment, „traditional” and professional foster parent work would not be separated. This would enable the care and education activities performed in the foster parent network to become professional activities, thus improving the standards of the expected care and education activities.	June 2012 Amending Act XXXI of 1997 on the protection of children and guardianship administration (Gyvt.) in the first half of 2012 (included in the Government's work schedule) From 2012 to December, 2014 Training and preparing foster parents to perform their activities in a higher-level, professional way, as employees. 1 January, 2013 Entering into	MNR	No external funds are required. If the care (offering a real home for the child) provided within the frames of the foster parent network were realised in the form of an employment and the salary were fixed at the amount of gross HUF 18,000 + benefits / child (at present it is the allowance + HUF 15,000), even in this case, the personnel costs of providing care for these children in an institutional form would not be exceeded. The SROP 5.4.10: "Modernisation of social education" also supports the implementation of		<ul style="list-style-type: none"> ▪ Raising the employment rate (EU2020-1) ▪ Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
		effect of Gyvt. 31 December, 2016 Children under 12 years of age will be accommodated within the child protection care at foster parents having the legal status of an employee		the measures		
Europe 2020 strategy 2nd national target: Increasing the level of expenditure on research and development to 1.8 percent of the gross domestic product						
32. National Innovation Strategy (2013-2020)	The National Innovation Strategy (NIS) plays an important role in the preparation for 2020, as well as in planning the subsequent operational programmes of the Structural Funds – thus it can ensure a more efficient absorption of EU resources between 2014 and 2020. The NIS serves as the framework for the planning of national or regional so-called smart specialization strategies, being one of the ex-ante conditions for the access to the Cohesion Funds between 2014 and 2020. When planning the NIS we overview the international policy trends and good practices, assess the Hungarian processes, and on the basis of that we strive at putting forward modern innovation policy approaches that might even reflect a new paradigm. As a part of the planning of the NIS, the first short-term action plan has been prepared.	<ul style="list-style-type: none"> - The NIS is expected to be approved by the end of 2012 or in the first half of 2013. - Implementation, as well as monitoring and assessing the NIS and the related action plans will remain a continuous task until 2020. 	MNE	Act CLXXXVIII of 2011, Chapter XV, appropriation „National economy programmes” [HUF 300 million]		<ul style="list-style-type: none"> ▪ Increasing research and development expenditure (EU2020-2) ▪ Reforms facilitating growth (AGS-3)
33. Implementation of certain measures of the National Environmental Technology Innovation	The implementation of the measures included in the National Environmental Technology Innovation Strategy has been started. The Cooperation Agreements for the period between 2009 and 2014 of the Norwegian and EEA Financing Mechanisms – being one of the resources for the NSETI were an-	The objectives of NSETI are expected to be implemented by 2020. The pro-	MRD	The resource need of the measures are ensured by the funds available from the Norwegian and EEA Financ-	Increasing the number of people employed directly in relation to environmental protection to 30,000 by 2014	<ul style="list-style-type: none"> ▪ Increasing research and development expenditure (EU2020-2) ▪ Reforms facilitating

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
Strategy	nounced by the Gov. Decree No. 235/2011 (XI.15.) and Gov. Decree No. 236/2011 (XI.15.). Within the frames of the cooperation the operators of the programme areas serving the objectives of the NSETI – with the professional support of the Ministry of Rural Development – prepare the calls for application for the resources being available from the Norwegian and EEA Financing Mechanism between 2009 and 2014. Subsequent to that the monitoring and assessment committee that monitors the implementation of NSETI will be established.	grammes of the Norwegian and EEA Financing Mechanism for supporting NSETI are expected to be announced, and the monitoring and assessment committee that monitors the implementation of NSETI are expected to be established in 2012.		ing Mechanism during the period from 2009 to 2014. The following programme areas are relevant (with the indication of the amount available) as regards the NSETI: Green industrial innovation € 21,216,000 Bilateral research cooperation € 24,128,000 Energy efficiency € 8,412,000 Renewable energy € 7,711,000 Certain resources available within the frames of the New Széchenyi Plan can contribute to the implementation of the objectives of the NSETI.	and to 50,000 by 2020. (A precondition of this is the realisation of the employment targets set forth in the National Reform Programme.)	growth (AGS-3) ▪ Raising the employment rate (EU2020-1)
34. Standard medium-term support system for research-development and innovation	We are continuing the establishment of a standard research-development and innovation support system, a process started in 2011. An important element of this process is encouraging Hungarian participation in international and EU programmes and initiatives, and thus increasing in the future Hungary's share in the supports provided on the basis of excellence within the frames of Horizon 2020. Among the RDI application objectives the main priority is to encourage the unexploited RDI opportunities (including adaptive innovation and RDI cooperations) in order to strengthen the competitiveness of Hungarian economy and its growth opportunities. Another important element is encouraging Hungarian participation in international and EU programmes and initiatives,	The medium-term RDI support strategy and the annual absorption plan of the Research and Technology Innovation Fund are expected to be approved in the first quarter of 2013.	MNE, MND	[HUF 40 million] Act CLXXXVIII of 2011, Chapter XV, National Innovation Office as regards coordination, and Chapter XIX, Economic Development Operational Programme appropriation as regards the support, in accordance with the following: • Act CLXXXVIII of 2011,		▪ Increasing research and development expenditure (EU2020-2) ▪ Reforms facilitating growth (AGS-3)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>and thus increasing Hungary's share in the supports provided on the basis of excellence within the frames of Horizon 2020. Special attention should be paid to the territorial unbalance of the RDI support system: the balanced development will be ensured by coordinated absorption of EU co-financing and national resources, as well as by encouraging regional R&D&I activities, cooperations, networking (poles, clusters). When planning the tendering system we overview the international policy trends and good practices, assess the Hungarian tendering system, and on the basis of that we strive at putting forward support instruments that might even reflect a new paradigm.</p> <p>As a part of the introduction of the medium-term RDI tendering strategy the annual absorption plan of the Research and Technology Innovation Fund and the RDI calls for applications will be prepared.</p>			<p>Chapter XV, National Innovation Office appropriation: ordering analyses, consulting services (topic: increasing Hungary's share in H2020; white paper on the assessment of the operation of the Research and Technology Innovation Fund so far, introduction of pre-commercial procurement [PCP])</p> <ul style="list-style-type: none"> •Chapter XIX, Economic Development Operational Programme appropriation: ordering analyses, consulting services (in connection with the planning of new EDOP constructions) 		
35. Preparation of research organizations for the more efficient absorption of EU research-development and innovation funds	<p>Among the objectives of NIS – in order to involve additional funds for the national innovation system – representing the national interests during the formation of Horizon 2020, as well as the appropriate preparation of Hungarian research organisation and corporate research centres for the successful participation in the programmes of Horizon 2020 are of a major importance. Apart from that, in order to absorb EU funds more efficiently we need to prepare for the changes in the regulatory system, as well as for a high-quality planning of the subsequent operational programmes of the Structural Funds.</p> <p>We will strengthen the Hungarian presence in Brussels in the area of R&D&I policies. Since the interests of the government</p>	The preparation is a continuous task until the end of 2013	MNE, MND	Act CLXXXVIII of 2011, Chapter XV, National Innovation Office, and Chapter XIX, Economic Development Operational Programme appropriations) in 2012 [HUF 170 million]	<p>One of the main risks of the preparation: ensuring the financing background necessary for establishing the Brussels office of the National Innovation Office; and the preparation in general should be suitably focused and the necessary resources should be ensured by all participants concerned.</p>	<ul style="list-style-type: none"> ▪ Increasing research and development expenditure (EU2020-2) ▪ Reforms facilitating growth (AGS-3)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>need to be represented and the Hungarian influence needs to be strengthened during the intensive preparatory period before the start of Horizon 2020, the National Innovation Office will establish a branch office in Brussels as a part of the measure. As a default the activities of this office – apart from representing the interest of the government and performing lobbying activities – the activities of the office will be based on the Hungarian, operational R&D&I network, it will ensure the connection between the Hungarian institutions and the institutions of the EU, and facilitate the channelling of R&D&I based policies.</p> <p>A working group representing the Ministry of National Development, Ministry for National Economy, Hungarian Academy of Sciences and the National Innovation Office will be established, primarily to coordinate the tasks related to the research infrastructure. The objective of the working group is to ensure the creation of a professional forum – with the cooperation of the Hungarian Academy of Sciences possessing the highest level of expertise in assessing infrastructure cooperation at a scientific level, the Ministry for National Economy, being responsible for strategic management of the Hungarian R&D&I policy, and the Ministry of National Development disposing over the development funds – capable for the necessary prioritisation, by taking into consideration the scarce resources available.</p>					
36. Preparation of sector-specific agricultural and environmental research and education strategy	<p>On the basis of the contents of the National Rural Strategy a new Research, Development and Innovation Strategy needs to be developed for the agricultural and environmental science sector.</p> <p>The basic principle of the R&D&I Strategy is that the research programmes of the various professional areas, the results of basic and applied research, as well as experimental developments should indirectly or directly help the development of the agriculture, the environmental protection, the rural areas, and thus the development of the national economy. The basic goal of the strategy is to help the agricultural and environ-</p>	<p>Submission for the Executive Meeting/Ministerial Meeting of 2012: 25 June 2012 The expert committee has been established but it needs to be modified. The R&D&I Strategy is under</p>	<p>MRD</p>	<p>Budget of 2012, XII. Ministry of Rural Development, Title 20 Chapter-managed appropriation, Line 3/2 Support for Agricultural Research [HUF 1 million/year 2012]</p>	<p>Effects of the measure: after implementation, the R&D&I lines of Hungarian and international application systems will be determined, enabling the balanced provision of R&D&I financial funds for the sector (agricultural and environmental science). Further advan-</p>	<ul style="list-style-type: none"> ▪ Increasing research and development expenditure (EU2020-2) ▪ Reforms facilitating growth (AGS-3)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	mental science and the organisation of research programmes, and to provide within the frames of complex research programmes research results that can be used in practice indirectly or directly.	preparation, its first version is already completed.			stage: network-like operation of the sectoral agricultural research institutions, improving their financial situation as regards R&D&I	
37. Science Policy Strategy	Preparation of a Science Policy Strategy that is in line with the innovation strategy. The objective of the strategy is to provide a basis for the research basic infrastructure and financing of the academic sector, as well as to systematically renew the acknowledgement and publication of scientific results. The central objective of the strategy and the interventions in the area of science policy is to ensure that the Hungarian academic sector – the higher education institutions, the institutions of the Hungarian Academy of Sciences, the state-owned and non-profit research centres – can join to the Horizon 2020 programmes and receive appropriate ESF supports. The ex ante condition of the EU financial planning period of 2014-2020 is the presence of a strategic document that identifies the targets along the increasing R&D opportunities of ESF and ERDF and duly explores the connections between the Horizon2020 and the Structural Funds, and the Hungarian research capacities.	Second six months of 2012 – First six months of 2013	MNR (involving the Hungarian Academy of Sciences)		Efficient implementation of the 2014-2020 MFF	Increasing research and development expenditure (EU2020-2)
38. Development of a public educational IT technology that supports the implementation of research, development and innovation, and introduces competitive services in the European Creative and Cultural Industry	The measure supports the cultural and creative industry through the following means: <ul style="list-style-type: none"> - modernisation, innovative renewal of cinema halls showing Hungarian and valuable European films. - creation of creative and cultural industry information and service provision points. - development of the library and public education information technology, introducing competitive services in the EU Creative and Cultural Industry. - additional information technology training for the human resources working in libraries and in the area of public education. - entrepreneurial, innovation and tourism-related value- 	2011-2020	MNR	Act CLXXXVIII of 2011 on Hungary's central budget for 2012, Annex 5 Point 14 (budget funds supporting the operation of MaNDA, Hungarian National Digital Archives) EU developments supporting R&D	The conditions for digital growth in the area of culture: 1./ inviting the private sector into the creation and transmission of cultural content, joining investments, 2./ making the creative service provision industry operation of cultural institutions more important. Should this fail, the national culture will be	<ul style="list-style-type: none"> ▪ Increasing research and development expenditure (EU2020-2)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	creation in connection with the digital public education and cultural values of settlements, digital content development.				ousted from the growing digital market.	
Europe 2020 strategy 3rd National target: Increasing the proportion of renewable energy resources to 14.65 percent, a total energy saving of 10 percent, and a maximum increase of 10 percent in the emission of greenhouse gases outside the EU's emission trading system (compared to the level in 2005)						
39. Group of measures related to climate protection	<p>▪ Preparation of the Hungarian Decarbonisation Schedule (HDS) 2050</p> <p>The Hungarian decarbonisation schedule forming a part of the National Climate Change Strategy (NCCS) currently being under revision examines as regards key sectors – such as energy sector, transport, built environment, industry, agriculture – with what scenarios, what costs and what benefits can Hungarian emissions be reduced radically, in line with the European decarbonisation process. In connection with that several background studies (for example about the Hungarian vision for 2050, the conditions, as well as about energy production, transmission and utilisation), analyses will be prepared still in 2012.</p> <p>The contents of the HDS will also depend on the new energy efficiency directive expected to be published in 2012 (a directive replacing Directive 2006/32/EU, for a period until 2020, and covering several factors).</p>	<p>First six months of 2012: preparation of background studies (in several steps)</p> <p>2013: integration of HDS into the National Climate Change Strategy currently being under revision</p>	MND	<p>In December 2011 commitments were made for the following payments from the nudgetary chapter for National Climate Change Strategy 2011, i.e. the following two studies (also mentioned in the NRP) are paid from the appropriation remainder debited by the appropriation for the commitment created in 2011:</p> <ol style="list-style-type: none"> 1. Preparation of an energy production, transmission and utilisation background for the "Hungarian Decarbonisation Schedule 2020" in Hungarian 2. Preparation of the background study for the Hungarian Decarbonisation Schedule 2050 in Hungarian <p>[Ministry of National</p>		<p>▪ Reduction of greenhouse gas emissions (EU2020-3c)</p>

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
				Development, budgetary fund]		
	<p>▪ Spreading of environmentally friendly transport modes This measure includes two priority areas, on the one hand the development of fixed-rail transportation, and on the other hand replacing the vehicles used in public transport (buses) by new, environmentally friendly vehicles. In the area of fixed-rail transportation several programmes have already been started from the EU funds allocated in the New Széchenyi Plan – Transport Operational Programme, mainly as regards fixed-rail transportation investments (e.g. tram project in Debrecen, Underground line No. 4 in Budapest) – an important objective being of these investments is to reduce greenhouse gas emission of urban transport and to reduce the particulate matter concentration. Fixed-rail transportation can significantly contribute to achieving the objective of zero emission, especially if it is operated by green energy. One of the most important (also as regards its proportion) parts of green transportation is the radical reduction of the emission of buses in order to ensure environmental friendly transport methods and environmental sustainability. At present the public transport tasks are performed by local Volán companies and certain local transportation companies operated by municipalities (e.g. in Miskolc, Debrecen). The Green Investment Scheme offering more efficient reduction of emissions within the frames of the New Széchenyi Plan can be connected to the Transport Operational Programme and the credit offering for public transportation from MFB. The connecting of the supports of the Green Investment Scheme is aimed at enabling the companies offering public transportation services to replace the petrol-based buses by CNG buses within the frames of the Transport Operational Programme and the supports offered by the Hungarian Development Bank.</p>	<p>During 2012: application (call for application, decision making, concluding contracts, etc.) End of 2012/early 2013: launching the procurement of CNG buses, starting manufacturing, starting to establish the CNG infrastructure During 2013: putting into operation of CNG buses in public transportation</p>	MND	<p>Tasks of the implementation of the Green Investment Scheme budgetary chapter, Government budget: 300657. In 2012, within the frames of the Green Investment Scheme the remaining amounts from previous years will be used [HUF 1 billion] EU resource: Transport Operational Programme - 5. Improving urban and suburban public transport By the end of 2013 a credit line of HUF 50 billion by the Hungarian Development Bank is also available, and the larger part of this amount shall be used to replace buses with EURO 6 engines, so that the requirements set by the EU can be met.</p>		<p>▪ Reduction of greenhouse gas emissions (EU2020-3c)</p>
40. Increasing the utili-	We plan to start the agreement of the regulatory environment	The entire time	MND	The total funding re-	As a result of the meas-	▪ Increasing the share

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
sation of renewable energy sources	of the renewable energy sources feed-in tariff system with the EU Commission and the social partners. As regards to biofuels, the future mixing proportions have been modified with the amendment of Gov. Decree No. 343/2010. (XII.28.), and several rules have been entered to simplify implementation. Support schemes are planned to be announced in 2012 in the fourth priority axis of the Environment and Energy Operational Programme financed by the HUF 40 billion allocated from the Transport Operational Programme Within the framework of the Green Investment Scheme the implementation of the (currently open) scheme for supporting the acquisition of solar panels is planned (decision making regarding the support, conclusion of contract, payment), launch of further residential schemes depends on the CO2 quota trading income that cannot be foreseen.	horizon of the measure: 2010-2020 In 2012 the announcement of new support schemes are planned, the time horizon of which would be 2012-2014 (2012: launching of the application process, 2013-2014: implementation of the projects). Subsequent to the launching of the multi-annual financial framework (MFF) the announcement of further support schemes are planned within the frames of MFF (the exact reference amounts can be determined subsequent to the approval of MFF).		quirement of the measure until 2020: about HUF 420 billion EU resource:Approval of the EU Commission is necessary for ensuring that an amount of HUF 40 billion be available for supporting renewable energy sources within the frames of the fourth priority axis of the Environment and Energy Operational Programme. (HUF 40 billion is the resources reallocated from the Transport Operational Programme. Announcement of more detailed information about the supports schemes planned in the fourth priority axis of EEOP will be possible subsequent to the Government resolution regarding the action plan.)	ure the dependency on energy import and CO2 emission will decrease, and the proportion of renewable energy sources will increase, thus contributing to the fulfilment of goals determined in Directive 2009/28/EC. Using renewable energy sources locally (at the user) reduces energy costs, and – especially in the case of biomass – contributes to the expansion of employment in rural areas.	of renewable energy sources(EU2020-3a)
41. Energy efficiency programmes	<ul style="list-style-type: none"> Residential energy efficiency programmes Within the frame of the support schemes a support budget of HUF 1.9 billion is planned for offering applications in 2012 for supporting energy efficiency investments in residential buildings. 	Implementation: continuously until 2020 In the case of the awareness pro-	MND	[The required resources approximately for the total energy efficiency restoration of residential building requiring restora-	The allocated support amounts have direct and indirect macroeconomic influences. For example: effect on employment,	<ul style="list-style-type: none"> Improving energy efficiency (EU2020-3b)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>On-going residential Green Investment Scheme programmes</p> <ul style="list-style-type: none"> - application for supporting the modernisation, restoration of residential buildings which have been constructed with the help of industrialised technologies, resulting in the reduction of carbon dioxide emission and in energy savings - "Complex energy efficiency restoration of residential buildings having built in the traditional way, encouraging the construction of new energy efficient residential buildings" Green Investment Scheme Climate Friendly Home Energy Efficiency Sub-Programme - New Széchenyi Plan Green Investment Scheme „Our Home” Renovation and „Building New Home” Sub-Programme - New Széchenyi Plan - Green Investment Scheme Sub-Programme for Promotion of Renewable Energy Usage, Installation of Multifunctional Solar Collector Systems for the Generation of Residential Hot Water and Heating Purposes - In order to increase energy efficiency it is essential to create an environmentally aware society, and to this end we are planning widespread approach-forming programmes to raise energy and environmental awareness among consumers, for the development of which an action plan will be elaborated in 2012. 	<p>gramme the submission of the relevant application is planned for 2012, with an expected launch at the end of 2012, early 2013.</p>		<p>tion – estimated total value of investments: HUF 540 billion (EEOP). The current budget of „Our Home” Renovation and „Building New Home” Sub-Programme is HUF 2.3 billion. The current budget of the Sub-Programme for Promotion of Renewable Energy Usage, Installation of Multifunctional Solar Collector Systems for the Generation of Residential Hot Water and Heating Purposes is HUF 2.9705 billion. The budget of the New Complex Energy Efficiency, Restoration application scheme to be announced from the chapter appropriation of the Building Energetics and Energy Efficiency appropriation of the Ministry of National Development is HUF 1.994 billion, the expected time of its announcement is the first six months of 2012, and the amount in question is expected to be raised by the income from the quotas.</p>	<p>tax income from the realisation of the investment, other collateral effects</p>	

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>▪ Improving the energy efficiency of public services</p> <p>The measure includes several elements of sustainable energy management (energy management tools and complex energy efficiency restorations), and is aimed to ensure that the public tasks are performed with the least possible energy use. In 2012 the implementation of the following elements of the long-term series of measures is planned:</p> <ul style="list-style-type: none"> -first phase of building energetics modernisation of public institutions (launching and preparing the application procedure from the available EEOP resources); -assessing the energy use of performing public tasks (creating the building energetics survey of public institutions); -examining and preparing the adaptation of energy management tools into the public sector <p>It is planned for 2013 to further extend the database of the building energetics survey, to continue the detailed surveying of the buildings, as well as to introduce energy management tools as test projects, to start implementations within the frames of the public institution modernisation programme, and to prepare the elaboration the further measures within the frames of the multi-annual financial framework (MFF).</p>	<p>The entire time horizon of the measure: 2012-2020.</p> <p>See the detailed milestones at the description of the measure.</p>	MND	<p>The exact amount for Priority 5 of EEOP, to improve the energy efficiency of public tasks can be determined subsequent to the approval of the Action Plan by the government. As regards to renewals, from 2015 the support budgets depend on the progress of the elaboration of the MFF.</p>	<p>As a result of the measure, the energy use of performing public tasks, as well as the budgetary expenditure on that will be reduced.</p> <p>Further beneficial effects include the communication results of the state serving as a model.</p> <p>Energy efficiency restoration of public buildings provides work for the construction industry.</p>	<p>▪ Improving energy efficiency (EU2020-3b)</p>
	<p>▪ Improving the energy efficiency of businesses</p> <p>During 2011 several support schemes were announced, being accessible also for businesses:</p> <ul style="list-style-type: none"> - New Széchenyi Plan-EEOP 4.9., providing support for building energetics schemes combined with renewable energy sources (within the frames of this scheme, businesses were included in the group of beneficiaries); - New Széchenyi Plan-EEOP 5.4., providing support for the modernisation of the secondary side of district heating systems; - New Széchenyi Plan-Green Investment Scheme: within the frames of "our home" – sub-programme for restoration and new home construction SMEs could be beneficiaries (newly constructed, outstand- 	<p>The entire time horizon of the measure extends until 2020. Apart from that the time horizon of New Széchenyi Plan-EEOP schemes extends until the end of 2014. Announcement of the new EEOP schemes are planned for the first six months of</p>	MND	<p>The Efficient Energy Use Priority of the Environmental and Energy Operational Programme can be used for this measure.</p>	<p>The allocated support amounts have direct and indirect macroeconomic influences. For example: creation of new jobs, improved competitiveness, which in turn can contribute to the increase of export income, and by reducing the use of import energy the trade balance will improve.</p>	<p>▪ Improving energy efficiency (EU2020-3b)</p>

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>ingly energy efficient blocks of flats).</p> <ul style="list-style-type: none"> Within the frames of the measure, for the year 2012 the performance of implementation tasks related to the management of support schemes announced in 2011, and the announcement of new support schemes are planned. The main intervention areas include the building energetics investments of businesses, the modernisation of district heating sector, and preparing the increase of energy efficiency in power stations and in the distribution network. 	2012.				
Europe 2020 strategy 4th National target: increasing the share of those having completed tertiary level education or equivalent to 30.3 per cent within the population aged 30-34 and reducing the share of early school-leavers (those without education or training in lower secondary education) to 10 per cent within the population aged 18-24						
42. Expansion and reinforcement of quality education in early childhood	<p>Pursuant to the Public Education Act becoming effective in September 2012, as from September 2014 kindergarten attendance will be compulsory from the age of 3 (instead of the present age limit of 5 years), therefore the children will enter the communities in their early childhood, thus facilitating the subsequent adaptation to school, also preventing early school-leaving. In order to expand the pre-school care the capacity of kindergartens will be increased, and programmes for improving the kindergarten care will be supported, and the educators participating in the pre-school care and school education of children with multiple disadvantages will continue to receive a salary compensation.</p> <p>The development tool serving for supporting the creation of new kindergarten capacity is the scheme "Development of educational institutions" announced within the frames of several regional development operational programme in November 2011. The application –taking into account the principle of equal opportunities – by ensuring a healthy environment and the infrastructural conditions of efficient education, supports the following:</p> <ul style="list-style-type: none"> reducing the territorial differences as regards the quality of education, access to quality education – without any exclusion, 	<p>Continuous</p> <p>SPOP-4.2.1-11, NPOP-4.1.1/A-11, NHOP-4.3.1/A-11, CHOP-4.6.1-11: The applications were submitted between 16 January 2012 and 2 April 2012.</p>	MNR	<p>Act on Hungary's central budget for 2012 (development programme at nursery school, support for the attendance of kindergarten, additional fees)</p> <p>EU funds: RDOP "Development of educational institutions" SPOP-4.2.1-11, NPOP-4.1.1/A-11, NHOP-4.3.1/A-11, CHOP-4.6.1-11</p> <p>SROP 3.1.5/12. "Supporting the education of educators"</p> <p>[Kindergarten support: HUF 135,773.1 million.</p> <p>Pre-school development programme: from the central budget HUF 3,750,000,000.</p>	<p>This measure has a positive effect on children with disadvantages and multiple disadvantages and their families.</p>	<ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<ul style="list-style-type: none"> establishment of integrated, functional institutions aligned to the renewed content and methodological programmes, compliance with the basic requirements of a fair educational environment. <p>Successful participation in school of children with disadvantages and multiple disadvantages are ensured by the additional support provided from domestic resources for the organisation of pre-school development programmes . The areas supported by the measure are the following: integrated education, development of institutions, pedagogical renewal, tailor-made development, cooperation with the social environment of the kindergarten, keeping in contact with the parents.</p> <p>Pursuant to Act XXXVII of 1997 on the protection of children and guardianship administration the nursery school support – that can be provided twice a year to the family, based on need, after children of the age of three and/or four enrolled in the nursery school, if the children actually attends the nursery school, thus alleviating the burdens of disadvantaged families with small children and helps a rapid joining into the nursery education.</p>			<p>Financing the salary compensation of educators from the central budget: HUF 3,584,000,000.</p> <p>Free food provision for children, from the central budget: HUF 29,509.9 million</p> <p>Expansion, development of kindergartens in 4 regions: SPOP-4.2.1-11: HUF 2,350 million (announced) NPOP-4.1.1/A-11: HUF 2000 million (announced) NHOP-4.3.1/A-11: HUF 2000 million (announced) CHOP-4.6.1-11: HUF 3040 million (announced) STOP-3.1.2-11: HUF 4310 million (not yet announced)]</p>		
43. Measures improving the school success rate , preventing early school leaving of children and pupils with disadvantages and multiple	There is a complex set of measures aimed at ensuring the successful performance of children with disadvantages and multiple disadvantages, serving the purposes of inclusive education and integrated education, thus increasing higher education results and reducing the risk of dropout. The achievement of this goal is on the one hand ensured by the skill developing and integration programme promoting suc-	Continuous	MNR MPAJ	Skill developing, integration preparation and pres-school developing programme, [available resources:3584 million HUF/year]support for educators participating		<ul style="list-style-type: none"> Decreasing the ratio of school dropouts (EU2020-4a) Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
disadvantages (including Roma) children through integrated education	<p>Successful school performance of children with disadvantages and multiple disadvantages, the pillars of the programme being the pedagogical-methodological renewal and anti-discriminatory elements set forth in legal regulations. Apart from that targeted programmes (Arany János programmes, Tanoda programme) and scholarships (Útravaló ("Provisions")) are aimed at alleviating the financial burdens (being hardly acceptable for many families) of a seamless entry into secondary schools and/or successful higher education. Finally, the "Second Chance" programmes are aimed at preventing school dropouts, helping young people not having secondary qualifications and dropped out of school, but partly still being in the school age to acquire secondary qualifications, and to reduce the proportion of fails by introducing tailor-made methods for supporting the learning process.</p> <p>Successful results of children with disadvantages or multiple disadvantages are promoted by the additional support provided for the organisation of skill developing and integration preparation, and for the salary compensation of educators participating in these programmes. In order to offset the disadvantages resulting from the social status of the child, the measures support the following areas: integrated education, development of institutions, pedagogical renewal, tailor-made support for learning, cooperation with the social environment of the school, keeping in contact with the parents.</p>			<p>in programmes: Act on National Budget of the year 2012 (Annex 5). [available resources: 3253 million HUF/year]</p> <p>Equal opportunities sub-programme of scholarship Útravaló (Provisions) [Available resources: 2,223,1 million HUF/year]: Act on National Budget of the year 2012. (Annex 5)</p> <p>Arany János Programmes:[Available resources:2700 million HUF/year] Act on National Budget of the year 2012. (Annex 5)</p> <p>SROP 3.3.9 B/12. (study hall, Second Chance) [Available resources altogether: 3 415 000 000 HUF (calls for application are expected in April 2012)</p> <p>SIOP 1.2.5 (infrastructural development of the most disadvantaged micro regions, development of quality education)</p> <p>Equal opportunities</p>		
44. Improving the rate of academic success	The care of special education students is ensured through the early development and care, pre-school education, tailor-made	Continuous SROP 3.4.2. A	MNR	Skill developing, integration preparation and	The measures have positive impact on academic	<ul style="list-style-type: none"> Reducing the ratio of school

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
of special education students	education, school education and development preparation. In the course of 2012 these children learn in integrated classes and groups through EU funded and domestic programmes. These programmes help to make the organisation and operation of institutions involved in the education of children with special educational needs suitable for the implementation of inclusive education and to renew the pedagogical practices of institutions. The development of specialised services is designed to improve access to services and to enable pupils and their families to gain access to modern, complex, consciously organised care services in specialised pedagogical institutions to the same standards throughout the territory of Hungary, locally or nearby.	11/1 (Integration of special education children): submission of application is possible: 20 February 2012- 23 March 2012 SROP-3.4.2-11-B (development of specialised services) is expected to announce at the end of March.		pres-school developing programme, Act on National Budget 2012 EU funds: SROP 3.4.2. A 11/1 (Integration of special education children): [framework amount in Central Hungary: 250 000 000 HUF, in Convergence regions: 1 000 000 000 HUF] SROP-3.4.2-11-B (development of specialised services) [framework amount: 2.300.000.000 HUF]	success of special education students, improve the conditions of their progress adapted to their needs.	dropouts (EU2020-4a), • Fighting poverty (EU2020-5)
45. Public education BRIDGE programmes (“Hid-Program”)	The public education law passed in December 2011 introduced the concept of the bridge programme. The Public Education Bridge programmes represent a form of training in the school system which provides assistance for poorly performing pupils in elementary education and offers a chance to those unable to complete their elementary studies to continue their studies in secondary education. We differentiate different types of Bridge programmes: • Pupils below the mandatory school attendance age who have completed their elementary studies but have not gained admission to a secondary school may continue their studies in the Bridge I programme. The training provided in the Bridge I programme offers missing fundamental skills and competencies that are necessary for the continuation of studies. • If a pupil below the mandatory school attendance age who has completed his/her elementary studies does not wish to continue his/her studies in secondary school, the	Deadline of the launch of the programme: 1 September 2013.	MNR	The measure doesn't require any additional resources. Since the operator of the schools assigned in the regions is the Ministry of Public Administration and Justice from the relevant period, the expenses will be planned within the chapter of the Budget serving to finance the measure.	The positive impact of the measure the reduction of pupils leaving the primary and vocational education without any qualification, increase of labour market chances of successful pupils. The risk of the measure is the difficulty of the choice of the appropriate target group and localisation of schools.	• Reducing the ratio of school dropouts (EU2020-4a), • Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>given elementary school initiates the pupil's admission to the Bridge II programme. The Bridge II programme prepares pupils who were unable to complete their study obligations by the completion of the mandatory school attendance age for the commencement of vocational training. The training provided in the Bridge II programme motivates learning and develops the skills necessary for the acquisition of an occupation.</p> <p>The Bridge programme has a positive impact on the pupils concerned and their families, and more young people leave the educational system with occupational qualifications.</p>					
<p>46. Non-formal and informal learning forms and programmes offered by cultural institutions designed to promote the attainment of the objectives of public education</p>	<p>Within the framework of the measure a special emphasis is paid on reducing the disadvantages that the school itself cannot compensate for.</p> <p>We continue the improvement of cultural services supporting public education with strengthening the access to cultural values. New element is the digital cultural content and database development through the improvement of programme package supporting the education, cultural content accessible also in small settlements in the interest of equal opportunities (MANDA- Hungarian National Digital Archives)</p> <p>Elements of the measure:</p> <ul style="list-style-type: none"> - Applications in the framework of the New Széchenyi Plan aimed at improvement of cultural services aiming at talent care, foundation of creative competencies, supporting public education, furthermore programmes beyond the school classes such as visiting libraries, museums. - Applications in the framework of New Széchenyi Plan ensuring the suitable infrastructure of the above mentioned applications - Development of digital cultural content, making cultural values and services public in support of public education. This serves the formal and informal learning as well (MANDA TV Public education Partnership Programme) - Cultural digital information points aimed at access the 	Continuous	MNR	<p>Act CLXXXVIII. (2011.) on National Budget of year 2012 Annex 3: Normative contributions of the municipalities:1. Operating, managing, cultural and sport tasks: specific amount: 4074 HUF/person, but in maximum 3.800.000 HUF each municipality</p> <p>New Széchenyi Plan „Growth-Innovation” 18,46 Mrd HUF for service development, 7,34 Mrd HUF for infrastructure development</p> <p>In case of MANDA, national budget.</p>	<p>The beneficiaries are mostly cultural institutions maintained by the municipalities or counties. Due to the financial difficulties and budgetary liquidity of the municipalities, the application chances of several cultural institutions and organisations may reduce.</p> <p>In the case of institutions getting under state maintenance, the transition can cause difficulties at the submission of applications, thus jeopardize the absorption of the funds.</p>	<ul style="list-style-type: none"> • Reducing the ratio of school dropouts (EU2020-4a),

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	digital cultural content, establishment of methodological centre					
47. Broadening access to higher education	<p>▪ Creating opportunities and expansion of social dimension</p> <p>The Hungarian State promotes access to institutions of higher education with an extensive support system. As a result, two thirds of students in higher education received full state grants in 2011. This ratio may also be maintained in the case of those entering the system in 2012 through scholarships and partial scholarships.</p> <p>. The Government maximised in a decree the tuition fees that universities may charge pay students and state institutions are not restricted in the number of pay students they wish to admit. In the interest of broadening opportunities, as part of the Student Loan II programme, the State provides free access to higher education for all students newly entering institutions of higher education.</p>	With entering into force of the Act CCIV of 2011 on National Higher Education	MNR	In the framework of the financing of the Higher Education system		
	<p>▪ Development of vocational training in higher education</p> <p>As an element of streamlining in the structure of training, vocational training in higher education will appear as a new form of training as of 2013 (through the transformation of tertiary vocational training currently phased out). This may play an important role in increasing the ratio of individuals with tertiary qualifications to the targets undertaken to be attained by 2020. This form of vocational training (ISCED level 5) flexibly serves the economy's need for experts, while providing access to bachelor training courses in higher education. This form of vocational training (ISCED level 5) flexibly serves the economy's need for experts, while providing access to bachelor training courses in higher education.</p>	With entering into force of the Act CCIV of 2011 on National Higher Education	MNR	SROP 4.1.3. II. phase: 1,23 Mrd HUF Resources according to the number of students receiving scholarships and partial scholarships		<ul style="list-style-type: none"> • Increasing the ratio of the young with a higher education degree (EU2020-4b) • Fighting poverty (EU2020-5) • Raising the employment rate (EU2020-1)
48. Reinforcing progress	▪ Enhancing student motivation	As part of the 2012. admission	MNR			

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
in studies, reducing drop-out rates	Considering the increase in drop-outs and protraction of studies the aim of the government is to enhance motivation and responsibility of students. Therefore the government expects from scholarship holders to obtain a diploma within a period one and a half times the prescribed length, in case of non-compliance students must repay 50% of the scholarship grant. (The condition is to be introduced incrementally, with new junior classes every year.) <ul style="list-style-type: none"> ▪ Thus the scholarship contract is a genuine tool for motivation which students are free to take or leave. The measure is implemented via regulation. 	process.				
	<ul style="list-style-type: none"> ▪ Recognising student excellence Recognising and rewarding students with excellent research and study records is essential to ensure continuous supply for the academia. A new ESF financed program will ensure results. 	Call for applications to be published by 31th March, 2012 Execution of the project 2012-2015	MNR	<u>EU Funds:SR0P 4.2.4/A</u> „National Excellence Programme” – national programme for developing and operating a system to support students and researchers.		
	<ul style="list-style-type: none"> ▪ Improvement of foreign language skills The development of foreign language skills continues to remain a priority in higher education as the lack of the knowledge of foreign languages is often an obstacle to the acquisition of a degree. The purpose of the projects launched in this field from European Social Fund development funds is to enable students to attend foreign language courses and training which improves the ratio and efficiency of the participation of both instructors and students in mobility programmes. Primary tools of the projects are development of a methodology for foreign language education, institutional developments, and trainings. The expected result from the project is an improvement of the recognition of Hungarian diplomas on the international job market. 	Call for applications to be published by 31th March, 2012 Execution of the project 2012-2014	MNR	<u>EU Funds:SR0P 4.1.2/D</u> "Development of foreign language training in higher education" [3 billion FT] <u>SR0P 2.1.2</u> „Development of IT competencies in foreign languages ”		Increasing the share of the population with tertiary or equivalent qualifications (EU2020-4b)
	<ul style="list-style-type: none"> ▪ Support services One of the main reasons for student drop-out is the lack of information related to study and career options. In the inter- 	Call for applications to be published by 31th	MNR	<u>SR0P 4.1.3</u> „Development of services for students or universities		<ul style="list-style-type: none"> ▪ Increasing the share of the population with tertiary or

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>est of the better planning of the training path, it is necessary to develop the student advisory system and career services. The objective is to enable students to flexibly find their way amongst the various training and accreditation procedures and to develop their skills.</p> <p>ESF funds will be available for programmes to provide student services (eg. carrier consulting and tutorial activities) for higher education students to facilitate their timely graduation.</p>	<p>March, 2012 Execution of the project 2012-2014</p>		<p>in IT education” [1,23 billion Ft]</p> <p><u>SROP 4.1.1/C</u> Support for regional or sectoral higher education cooperation</p>		<p>equivalent qualifications (EU2020-4b)</p> <ul style="list-style-type: none"> Increasing employment (EU2020-1)
49. Renewal of strategic planning	<p>▪ Development-centred state funding system</p> <p>The new model assigns part of the budgetary resources to the development policy evaluation of the development-improvement ability and strategic objectives of the higher education institution. State institutions shall draft medium-term development plans for a period of four years (Institutional Development Plan – IDP) by 30 June 2012, which complementary state aid is based upon.</p> <p>The new Act on Higher Education established the <i>Higher Education Planning Board</i>, which assesses the social, economic, and labour market demands and needs regarding higher education, and prepares analyses serving as a basis for educational policy decisions, and performs research activities.</p>	<p>Upon entry into force of Act CCIV of 2011 on National Higher Education Start: 2012 – alongside the elaboration of the Institutional Development Plans Implementation tasks: 2013-2016</p>	MNR	<p>A more efficient use of budgetary resources to be dedicated to the development of higher education is performed in accordance with the new IDP regulation</p>		<p>Raising the employment rate (EU2020-1)</p>
	<p>▪ Economy-driven development policy</p> <p>In the institutional development plans the requirement of alignment to high priority industries arises, and part of the development activities supports the development of co-operations with the economic sector in a dedicated manner. A major objective is to significantly increase the ratio of technical and scientific degrees. In the 2012 admission process the Government provides approx. 70% of the public financed number of persons in the educational fields of IT, engineering and science. Raising interest in natural sciences and technical specializations, increasing the standard of education, by development and extension of the infrastructure in support of education, by modernisation of curricula, and the continued education of lecturers, shall be provided priority support</p>	<p>By 31 March 2012, the development tenders shall be announced, project implementation: 2012-2014</p>	MNR	<p><u>EU resources:</u> <u>SROP 4.2.2./A</u> „Support of core and dedicated core research projects implemented by international co-operation”</p> <p><u>SROP 4.2.2/C</u> „Support of the research of future infocommunication technologies, and provision of related IT expert succession” – [HUF 7.16 billion]</p>		<p>Increasing research and development expenditure (EU2020-2) Tackling unemployment and resolving social consequences of the crisis (AGS-4)</p>

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>The measure is facilitated by the following programmes: SROP priority 4: Developing the content and organisation of higher education to create a knowledge-based economy schemes</p> <ul style="list-style-type: none"> 4.2.2/C (Support of the research of future infocommunication technologies, and provision of related IT expert succession) SROP-4.1.2/A1 Education and content development tender 			SROP 2.1.2 „Development of foreign language and IT competencies”		
50. Quality based sectoral policy -	<ul style="list-style-type: none"> Introduction of qualification procedures on the basis of institutional functions <p>The Act on Higher Education introduces three qualification procedures, in the framework of which, higher education institutions may obtain additional funds along the line of certain target tasks.</p> <ul style="list-style-type: none"> The objective of the qualification of “primary higher education institution” is to enhance the international role, international reputation and recognition of certain institutions, to support their upward movement in international rankings and to promote the internationalization of these institutions. The objective of the qualification of “research university, faculty of research” is to improve the research capacities of universities pursuing internationally recognized, complex R and D activities, and to facilitate their integration in European research networks. The objective of the qualification of “college of applied researches” is to recognize applied researches associated with the economy performed by colleges and technological institutions. 	Implementation of qualification procedures: 2012 – in parallel with the drafting of Institutional Development Plans	MNR	In the framework of the higher education financing scheme		Increasing research and development expenditure (EU2020-2)
	<ul style="list-style-type: none"> Quality assessment and development <p>The <i>Hungarian Higher Education Accreditation Committee</i> (MAB) reinstated by the new Act on Higher Education plays a very important role in the quality assurance of higher education. MAB operates under the framework of the higher education system as an entity working by international practice,</p>	In parallel with the entry into force of Act CCIV of 2011 on Higher Education	MNR	-		To reduce unemployment, and to find solutions for the social consequences of the global economic crisis (AGS-4)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	entrusted with national authority to perform independent quality assessments required for the state recognition of higher education institutions and their related educational, scientific research activities and creative work in art. Its primary means of action is to issue regulatory measures.					
51. Enhancement of international capabilities and expansion of European mobility	<ul style="list-style-type: none"> ▪ Promotion of undergraduate mobility <p>New complex programmes will be launched to promote undergraduate mobility. The development of foreign language training in higher education is expected to facilitate the increased involvement of undergraduates in these mobility programmes. Finally, the development of the international relationships of the institutions and of the whole education sector will be given higher importance in the future. Undergraduate mobility is expected to be improved by increasingly flexible training programmes as a result of the planned review of training related regulations.</p>	Development tenders will be published before 31 March 2012, project implementation: 2012-2014 Regulatory actions: Implementing regulations: as of the 2nd semester of 2012	MNR	EU funds: <u>SROP- 4.2.4.B</u> <u>SROP 4.1.2/D</u> "Development of the foreign language training system in higher education"		To reduce unemployment, and to find solutions for the social consequences of the global economic crisis (AGS-4)
	<ul style="list-style-type: none"> ▪ Promotion of the international presence of institutions <p>The institutionalized development of international relationships is also highly important for the internationalization of the Hungarian higher education sector. ESF development programmes will be started along the lines of the above mentioned objectives. The purpose of the qualification of "primary higher education institution" introduced by the Act on Higher Education is to highly emphasize the international character of certain higher education institutions.</p>	Development tenders will announced by 31 March 2012, project implementation: 2012-2015 Completion of qualification procedures: 2012 – in parallel with the drafting of the Institutional Development Plans	MNR	EU funds: <u>SROP- 4.2.4.B</u> <u>SROP 4.1.2/D</u> " Development of the foreign language training system in higher education "		To reduce unemployment, and to find solutions for the social consequences of the global economic crisis (AGS-4)
Europe 2020 Strategy 5th National target: Reducing the poverty rate of families with children, the number of people living in severe material deprivation, and the number of people living in low work intensity households by 20% each (reducing the above numbers by 450 thousand people by excluding overlapping figures)						
52. National Social Inclusion Strategy	The Strategy specifies the targets of the social and labour market related integration of those living in poverty, including Romas, and the required directions of intervention for the time period until 2020. Therefore, the Strategy mostly incor-	Until 2020	(MPAJ)	The governmental action plan approved for the period of 2012-2014 along with the Strategy provides for the actions	As a result of the Strategy's introduction the target numbers of the agreement between the Government and the	<ul style="list-style-type: none"> ▪ To reduce unemployment, and to find solutions for the social consequences

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>porates trends, challenges, targets and directions of intervention pertaining to the social integration of Romas, however, its effects actually go beyond those above: it is generally extended to the areas related to the integration of people living in deep poverty, or children living in poverty. The objective of the National Strategy is to ensure a complex method of approach required for the social inclusion of people living in the most disadvantageous situation, so it strives to harmonize the relevant policies, with a view to horizontally enforce the principles of social inclusion. The Government approved the Strategy along with its governmental action plan for the period of 2012-2014, specifies governmental actions along the directions of interventions related to children' welfare, education, employment, healthcare, housing, the involvement of those affected and antidiscrimination measures, and determines those in charge, the related deadlines and funds. The Strategy also integrates the target numbers included in the agreement concluded by the Government and the National Roma Self Government in May 2011.</p>			<p>planned to be implemented in the first three years with respect to children' welfare, education, employment, healthcare, housing, and social awareness and provides for the related funds.</p> <p>The 2012-2014 governmental action plan of the National Strategy heavily relies on the funds available in the current programming period. The funds of each action are indicated in details in the action plan, such as Social Renewal Operational Programme, Social Infrastructure Operational Programme and national programmes.</p>	<p>Roma Self Government concluded in May 2011 relating to the improvement of employment and training of Romas will be achieved by 2015, and by 2020 it is expected that the number of those living in poverty and exclusion will be reduced by 450 thousand.</p>	<p>of the global economic crisis (AGS-4)</p> <ul style="list-style-type: none"> ▪ Fighting poverty (EU2020-5)
<p>53. Improving the employability and labour market chances of most disadvantaged groups, those living in segregated housing environments and in extreme poverty</p>	<p>Several EU financed programmes will be launched with a view to improve the chances of social inclusion of those permanently unemployed, inactive, and living in deep poverty by the means of trainings and competence development.</p> <p>In addition, a complex programmes is designed to support the social and labour market related integration of those living in settlements, and to reduce the extent and effects of impoverishment and social exclusion, as well as to restrain segregation on ethnic and social basis by the following means:</p> <ul style="list-style-type: none"> - training based on personal needs, 	<p>Closing date of the implementation of SROP 5.3.6: 30 June 2015</p> <p>Closing date of the implementation of SROP 5.3.8/B: 31 December 2013</p> <p>Closing date of the implementa-</p>	MPAJ	<p>EU funds:</p> <p>[Amount of SROP 5.3.6 funds: HUF 4.68 bn</p> <p>Amount of SROP 5.3.8/B funds: HUF 7.31 bn</p> <p>Amount of SROP 5.3.10 fund: 3.3 bn</p> <p>Amount of SIOP 3.2.3/B and SIOP 3.2.3/C funds: HUF 1.5 bn]</p>	<p>The programme is intended to make up for a gap to improve the employment capabilities, competences, emergence and self-organizing capacities of disadvantaged people, to provide the means for preservation of community and cultural values,</p>	<ul style="list-style-type: none"> ▪ Fighting poverty (EU2020-5) ▪ Raising the employment rate(EU2020-1)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<ul style="list-style-type: none"> - improvement of writing-reading skills, - mental hygienic development, - improving skills to perform household and domestic works, - training on gardening and animal husbandry - establishment of social housing <p>One additional programme is designed to improve the Roma population's access to social and children's welfare services, by supporting the training and employment of Roma social workers.</p>	<p>tion of SROP 5.3.10: 31 December 2015 SIOP 3.2.3/B and SIOP 3.2.3/C are under planning.</p>			and to improve the Roma population's access to social and children's welfare services.	
	<ul style="list-style-type: none"> • Operation of Regional Training Centres (RTC) performing social inclusion coordination and adult educational tasks <p>Major tasks of RTC, operating as a state-financed adult training institution with national responsibility:</p> <ul style="list-style-type: none"> ○ development of the qualification and competencies of disadvantaged people; ○ raising the employment rate of disadvantaged people; ○ improvement of housing conditions preventing social inclusion; ○ improvement of the access of disadvantaged people to services; ○ research activities related to social inclusion, including research activities performed in the framework of international cooperation; ○ special treatment of tasks pertaining to public employment; ○ participation in cross-border co-operations, in particular for the purposes of the development of an integrated vocational and adult education scheme in the Carpathian Basin; ○ participation in the realization of the national strategy developed on the basis of the EU framework for National Roma Integration Strategies. 	<p>The Türr István Training and Research Institute (TITRI) assigned by the Minister of Public Administration and Justice to coordinate central responsibilities in the areas of regional social inclusion will take actions as per MPAJ Decree 3/2011 (II.11.) on the management and responsibilities of coordination centres for regional social inclusion and of regional training centres for adult education, and as per MPAJ Decree 19/2011 (VI.24.)</p>	MPAJ	<u>National budgetary resource</u>		<ul style="list-style-type: none"> ▪ Fighting poverty (EU2020-5) ▪ Raising the employment rate (EU2020-1)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
		amending the above decree. This integrated institution has increased efficiency in performing national responsibilities pertinent to social inclusion.				
54. Enhancing the chances of inclusion for children and families	<ul style="list-style-type: none"> Integrated regional programmes for the improvement of the opportunities of children and their families for social inclusion <p>Developments on the one hand include the following activities:</p> <ul style="list-style-type: none"> - Sure Start Children Centres , - settlement type work functioning in segregated areas, - leisure time and schooling achievement services, - summer camps, - healthcare medical check-up tests <p>And on the other hand, the programme is intended for the development of a children and youth strategy in micro regions for a minimum period of 10 years by using the devices of community planning, and by enhancing regional and professional collaborations. On the basis of EU funds designated to the period of 2009-2010, integrated programmes are currently being implemented in 5 micro regions, and as a result of the call for tender issued in August 2011, another 6 micro regions will join the programme. In January 2012 a call for tender was issued for another 15 micro regions.</p>	The part of the programme issued in 2012 will be completed in 2015	MPAJ	EU funds: SROP 5.2.3. A [HUF 10.6 bn]	In summary, including the developments of 2012, EU funds in excess of HUF 13 billion support the establishment of opportunities for children in at least 23 of the most disadvantaged micro regions of the country, densely populated with Roma people, where approximately one hundred thousand children live.	<ul style="list-style-type: none"> ▪ Fighting poverty (EU2020-5)
	<ul style="list-style-type: none"> Improvement of access to social and children welfare services (training of Roma social workers embedded in employment) <p>The objectives of the two associated programmes and number of the target groups intended to be reached:</p>	The planning notice of SROP 5.3.1.-B-1-11/1 was published on 29 December 2011. Deadline for	MPAJ	SROP 5.3.1. B	The two programmes allow that the relationship is improved between those living in segregated areas and the social institutions by	<ul style="list-style-type: none"> ▪ Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	<p>The objective and purpose of the primary project is to train Roma people involved in supported employment in the framework of simplified tendering to work in social and children welfare positions (Professional career training programs, personality and competence development services) and to prepare for their employment in the related institutions (needs assessment and continuous liaising with host institutions).</p> <p>The objective of the tender project is the supported employment of 700 people, primarily of those Roma people who received training in the framework of the primary project of SROP 5.3.1.-B-1-11/1, in the social and children welfare, as well as in the children protection schemes.</p>	<p>submission: 30 March 2012. Project time period maximum 36 months.</p> <p>SROP 5.3.1.B-2: expected issue of the tender is 31 March 2012. Tenders may be submitted from 2 November 2012. Project time period is 15 months.</p>			<p>the involvement of Roma people as employees under the framework of the programmes, as a result of which the equal access to and provision of services are enhanced. In addition, the employment of Roma people in social and children welfare institutions may reduce the prejudice of employers and clients against Roma people.</p>	
	<ul style="list-style-type: none"> National Infant and Child Health Care Programme This long-term programme is based on the assumption that the time period from conception to the age of 18 predetermines the physical and mental capabilities of later ages, the possibility of health promotion and prevention of illnesses, because the impairments suffered during this stage of life are not possible to be compensated at later stages. All this make it reasonable that infant and child healthcare is treated as a special subsystem of the healthcare scheme, which should be planned, organized, operated and managed by taking into account the physiological, psychological and sociological characteristics of children. 	<p>The National Infant and Child Health Care Programme specified deadlines between 2005-2013, which were modified as a result of the WHO-BCA recommendation. The programme is implemented on the basis of annual action plans.</p>	MNR	<p>As per annual action plans. On the basis of partially available central budgetary resources of the year 2012. [HUF 18,750 thousand is available for the continued implementation of the programme]</p> <p><u>EU funds:</u> Several structures of SROP 5.2.1. "Child Opportunity Programme" (Reliable Start Project) and of SROP 6 priority supports the implementation of the action.</p>	<p>The programmes ensure long-term contribution to the following by improving the efficiency of prevention and promoting early correction:</p> <ul style="list-style-type: none"> - to the healthy development and learning potentials, and ultimately to the future working capabilities of younger generations. - enhance the capabilities, knowledge and competences of parents, families and of the basic healthcare services in prevention and in supporting the healthy development of children in their care – which 	<ul style="list-style-type: none"> Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
					may in the long run save costs from a socio-economic point of view.	
55. Modernization of residential social institutions and introduction of supported housing	Various servicing methods are developed for those living in residential institutions, which combine housing and social services in a manner that services are provided in apartments/houses leased or owned by the institution, to which the services required by the provided person are related. Therefore, those involved in the supported housing scheme do not have to live in institutions having a high number of residents; more important roles are given their independence, to the enhancement of social and family relationships and to the development of skills and capacities.	Drafting of changes in law by the second half of 2012, date of effect: 1 January 2013	MNR	Available in SIOP 3.4.1./A-11/1 programme for ensuring the required facilities Social Infrastructure Operative Programme (SIOP) 3.4.1./A-11/1	As a result of the programme it is possible to decrease isolation, which often occurs in such institutions, and those living in supported housing may take an active role in the everyday life of society by using the necessary level of assistance	<ul style="list-style-type: none"> Fighting poverty (EU2020-5)
56. Comprehensive enforcement of social inclusion targets	The primary project of State Reform Operative Programme (SROP) 1.1.9 entitled 'Integrated development of sector-specific policy tools promoting social inclusion and modelling of the development of regional cooperation based on the principles of equal opportunities in the area of public services' serves the purposes of inter-sectoral coordination, and the establishment of cooperative and regulatory systems. Pursuant to the provisions of Act CXXV of 2003 on equal treatment and promotion of equal opportunities, settlements may only receive funds given on the basis of individual decisions and granted by tender procedures after 1 November 2012, if they have their respective effective equal opportunities schemes. The development of the schemes is supported by the operation of a mentor network of the primary project entitled SROP-2011/1.1.16 "Ensuring the capacities of the development policy based on the principles of equal opportunities. SROP 2.2.15 'Methodological promotion of Romas' social inclusion' programme is intended to activate and involve Roma communities. The target of the primary project is to promote the National Roma Self Government to act as an umbrella organization in providing the necessary professional,	2012-2013	MPAJ	EU funds: SROP 1.1.9 SROP 1.1.16 SROP 2.2.15		<ul style="list-style-type: none"> Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	methodological, administrative basis, the monitoring system and data base to Roma minority self governments required for successful and positive participation in social inclusion programmes. Furthermore, the knowledge and skills required for the planning and implementation of the programmes intended for the social inclusion of Roma minority groups will be provided in the form of trainings to the elected representatives and/or employees of Roma minority self-governments.					
57. Social land programme	With regard to the considerably high interest in the social land programme in the year 2011, it seems reasonable to launch the programme again in the year 2012, which is in its planning phase. Following in the footsteps of the previous programme and embedding previous experiences, the scheme of 2012 allows the participation of those settlements, which were not granted funds due to the limited nature of funds available, and allows the continuation of the programmes started in 2011, if these do not have the necessary financial resources.	Preparation/ concept: March 2012 Launching/Task force: March 2012 Publication of call for tender: March 2012 Tender submission: April 2012 Decision: May 2012 Contracting: June 2012	MPAJ MRD			<ul style="list-style-type: none"> Fighting poverty (EU2020-5)
58. Learning partnerships for promoting employability	It is a key feature of the programme that the development of key competences is implemented in a flexible manner, by taking into account individual aspects, mainly in the following areas: promotion of active involvement of citizens, development of digital writing skills, communication in the mother tongue, foreign language skills, counting, entrepreneurial and learning skills, however, the centres also provide assistance in the following areas: financial and management skills required for sustainable living standard, everyday and banking administration online, training on the completion of forms, job searching techniques, health protection, promotion of environmental and energy awareness, interpretation of sign language, computer literacy, providing knowledge on works performed in household farms, animal husbandry, gardening,	Publication was made on 18 January 2012 Planned closing: October 2014	MNR	[Funds requirements of the programme HUF 2.00 bn] <u>EU funds:</u> SROP 5.3.9 – Learning partnerships for promoting employability	The planned interventions will contribute to the following targets: prevention of the reproduction of poverty, social and labour market related disadvantages, promotion of the development of the skills to obtain independent incomes by supporting integration into the labour market, and increasing as such the	<ul style="list-style-type: none"> Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	animal breeding, and competence development aligned with local employment opportunities and employer requirements.				employment rate. The programme contributes to the fighting against poverty by creating employment, and as a result of that establishing independent income and the skills of obtaining independent income.	
59. Development programme for public educational sports facilities	The intervention area of the programme extends to public education, such as kindergarten and elementary level education. The objective of the programme is to supplement the infrastructural and contents related, regionally aligned development activities of the public institutions, and to promote the implementation of educational and pedagogical schemes focusing on sports or any form of physical activity by the renovation, extension of public education sport facilities (sport and leisure time facilities), or in justified cases, by the building of new sport facilities and premises.	The scheduling of implementation is ongoing. The new public education act has been approved. The ongoing introduction of daily mandatory physical education lessons is under way in a progressive manner from the 2012/2013 school year. The publication of the schemes of the Regional Development Operative Programmes for the development of public education infrastructure was started in the second half of 2011	MNR	According to the plans, Clause 13 of Annex 5 of Act CLXXXVIII of 2011 on the central budget of Hungary provided HUF 500 million of funds for developments supporting local government services. EU funds: RDOPs in total amounted to HUF 26 bn		Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
60. School milk programme	<p>Within the framework of the programme, children and youth attending kindergarten, elementary school and secondary school can consume milk or milk products (processed cheese, yogurt and kephir) on a daily basis. The programme is financed by community (kindergarteners, secondary and elementary school students) and supplementary national funds (kindergarteners, elementary school students). MRD Decree 116/2011 (XII.14) ensures the implementation of the programme in the year 2012.</p>	The programme is implemented in a calendar year. The preparatory phase of the programme and of the legislation is completed within the time period applicable to ordinary public administration procedures.	MRD	<p>In addition to available community supports, it is supported by the central budget appropriation of "Drink Milk Programme". [HUF 1200 million] The basis of community support is provided by COMMISSION Regulation 657/2008/EC of 10 July 2008 on the establishment of detailed rules on the application of Council Regulation 1234/2007/EC with respect to community support on providing milk and milk products to students of education institutions.</p>		<ul style="list-style-type: none"> Fighting poverty (EU2020-5)
61. School fruit programme	<p>Provision of the following products to elementary school students of Grades 1-4 maximum 4 times per week for a minimum period of 4 months</p> <ul style="list-style-type: none"> - all fresh fruits and vegetables suitable for direct consumption as set forth in Part IX of Annex I of Council Regulation 1234/2007/EC, - processed vegetables and fruits suitable for direct consumption, which do not contain added sugar, fat, salt and sweetener as set forth in Part IX of Annex I of Council Regulation 1234/2007/EC <p>Furthermore, during the course of the programme, so-called follow-up actions shall be implemented, to raise student awareness to the benefits of consuming vegetables and fruits, to extend students' knowledge on healthy diet and on growing vegetables and fruits, and to promote vegetables and</p>	<ul style="list-style-type: none"> - Development of the national strategy, submission to the Commission and declaration of demand for additional EU support: 31 January preceding the school year. - Commission's implementing order on the finalized distribution of EU supports 	MRD	<p>Claimed support: HUF 511 million/school year – 33.4% EU funds: HUF 1,018.5 million/school year – 66.6% (as per Article 3 of Commission Regulation 288/2009/EC)</p>		<ul style="list-style-type: none"> Fighting poverty (EU2020-5)

Measure	Content	Status and timing	Ministry	Financing	Estimated impact	Contribution to NRP objectives ³
	fruits consumption by students.	among the member states: 31 March preceding the school year. - Publication of the MRD Decree on the implementation of school fruit programme: 31 May preceding the school year. - Start of the school fruit programme: September				

Abbreviations: MNE = Ministry for National Economy, MI = Ministry of Interior, MND = Ministry of National Development, MNR = Ministry of National Resources, MPAJ = Ministry of Public Administration and Justice, MRD = Ministry of Rural Development

ANNEX 2: THE IMPLEMENTATION OF THE 2011 NATIONAL REFORM PROGRAMME AND COUNTRY SPECIFIC RECOMMENDATIONS

Measure	Content	Status and timing	Risks
STATE BUDGET			
Recommendation 1: Reduction of government deficit			
<i>Measures will be presented in the Convergence Programme</i>			
Recommendation 2: New budgetary management frameworks			
New budgetary management frameworks	The provisions of the Basic Law approved by the Hungarian Parliament in April 2011 – effective as of January 2012 – stipulate the reduction of the government deficit to below 50% of the GDP, and also ordain the establishment of a fiscal council, which has the right of veto over the budget for the sake of compliance with the above provision.		
	<ul style="list-style-type: none"> • The Economic Stability Act of Hungary <p>In line with the proposal received from the Council, the Economic Stability Act of Hungary was adopted in December 2011, which, among other issues, provides detailed regulations regarding the limitations on government deficit and budgetary regulations, and specifies the guarantee arrangements with respect to the operation of the Fiscal Council. The debt reduction regulation of the Economic Stability Act of Hungary – which maximizes the potential annual increase of nominal government deficit in the variance between the budgeted inflation and half of the budgeted (real) growth of the GDP – ensures a continuous decrease of the deficit-to-GDP ratio in the case of simple, positive economic growth (until reaching the 50 per cent threshold value), and it also contains anti-cyclical elements, as it automatically manages the criterion of the Basic Law according to which debt reduction may be refrained from in cases of permanent and significant economic recession. Basically, both the 50 per cent debt threshold stipulated under the Basic Law and the provision under the Economic Stability Act of Hungary aiming to reach that goal are stricter than the EU debt regulations. The Government reviews compliance with the debt reduction regulation every six months, and if a variance is found, the Government initiates the modification of the budget.</p>		

Measure	Content	Status and timing	Risks
	<ul style="list-style-type: none"> Fiscal Council The Economic Stability Act of Hungary provides a significant controlling and intervening role to the Fiscal Council, in order that the state budget would be able to proceed along a well-defined and determined path. The Council has a role prior to the submission to Parliament of the appropriation bill (opining), as well as in the parliamentary negotiation phase (right of veto on acceptance). The task of the Council is to examine whether the proposal and the bill awaiting acceptance comply with the debt rule. In case the Council believes that the debt rule cannot be effected, it may refuse to provide its approval to the acceptance of the appropriation bill before the final vote, in which case the Government shall submit an amendment proposal together with which the act finally complies with the debt rule. Furthermore, the Council must also opine bills containing the amendment of the Central Budget Act (and this also applies to proposals on the interim corrections becoming necessary for debt reduction), which would modify the total value of the revenues and expenditures of the central budget, and would increase the deficit. The members of the Council of three are the President of the State Audit Office of Hungary, and the President of the Central Bank of Hungary (along with the member assigned by the President of the Republic of Hungary), who can use their extensive analytic resources for completing the tasks. 		
	<p>In line with the recommendation received from the European Council, Act CXCV of 2011 on Public Finance (referred to hereunder as PFA) manages budgeting (planning) and within that medium-term budgeting subject to special consideration. The new PFA sets out the framework rules of medium-term budgeting (Article 29): the Government specifies in an individual decree the amount of the revenues and expenses as well as the budget balance of the central budget – broken down as per the chapters set out in the Act on the Central Budget – regarding the three years following the budget year, and the Government updates those based on the trend of state budget and macro-economic processes. Accordingly, the Government requires the establishment and updating of the medium-term budget estimates. By this, on the one hand, the budget target figures (mainly</p>		

Measure	Content	Status and timing	Risks
	<p>regarding the balance) are determined, and, on the other hand, and it is also stipulated that the expenditure figures set in view of the different chapters have to be broken down by the organizations controlling the relevant chapter to budgetary organizations, central and chapter-managed allocation funds, which thus also represent the limits of the liabilities undertaken for the years to follow. In the course of budgetary planning, the local municipality, the national minority municipality and also the partnership estimate the revenue and expenditure related indicators foreseeable for three years in advance until the acceptance of their budget.</p>		
LABOUR MARKET			
Recommendation 3: Counterbalancing the adverse effects of tax changes on people with low earnings and increasing the labour market activity of women through the extension of child care facilities			
<i>Due to extensive overlaps, the measures belonging to the recommendation are presented in the Europe 2020 section entitled employment-related national undertaking</i>			
Recommendation 4: Active labour market policies, making disadvantaged groups more active			
<i>Due to extensive overlaps, the measures belonging to the recommendation are presented in the Europe 2020 section entitled employment-related national undertaking</i>			
GOODS AND SERVICES MARKETS			
Recommendation 5: (Improving the business environment)			
<p>Comprehensive programme to reduce the administrative burdens of enterprises (Simple State Programme) (NRP measure 3 of 2011)</p>	<p>The Simple State Programme includes 114 measures in 10 areas, which are the following:</p> <ul style="list-style-type: none"> • decreasing taxation-related administration; • Simplifying accounting regulations; • Reducing the administrative burdens of authorities' activities; • Simplifying administration related to development aimed project applications and public procurements; • Simplifying regulations with respect to individual sectors; • Measures on changing to electronic state operation; • Making the licensing processes of investments faster and more predictable; <p>Out of the measures implemented until the end of 2011, the significant simplification of product tax regulation is worth mentioning (with respect to packaging materials), as well as the increasing of the sales revenue value limit of the auditing process compulsory for enterprises, and simplifying certain elements of employment-related</p>	<p>The Government adopted the "Cutting Red Tape" programme in November 2011, as an annex to Government Decision No. 1405/2011. The implementation of the programme has begun, following a strict schedule. Enterprises are also involved in the implementation.</p>	

Measure	Content	Status and timing	Risks
	administration.		
New public procurement act (NRP measure 3 of 2011)	The key rationale of the law is that the existing very complicated and often changing regulation be replaced by a new, simpler, more concise and transparent framework rule. The new law will serve the transparency of public spending and fair competition more efficiently, and shall create a system that is more flexible and more adaptive to economic conditions, which shall more smoothly adjust to the innovation requirements emerging continuously in the field of public procurements (in consideration of the efforts to spread electronic purchasing).	The measure has been implemented Act CVIII of 2011 on Public Procurement (Public Procurement Act) was published in the No. 86 of the Hungarian Official Journal, on 20 July 2011.	
Evaluation of the aid system serving the development of the Hungarian SME (small and medium sized enterprises) sector	The systematic review of the aid system serving the development of the Hungarian SME sector took place at the end of 2010, during the preparation of the New Széchenyi Plan. On the basis of the evaluation, part of the aid programmes formerly in progress was terminated in 2011 and others were restructured, and the application conditions and administrative requirements to be fulfilled were simplified, whereas procedural deadlines were shortened as compared to the previous conditions.		
Set of measures for improving access to non-bank funding	<ul style="list-style-type: none"> • Accelerating the JEREMIE risk capital programme <p>The risk capital programme announced earlier but not started as to its substance, has been accelerated. The goal of JEREMIE is the development of the capital market, which can be achieved by the involvement of private and government investors through establishing mutual risk capital funds, and operating those on a commercial basis. With their help, the following can be achieved:</p> <ul style="list-style-type: none"> • SMEs can be financed in any phase of their operation; • the role of state financing increases in the pre-seed, seed capital and early stages; • private capital of an extent higher than before will be involved in the financing of the funds; • the extent of private capital that can be involved in the financing of an early stage of the enterprises will increase; • we facilitate the implementation in practice of innovative, new ideas and scientific achievements of enterprises; • the undertaking of the government's role with respect to guidance and trainings related to risk capital is enhanced by technical assistance, thus the current deficiencies in company management skills will decrease. 	In 2009, 7 risk capital funds were established as compared to the capital investments of HUF 2.5 billion, of 11 items, further 33 investments were undertaken in the total value of nearly HUF 10 billion until the end of January 2012.	

Measure	Content	Status and timing	Risks
	<p>The frame amount available for the capital programme, supplemented by resources from private investors, enables a call for funds of HUF 100 billion in total regarding the financing of enterprises, together with whom minority shares may be acquired in the target companies in the future.</p>		
	<ul style="list-style-type: none"> • JEREMIE Micro-credit programme <p>The aim of JEREMIE is to facilitate access for micro-enterprises to financing resources by improving micro-financing methods, increasing available resources, and developing micro-enterprises with residence in Hungary by the involvement of micro-financing organizations and enhancing options to obtain loans. In the framework of micro-financing – also taking the indirect effect into account – we expect to achieve the lending of HUF 360 billion in seven years.</p> <p>Through JEREMIE micro-financing:</p> <ul style="list-style-type: none"> • more and more kinds of credit lines will become available that would more flexibly adapt to clients' needs; • private persons intending to start enterprises are also eligible for the credit; • the scope of contributors will become much wider than before, and competition for clients will increase; • credits will become available also subject to less strict collateral requirements; • credits can be obtained in much shorter period of time than before 	<p>The JEREMIE Micro-credit programme has been restructured: the sum of credit to be lent has increased from HUF 10 million to HUF 50 million as of March 2011, and for increasing the interests of financial mediators, a first loss type assumption of losses has been introduced.</p>	
	<ul style="list-style-type: none"> • Combined Micro-credit line <p>The aim of the New Széchenyi Combined Micro-credit and the New Széchenyi Credit Programme is to develop micro- and small-sized enterprises resident in Hungary that cannot be financed through commercial banking methods or that can only be financed to an extent other than required through commercial banks' methods, by improving the options of obtaining credits.</p>	<p>In March 2011, the Combined Micro-credit Line was introduced, which is combined with a max. HUF 10-million micro-credit and HUF 5 million grant, which is scored by points of single contact.</p>	
EUROPE 2020 NATIONAL TARGETS			
National target no. 1: To increase the employment rate of the population aged 20-64 to 75 %			
Active labour market policies for the employment of disadvantaged people	Active labour market policies facilitate the (active) job search of unemployed persons, their outplacement and their employability by	SROP 1.1.2 and 1.1.4 in progress The support of training courses has be-	

Measure	Content	Status and timing	Risks
(Measure 9 of NRP 2011)	<p>way of services, incentives and aid. The institution implementing active labour market policies is the National Employment Service, which is the key professional body responsible for carrying out the employment policy also after the establishment of the system of governmental offices.</p> <p>In accordance with the reallocation in progress of the SROP, by the reallocation of resources, the active labour market tools helping disadvantaged job seekers to find employment will be reinforced.</p> <p>The programmes SROP 1.1.2 and SROP 1.1.4 facilitate the increase of chances for permanent employment for groups that are disadvantaged from a labour market aspect, and their return to the open labour market, by way of arranging labour market services, supports and training into complex packages tailored to the individual. The key target group of the projects is represented by those with low school attainment (and those holding out-of-date qualifications), career starters, persons above the age of 50, those returning to the labour market after child care/parental leave, those at risk of permanent unemployment, and the group of job seekers affected by a disadvantage representing the risk of permanent unemployment characteristic of a selected individual given region. The programme will be implemented at the base of the Employment Service, co-financed by the European Social Fund (ESF). Within its framework, target groups may be provided the following supports and labour market services:</p> <ul style="list-style-type: none"> - support aimed at the promotion of training courses (reimbursement of training costs, travel costs related to training, costs of childcare allowance/care for relatives services used during the period of training; - (wage type) supports facilitating employment (reimbursement of wage subsidies, subsidies to wage cost and related costs of travel to work) ; - subsidies to become entrepreneurs; - subsidies related to the use of labour market services (reimbursement of travel costs related to service, and costs of childcare/care for relatives services used for the period of the service); ;- reimbursement of cost of occupational health care examinations; - reimbursement of cost of aptitude test related to the train- 	<p>come more targeted</p> <p>The concept of the transformation of wage and contributions support regulated under MüM decree no. 6/1996. (VII.16.) has been prepared, the aim of which is for wage cost supports to facilitate legal work for disadvantaged job seekers from the aspect of employment, to contribute to the improvement of the labour market position of micro-, small and medium sized enterprises and to the establishment of new workplaces, and to the cohesion of disadvantaged economic regions.</p> <p>START Plusz and Start Extra ceased to exist on 31 December 2011, and are going to continue as of 1 January 2012 under the name of START Bónusz.</p>	

Measure	Content	Status and timing	Risks
	<p>ing.</p> <ul style="list-style-type: none"> - provision of information on labour market and employment; - advisory services regarding labour, career, job seeking, rehabilitation, psychology, local (regional) employment s; - labour market mentoring activities. 		
Capacity extension of National Employment Service	<p>A capacity extension of the National Employment Service may be performed in accordance with an increase of the frame amount available for active labour market programmes (SROP 1.1.2 and 1.1.4.), and the programme aimed at the d improvement of efficiency of the National Employment Service shall continue (TÁMOP 1.3.1) as well.</p>	In progress	
Tax allowances to promote the employment of disadvantaged persons	<p>Pursuant to Act CXXIII of 2004, “for the sake of the employment of certain social groups in an unfavourable position from a labour market aspect and of those permanently absent from the labour market, in order to balance their competitiveness in the labour market” various types of START cards and other tax allowances may be applied for.</p> <ol style="list-style-type: none"> 1. In the case of employment of career starter young people of less than 25 years of age (in the case of graduates, less than 30 years of age) within the scope of the START programme, the employer may be entitled to social contribution tax allowance for two years (in the case of graduates for one year). 2. Within the framework of the START Plusz programme, in the case of the employment of employees returning to the labour market after having received child care allowance/parental leave/child raising allowance/care allowance, employers may be entitled to social contribution tax allowance for two years. 3. Within the framework of the START Extra programme, in the case of those over the age of 50 registered as job seekers for at least three months, those with low school attainment, and those receiving wage replacement allowance, employers may be entitled to social contribution tax allowance for two years. 4. As of 1 January 2012, within the framework of the START Bónusz programme, job seekers registered permanently for no less than 3 months, and after receiving child care allowance/parental leave/child raising allowance/care allowance (or during child care allowance), in the case of the employment of those returning to the labour market, employers may be entitled to social contribution tax allowance for 	<p>START PLUSZ and START Extra cards could be requested until no later than 31 December 2011, the cards entitle their holder to allowance within the validity of the card, until no later than 31 December 2013. The START BÓNUSZ card may be requested as of 1 January 2012.</p>	

Measure	Content	Status and timing	Risks
	<p>one year.</p> <p>5.As of 1 January 2011, in order to facilitate for parents with small children to return to their former workplace, the employer shall be entitled to receive an allowance from the social contribution tax, if one full-time position is filled by two part-time employees so that one of them is an employee returning from child care leave. Thus the employer shall be entitled to claim 7% social contribution tax allowance each after both employees, for the period of the employment of employees in line with the legislative provisions, but for no more than 3 years.</p> <p>6. In the case of the employment of persons with reduced capacity to work holding a rehabilitation card the employer shall be entitled to tax allowance during the validity of the card, which shall be 27% of the gross wage (but not more than 27% of double the minimum wage)</p>		
Wage compensation	<ul style="list-style-type: none"> • Increase of minimum wage and increase guaranteed wage minimum • In the public sector, the Government provides compensation to the employees concerned from the central budget on a monthly basis, and in the competitive sector compensation may be provided by wage increase. • In 2012, in parallel with the termination of tax credit, below an income limit of HUF 202,000 per month, HUF 2,424,000 per year, the Government shall terminate the application of the tax base supplement (super-grossing), and for incomes exceeding that, in order to support necessary wage increases, it shall temporarily maintain the tax base supplement of 27% extent. • The Act that excludes from public procurements and state subsidies those companies who fail to implement the wage increase required to preserve the 2011 year net earnings level in the case of at least two thirds of the employees concerned, is effective since 1 January 2012. • Among companies the Government promotes and incites the 	<p>Government decree no. 298/2011 (XII.22.) specified the compulsory lowest pay (minimum wage) and the guaranteed wage minimum. The Government decree is effective as of 1 January 2012.</p> <p>1 January 2012: the Act that excludes from public procurements and state subsidies those companies who fail to implement the wage increase required to preserve the 2011 year net earnings level in the case of at least two thirds of the employees concerned, entered into effect. The Government discussed the conditions of the wage compensation application: 29 February 2012 Amendment of Act on Wage compensation: March 2012 Targeted social contribution tax allowance for employers: 1 January 2013</p>	<p>If there are too few candidates applying, then the wage compensation of employees will not be implemented.</p> <p>If there are too many applicants and the funds are exhausted, then again several companies and their employees would not receive wage compensation.</p>

Measure	Content	Status and timing	Risks
	<p>implementation of wage increases as follows: those companies who implement wage increase of the required extent with regard to all employees concerned (those with earnings below HUF 216,806 gross per month), shall be entitled to contribution tax allowance. The amount of the tax allowance was determined as follows: in the case of no change to the net wage of employees, the costs of employment payable by the employer would increase by not more than 5% per employee. They are will be entitled to retain from the social contribution tax the total cost of the wage increase over 5%.</p> <ul style="list-style-type: none"> • Those companies, who struggle with the implementation of the 5% wage increase in 2012, shall be entitled to apply for a grant from the funds of HUF 21 million for such applications. The applicant shall undertake to perform the wage increase required for preserving the net value of wages in the case of each employee, retroactively as of 1 January 2012, and that they would not reduce their 2011 statistical number of staff in 2012. Within the framework of the project, grants may be provided for the total (wage and social contribution tax) 2012 costs of the 5% portion of the 2012 expected wage increase, and of the max. 3% portion from its share financed from own resources. At the evaluation of the tenders, priority shall be given to those employers who perform activities requiring high labour and where the gross average earnings of those employed by the applicant are low. • For the sake of the reduction of costs relating to the employment of employees with low school attainment, and in order to promote their employment, according to plans, as of 2013 employers may be provided targeted social contribution tax allowance (of 9 percentage points) after those employed in jobs not requiring special qualifications (FEOR [International Standard Classification of Occupations]-9). 		
Tax allowances for families (Measure 10 of NRP 2011)	On the basis of the tax allowances for families that were introduced from 1 January 2011, parents who raise one or two children can reduce their tax base by HUF 62,500 while those raising three or more children can deduct HUF 206,250 from their tax base. Furthermore, an	The tax allowance for families was introduced as of 1 January 2011, in the course of the amendment of Act CXVII of 1995 on Personal Income Tax. MEASURE IMPLEMENTED.	Based on the experience gained during the past months, the problems arising as to tax allowances for families do not hinder implementation. Part of the problems revealed could be

Measure	Content	Status and timing	Risks
	<p>important aspect of the measure is that it is primarily aimed at providing greater financial assistance than what is currently provided to parents working and raising children.</p>	<p>In 2012, a decision under a government decree (6/2012. (II.1.)) was made regarding income supplements to those receiving pregnancy and confinement benefit and child care allowance.</p>	<p>settled by the interpretation of legislative provisions, and further specification should be made in the course of the amendment of this year's tax laws.</p>
<p>Supporting the development of daytime childcare facilities for young children aged between 0 and 3 years (Measure 10 of NRP 2011)</p>	<p>Supporting the development of daytime childcare facilities (nurseries, family day-care centres) for young children aged between 0 and 3 years to increase the labour market participation of parents with young children with the help of Regional Development Operational Programmes. The aim of the programme is, among the child welfare basic provisions specified by the Act on Child Protection, to improve the infrastructural conditions of nurseries serving the daytime care of children, to further develop nursery services, and to establish new spots, and to develop family day-care centres, to introduce new services.</p> <ul style="list-style-type: none"> • Support of the establishment of alternative forms of daytime child care facilities <p>The measures promote workplace (corporate, institutional) initiatives that contribute to the establishment of family friendly working conditions by introducing flexible work schedules, on-the-spot child care options and other similar means. All this can be viewed as a fundamental initiative because it intends to make the conditions for mothers with small children to return to the labour market more favourable from several aspects, and by that to also improve the conditions of subsistence for families;</p>	<p>In the 2011-2013 planning phase, within the framework of the Regional Operational Programme (ROP), under the title "infrastructural development of social basic services and child welfare basic provisions" a call for tenders was published on 1 September 2011 for the development of day nurseries and family day-care centres. In 2011 there were over 800 new spots day nurseries created by support from the ROPs, from HUF 3.6 billion, and there are additional tenders in progress aimed at the development of child care facilities and the extension of the number of spots. The system of conditions for the call for application regarding family day-care centres shall be more favourable as compared to previous years, so the various organisations will submit tenders presumably with higher intensity.</p> <p>The SROP 2.4.5. application was announced in March 2012, the preparation of the EDOP 3.5.1B measure is in progress.</p>	<p>If the application activity of the potential scope (local governments, non-governmental organisations, churches) will not be sufficient, i.e. less applications will be received than planned, in that case less new institutions and services may be created, and significantly less new spots and workplaces may be implemented. In addition thereto, a risk factor may be if as compared to the resources available there will be greater demand, and the tenders received would have to be rejected due to lack of funds, as a result of which there can be no new services, spots developments and new workplaces created in the regions and areas concerned.</p> <p>In relation to the development of daytime child care facilities, the future sustainability of the services established greatly depends on whether the normative subsidy due after children in nurseries and children in family day-care centres can be approximated .</p>

Measure	Content	Status and timing	Risks
	<ul style="list-style-type: none"> Flexible forms of employment <p>The New Labour Code contains several new rules creating the option of flexible employment (work performed based on call-in, sharing of job scope, employment created by more than one employer, telework, flexible working time). In addition thereto, subject to the new Labour Code, it shall become compulsory also in the competitive sector to employ part time employees raising children under 3 years of age, returning from maternity leave in the case of a request for that on their behalf.</p> <p>In addition, we shall promote the spread of flexible employment and flexible forms of working also within the framework of the SROP 2.4.5. application</p>	<p>The New Labour Code was adopted at the end of 2011, and it shall enter into force in July 2012.</p>	
<p>Adult training programmes aiming at the improvement of skills (Measure 11 of NRP 2011)</p>	<p>The programme to be announced for disadvantaged adults will offer them the opportunity to acquire an elementary education as a prerequisite for participating in a vocational programme and acquiring a qualification that meets labour market demands.</p> <p>A programme that supports the development of key competencies (such as foreign languages and informatics) contributes to the improvement of the adaptability of the adult population and the development of their foreign language and informatics skills which are commonly required at work through encouraging lifelong learning.</p>	<ul style="list-style-type: none"> Under the programme to be announced for disadvantaged adults aimed at the opportunity to acquire an elementary education as a prerequisite for participating in a vocational programme and acquiring a qualification that meets labour market demands (SROP 2.1.6) training courses are expected to commence in the early spring of 2012. The programme aimed at the training of employees of companies (SROP 2.1.3) was announced on 14 March 2011. In March 2012 the programme was re-announced with amended, more flexible conditions and a higher frame amount, adjusting to the requests raised by companies. Programme aimed at the development of priority key competencies (foreign languages and informatics) (SROP 2.1.2) is expected to be launched in April 2012. 	<p>Within the framework of the programme aimed at the development of key competencies, there will be an IT system developed to keep records of the use of individual support frame amounts of the target group members involved in the training. The delay of the IT development may put at risk the launching of the courses, their successful implementation, and compliance with the number of persons indicator.</p>
<p>Facilitation</p>	<p>Within the framework of this measure individual rehabilitation plans</p>	<p>On 20 December 2011, Parliament</p>	<p>In the course of implementation,</p>

Measure	Content	Status and timing	Risks
<p>of the employment of disabled people (Measure 12 of NRP 2011)</p>	<p>will be devised for participant retraining which take the disabilities and practices at work into account.</p> <p>A programme that supports the development of key competencies (such as foreign languages and informatics) contributes to the improvement of the adaptability of the adult population and the development of their foreign language and informatics skills which are commonly required at work through encouraging lifelong learning.</p>	<p>adopted Act CXCI of 2011 on the provisions for persons with reduced ability to work and on the amendment of certain acts.</p> <p>The implementing regulations shall be prepared in the first half of 2012.</p>	<p>the transformation of the disability pension scheme, the transformation of disability pensioners' social security based benefits to date to sick leave-type benefits, the return of health-impaired persons to the labour market represent risks as to both their labour market and their social impacts. What actual budgetary result this measure will bring about is influenced by the trend of labour market employment.</p>
<p>Developing the vocational training system and strengthening its labour market relevance (Measure 13 of 2011)</p>	<ul style="list-style-type: none"> • Contextual development of vocational training The contextual development of vocational training involves: the development of the entire range of materials used for studying, devising improved test tasks for exams, the development of the examination system, the improvement of quality assurance, creating new framework curricula, the revision of the Vocational and Examination Criteria of vocational qualifications, creating new environmental qualifications, the tasks associated with dovetailing vocational qualifications with the National Qualification System (NQS) and preparation for ECVET. • Structural transformation of the training system The revitalization of vocational training will require a significant extension of the period of practical training and the ability of students to start acquiring their professional competencies of their selected vocational training in the ninth grade at their vocational school. • Increasing the quality and efficiency of vocational and adult training and making vocational training more attractive After the legal regulation for the career tracking system is implemented, the careers of graduates, the utilization of their knowledge, their professional attitude and the assessments of the employers may be analyzed based on a nationally standardized system. This informa- 	<p>Parliament adopted Act CLXXXVII of 2011 on Vocational Training on 19 December 2011.</p> <p>Parliament adopted Act CLV of 2011 on Vocational Training Contributions and Support to the Development of Training on 21 November 2011.</p> <p>The priority project SROP 2.2.1 "Development of the quality and content of vocational and adult training" starts in the first half of 2012. As for the current schedule, the project shall last until 2015.</p> <p>The call for applications of the priority programme SROP 2.2.2 "Contextual and methodological development of the system of vocational guidance" was published at the end of 2011. The project started at the beginning of 2012 and is expected to run until 2015.</p> <p>Parliament adopted Act CXC of 2011 on National Public Education on 20 December 2011, which includes early vocational train-</p>	<p>In the case of priority projects, a delay of the support contracts may delay the launching of the programmes, and implementation may also be in delay as compared to the original schedule.</p>

Measure	Content	Status and timing	Risks
	<p>tion would be made available to those considering career paths, institutions and operators of vocational and adult, education and to the local, regional and national representatives of professional bodies.</p> <ul style="list-style-type: none"> • Contextual and methodological development of the system of vocational guidance and the creation of the system of Lifelong Guidance (LLG) <p>The objective of developing the vocational guidance system is to reduce the number of unsatisfactory decisions about future careers or professions. The measure will contribute to the creation of demand driven vocational training.</p> <ul style="list-style-type: none"> • Early vocational training <p>This regulation will provide the opportunity for students to participate in vocational training programmes immediately after finishing eighth grade and becoming acquainted with the practical basics of their trade at an age when they are extremely receptive to it, i.e. during 9-11th grades so they would be able to acquire a vocational qualification earlier.</p> <ul style="list-style-type: none"> • Diversifying the range of non-university, tertiary education training offered <p>Our objective for creating a suitable qualification ratio that meets modern, updated labour market needs is to diversify the range of non-university educational training offered and increase the number of those who complete these programmes. This is indispensable for attracting and retaining direct, foreign investment in Hungary.</p>	<p>ing.</p> <p>Non-university, tertiary education training: The implementation of the projects SROP-4.1.2/A/2-10/1 “Training and contextual development, with special regard to training related to the needs of scarce professions and new professions, and the development thereof” is ongoing.</p> <p>The development of the Higher Education Information System required for monitoring is implemented in phase II of SROP-4.1.3. The call for planning of the priority project was published on 14 November 2011.</p>	
<p>Measures encouraging labour force demand (Measure 14 of NRP 2011)</p>	<ul style="list-style-type: none"> • Supporting complex technological development and employment <p>Within the framework of complex technological development, complex investments linked to key industries, such as, healthcare and the green economy, are financed from EU resources (Economic Development OP) that have a significant impact on employment by retaining or creating new jobs. Support can be required for hiring new employees, purchasing equipment and the development of information technology.</p> <ul style="list-style-type: none"> • Supporting the investments of micro, small and 	<p>On 10 February 2011, the call for applications entitled “Supporting complex technological development and employment” was published. Applications may be submitted until 31 December 2012.</p> <p>The Ministry for National Economy announced the programme aimed at supporting the investments of micro, small and medium-sized enterprises to create jobs also in 2012 in relation to the objec-</p>	<p>General business and economic risks. In the period of the conclusion of support contracts, in the case of certain businesses there may be changes in the environment occurring that would prevent the utilisation of the support (waiver, withdrawal), or that would have a negative impact on the performance of</p>

Measure	Content	Status and timing	Risks
	<p>medium-sized enterprises to create jobs</p> <p>The direct objective of this measure is to support the investment of micro, small and medium-sized enterprises in order to create jobs. The indirect objectives are: to support job creation in the disadvantaged regions from economic, social, infrastructure and labour market point of view; to assist in employing disadvantaged employees; to help regional cohesion processes and diminish regional differences; strengthen the market position of developing enterprises and improve their competitiveness by their technological and technical modernization.</p>	<p>tives of the New Széchenyi Plan.</p>	<p>commitments (reclaim).</p>
<p>Increasing employment by improving the health condition of the population and facilitating active and healthy ageing (Measure 15 of NRP 2011)</p>	<p>National Public Health Programme (6/2003. (IV.26.) Parliamentary decree), which can be regarded as the organic continuation of Governmental Decree 1066/2001. (VII.10.) on the Public Health Programme for a Healthy Nation in 2001-2010.</p>	<p>Having regard to the reporting obligation, there is a report prepared on the implementation of organised public medical check-ups on an annual basis. The continuation of programmes supported for several years has been undertaken from the year 2011 budgetary chapter, including the Action Plan of the National Infant and Child Health Care Programme, the "Tasks related to National AIDS Strategy", such as combating HIV/AIDS, informing the population, providing information, and another key priority is anonymous AIDS screening. Act CIII (2011) on Public Health Product Tax entered into force on 1 September 2011. Subject to Act XLI (2011) on the amendment of Act XLII (1999) on the Protection of Non-Smokers and Certain Regulations on the Consumption and Distribution of Tobacco Products, as of 1 January 2012 smoking is prohibited indoors, except for prisoners in prisons, psychiatric patients in psychiatric institutions, and in rooms of institutions providing accommodation</p>	<p>The measure entitled increasing employment by improving the health condition of the population and facilitating active and healthy ageing depends upon the budgetary chapter of the sector (freezing, withdrawal).</p>

Measure	Content	Status and timing	Risks
		<p>specifically dedicated as smoking facilities. The NIFNS prepared the document entitled Hungary's National Nutrition Policy Action Plan 2010-2014.</p> <p><u>Further implementation schedule:</u> Amendment of ESzCsM decree no. 49/2004. (V. 21.) on Regional District Nurse Care: access to cervix screening shall be increased, with special regard to population living in villages and farm regions</p> <p>In the 2007-13 planning period, within the priorities of SROP 6 Health preservation and human resource development in the health care system, in 2011-2012 there shall be calls for tenders with significant frame amounts and high priority projects published to support public health care measures, including settlement and field-based and micro-regional programmes of lifestyle projects promoting health and awareness, organised public health care medical check-ups and communication in public health care.</p>	
National target no. 2: Increasing the level of R&D expenditure to 1.8 percent of gross domestic product			
<p>The transformation of the institutional system of Science, Technology and Innovation Policy (Measure 16 of NRP of 2011)</p>	<p>The transformation of the institutional system of the Science, Technology and Innovation Policy (STIP) started in the second half of 2010, establishing NIS's effective management system of NIS. The clear separation of tasks and decision-making competencies served as a prerequisite to work out and implement further steps to renew innovation. The transformation of the National Innovation Office, the establishment of S&T Observatory, the transformations in tertiary education and those in connection with state-owned research institutes are still necessary to make the state-owned STI sector and its connection with the other players of NIS more effective and innovation-oriented.</p>	<p>The new role and tasks of the National Innovation Office are regulated by Gov. Decree No. 303/2010. (XII. 23.) on National Innovation Office, its Organizational and Operational Rules were amended by the MNE Min. Order No. 20/2011. (VI. 10.) on the amendment of MNE Min. Order No. 5/2011. (I. 28.) on Organizational and Operational Rules of the National Innovation Office.</p> <p>The parliamentary board of science, technology and innovation management sys-</p>	

Measure	Content	Status and timing	Risks
		<p>tem was set up by the Parliamentary Decree No. 76/2011. (X. 14.) on the establishment of Innovation and development ad hoc committee.</p> <p>The S&T Observatory within the National Innovation Office started to operate in the first quarter of 2012.</p>	
<p>The transformation of the Research, Development and Innovation support system (Measure 17 of NRP of 2011)</p>	<p>In January 2011 the first R&D projects of the New Széchenyi Plan were announced. At the same time, the reduction of administrative burdens and the diversification of the current, almost exclusively project-based RDI system require further measures to be taken.</p> <p>The encouragement of the unexploited RDI opportunities of the SME sector is prioritized by objectives in order to enhance the competitiveness of the national economy. Additionally, the regional unbalance of the RDI support system requires special attention and a balanced growth will be ensured by encouraging regional RDI activity, cooperation and networking activities.</p>	<p>The first step in the implementation of the measure was fulfilled by the publication of the New Széchenyi Plan on 14 January 2011 and by opening the calls for applications several times. More application schemes for 2012 are under planning and governmental discussion currently (the first package of applications will be published at the end of March 2012).</p> <p>The amendments for 2012 (abolition of items reducing innovation contribution and unification of R&D use of terms in the tax system) are included in the Act. CLVI of 2011 on the amendment of certain tax and related acts.</p> <p>The further elements of the renewal of the support system will be included in the medium-term R&D&I strategy expected to be published in the first quarter of 2013.</p> <p>Within the implementation tasks related to the measure, the Ministry of National Development transformed the implementation and application management institutional system for the Research and Technology Innovation Fund.</p> <p>Beyond the above mentioned transformations the Ministry of National Development took over and revised the projects, started the payments and published the</p>	

Measure	Content	Status and timing	Risks
The renewal and implementation of the Research, Development and Innovation Strategy (Measure 18 of NRP of 2011)	<p>The RDI Strategy and Action Plan includes the following principles and measures:</p> <ul style="list-style-type: none"> - establishing a transformed RDI support system that handles the different support forms as a whole and introduces new support forms; - establishing and encouraging and transparent RDI legal environment; - establishing a standardized RDI monitoring and evaluating system and setting up an analytical S&T Observatory to understand RDI processes better and justify professional feedback; - ensuring conformity with relevant national policies; - working out an international RDI sub-strategy, developing research infrastructure and establishing a register that serves as a foundation for rationalizing Hungarian participation in significant international research infrastructure projects; - Working out sectoral RDI strategies such as the National Environmental Technology Innovation Strategy, which pays special attention to eco-innovation. 	<p>first calls for applications.</p> <p>The Ministry for National Economy started the governmental debate on 3 August 2011 on the draft of the governmental proposal on the directions and bases of the transmission of the domestic R&D support and financing system, including the chapter on the preparation, comprehensive consultation and elaboration of the National Innovation Strategy. According to the received comments from the ministries the Department for Innovation and Research and Development in the Ministry for National Economy prepares the first version of the strategy in cooperation with the National Innovation Office, expected to be sent for open discussion. According to the plans the draft version will be discussed by the working group on R&D tax incentives, the R&D working group of the Investment Committee and the working group on international R&D&I strategy. The originally planned working group on the preparation of the international R&D&I strategy was set up in August 2011. The approval of the R&D&I strategy by the Government is expected at the end of 2012 or at the beginning of 2013. The National Environmental Technology Innovation Strategy prepared by the Ministry of Rural Development was approved by the Gov. Decree No. 1307/2011. (IX. 6.). The implementation of the measures included in the National Environmental Technology Innovation Strategy has already started. The Cooperation Agree-</p>	<p>The strategic planning is temporarily in the background because of the tasks aiming the transformation of the operative and R&D tax incentives system and the lack of resources.</p>

Measure	Content	Status and timing	Risks
		<p>ments on the Norwegian and EEA Financing Mechanisms for the period of 2009-2014 were declared by the Gov. Decree No. 235/2011. (XI. 15.) and Gov. Decree No. 236/2011. (XI. 15.). The cooperation with the National Development Agency is continuous, the Ministry of Rural Development has already contact with the operators of programming areas serving the aims of the National Environmental Technology Innovation Strategy and the planning will start soon.</p>	
<p>National target no. 3: (a) Increasing the share of renewable energy sources in the final energy consumption to 14.65 per cent; (b) achieving overall energy savings of 10 per cent; (c) capping the rise of greenhouse gas emissions (outside the EU's emission trade system) at 10 per cent relative to the 2005 level</p>			
<p>General regulatory and comprehensive programme-formulation incentives on the areas of climate and energy (Measure 19 of NRP of 2011)</p>	<ul style="list-style-type: none"> • Developing the National Strategy and Action Plan for the Energy Performance of Buildings – including the continuous development, consultation and updating of strategic elements The National Strategy and Action Plan for the Energy Performance of Buildings defines the objectives of the Complex Programme for the Energy Performance of Buildings, and outlines the actions required for achieving these goals (in the fields of support, R&D, quality control, training and education, information and regulation). The National Strategy for Energy Performance of Buildings will be prepared in line with the National Energy Efficiency Action Plan. 	<p>The Government has approved the II. Energy Efficiency Action Plan which identified the most important aspects, paths and targets of the building energy strategy. Preparation of the strategy, finalisation of the concepts and measurement of primary data are in progress. Deadline: July 31., 2012 according to Government Decision 1374/2011 (XI.8.)</p>	<p>The prolongation of the pre-notification and notification procedures.</p>
	<ul style="list-style-type: none"> • Regulatory incentives for the use of renewable energy sources Content of the measure: adoption of the Act on Sustainable Energy Management in 2011, establishment of a renewable energy sources feed-in tariff system establishment of an off-take and support system for green heat, and building energy regulations (in line with RED Art. 13. par. (4). 	<p>The regulatory framework of the renewable energy sources feed-in tariff system has been completed. During public consultation the civil organizations have agreed with its basic concepts. The Government discussed the proposed regulatory concept at its November 9, 2011 session. Moreover, at its February 3, 2012 thematic session it has addressed some issues related to energy. The following step will be the completion of the pre-notification procedure after the</p>	

Measure	Content	Status and timing	Risks
		Government Decision on the concept enters into force. Following the procedure, the preparation of the detailed regulatory framework can be started which requires the modification of 3-4 pieces of legislation and the creation of 4-6 new ones.	
	<ul style="list-style-type: none"> • Simplifying the authorization procedure Priority will be given to shorten the processing time and reducing the number of procedures concerning authorization. In the case of areas connected to each other the goal is the introduction of a one stop shop system, and inclusion of the most possible authorizing institutions in the streamlining process. Part of the measures concentrates on training the staff participating in regulatory and authorization procedures. The measures will also take into account special characteristics of renewable energy sources. To accelerate and assist the process, examination manuals will be provided, which also inform potential investors about what aspects the authority is likely to examine and/or assess. 	The pieces of legislation have been determined which require alteration. Among those, the professional consultation has started for the 2006. LIII. law which addresses the simplification and acceleration of investments which have a priority on the national economy level. Regarding other pieces of legislation, a survey has been sent to the relevant authorities in November in order to determine the most suitable impact areas in sectoral legislations. The assessment of the surveys has been completed in December. The simplification of the authorization procedures is included in two horizontal Government programmes which are currently in progress: The first one is the Magyar Zoltán Public Administration Development Programme introduced by Government Decision 1304/2011. (IX.2.) and the Cutting Red Tape Programme introduced by Government Decision 1405/2011 (XI.25.), the latter being a medium-term programme aiming to reduce the administrative burden for businesses.	It is present risk that the not all of authority procedures are designated to the Ministry of National Development, therefore in the case of energy investments authorization de Ministry can only be an initiator.
Support measures (Measure 20 of NRP of 2011)	<ul style="list-style-type: none"> • New Széchenyi Plan: launching a programme for encouraging investment to promote the spread of renewable energy sources as part of the green economy and to develop the associated industries The measures support investors; each segment of the target group 	Application is open between March 1, 2011 and December 31, 2013. There is no deadline, however after all the funds have been allocated the managing authority may close the application.	The regrouping of funds does not occur (only relevant until 2013). Regarding the programmes from 2014 onwards risks occur from ex-ante conditionality, which is

Measure	Content	Status and timing	Risks
	<p>(e.g., the public, the budgetary institutions, municipalities, non-profit sector, firms, and agricultural actors) is covered by a specific financial instrument.</p> <p>The new invitations for tenders will be published in 2011 in the current form of EU co-financed programmes planned until 2014, continuation of the programme is foreseen after 2014.</p> <p>The elements announced in 2011:</p> <ul style="list-style-type: none"> - renewable energy schemes - energy efficiency development in buildings - campaigns to promote a sustainable way of life 	<p>It is a continuous job to deal with the ongoing support schemes (contract agreements, payments, and implementation) and to include the viewpoints of green economy development into the new schemes. HUF 40 billion HUF is planned to be available for applications in 2012 within the fourth priority axis of the Environment and Energy Operational Programme. Another priority is the active participation in the design of the Multiannual Financial Framework, the inclusion of viewpoints related to energy.</p>	<p>unknown yet.</p>
	<ul style="list-style-type: none"> • Developing a data collecting and processing system designed to measure the energy consumption and energy efficiency of buildings owned by the state or municipal authorities <p>The objective is to establish a data disclosure system that serves to measure and monitor the energy consumption and energy efficiency of buildings owned by the state or municipalities. Complex energy efficiency renovations for the buildings concerned can be properly planned and implemented in line with the priorities and principles obtained through the data.</p>	<p>The Ministry of National Development has completed the primary data collection about state owned buildings. A database has been set up containing data about 12,000 buildings. The primary database analysis has been done by ÉMI NKft, with the professional control of the Ministry of National Development. The primary data for the entire sector (averaged and estimated) are available.</p> <p>Preparation (determination of data requirements) of the software for the database of state owned building energy is in progress. Based on it, there is also a more detailed survey in progress.</p> <p>In the second phase of the survey those data will be collected which were not provided entirely in the primary survey in addition to data on heat technologies, energy use parameters and data which are required to identify the areas of intervention and their estimated costs.</p>	<p>The data owners (asset managers, city council) do not provide the necessary information by deadline or they gave false information due to the lack of expertise.</p>
	<ul style="list-style-type: none"> • The complex renovation of residential buildings built by industrial 	<p>The Minister of National Development</p>	

Measure	Content	Status and timing	Risks
	<p>technology to increase their energy efficiency and the incentive system for energy-efficient construction</p> <p>The primary objective of this measure is to improve energy efficiency through the modernization of the energy systems in buildings. Within the framework of the measure support programmes encourage energy efficiency renovations of buildings built by industrial technologies and the construction of new energy efficient ones.</p>	<p>decided about 228 winning application in April, 2011 in a value more than HUF 13 billion.</p> <p>According to the decision of the Minister of National Development 97 application got supported in the value of HUF 3.3 billion (within the framework of the scheme aiming at reducing CO2 emissions and increasing energy saving of buildings built by industrial technologies).</p> <p>There is a continuous workload with the closed schemes (contract arrangements, payments and implementation).</p> <p>In April, 2011 (within the framework of the climate protection based, energy efficiency renovation of traditional residential buildings, the use of renewable energy resources related to the building and the construction of new energy efficient residential buildings) HUF 378 million financial support was given in total to 201 projects within the Green Investment Scheme Climate Friendly Home Energy Efficiency Sub-Programme.</p> <p>The Green Investment Scheme „Our Home” Renovation and „Building New Home” Sub-Programme was introduced as part of the New Széchenyi Plan on July 13 with available funding of HUF 1,6 billion, which was later extended by another HUF 700 million making it available that by March, 2012 455 application was supported in a total value of HUF 1.7 billion.</p> <p>Similarly under the New Széchenyi Plan, the Green Investment Scheme Sub-Programme for Promotion of Renewable Energy Usage, Installation of</p>	

Measure	Content	Status and timing	Risks
		<p>Multifunctional Solar Collector Systems for the Generation of Residential Hot Water and Heating Purposes was opened for application on October 25, 2011 with a funding available of HUF 2.97 billion. The deadline of application is on May 15, 2012. The processing of the incoming applications is continuous: by March, 2012 866 applications were supported with a total amount of HUF 604 million.</p> <p>Other financing schemes are planned to be announced in 2012 in the field of building energy efficiency with a planned budget of HUF 1.9 billion.</p> <p>The energy efficiency of 50.000 living space has been modernized by the above mentioned schemes and other Green Investment Scheme sub-programmes.</p>	
	<ul style="list-style-type: none"> • Supporting the comprehensive energy efficient renovation activities of industrial actors (especially SMEs) and buildings that fulfil public demands but which are not publicly owned. <p>The objectives of this measure are to make industrial energy efficiency more measurable, to standardize the audit and monitoring systems which are aimed at the more efficient use of energy by industrial players, to enter into contractual relations aimed at long-term, voluntary commitments guided by international examples and to establish a motivating, regulatory environment and a system for acknowledging desired actions.</p>	<p>Developments of building energy efficiency combined with the utilisation of renewable energy sources scheme (Environment and Energy Operational Programme 4.9.0) was announced in 2011 with a budget of HUF 8 billion, which was also open for SMEs. The scheme was closed in March, 2011 because of overapplication. The evaluation of the received applications is continuous. The Green Investment Scheme „Our Home” Renovation and „Building New Home” Sub-Programme was introduced as part of the New Széchenyi Plan on July 13 with available funding of HUF 1,6 billion, which was later extended by another HUF 700 million making it available that by March, 2012 455 application was supported in a</p>	<p>A risk for the implementation is the prolonging decision of the European Commission.</p>

Measure	Content	Status and timing	Risks
		<p>total value of HUF 1.7 billion. SMEs may also be beneficiaries (newly constructed, highly energy efficient appartement buildings).</p> <p>The Government discussed the decision during its November 30, 2011 session to regroup HUF 163 billion from the Transport Operational Programme to the Environment and Energy Operational Programme. The regrouping needs the modifications of the operational programmes which needs the approval of the European Commission. After the regrouping, new funds will be available for 2012 in new schemes for SMEs to finance their energy efficiency investments.</p>	
	<ul style="list-style-type: none"> • Defining further possible ways and means of saving energy in sectors other than buildings <p>The objective of this measure is to reduce energy consumption supplementing measures aimed at reducing heating needs for buildings in the following intervention areas:</p> <ul style="list-style-type: none"> - Municipalities - Residential use - Services - Industry - Traffic, transportation - Agriculture 	<p>The scheme aiming at modernising the energy efficiency of district heating was introduced in March, 2011 within the framework of the Environment and Energy Operational Programme. Applications were received for more than HUF 2.3 billion. The applications are processed continuously.</p> <p>The II. Hungarian National Energy Efficiency Action Plan until 2016, with an outlook to 2020 was adopted by Government Decision 1374/2011. (XI. 8.). The document is essential in identifying the necessary measures, based on which the action plans can be designed.</p> <p>A new energy efficiency directive is expected to be accepted in 2012 which would deliver new commitments regarding the present measures. It will be essential to prepare for the new directive during</p>	

Measure	Content	Status and timing	Risks
	<ul style="list-style-type: none"> • Making renewable energy sources more widespread, reducing energy consumption within the agricultural industry, sustainable provisions of biomass <p>The objective is that by taking food and forage production and environmental considerations into account, rural areas should meet part of their own energy needs from local resources and with lower expenses in an environmentally friendly way.</p> <p>One of the main areas of the related homestead development programme is the improvement of the energy supply to homesteads.</p> <p>The spread of energy efficiency, energy savings and renewable energy sources is a priority of the measures in the first axis of the New Hungary Rural Development Programme. The following measures initiate the use of renewable energy sources and promote energy efficiency in the agricultural sector: modernization of farms (eg. installation of biogas); the purchase of machines and technological equipments which are independent and do not need construction (eg. special, biomass utilizing equipments); modernisation of gardening (eg. energy supply of gardening facilities); use of renewable energy sources in the agriculture.</p>	<p>2012, which requires both regulatory and funding policy tools.</p> <p>The two target areas of the Homestead Development Programme was open for applications in September, 2011 for the renewal of homesteads, homestead areas of plains, settlements and homestead economy. The assessment of the applications was made by the MRD Rural Development Educational and Advisory Institute, the Evaluation Committee made its decision on November 30, 2011. The Minister of Rural Development made the decision in early December. The developments must be finished by June 30, 2012.</p> <p>Preparations are in progress for the application system for the Homestead Development Programme in 2012, which is planned to have a budget of HUF 1.5 billion.</p> <p>The schedule of the New Hungary Rural Development Programme: End of programming period: 2013. From 2014 onwards implementation can be done in alignment with the new EU Common Agricultural Policy. The measures are subject to the decisions of the leaders. The scheme for gardening modernisation has been reopened in January, 2012.</p>	<p>A risk is that not all of the designated funds are used.</p>
<p>Sustainable lifestyle and consumption – social awareness raising, expert advice (Measure 21 of NRP of 2011)</p>	<ul style="list-style-type: none"> • Launching informative, attitude changing and advisory programmes • Programmes to influence consumers' behaviour and shape their attitudes • Developing vocational trainings and further trainings in areas linked to the establishment of green economy • Creating a comprehensive database that contains the tech- 	<p>A new scheme was introduced for campaigns which promote sustainable lifestyle and other connecting behaviours within the framework of the New Széchenyi Plan (Environment and Energy Operational Programme 6.1.0.). The scheme supports the planning and implementation of re-</p>	

Measure	Content	Status and timing	Risks
	<p>nological, financing and supportive industry information of the sector.</p> <p>The regional awareness campaign is a series of regional events which would promote energy efficiency, energy savings and the use of renewable, alternative energy sources. During the campaign we wish to promote energy efficiency and renewable, alternative and innovative energy technologies which are available to everyone by present completed projects by the local population and organizations.</p>	<p>gional campaigns which raise environmental awareness.</p> <p>ÉMI-Nkft. has applied for finances with the support of the climate energy profession.</p> <p>We constantly analyse the financial possibilities of new awareness campaigns in the sixth priority axis of the Environment and Energy Operational Programme</p>	
<p>National target No. 4: Increasing the share of those having completed tertiary level education or equivalent to 30.3 per cent within the population aged 30-34; reducing the share of early school-leavers (those without education or training in lower secondary education) to 10 per cent within the population aged 18-24</p>			
<p>Reduction of study time extension and dropout (Measure 22 of 2011 NRP)</p>	<p>The increase in the share of young people with a higher education degree is to be achieved reducing the share of students extending their program past the regular training period. The effective and efficient accomplishment of higher education studies is common interest so that the motivation and opportunities of teachers and students must be improved through pedagogical and financial means and available services.</p>	<p>The parliament the Act CCIV. (2011) on National Higher Education. in the interest of suppression of unlimited extension of the studies, we aimed the strengthening of motivation and responsibility of the students. the State therefore requires scholarship-holders to obtain a diploma within one and a half times the prescribed training time. In a case to the contrary, students must repay 50% of the scholarship grant. As a result, the scholarship contract is a genuine tool for motivation which students are free to take or leave.</p> <p>The development of Higher Education Information System needed for the monitoring and the review of aspects of the higher education statistical data collection will be implemented in the framework of the II. phase of the SROP 4.1.3. The priority project is under licensing process, the call for proposal will be announced in the IV. trimester of 2002. The priority project has approved governmental decision.</p> <p>The student services ensured for students (career advising, mentoring, tutoring):</p>	<p>The prolongement of the procedure of priority project.</p>

Measure	Content	Status and timing	Risks
		<p>SROP 4.1.1 and SROP 4.1.1 /A under progress.</p> <p>Establishment of Institutional services: SROP 4.1.3 priority project. The first phase has closed, the call for application of the II. phase was announced on 13 November 2011.</p> <p>Regulation on operation and state funding of higher education will be in the course of 2012.</p>	
<p>Increasing the IT / engineering graduate rate (Measure 23 of NRP 2011)</p>	<p>This measure calls up for programmes targeting secondary and tertiary level students to become engineers and spark interest in IT and related fields. These programmes can include open days, road shows and foreign scholarship funds. The programme is targeted to raise the standard of IT / engineer training through infrastructure development, expansion, modernizing course books and teacher training. Currently, the target age group is between 20 and 24 and the purpose is to assist in their successful graduation and help accelerating the graduation of those whose length of study exceeds the regular programme period. In addition, this measure is also aimed at retraining those with a secondary education and aged between 20 and 24 to become IT specialists.</p>	<p>According to the Government Decree Nr. 1007/2012. (I.20.) on the admissible, state-funded student headcount in 2012, it was defined for 2012 that the state-funded new student headcount is 33.070 and the headcount of students receiving partial scholarship is 15.550. Consequently in the admission procedure in 2012 the number of admission places for the priority areas (engineering, natural science, information technology) has increased to 70% from 48% in 2011.</p> <p>The implementation of EU projects applied by the tertiary education institutions (SROP 4.1.2/A; SROP 4.1.2/A2, SROP 4.1.1) is ongoing.</p> <p>The call for application of the 4.2.2/C scheme has been published in December 2011. Applicants can submit their applications from 1 March 2012 until 27 March 2012.</p> <p>The reallocation of the funds that enables supporting applications, whose application for qualification and content development Nr. SROP-4.1.2/A1 was published in the 2009-2010 action plan, have arrived and</p>	

Measure	Content	Status and timing	Risks
		<p>have been put on standby list, and according to this, entering into contract have been finalized.</p> <p>We report about the development of the priority SROP 2.1.2 project, which supports information technology and linguistics training projects in the frame of adult education, by the measure 11 about adult programmes for competence development.</p> <p>One of the supported areas of 4.1.1/C tender that supports the cooperation of regional and sectoral tertiary education and the integration of provincial tertiary educations institutions is the network building between informatics qualification organizing institutions, the harmonization of qualifications, the reduction of parallelisms, the increase of labour market relevance of qualifications. The invitation for tender of II.phase is going to be published in April 2012, the planned submission deadline is August 2012.</p>	
<p>Improving foreign language skills (Measure 24 of NRP 2011)</p>	<p>The institutional and student requirements of language training in higher education is to be improved in line with promoting teachers' and students' mobility and international cooperation.</p> <p>The measure has two parts:</p> <ul style="list-style-type: none"> - Supporting the training and testing of those who have already fulfilled professional requirements and are no longer students - -Improving the foreign language training of students enrolled to higher education. 	<p>The SROP 4.1.2/B construction supports to the development of practical training and competences of teacher students that involves the development of competences of teacher students. The first phase of the project finished in October 2011 with the organization of final conference. The invitation for tender of second phase is going to be published in April 2012, the planned submission deadline is September 2012.</p> <p>The SROP 4.1.2/D scheme is to be published for the tertiary educations institutions in amount of 3 Mrd Ft that supports the arrangement of</p>	

Measure	Content	Status and timing	Risks
		<p>terminological qualificatoins and related methodological and organisational developments. The call for application of second phase is going to be published in April 2012, the planned submission deadline is September 2012.</p> <p>We report on the progress of SROP 2.1.2 priority project - that supported informatics and linguistic qualification in the frame of adult education – at the measure 11. (adult training programmes aiming at the improvement of skills.</p>	
<p>Improving the rate of success of children and students with multiple disadvantages (Measure 25 of NRP 2011)</p>	<ul style="list-style-type: none"> • Measures preventing early school dropout taken in kindergarten care <p>Content of the measure: Expanding kindergarten capacities and implementing programmes to improve kindergarten care</p>	<p>The Act CXC (2011) on National public education entered into force from 1 September 2012, that involves extending the compulsory pre-school training: from 1 September 2014 the currently 5 years age will be lowered to 3 years for compulsory attendance in the pre-school education at least for 4 hours a day.</p> <p>The development that supports the creation of new kindergarten headcounts is the Development of educational institutions (SPOP-4.2.1-11, NPOP-4.1.1/A-11, NHOP-4.3.1/A-11, CHOP-4.6.1-11) scheme that was published in November 2011 in the framework of Southern Great Plain Operational Programme, Northern Great Plain Operational Programme, Northern Hungary Operational Programme, Central Hungary Operational Programme. The tender takes the equal opportunity into account and supports the development of infrastuctural conditions of healthy environment and</p>	

Measure	Content	Status and timing	Risks
		<p>efficient education:</p> <ul style="list-style-type: none"> • the reduction of territorial differences in quality of education • the access to the qualitative education – without exclusion • the creation of integrated, functional institutions fitting in to the new content and methodological programmes • the adequacy of the basic requirements to the reasonable educational environment <p>The submission of applications will be possible between January 16th, 2012 and April 2nd, 2012.</p>	
	<ul style="list-style-type: none"> • Improvement the school success rate of disadvantaged children and students, using integrated education and training methods for their further integration. (Targeting students considered to have multiple disadvantages or are Roma) <p>We launch programmes funded by the European Social Fund:</p> <ul style="list-style-type: none"> • programmes for institutions of public education related to convergence, • support for further education from primary to the school leaving exam in secondary education, • programmes for the most underprivileged micro regions. <p>A complex and target-specific scholarship scheme will be set up funded from the central budget and MPA (Labour Market Fund) resources.</p>	<p>School success of disadvantaged or multiple disadvantaged children/students is promoted by financing skill developing and integration programmes and supplement of teachers participating in those programmes. Fields of financial support to compensate social disadvantages are: inclusive education, institutional development, pedagogical improvement, tailor-made studies, cooperation with the school's social environment, cooperation with the parents. In the school year 2010-2011 65 thousand students participated in the program.</p> <p>Supplementary remuneration can be offered to kindergarten and school teachers</p>	<p>Financing: state budget</p>

Measure	Content	Status and timing	Risks
		<p>who participate in education of disadvantaged or multiple disadvantaged children in accordance with the Government Decree 138/1992. (X.8.) on enforcement of Act XXXIII of 1992 in institutions of public education.</p> <p>In the school year 2011/2012 financing the promotion of school success for disadvantaged and multiple disadvantaged children is regulated by the ministerial decree 27/2011. (IX. 14.) KIM.</p> <p>Decision about the applications for the “Útravaló” (Provisions) Scholarship Programme were made on January 2012 (see more details in part “Reducing inheritance of social disadvantages via education”.</p> <p>The “Arany János” Talent Care Program, the “Arany János” Dormitory Program and the “Arany János” Dormitory and Vocational Training Programme are to promote further education of disadvantaged and multiple disadvantaged students in high schools, professional schools and tertiary education. Ministerial decree 25/2011. (V. 18. NEFMI) relates to the school year 2011-2012. The decree relating to the next school year is under elaboration. Programmes of the school year 2011-2012 are taking place in the concerned institution.</p>	
	<ul style="list-style-type: none"> • Special vocational training courses for those who did not finish elementary school <p>Within the framework of vocational remedial training, 15-year-old students can join the programme even if they lack elementary school qualifications. Parents can request their children to be admitted for remedial training (starting the next academic year instead of elementary school studies) the year when the child turns fifteen. Remedial</p>	<p>Support to integration programmes in vocational schools was available according to decree 24/2011. (V. 18.) NEFMI. Decision about the first part of the support was made in July 22, 2011. Application deadline for the second part of the support was October 5, 2011. The applications were</p>	

Measure	Content	Status and timing	Risks
	training is designed for students to acquire the skills needed for starting vocational training (including the theoretical and practical skills). This measure disseminates and supports good practices and successful programmes, for example, the Dobbantó Programme.	processed by the Hungarian Treasury and the Wekerle Sandor Fund Manager, and the Minister responsible for Education made his decision. <u>Further schedule:</u> Decree on supports for 2012 is to be issued by March 30, 2012, in accordance with the Act on the Budget for 2012.	
Improving the rate of academic success of students with special education needs (Measure 29 of NRP 2011)	Special care must be ensured within early childhood development and care, as well as special education at school and kindergarten and development- preparatory courses. An individual development plan must be prepared for the development of students who require special education by all the educational and academic institutions. It also concerns institutions of special education and those performing integrated education and teaching alike. They also have to record the result of development at last once a year.	The implementation is continuous. SROP 3.1.6 "Improvement of Services offered by Special Needs Education Institutions for Integration of Children/Students of Special Educational Needs was opened on July 22, 2011, contracts are to be concluded in April 2012. All provisions of the decree 4/2010. OKM on the pedagogic special services has entered into force. The new provisions primarily reach the initiative, process and schedule of professional and rehabilitation committee which identify or exclude special education need.	
Complex measures on public education (modification of the education system) (Measure 27 of NRP of 2011)	<ul style="list-style-type: none"> • 1. The opportunity for repeating Grade 1. In the case of failure or weak academic achievement at the end of the first year, parents may require their children to repeat first grade. 	Act CXC of 2011 was adopted by the Parliament on December 20, 2011.	
	<ul style="list-style-type: none"> • Híd Programme The Híd (Bridge) Programme prepares students who will not be able to reach the minimum compulsory education till the end of their required school period for vocational training. It also assists those who were not admitted to vocational schools or dropped out of secondary education in continuing their education and acquiring a profession. 	Act CXC of 2011 was adopted by the Parliament on December 20, 2011.	
	<ul style="list-style-type: none"> • Incorporating national professional monitoring Establishing an internal institutional control system, training experts 	Act CXC of 2011 was adopted by the Parliament on December 20, 2011.	The further training of experts, the publishing of applications.

Measure	Content	Status and timing	Risks
	and develop the educational standards by taking the EQUAVET recommendations into account in vocational training.		
	<ul style="list-style-type: none"> • The control and management of teachers' performance: National Core Curriculum (governmental decree) 2012 The National Core Curriculum constitutes the standard knowledge to be taught to all children within the public education system of Hungary. It also defines the headline tasks of the Hungarian public education, the key competency areas to be developed designated by the European Union, sets the shared values, compulsory objectives of education within the framework of public education as a cultural area. It also entitles the knowledge, skill and ability requirements of public education that serves as the basis for teaching. 	Act CXC of 2011 was adopted by the Parliament on December 20, 2011.	The further training of experts, the publishing of applications.
	<ul style="list-style-type: none"> • Quality assessment and test-evaluation tasks to improve the quality of public education Public education institution should perform continuous quality improvement activities based on self-assessments. Based on the test results the schools determine their professional goals and the development of services, for the implementation of which they prepare action plans. By assessing implementation and using their results, they are expected to continuously develop their operations. 	According to the 22/2010. (V.13.) decree of the Minister of Education and Culture the national competence assessment is organised by the schools and the Education Office. The county government offices and the government office in Budapest also provide information and help organizing the national competence assessment within their respective administrative territories. The Education Office on May 25, 2011, with the help of experts, carried out an assessment of basic mathematical and native language skills among all students in the fourth, sixth, eighth and tenth grades. An assessment of minority language knowledge in dual language schools and native speaking minority national schools was also carried out among all the fourth graders on May 25, 2011.	A risk to the measure that it will not be completed if the already started developments are cancelled. Furthermore, professionally unjustified ideas also provide a source of risks: how the test results should be attached to the assessment of the schools in the quickest way, and how the underperforming school should be punished.
Ensuring formal and informal forms of learning and programmes that support the implementation of the objectives of public education provided by cultural institutions with a focus on preventing	The objective of the measure is to provide programmes that assist in formal and informal learning through cultural institutions such as art institutions, museums, public education institutions promoting the personal development and creative ability of children and students while reducing their disadvantages and assisting with efficient com-	A. Call for application was published for "Building societies" 3.2.3./A 3. phase on November 10, 2011. B.	The beneficiaries are mostly city councils. For many institutions there are only narrow possibilities for applications as a result of the budgetary and financial

Measure	Content	Status and timing	Risks
school dropout (Measure 28 of NRP 2011)	competency development. Within the frames of the measure a special emphasis is laid on reducing the disadvantages that the school itself cannot compensate for.	<p>“Knowledge Repository Express”- A) The call for application for the 3. phase of the scheme aiming at the strengthening of the formal and informal influence of the library system on life-long learning was published on November 28, 2011.</p> <p>For the B) part of the “Knowledge Repository Express” a call for application was published at the end of December, 2011.</p> <p>C. The call for application for the 3. phase of the “Museums for Everyone” Programme was published on February 1, 2012.</p>	liquidity problems of the city councils. During the county consolidation, institutions run by the county get into state ownership. Prolonging handover endangers the application possibilities of institutions (renewal of funding documents, operating licenses etc.)
National target No. 5: Reducing the share of people living in poverty or social exclusion by 5 percentage points.			
Measures aimed at supporting the social integration of the most disadvantaged groups (Measure 29 of NRP of 2011)	<ul style="list-style-type: none"> • Concept of Social Policy <p>The objectives of this concept are to ensure the balance between social security and employment, to reduce the disincentives to work of social policy benefits and establish a system of benefits that encourages the engagement of the working-age population in employment. To increase the effectiveness and efficiency of benefits the Concept of Social Policy proposes a new structural framework for the system of social protection in order to struck a balance between financial, service based benefits and benefits in kind (including child welfare and protection systems). The same framework is to establish a system that assists in acquiring and retaining housing that includes social services and a mentor system.</p>	The concept is being amended.	
	<ul style="list-style-type: none"> • Complex programmes aimed at increasing the labour market opportunities of the most disadvantaged groups living in segregated areas and extreme poverty with housing in focus supported by motivational trainings and services to strengthen social cohesion <p>The housing component for those living in segregated areas ensures the opportunity for renovation, modernization and infrastructure development in their present homes along with buying and building new or used properties. The other concentrates on mental health services, mentoring activities and training and the remedial pro-</p>	<p>The SROP 5.3.6. was published on 13 February 2012. In the future we would like to use SIOP resources including housing elements in the complex site programme as well.</p> <p>The SROP 5.3.8/B calls for applications were published at the end of 2011 and it was open till 29 February 2012. We launched the delivery of the budgetary chapter funds and contracting with the</p>	Delay in discussions, legislation, invalidation of government decree

Measure	Content	Status and timing	Risks
	<p>gramme that assists in labour market integration.</p> <p>The developments that increase labour market opportunities contribute to the reduction of poverty by improving the quality of life for those living in less favoured areas, reducing the impacts of poverty and the extent and effects of lagging behind, preventing ethnic and social segregation and improving the access of the most disadvantaged groups to the social supply system and services.</p>	<p>Türr István Training and Research Institution.</p>	
	<ul style="list-style-type: none"> • Operation of Türr István Training and Research Institute (TKKI) performing regional rehabilitation coordinating centre and adult education tasks <p>The TKKI will keep in contact with municipalities, civil organizations, churches, social organizations and training, vocational and higher education institutions in their region as well as with employers and employees, governmental bodies and regional chambers of commerce. They will survey and coordinate the activities of social rehabilitation in their area. The development of the infrastructure that supports participation on the labour market and social acceptance is directed at the target that services of a proper standard should be available in all the regions.</p>	<p>The MPAJ Decree No. 3/2011. (II. 11.) on the management and tasks of regional training centers with the tasks of the coordination of territorial inclusion and adult education entered into force on 19 February 2011. The decree was amended by the MPAJ Decree No. 19/2011. (VI.24.), the merging institutions were abolished and the articles of association of the new institution were amended as well. As a result of this on 1 July 2011 the establisher MPAJ set up the Türr István Training and Research Institute as an independent central budgetary organization.</p>	
	<ul style="list-style-type: none"> • Social land programme <p>The social land programme is an active socio-political instrument that operates in less favoured areas and settlements around the country. Its objectives are: to assist socially disadvantaged families who live in an area suitable for agriculture but do not possess proper or satisfactory conditions for agricultural production or they are not adequately utilized, to improve their standard of living and to increase their chances of an independent existence.</p> <p>Target groups: permanently unemployed, low income households, families with many children, the elderly, those with impaired working abilities and the Roma.</p> <p>Those running the programme on a local level are predominantly regional municipalities or their associations, or social welfare organizations established by the municipalities (foundations, public foundations and public companies).</p>	<p>Based on the prepared and approved concept the social land programme was published on 6 July 2011.</p> <p>After the deadline – 5 August 2011 – the received applications were evaluated, on 15 September 2011 every stakeholder institutions were informed and the result list was published on the website as well.</p> <p>Winner applications: 168 (each with an amount of 500.000-4000.000.000 HUF)</p> <p>The Wekerle Sándor Fund Management as the conductor of the programme reported successful contracting with the applicants.</p>	<p>The implementation of the public employment element started with delay because of legislative changes.</p>

Measure	Content	Status and timing	Risks
	<ul style="list-style-type: none"> • Devising and maintaining information communication systems and support services to improve the labour market opportunities of disadvantaged groups <p>Within the framework of this measure a modern information communication system, support service and system and advisory network have been implemented that significantly improve the work opportunities of the disadvantaged in 60 settlements in Hungary using competency based assessments, selection and advice. The target group of the measure is the most disadvantaged groups including the elderly, the unemployed over 50, the disabled and those with impaired working abilities.</p> <p>The implementation of the service contains the following tasks:</p> <ul style="list-style-type: none"> - Establishing an information technology portal, - Establishing and maintaining an advisory system that conducts and provides competency-based assessments, tailor-made services, advice and action plans - Inclusion of participating organizations into the measure and - Popularizing the service 	<p>The measure will be implemented in the SROP 5.3.8-11/A1.</p> <p>The A1 applications were received and the judgement has already started.</p> <p>The A2 applications aim further trainings and surveys, according to the plans they will be published in the first half of 2012, they are in preparation now.</p> <p>The A3 applications aim the establishment of the end points of the national labour market supplier network, according to the plans they will be published in the first half of 2012, they are in preparation now.</p>	
	<ul style="list-style-type: none"> • Launching teleworking and digital public employment programmes <p>The measure includes: changes in the law to adapt teleworking and increase trust, creating economic incentives, launching a pilot programme at public institutions, establishing teleworking stations and launching a promotion at e-Hungary points for the digitalized recording of contents connected to culture and traditions. If the pilots justify the hypotheses, project applications and actions will be created and implemented for the SMEs to increase teleworking.</p>	<p>According to the Gov. Decree No. 1193/2011. (VI. 15.) the project for extension of telework was named in the 2011-13 Action Plan of the State Reform Operational Programme.</p> <p>It has an amount of 313 million HUF and available for public institutions.</p> <p>The planning of the project has already started, the exact professional content is under negotiation, the publication is expected at the first half of 2012.</p> <p>The SROP TÁMOP 1.4.3 priority project on support of innovative, experimental employment programmes will be published in the first half of 2012 as well, including the support of telework a horizontal element, adjusted to the target group of the project.</p>	

Measure	Content	Status and timing	Risks
		<p>The already published SROP 2.4.5-12/7 on flexible employment supports the extension of telework as well.</p> <p>The SROP 2.1.2 priority project on development of foreign language and IT competencies was published, aiming the development of competencies for 100 thousand people. Probably most of them will receive IT training. The e-consultants working at the e-Hungary Points will participate in the project as professional implementers, having the tasks of motivating, hiring and mentoring. The project aims the implementation of trainings local level by receiving strong IT competencies to have the possibility for telework.</p> <p>The analysis of the former applications on WiFi Village and the telework ability of people trained in the project have already started.</p> <p>The examination of pilot projects on similar activities implemented last years has already started as well.</p> <p>The concept on the development of e-Hungary network was prepared. As a part of this we surveyed the network, out of the 1500 e-Consultants 1000 gave us feedback. In 2012 the possibility of the digital public employment pilot project will be examined.</p>	
Measures aimed at reducing the transmission of social disadvantages (Measure 30 of NRP of 2011)	<ul style="list-style-type: none"> • The transformation of the unified child benefit to the education support benefit for school-aged children <p>From September 2010, the unified child benefit has been divided into two parts: For the children under school age (under 6 years) the educational provision is provided and for those of school age education</p>	<p>The measure is used from the more than one year entry into force, the Ministry of National Resources prepared a report about this for the Government in October 2011.</p>	<p>By sending ad hoc supervisors the family care colleagues reported the problem as the older children are not cooperative.</p>

Measure	Content	Status and timing	Risks
	<p>benefit is provided. In the case of the latter the benefit is only provided if the child attends school in fact. If a student is absent from more than 50 lessons within one academic year without permission, the notary public of the settlement will order their transfer to child-care protection and suspends the provision of the benefit.</p>		
	<p>• Reducing inherited social disadvantages by means of education The objectives of this measure are to promote the academic success of students with multiple disadvantages and renew the support system of students in dire economic situation and uneducated parents. Supporting the children of the uneducated, economically not competitive group who live in disadvantaged, segregated areas through the educational system contributes to the successful social and economic enhancement of these groups.</p> <p>1. The Government decided to launch a two-pillar educational programme to support the increase of the further educational possibilities for disadvantaged, especially Roma, students by the Gov. Decree No. 143/2011. (VII.21.) on the amendment of the Gov. Decree No. 152/2005. (VIII.2.) on the Útravaló Scholarship Programme.</p> <p>2. Support of measures aiming equal opportunities in education: According to the budget act the the use of support for skills development, preparation for integration, nursery development programmes and financial support for pedagogues working in integration system is regulated by ministerial decree. The institutions can continue their former year programmes for education, integration and equal opportunities with the help of the support according to the ministerial decree.</p>	<p>One of the main pillars of the programme is the Útravaló-MACIKA grant on equal opportunities within the Útravaló Scholarship Programme launched on 1 September 2011. The calls for applications on equal opportunities were published on 8 September 2011. In 2011/2012 school year 11.422 new students could participate, which is 15% more than in 2010/2011 school year. 60% of the new students are Roma with an amount of 6.849. Beyond the new students 8782 former student get scholarship and mentoring, which means 20.204 students and 10.196 mentors in 2011/2012 school year.</p> <p>The other main pillar of the programme is the School Network Programme, aiming the support of school and related programmes in order to help the inclusion of disadvantaged, especially Roma, students. The call for application was published on 18 October 2011. 126 applications were received and 26 were supported. The contracting is under way with the winners. the implementation of the winner projects is possible until 15 July 2012.</p> <p>The SROP 3.3.5./A on study hall programmes was closed on 31 December 2011.</p> <p>The preparation of SROP 3.3.8; 3.3.9. and 3.3.11. on equal opportunities has already</p>	<p>The Útravaló-MACIKA programme will be financed from the domestic budget, so there is a risk, if the resources are not available for the programme.</p> <p>In the field of the measures on equal opportunities in education the participant institutions have different financial sources, which means possibility of fragmented implementation of the programme.</p> <p>The changes of the new public education act have significant effect and mean risks in the field of publication of calls for applications in due time.</p>

Measure	Content	Status and timing	Risks
		<p>started within the 2011-13 action plan, their professional content was approved on 15 August 2011, the prepared guides are under examination by the Managing Authority. The calls for applications are expected to be published in the first quarter of 2012.</p> <p>SRPOP programme horizon: 2012-2015</p> <p>The ministerial decree on the measures of equal opportunities in education is in preparation, it is expected to be published at the beginning of April 2012.</p>	
	<ul style="list-style-type: none"> • Integrated regional programmes to enhance the inclusion opportunities of children and their families <p>The objective of the measure is to establish and operate integrated, successive services in the most disadvantaged regions which are indispensable to increase the integration opportunities of children. A further objective is to establish and implement harmonized, diverse policies for children living in poverty that respond to local needs in the most disadvantaged micro regions. Another part of the measure is establishing settlement type communal services in segregated areas with programmes like personal and environmental hygiene, lifestyle, household and management knowledge, information that promotes self-sufficient households and information on family planning and childcare, etc.</p>	<p>The calls for applications the 6 most disadvantaged regions were published on 4 August 2011 with an amount of 3.4 billion HUF (the choice was based on the decision of the committee on most disadvantaged regions).</p> <p>Further 15 most disadvantaged micro regions can participate in the programme through one round application, which was published in January. The application is possible between 1 May and 1 September. In certain regions the programme will start in 2013 because of the preparation time. The date of close is 2015.</p> <p>The preparation of the micro regional level programmes and the implementation of the running programmes is professionally and metrological supported by the TÁMOP 5.2.1. priority project on methodological background and programme monitoring for the extension of the programme for children opportunities, which is managed by Wekerle Sándor Fund Management from 1 August 2011, within a consortium</p>	

Measure	Content	Status and timing	Risks
		with the Hungarian Academy of Sciences and the Hungarian Maltese Charity Service.	
	<ul style="list-style-type: none"> • Programmes to assist the social integration of children and infants <p>The objective of this measure for increasing social integration is to make personal development, self awareness, socializing, conflict management, self assisting, community building, integration and talent spotting individual and group programmes (courses, therapies) and events available to children of school age and younger with disadvantages and their families.</p>	<p>The action plan was amended in 2011 because of bringing forward the financial framework for 2012 in the Central Hungarian Region and the satisfaction of the needs of published applications in 2010, meaning resource allocation.</p> <p>Based on 2010 publications 35 applications are supported, but further 10 applications will participate because of repeated evaluation after the complaints procedure. 450 million HUF will be reallocated to the TÁMOP 5.2.1. priority project on methodological background and programme monitoring for the extension of the programme for children opportunities.</p> <p>The next publication is expected at the second half of 2012. and the date of close at the second half of 2015.</p>	
	<ul style="list-style-type: none"> • The transformation of the regular child protection <p>The objective of the transformation planned from 2013 is to ensure financial aids to the most needy young children in a more regular form (monthly or every second month) instead of the present form (twice a year) by keeping the other allowances linked to regular child protection. The risk of poverty could be reduced in the case of 400,000 children through the reintroduction of regular child protection allowance and its efficient use.</p>	The implementation of the measure depends on further governmental decisions.	The system expected to be established after the transformation requires domestic resources according to the first appendix of the National Reform Programme.
	<ul style="list-style-type: none"> • "National Infant and Child Healthcare Programme" <p>The objectives of this programme are to direct attention to the situation of child healthcare and develop, modernise and make the infant and child healthcare supply system more transparent, effective and raise awareness of its importance.</p>	The periconceptual care protocol was prepared. The spread of Baby Friendly Hospital Initiative and the Baby Friendly Area Initiative prepared by the WHO and UNICEF are supported by the National Committee on Breastfeeding. The adolescent ambulance operates and a website was prepared for teenagers about health,	

Measure	Content	Status and timing	Risks
		diseases and life style. The website for the prevention of abuse started in July 2011. In the field of early childhood education and rehabilitation there was hold a training second time and there is a rehabilitation data base with the providers operated by the National Institute of Child Health.	
	<ul style="list-style-type: none"> • Programme for developing public education sports facilities The programme includes the following levels of public education: kindergartens, elementary and secondary education. The objective of the programme is to supplement the regionally harmonized infrastructure and contextual development of public education institutions and assist the implementation of educational and pedagogical programmes that are centred on sports or other physical activities and routine physical education by modernizing and upgrading sports centres and even creating new centres and premises if justified. 	<p>Progress of implementation according to the previously planned schedule.</p> <p>Resources: Budget of 2011 (Act CLXIX of 2012.): 36. § (1) additional resources for municipalities for developing or renovating public education sports facilities.</p> <p>The relevant call for application has been published, the applications evaluated and finally the dedicated sum increased.</p> <p>Further calls for applications have been published (4th quarter of 2011, 1st quarter of 2012) on the basis of the government's decision (nr. 1012/2011. (I.19.)) on the approval of 2011-13. Action Plans of ROP.</p>	Delay of publication of the calls for applications of the Regional Development Operational Programmes in the field of public edictaion infrastructure development
	<ul style="list-style-type: none"> • Study partnerships to improve employment By running the Hungarian Network of Open Learning Centres (NYI-TOK) and ensuring that their services motivate the unproductive members of society, developing core competencies, meeting economic and social challenges and raising employment rate the objective of the measure is to create local, civil partnerships with local church organizations to improve social acceptance of the disadvantaged and unproductive people. Creating and implementing the study and motivating programmes tailored to the needs of the unproductive groups are primarily to improve the following core competencies: language, counting, willingness to run enterprises and study, communication in Hungarian and competency development for sustainable living and local employment. 	The application was published in January 2012 and was open till March.	
Providing the safety of livelihood	<ul style="list-style-type: none"> • Surveying and modifying the regulatory system of housing sup- 	The measure carried out.	

Measure	Content	Status and timing	Risks
(Measure 31 of NRP of 2011)	<p>port</p> <p>Housing support ensures a continuous contribution to overheads so can potentially prevent people from going into arrears and financial housing problems from arising. Within the framework of the measure the number of those entitled to this support will increase by modifying the income limit. In addition to transforming the conditions of entitlement, priority is also given to targeted supplies promoting contributions-in-kind. A person whose household income per one unit of consumption does not exceed 250% of the old-age pension and whose other members of the household have no assets will be entitled to housing support.</p>	<p>Amendment of the Act III. 1993. social management and social services, with regard to conditions for housing support in accordance with the NRP 2011.</p> <p>The new rules apply in procedures starting from 31. 08. 2011.</p>	
	<ul style="list-style-type: none"> • Summer holiday hot meals for children <p>The objective of this measure is to provide an increasing number of children partaking in regular childcare protection benefits with at least one hot meal per day during the summer holidays. The legal basis for the measure is the decree of the Ministry for National Resources nr. 16/2011. (IV. 29.) on the rules of financing the municipalities when providing summer meals for children on social grounds.</p>	<p>The Program executed between 16.06.2011 and 31.08.2011., each participating municipality completed their accounting and monitoring obligations.</p> <p>The Program resulted in 136 000 children receiving one hot meal per day in the summer of 2011.</p>	<p>The available funds are only sufficient to provide meals for approximately 21,5% of the children concerned.</p>
	<ul style="list-style-type: none"> • School milk programme <p>Within the framework of the programme children in kindergartens and primary and secondary schools can get milk or dairy products (e.g. processed cheese) on a daily basis at the minimum. Legal basis: decree of the Ministry for Rural Development nr. 44/2010. (XII. 22.), on the rule of the school milk programme.</p>	<p>Delivery of the programme is continuous.</p> <p>Legal basis: decree of the Ministry for Rural Development nr. 44/2010. (XII. 22.), on the rule of the school milk programme</p>	
	<ul style="list-style-type: none"> • School fruit programme <p>The objective of the programme is to increase the vegetable and fruit consumption of children in long term and fight against obesity and excess weight by changing their eating habits. Through the programme, vegetable and fruit consumption may rise which can contribute to the stability of fruit and vegetable producers' revenues by increasing demand for vegetables and fruit. As a supplementary measure a programme that popularizes and educates on vegetable and fruit consumption and healthy nutrition will also be implemented. In the programme 1,774 primary schools are participating.</p>	<p>15.06.2011. Closing of the school fruit programme of 2010/2011 academic year. Participants: 732 primary schools, 296 students.</p> <p>06.06.2011. publication of the decree of the Ministry for Rural Development, nr. 51/2011. (VI. 6.) on the school fruit programme for 2011-2012 academic year.</p> <p>07.07.2011. Contracts between schools and suppliers, authorization by 5.09.2011.</p>	

Measure	Content	Status and timing	Risks
		19.09.2011 – 15.07.2012. Duration of the Programme – Academic year 2011/2012 Further steps: 31.01.2012. Strategy submitted to the European Commission 31.03.2012. EC decision about funds 05.2012. Ministry for Rural development decree for 2012/2013 09.2012. Start of programme	

Abbreviations: MNE = Ministry for National Economy, MI = Ministry of Interior, MND = Ministry of National Development, MNR = Ministry of National Resources, MPAJ = Ministry of Public Administration and Justice, MRD = Ministry of Rural Development

ANNEX 3: MACROECONOMIC INFLUENCES OF THE MEASURES OF THE CONVERGENCE PROGRAMME AND THE NATIONAL REFORM PROGRAMME

In order to quantify the long-term macroeconomic effects of the most important economic policy actions of the Government the QUEST III model developed by the European Commission was used as a basis. In order to prepare simulations accepted as valid also by the Commission, in the model those parameters were used that were calibrated by the experts of the Commission in accordance with the special characteristics of the Hungarian economy.

The joint influence of the following reforms, taxation changes is being examined:

- *Reform of higher education:* according to the assumptions, during a 20-year period the the proportion of people having scientific degrees will gradually increase from 4.4% to 6%. At the same time the proportion of other types of degrees will decrease.
- *Strengthening labour market incentives:* the period for the provision of the jobseeker benefit will be reduced to its one-third, in accordance with the Széll Kálmán Plan.
- *Reduction of administrative burdens:* in the simulation the administrative burdens on the production sector will be reduced by 50%, in accordance with the targets set in the Széll Kálmán Plan.
- *New Labour Code:* as a result of a more flexible labour market, there will be less distortion, and this is reflected in the model by a 1 percentage point reduction in the wage determining force of the household sector.
- *Reform of the taxation system:* The measures in connection with taxation were included in four distinct groups. The taxes on labour have been reduced primarily due to the changes in the personal income tax and the social security contributions. The taxes on consumption have increased, due to the increasing VAT and excise duties, as well as due to the new types of taxes. In the case of the financial transaction duty and the telecommunication tax, the expected tax income is shared by the companies and the households. In the second case it can be regarded as a tax on consumption. The change in the taxes on capital was a result of the sum of the reduced corporate tax and the increased tax on public utility services. The modelling of the new types of taxes as regards enterprises was difficult, since there are no such elements in the model. This cannot be directly related either to labour, or to capital. The effect of these elements can be approximated by increasing the variant named „entry costs”, raising the price of intermediate products.

On the following page you can view the results of the simulation given as percentage differences compared to the base level. The reform plan, in aggregate, increases Hungary's GDP significantly. Even on a one-year time horizon it increases the level of output by 2 percentage points. This influence is more pronounced over the entire time horizon, and over 20 years it exceeds 5.5 %. Primarily due to the increasing labour supply and demand the most important economic indicators will improve in a spectacular manner, consumption, investment, employment and net exports will also grow. The reduction of technology (TFP) is due to the new types of taxes that – although indirectly – have in this model an especially unfavourable effect on the R&D sector. In summary, it can be stated that as a result of the measures of the Széll Kálmán Plan the Hungarian economy will get on a higher growth level and it will improve its financing capacity.

Macroeconomic influences of Széll Kálmán Plan (differences in % from the basic track)

	Year						
	1.	2.	3.	4.	5.	10.	20.
GDP	2.18	3.64	4.33	4.63	4.74	4.99	5.66
Total Factor Productivity (TFP)	-0.23	-0.51	-0.73	-0.89	-1.00	-1.18	-1.02
Capital	0.05	0.17	0.31	0.46	0.62	1.29	2.13
Labour	0.36	2.50	3.72	4.26	4.47	4.58	4.71
- low level of education	2.79	6.84	9.85	11.74	12.76	13.18	13.03
- medium level of education	0.17	1.90	2.77	3.09	3.17	3.17	3.26
- high level of education	-2.96	0.01	1.38	1.60	1.49	1.24	0.48
Consumption	1.36	1.64	1.71	1.77	1.82	1.95	2.02
Investment	0.66	1.11	1.40	1.59	1.73	2.12	2.57
Gross real wage							
- low level of education	-6.56	-10.36	-12.29	-13.17	-13.56	-14.42	-15.70
- medium level of education	-5.13	-7.37	-8.15	-8.47	-8.72	-9.89	-10.79
- high level of education	-8.81	-12.15	-12.78	-13.11	-13.78	-18.26	-25.52
Exports	2.07	3.53	4.22	4.52	4.63	4.88	5.53
Imports	0.71	1.10	1.27	1.38	1.46	1.66	1.82

ANNEX 4: PUBLIC CONSULTATION OF THE MEASURES OF THE NATIONAL REFORM PROGRAMME

In connection with the National Reform Programme of 2011 a widespread public consultation (in the form of written opinions and a conference) on the entire programme was arranged about the determination of the objectives and the measures serving to achieve these objectives. The National Reform Programme of 2012 determines further measures in connection with the identified objectives.

An important part of the measures of the National Reform Programme of 2012 includes individual strategies and acts that had been preceded by the appropriate public consultation as required by law. Furthermore, in the case of measures included in EU programmes, in accordance with the procedural rules of EU supports, a public consultation is included in both the planning and the selection phases.

The rules for social contribution to the preparation of legal regulations are set forth in Act CXXXI of 2010. All acts, governmental decrees, ministerial decrees shall be subject to public consultation. Sharing of opinions should be made available via contact points provided on relevant web pages. Opinions should be also expressed directly by people, institutions and organisations invited by the minister responsible for drafting the legislation. The issuer of the legal regulation shall consider the opinions received and shall prepare a summary of them. If opinions are rejected then the reasoning for rejection should be also included in the summary. Summaries should be published on the relevant webpage together with the list of those who have expressed their opinions. Within the framework of direct opinion expression, the minister responsible for the preparation of the legal regulation or strategy can form strategic partnership agreements, with the help of which he/she can form a close cooperation with the organisations that are ready for mutual partnerships. Strategic partnerships can be formed among others with NGOs, professional and scientific organisations, churches or national minority self-governments.

The members of the Monitoring Committee shall in all cases receive the selection criteria of EU application schemes commenting. Action plans are commented by the Monitoring Committee, and parallel with the relevant governmental administrative consultation, it is made public on the relevant homepage where opinion can be expressed. In the following we provide a short description of the consultations made regarding each target areas.

In the area of employment policy the elaboration of the new Labour Code was based on the consultation with social partners. Formulating the development directions and legal framework of vocational education has also been performed in cooperation with social partners; the role of economic chambers in the practical implementation of the education has increased. The measures (strengthening of active labour policies, adult training programmes, measures aimed at balancing work and family life, and measures aimed at reducing unemployment among young people, development of the social economy, etc.) included and/or planned in the Social Renewal Operational Programme launched from EU funds all included the public consultation process. The National Economic and Social Council (NGTT), established pursuant to Act XCIII of 2011 is the highest forum of public consultation, in which employers' and employees' interest-representing organisations, as well as non-governmental organisations, churches and the representatives of sciences equally participate. The agenda of NGTT included among others the restructuring of adult education, as well as the tax benefits encouraging the employment of people in a disadvantaged situation. To perform the consultation of the issues related to employment and labour in February 2012 the Competitive Sector and the Government Standing Consultation Forum (VKF) has been established. This organisation – together with the NGTT – is a trilateral (government, employers' organisations, employees' organisations) consulting, proposal making and opinion expressing forum, participating in the preparation of the decision of the government directly affecting the strictly considered competitive sector.

Regarding research-development and innovation measures there have been regular consultations in connection with the changes in the application system with the economic operators (for example the R&D workgroup of the Investors' Council). Apart from that, significant consultation is in progress in connection with Horizon 2020. The basic Hungarian objective in connection with the Horizon 2020 programme is that the Hungarian applicants will be able to profit the most from the programme. This can be ensured amongst others by the widest possible involvement of the parties interested. An international consultation process has been launched, the start of which was marked by the inter-ministerial consultation held on 29 November 2011. On 9 February 2012, with the participation of two representatives of the European Commission the problems were discussed within the frames of a consultation held in a small group. This was followed by a national consultation. The closing event is expected to be held on 23 April, with the participation of the Hungarian Academy of Sciences.

Regarding the energy/climate objective the adoption of the National Energy Strategy 2030 and Hungary's 2nd National Energy Efficiency Action Plan was preceded by widespread public consultation, during which the civil participants agreed with the basic elements of the documents, and the professional proposals and remarks were incorporated as far as possible. From the support schemes related to this area the announcement of the New Széchenyi Plan Green Investment Scheme "Sub-Programme for Building Out a Solar Array System Facilitation the Utilisation of Renewable Energy Resources, the Preparation of Domestic Hot Water and Complementary Heating" and the New Széchenyi Plan Green Investment Scheme "Our home – Sub-Programme for Restoration and New Home Construction" was preceded by a public consultation, during which the opinions raised were taken into consideration during the finalisation of the calls for applications.